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Perspectives on Labour and Income

March 2007 online edition

The March 2007 online edition of *Perspectives on Labour and Income*, released today, features two articles.

"Literacy and employability" looks at the effect of literacy and numeracy skills on the employability and incomes of high school dropouts compared with graduates. Regression analysis based on the demographic characteristics and family backgrounds of early school leavers indicates that increasing proficiency in these skills significantly improves the probability of being employed, the number of hours worked, and income.

"GDP and employment growth" examines the slowdown of output growth relative to employment growth during 2006. The article finds that the situation has similarities with previous years and that most indications point to transitory factors dominating in the short term.

The March 2007 online edition of *Perspectives on Labour and Income*, Vol. 8, no. 3 (75-001-XWE, free), is now available from the *Publications* module of our website.

For more information, contact Henry Pold (613-951-4608; henry.pold@statcan.ca), Labour and Household Surveys Analysis Division.

Releases

Annual wholesale trade

2005

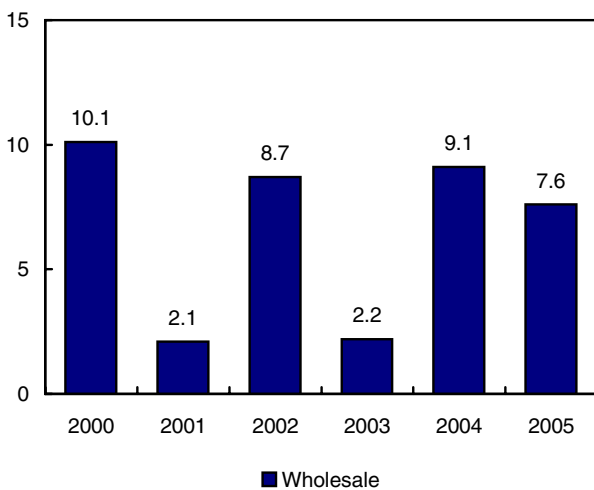
Wholesalers recorded another year of strong growth in operating revenues in 2005, thanks in large part to substantial back-to-back gains in the petroleum sector.

Operating revenues for wholesalers hit \$626.5 billion in 2005, up 7.6% from 2004. The rate of growth was slightly slower than the 9.1% increase in the previous year.

Between 2000 and 2005, the annual average growth rate in operating revenues was around 5.9%. Revenues have increased at a strong pace every year since the turn of the millennium, except for a slowdown in 2001 and 2003.

Wholesalers continued to record strong growth in operating revenue in 2005

% annual change



Wholesalers in the petroleum sector accounted for more than half the annual gain in the industry's total operating revenues in 2005.

Revenues of petroleum wholesalers surged 25.0% from 2004 to \$114.6 billion, largely the result of higher prices for crude oil. This increase came on the heels of a 29.5% gain the year before.

In 2005, petroleum wholesalers accounted for 18% of total industry revenues, the largest share among the industry's 17 groups. This proportion was up from 16% in 2004.

Note to readers

The information in this report is based on the North American Industry Classification System (NAICS).

Gross margin is obtained by subtracting the cost of goods sold from the total operating revenue. The ratio is expressed as a percentage of total operating revenue. This measure is also known as the return on sales.

Operating profit is obtained by subtracting the total operating expenses plus the cost of goods sold (opening inventory plus purchases and direct cost minus closing inventory) from the total operating revenue. The ratio is expressed as a percentage of total operating revenue.

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

The strong performance in the petroleum group largely offset slower growth in two other groups (metal products and lumber) where revenues had recorded strong double-digit increases in 2004. Furthermore, revenues of motor vehicle wholesalers, the third largest wholesale group, fell again in 2005.

Canada's wholesale industry accounts for about 6.4% of economic output as measured by gross domestic product.

A number of economic factors had an impact on total wholesale trade in Canada in 2005. Canadian wholesalers benefited tremendously from a gain in exports, which rose 5.6% despite a stronger Canadian dollar. Although this was slower than the pace in 2004, energy exports recorded the strongest growth among all export products in 2005.

In addition, imports increased by 6.8% in 2005. This followed a 6.1% gain in 2004. Wholesalers bring in a large proportion of all imported products. For the second consecutive year, the higher dollar meant more investment in foreign machinery and equipment, as well as higher Canadian demand for products from abroad.

The wholesale sector's growth reflects globalization in other respects as well. As Canadian manufacturing operations relocate abroad, many wholesalers-distributors have been forced to adapt to a much different operating environment.

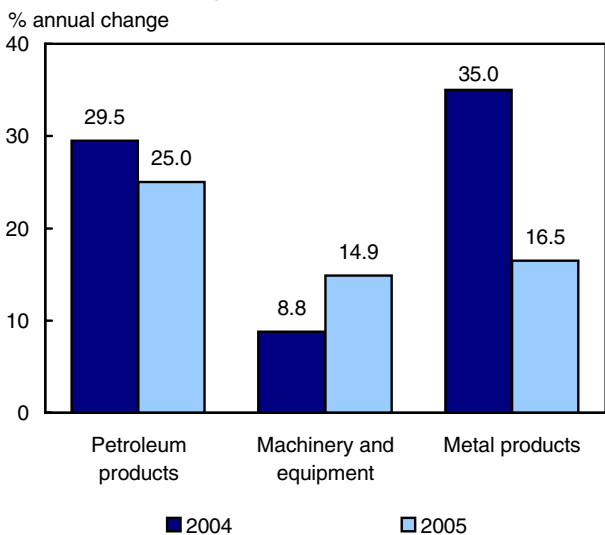
To provide goods and services to their clients, many of these wholesalers have had to take on outsourcing responsibilities, and to manage much more complex logistics and warehousing activities. These additional functions have contributed to the sector's growth and increased its importance to the economy.

Most wholesale groups post gains

Gains in operating revenue were posted by 12 of 17 industry groups, accounting for about 81% of total revenues. The only groups to record declines were farm products, alcohol and tobacco, motor vehicles, lumber and millwork, and agents and brokers.

In addition to wholesalers of petroleum products, operating revenues of wholesalers of metal products, who are important in construction, increased 16.5% in 2005; however, that was only half their rate of growth the year before. The slump in steel prices that began in 2005 following China's entry into the export market was offset in part by strong demand resulting from numerous investments in non-residential construction in Western Canada.

Wholesalers of petroleum, machinery and equipment and metal products bolstered the wholesale industry



Wholesalers of machinery and equipment recorded revenues of more than \$47.7 billion, up 14.9% from 2004. This was the fourth consecutive annual increase. Since 2003, the strong Canadian dollar translated into lower prices for imports, with Canadian business substituting less expensive foreign products for goods made in Canada.

For the motor vehicle group, it was the third annual decline in a row. Its revenues fell 2.0% from 2004 to \$72.4 billion. The motor vehicle group accounted for 12% of total revenues in 2005, down from about 13% the year before.

Apart from petroleum, wholesalers of metal products and lumber and millwork were the major

contributors to the total increase in revenue in 2004 with increases of 35.0% and 17.7% respectively. In 2005, both experienced a slowdown.

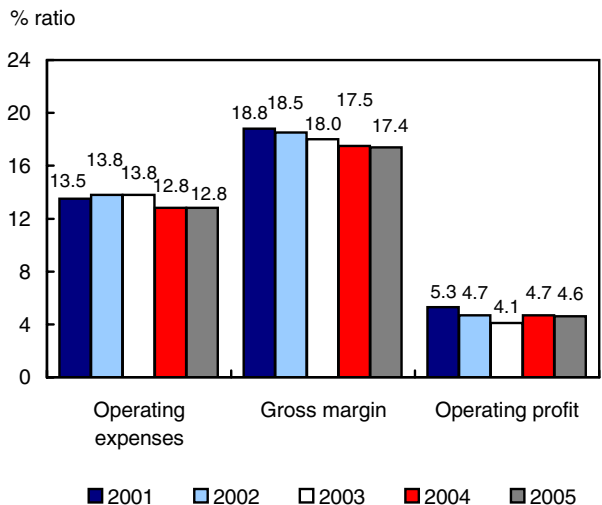
After recording the strongest growth over the last three years in 2004 (+17.7%), revenues for wholesalers in the lumber and millwork group slipped 0.3% to \$14.4 billion. Part of the slowdown was due to lumber prices, which fell by about 8.6%. Meanwhile, the Canada Mortgage and Housing Corporation reported a decrease in housing starts in 2005. In addition, lumber exports fell 9.7%. Wholesalers account for nearly one-third of exports of lumber products.

Wholesale gross margin edges down

The gross margin as a proportion of operating revenue for all wholesalers edged down from 17.5% in 2004 to 17.4% in 2005. The growth in gross margin reveals the extent to which wholesalers manage to increase revenues while paying the lowest prices for merchandise they purchase for resale.

With the exception of agents and brokers, who by definition do not take title of the goods they resell, 11 of the 16 remaining trade groups posted higher gross margins than the national average (17.4%). In particular, wholesalers of apparel (33.3%), office and professional equipment (32.9%), household and personal goods (28.5%) and motor vehicle parts and accessories (27.1%) posted higher gross margins.

The ratio of operating expenses, gross margin and operating profit to total operating revenue over the last five years



Operating profit margin slightly lower in 2005

Overall operating profit margins for wholesalers as a percentage of total operating revenue declined from 4.7% a year earlier to 4.6% in 2005. Gains were, however, recorded for wholesalers of apparel, alcohol and tobacco products and other products.

Despite these increases, some major wholesale industries did not fare as well in 2005 as in 2004. These included agents and brokers, metal products, lumber and millwork and pharmaceutical products industries.

Available on CANSIM: table 081-0005.

Definitions, data sources and methods: survey number 2445.

For general information or to order data, contact Client Services (613-951-3549; toll-free 1-877-421-3067; wholesaleinfo@statcan.ca).

For additional information, or to enquire about the concepts, methods or data quality, contact Pierre Desjardins (613-951-9682), Distributive Trades Division.

**Wholesale trade
2005**

Trade group	Operating revenues	Gross margin	Operating profit	Operating expenses	Operating revenues 2004 to 2005
	\$ millions				% change
Farm products	18,244	2,188	732	1,456	-4.3
Petroleum products	114,591	5,020	2,337	2,683	25.0
Food products	79,670	12,194	3,213	8,982	2.1
Alcohol and tobacco products	7,559	1,653	1,006	647	-2.7
Apparel	9,609	3,204	743	2,461	8.5
Household and personal goods	30,641	8,724	1,153	7,571	5.9
Pharmaceutical products	30,790	5,575	1,332	4,243	7.2
Motor vehicles	72,387	5,914	1,781	4,132	-2.0
Motor vehicle parts and accessories	19,227	5,204	1,506	3,699	1.9
Building supplies	46,411	11,634	2,858	8,776	10.8
Metal products	17,320	3,115	967	2,148	16.5
Lumber and millwork	14,359	1,754	599	1,155	-0.3
Machinery and equipment	47,735	11,297	2,457	8,840	14.9
Computers and other electronics	30,065	6,499	1,602	4,897	4.1
Office and professional equipment	21,245	6,991	1,290	5,701	3.2
Other products	59,849	13,550	3,474	10,076	4.5
Total merchants	619,702	104,516	27,050	77,467	7.7
Agents and brokers	6,834	...	1,685	2,487	-3.8
Total, wholesale trade	626,536	104,516	28,735	79,954	7.6

... not available



Social Policy Simulation Database and Model

The Social Policy Simulation Database and Model (SPSD/M), Version 14.2 based on 2002 microdata, is now available. The most recent SPSPD/M can be used to study the impacts of changes to federal and provincial tax and benefit programs on families and governments from 1991 through 2012.

The SPSPD/M is a static microsimulation model. It is comprised of a database, a series of tax/transfer algorithms and models, analytical software and user documentation. The SPSPD/M has been produced as an occasional product starting in 1985. It has been in wide use by policy analysts in Canada studying virtually every change to the tax and transfer system since that time.

The SPSPD/M is a tool designed to analyze the financial interactions of governments and individuals/families in Canada. It allows estimation of the income redistributive effects or cost implications of changes in the personal taxation (including GST and other commodity taxes) and cash transfer system. The SPSPD/M assists researchers examining the potential impacts of changes in taxes, earnings, demographic trends, and a wide range of other factors.

The SPSPD/M allows us to answer "what-if" types of questions. What if there were changes to the taxes Canadians paid or transfers they received — who would gain and who would lose? Would single parent households in a particular province be better off? By how much? How much extra money would federal or provincial governments collect or pay out?

Definitions, data sources and methods: survey number 3889.

The *Social Policy Simulation Database and Model*, Version 14.2 (89F0002XCB, \$5,000/\$12,500) is now available on CD-ROM. See *How to order products*.

For more information, to order a copy or to enquire about the concepts, methods or data quality of this release, contact Chantal Hicks (613-951-3774; spsdm@statcan.ca), Socio-economic Analysis and Modeling Division. ■

Annual Survey of Commercial and Industrial Machinery and Equipment Rental and Leasing

2005

New business investment generates demand for machinery and equipment, some of which is leased or rented rather than purchased. As a result, the commercial and industrial machinery and equipment

rental and leasing industries reported \$5.9 billion in operating revenues in 2005, up 5.1% from 2004.

Two-thirds of the commercial and industrial machinery and equipment rental and leasing industry group consists of businesses that rent and lease out capital intensive equipment such as bulldozers, earthmoving equipment, mining machinery and oil field equipment. Robust activity in the energy and mining sectors stimulated demand for such types of machinery and equipment. Indeed, as reported in the 2007 Survey of Capital and Repair Expenditures, investment in machinery and equipment climbed 8% in 2005, the most rapid growth since 1997.

Revenue from rental and leasing generated 72% of the commercial and industrial machinery and equipment rental and leasing industry's total revenues, followed by sales of merchandise (15%) and labour charges for the provision of repair and maintenance services (4%).

The industry's operating profit margin edged up to 14.0% from 12.6% in 2004, despite a 7.7% increase in salaries, wages and benefits. Labour expenses comprised almost one-quarter of total costs in 2005. A shortage of skilled labour continues to affect the industry, particularly the type needed for resource development in the West.

The market share of the industry's 20 largest firms grew to 36% of the industry's total operating revenues in 2005, up two percentage points from 2004. The industry's largest 20 firms not only expanded more rapidly than their smaller counterparts, they were also more profitable. In 2005, the industry's 20 largest firms had an operating profit margin of 19.7%, nearly double the 10.8% recorded for the rest of the industry.

Results from the 2005 Annual Survey of Commercial and Industrial Machinery and Equipment Rental and Leasing (and revised 2003 and 2004 data) are now available. Previous year figures have been revised to reflect more accurate coverage of the target population, based on information received in the current reference year.

The financing arm of the commercial and industrial machinery and equipment rental and leasing industry is excluded from this survey.

Available on CANSIM: table 352-0009.

Definitions, data sources and methods: survey number 2441.

For more information, or to enquire about the concepts, methods or data quality of this release, contact Daphne Bennett (613-951-3429, fax: 613-951-6696 daphne.bennett@statcan.ca), or Candace Brookbank (613-951-5239, fax: 613-951-6696, candace.brookbank@statcan.ca), Service Industries Division. ■

New products

Work Absence Rates, 2006
Catalogue number 71-211-XWE
 (free).

All prices are in Canadian dollars and exclude sales tax. Additional shipping charges apply for delivery outside Canada.

Perspectives on Labour and Income, March 2007,
 Vol. 8, no. 3
Catalogue number 75-001-XWE
 (free).

Catalogue numbers with an -XWE, -XIB or an -XIE extension are Internet versions; those with -XMB or -XME are microfiche; -XPB or -XPE are paper versions; -XDB or -XDE are electronic versions on diskette; -XCB or -XCE are electronic versions on compact disc; -XVB or -XVE are electronic versions on DVD and -XBB or -XBE a database.

Social Policy Simulation Database and Model, 1991 to 2012 (Version 14.2)
Catalogue number 89F0002XCB
 (various prices).

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The Daily
 Statistics Canada

Thursday, June 5, 1997
 For release at 8:30 a.m.

MAJOR RELEASES

- **Urban transit, 1995** 2
Discusses the importance of taking urban transit, Canadians are using it less and less. In 1996, each Canadian took an average of about 40 trips on some form of urban transit, the lowest level in the past 25 years.
- **Productivity, hourly compensation and unit labour cost, 1995** 4
Current productivity among Canadian businesses has steadily risen since 1990, accompanied by significant gains in employment and slow economic growth during the year.

OTHER RELEASES

- **High-wind index, May 1997** 3
- **Structure Expectations Survey** 2
- **Steel primary forms, week ending May 31, 1997** 12
- **Egg production, April 1997** 12

PUBLICATIONS RELEASED 11

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Release dates: March 26 to 30, 2007

(Release dates are subject to change.)

Release date	Title	Reference period
26	The comparative level of GDP per capita in Canada and the United States: A decomposition into labour productivity and work intensity differences	1994 to 2005
27	Annual retail store and annual retail chain surveys	2005
27	Study: Religious transitions across generations	2002
27	Employment Insurance	January 2007
29	National tourism indicators	Fourth quarter 2006
30	Industrial product and raw materials price indexes	February 2007
30	Gross domestic product by industry	January 2007
30	Payroll employment, earnings and hours	January 2007
