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Releases

Study: Business entry and exit rates in Canada: A 30-year perspective 2

Survey of Innovation and Business Strategy, 2012 5

Milled wheat and wheat flour produced, June 2014 7

New products and studies 8



Releases

Study: Business entry and exit rates in Canada: A 30-year perspective

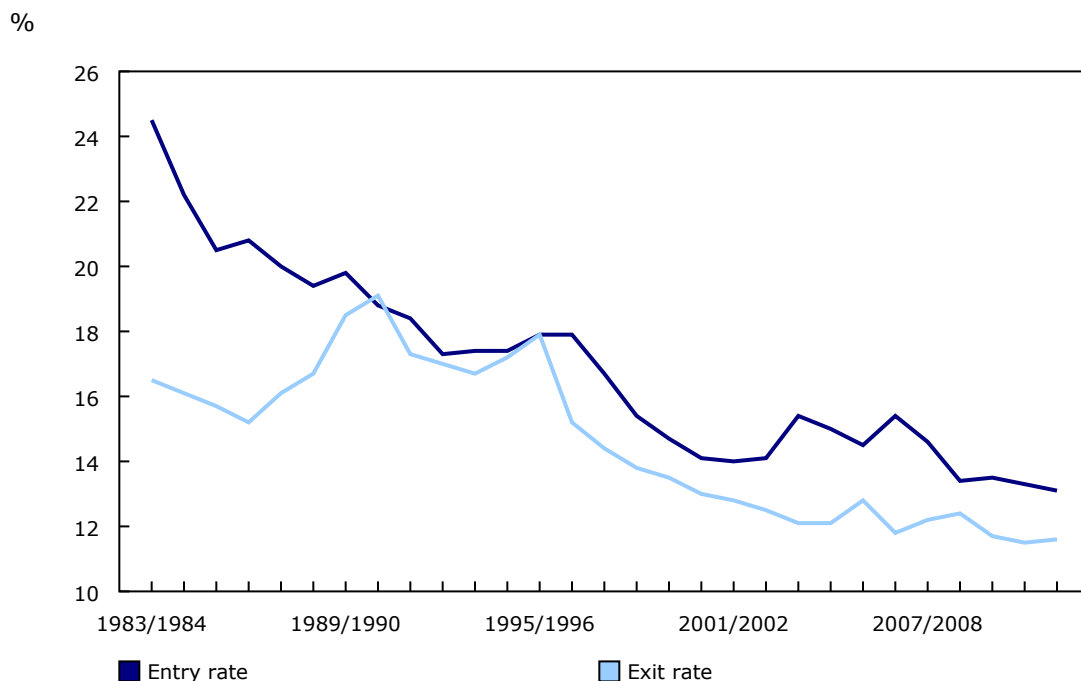
The rate at which businesses both entered and exited industry in Canada fell between 1983/1984 and 2011/2012, according to a new study. The entry rate, the number of entrants divided by the population of all active firms, declined over the study period, falling from 24.5% to 13.1%. The exit rate, the number of firms leaving an industry relative to the sector's total population, also declined, falling from 16.5% to 11.6%.

The study focused on firm entry and exit rates, which illustrate one aspect of the dynamism that is essential to a well-functioning economy. The entry of new firms is a source of productivity growth and technology adoption, while exits remove less productive firms. Other measures of dynamism, such as employment re-allocation, were not examined. As a result, even though entry and exit rates in Canada declined over the last three decades, this does not suggest that Canada's economy has become less dynamic overall.

The study, based on a new set of experimental, linked data, revealed that the largest differences between entry and exit rates occurred in the 1980s, when entry rates declined but exit rates increased. The entry rate declined by 5.7 percentage points between 1983/1984 and 1990/1991, while the exit rate increased by 2.6 percentage points. Over subsequent decades, both entry and exit rates declined.

By 1995/1996, a more stable difference between entry and exit rates had been established. The difference averaged 1.98 percentage points between 1996/1997 and the end of the study period in 2011/2012.

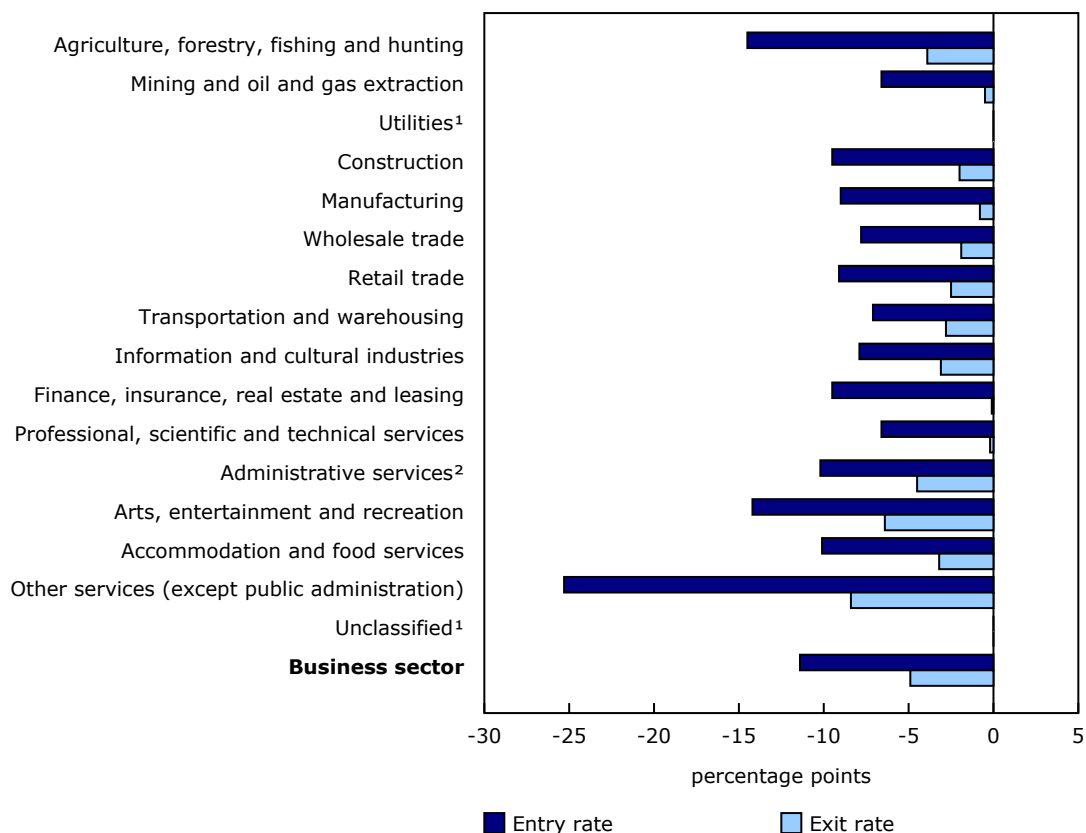
Chart 1
Business sector entry and exit rates, 1983/1984 to 2011/2012



Note(s): The author's calculations are based on data from the Longitudinal Employment Analysis Program.

Declines in entry and exit rates were widespread across industries. From 1983/1984 to 2011/2012, entry rates in many industries declined by between 7 and 11 percentage points, while exit rates declined by between 2 and 7 percentage points. These were similar to the magnitude of the overall decline found in the business sector over the 30-year period examined.

Chart 2
Change in entry rate and exit rate by industry, 1983/1984 to 2011/2012



1. Data too unreliable to be published.

2. Administrative and support, waste management and remediation services.

Note(s): The author's calculations are based on data from the Longitudinal Employment Analysis Program.

Note to readers

The business sector is defined as all firms excluding those in North American Industrial Classification System (NAICS) 61 (education), NAICS 62 (health care and social services) and NAICS 91 (public administration). Estimates for NAICS 22 (utilities) were not deemed to be of sufficient quality for publication at this time.

Estimates of entrants and exits are based on two-year intervals. An **exit** is a firm present in a given year that is not present in the following year. An **entrant** is a firm present in a given year but not present in the preceding year. Active firms in a given year are those present that year. Because the number of firms differs between years (unless the number of exits and entrants is equal), no natural base is available against which to compare entrants and exits. Consequently, the number of firms used to calculate the entry and exit rates is the average of the active firm population between two given years. This use of two-year intervals is expressed in the text and charts by representing the two years used to calculate entry rates and exit rates as $Y(t)/Y(t+1)$. The first set of estimates uses the years 1983 and 1984, and is thus reported as 1983/1984.

Definitions, data sources and methods: survey number 8013.

Available in CANSIM: tables 527-0001 to 527-0006.

The research paper "Business Entry and Exit Rates in Canada: A 30-year Perspective," part of *Economic Insights* (11-626-X), is now available from the *Browse by key resource* module of our website under *Publications*.

Similar studies are available in the [Update on Economic Analysis](#) module of our website.

Experimental estimates for 2013 are also available. To obtain these estimates, contact Robby Bemrose (613-951-2617; robby.bemrose@statcan.gc.ca), Economic Analysis Division.

For more information, contact us (toll-free 1-800-263-1136; 514-283-8300; infostats@statcan.gc.ca).

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Survey of Innovation and Business Strategy, 2012

Canadian enterprises focus on business strategies

Canadian enterprises use various performance indicators to monitor their long-term strategic objectives. In 2012, sales and income growth was the most common performance indicator, with 76.7% of enterprises using it, followed by gross margin and operating margin growth (60.2%).

In 2012, medium-sized (79.8%) and small (76.2%) enterprises used sales and income growth as their principal indicator to measure their long-term strategic objectives. In contrast, large enterprises were more apt to apply two principal performance measures: gross margin and operating margin growth (78.0%) and sales and income growth (77.4%).

With respect to their strategic focus, Canadian enterprises directed their efforts on maintaining or optimizing their existing business activities rather than on introducing new or significantly improved products or practices (management, operations and marketing) in 2012.

Table 1
Strategic focus of Canadian enterprises business activities, all surveyed industries, 2012

	Maintaining or optimizing business activities	Introduction of new or significantly improved business activities	Do not know
	%		
Products (goods or services)	71.4 ^A	21.2 ^A	7.4 ^A
Organizational or management practices (long term)	65.0 ^B	29.3 ^A	5.7 ^A
Operational activities (long term)	60.2 ^B	34.4 ^B	5.4 ^A
Marketing practices or methods (long term)	53.6 ^B	33.5 ^B	13.0 ^A

A very reliable (standard error between 0% and 2.49%)

B reliable (standard error between 2.50% and 7.49%)

Note(s): Survey of Innovation and Business Strategy (SIBS) 2012 estimates are provided as percentages accompanied by quality indicators. Data quality indicators are based on the standard error (SE) and number of observations in the estimates. Quality indicators for SIBS are the following: A is very reliable (SE between 0% and 2.49%); B is reliable (SE between 2.50% and 7.49%); E is use with caution (SE between 7.50% and 14.99%); and F is too unreliable to be published (SE greater than or equal to 15.00%).

Canadian enterprises estimated that 58.1% of their total sales of their highest selling good or service came from their local market in 2012. Small enterprises (60.7%) had the highest propensity of relying on local markets in terms of percentage of sales of their highest selling product, followed by medium-sized (51.4%) and large (31.8%) enterprises.

In 2012, 90.2% of enterprises in surveyed services industries concentrated sales of their highest selling good or service in Canadian markets—locally, provincially or in other provinces.

Three-quarters of the total sales of Canadian manufacturers' highest selling good or service came from within Canada. In contrast, half of the total sales of the highest selling product of large manufacturing enterprises came from markets outside of Canada.

Business strategy module: Data availability

Additional data on business strategy from the Survey of Innovation and Business Strategy are now available in CANSIM for 2009 and 2012. Tables on business strategies and monitoring, production performance management practices, human resource management practices and highest selling good or service and main market are available by region, enterprise size and for detailed industry groups.

Available in CANSIM: tables 358-0304 to 358-0335.

Tables 358-0304 to 358-0311: Business strategies and monitoring.

Tables 358-0312 to 358-0318: Production performance management practices.

Tables 358-0319 to 358-0323: Human resource management practices.

Tables 358-0324 to 358-0335: Highest selling good or service and main market.

Definitions, data sources and methods: survey number 5171.

For more information, contact us (toll-free 1-800-263-1136; 514-283-8300; infostats@statcan.gc.ca).

To enquire about the concepts, methods or data quality of this release, contact Louise Earl (613-951-2880) or Marc Nadeau (613-951-3692), Investment, Science and Technology Division.

Milled wheat and wheat flour produced, June 2014

Data on milled wheat and wheat flour produced are now available for June.

Available in CANSIM: table 001-0044.

Definitions, data sources and methods: survey numbers 3403 and 3443.

For more information, or to enquire about the concepts, methods or data quality of this release, contact us (toll-free 1-800-263-1136; 514-283-8300; infostats@statcan.gc.ca) or Media Relations (613-951-4636; mediahotline@statcan.gc.ca).

New products and studies

New products

Retail Trade, June 2014, Vol. 86, no. 6
Catalogue number 63-005-X (HTML | PDF)

New studies

Economic Insights: "Business Entry and Exit Rates in Canada: A 30-year Perspective", No. 38
Catalogue number 11-626-X2014038 (HTML | PDF)



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