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A profile of businesses in rural Canada, 2017 to 2019



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A profile of businesses in rural Canada, 2017 to 2019

by Mahdia Khodja, Eric Baxter, and Haaris Jafri

Highlights

- In 2019, the country's rural areas were home to 312,500 small-sized businesses, accounting for 15.4% of Canadian small businesses, as well as to 7,500, or 14.5%, of the country's medium-sized businesses. When seen against the backdrop of the 16.3% share of the Canadian population living in rural areas at the turn of the decade, these shares point to the relative vitality of the rural economic scene.
- Nevertheless, between 2017 and 2019, the numbers of both small and medium businesses increased at a slower rate in the country's rural areas than in its urban areas. Rural small business counts grew 2.3% over this period, while in urban areas, small businesses counts increased 7.5%. For medium businesses, the gap in the growth rates of business counts over this period was narrower, with growths of 7.9% in rural areas and 8.5% urban areas.
- Small and medium businesses in rural areas generated, respectively, 17.1% (\$139,300 million) and 14.2% (\$69,300 million) of the revenues of all businesses in Canada in their respective size class in 2019.
- This analysis is based on a new Statistics Canada product, the Rural Canada Business Profiles (RCBP), released on March 11, 2022. The RCBP is a database built from business tax returns filed with the Canada Revenue Agency. With a theme of classification by rural and urban areas, the first version of the RCBP provides data for three years, starting 2017 and ending 2019. Future updates of the RCBP are expected to be produced on an annual basis. The RCBP is an analytical tool that will provide insights on trends and transformations in the rural business environment as the economy enters the post-pandemic period.

Introduction

At the turn of the decade, approximately 16.3% % of Canadians, or 6.1 million people, were residing in rural communities.¹ Rural areas were the workplace for 13.7% of employed Canadians, or 2.6 million persons.² Compared to these proportions, rural areas were the location for 15.4% of all small businesses in Canada, or 312,500 small businesses, as well as 14.5% of the country's medium size businesses, or 7,500 businesses.³

The understanding of rural business conditions has been the focus of recent analysis.⁴ The pandemic may have lasting impacts on businesses as some of the trends it has set in place are reinforced going forward. An example is a shift to teleworking in many industries and occupations and the related trend of higher demand for rural residential and business properties as the need for being in proximity to employment locations situated in urban areas was reduced. This analysis can serve as a baseline for the understanding of ongoing and future trends.

This article uses data from the first release of Statistics Canada's Rural Canada Business Profiles Database (RCBP).⁵ The RCBP contains data that present a profile of small and medium businesses in rural and urban Canada for the three years from 2017 to 2019. The RCBP is based on business tax returns filed with the Canada Revenue Agency. The RCBP is expected to be updated annually as new tax records become available.

Small and medium businesses in rural areas generated respectively 17.1% (\$139,300 million) and 14.2% (\$69,300 million) of revenues of all businesses in Canada in their respective size category in 2019.

Between 2017 and 2019, the numbers of both small and medium businesses increased at a slower rate in the country's rural areas than its urban areas. Rural small business counts grew 2.3% over this period, while in urban areas, small businesses counts increased 7.5%. For medium businesses, the growth rates of business counts over this period were similar, with growths of 7.9% in rural areas and 8.5% urban areas.

1. Statistics Canada. (2022). [Population estimates, July 1, by census metropolitan area and census agglomeration, 2016 boundaries.](#)

2. Statistics Canada. (2021). [Employment and unemployment rate, annual.](#)

3. See the Definitions section below for definitions of rural areas, small businesses, medium businesses, industries, and incorporation status.

4. See, for example, [The outlook of rural businesses, fourth quarter of 2021.](#)

5. See the Methodology section below.

In terms of incorporation status of rural small businesses in 2019, 36.6% were unincorporated, while 63.4% were incorporated. These proportions were relatively similar for urban small businesses (37.9% unincorporated and 62.1% incorporated).

Small business counts in rural areas grow at one-third the rate seen in urban areas from 2017 to 2019

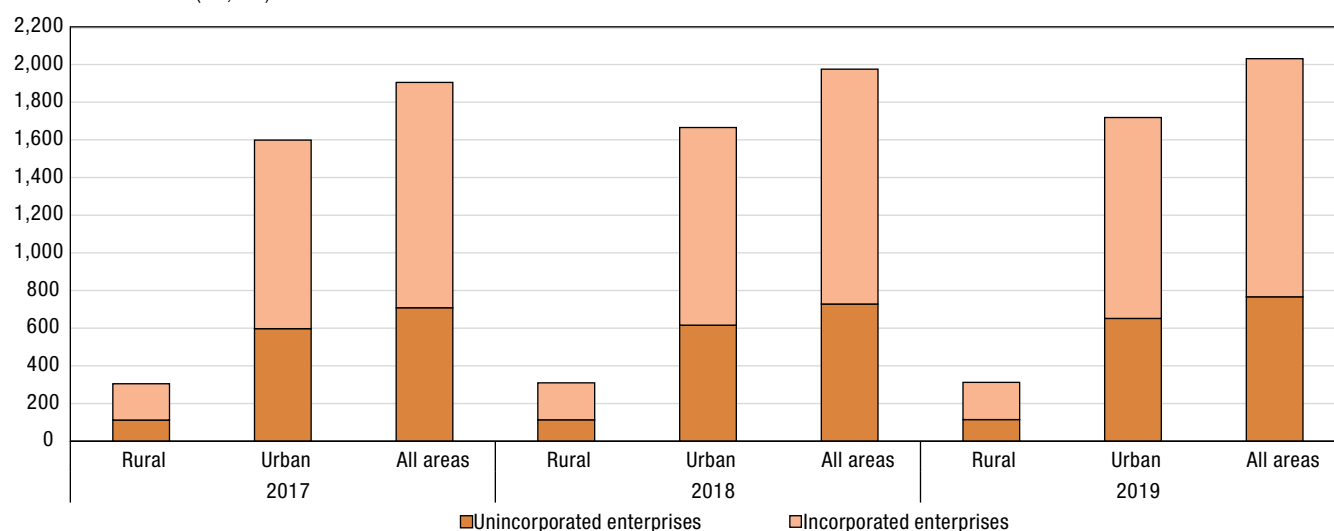
Between 2017 and 2019, rural small business counts rose from 305,300 to 312,500, a 2.3% increase, while urban small business counts went from 1.6 million to 1.7 million, representing a 7.5% increase (chart 1). This difference in the growth rates in counts resulted in the share of rural small business counts decreasing over this period from 16.0% to 15.4% of small businesses in Canada. This mirrored a migration of Canadians out of rural areas between 2017 and 2019, a period that saw the proportion of Canadians living in rural areas declining from 16.6% to 16.3%.⁶

In 2019, about two-fifths (37.7%) of both rural and urban small businesses were unincorporated, while three-fifths (62.3%) were incorporated. Relative shares were similar in 2017 and 2018.

Chart 1

Counts of small businesses, all industries,¹ Canada, by rural and urban areas and incorporation status, 2017-2019

counts of businesses (x 1,000)



1. All industries refers to all industries except: finance and insurance; and, public administration.

Source: Statistics Canada, Rural Canada Business Profiles, 2017-2019.

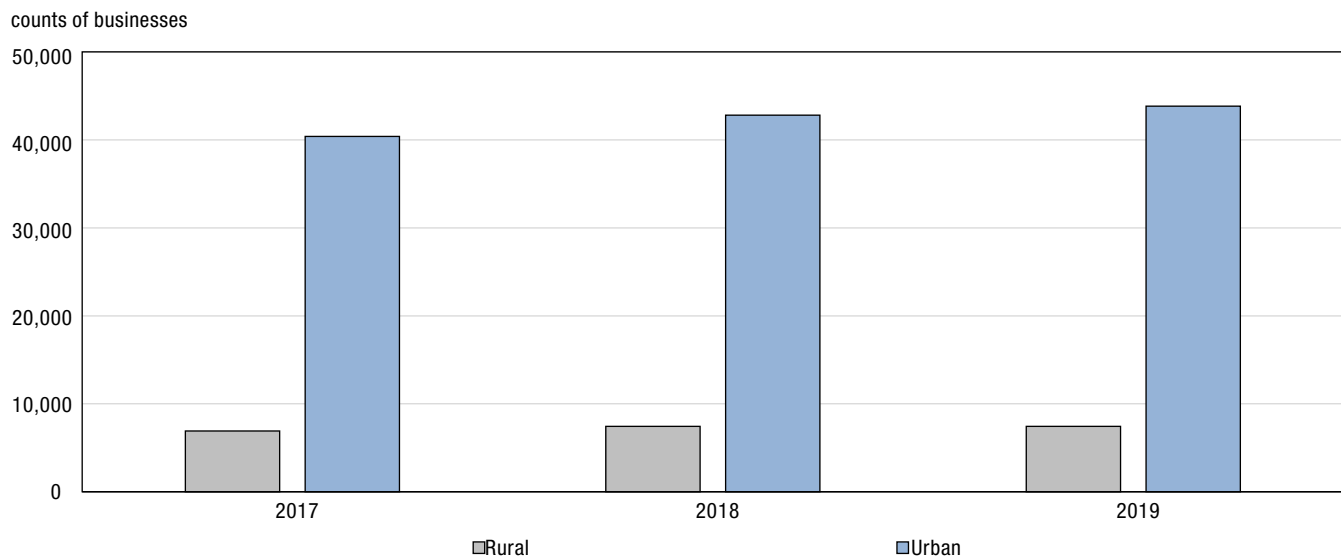
6. Statistics Canada. (2022). [Population estimates, July 1, by census metropolitan area and census agglomeration, 2016 boundaries](#).

Rural medium business counts grew slower than those of urban counterparts

Between 2017 and 2019, the counts of rural medium businesses in Canada increased 7.9% from 6,900 to 7,400, while the number of urban medium businesses increased 8.5% from 40,400 to 43,800 (chart 2). The growth rates of medium business counts were higher for both rural and urban regions when compared to the corresponding rates for small businesses (2.3% and 7.5%, respectively). Hence, rural business count growth rates trailed those of their urban counterparts for both small and medium businesses, nonetheless the rural-urban differential was lower for medium businesses.

The share of rural medium business counts was 14.5% of the country's total count for medium-sized businesses in 2019.

Chart 2
Counts of medium businesses, Canada, all industries,¹ by rural and urban areas, 2017-2019



1. All industries refers to all industries except: finance and insurance; and, public administration.

Source: Statistics Canada, Rural Canada Business Profiles, 2017-2019.

Small business average revenues higher in rural areas

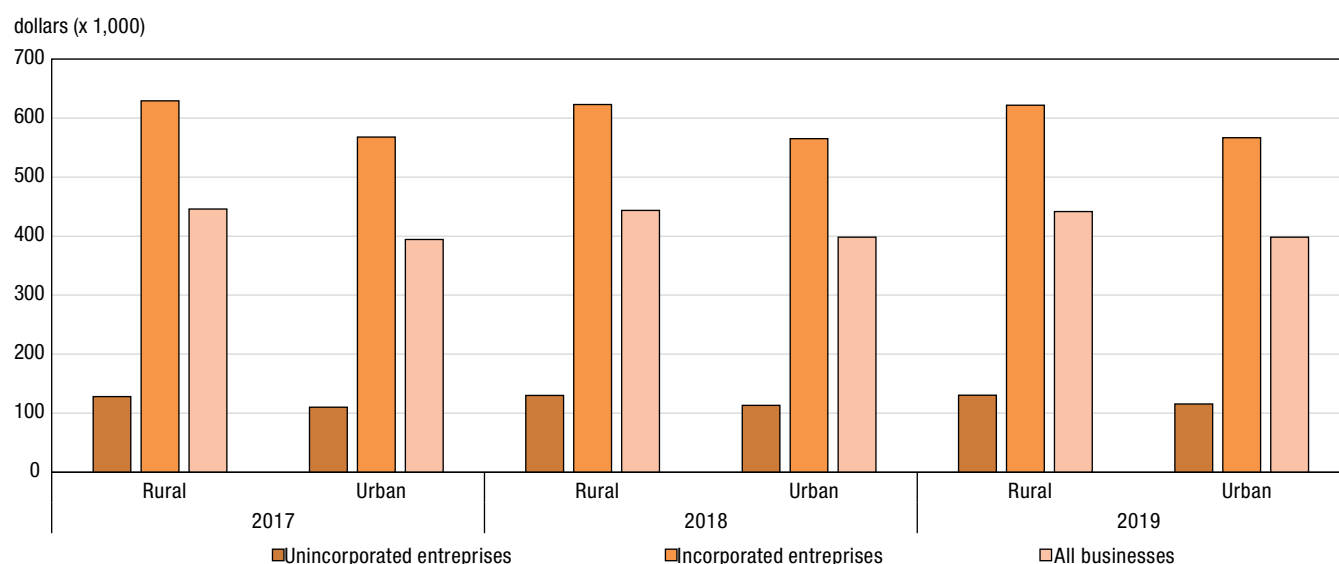
Rural small businesses on average brought in higher revenues than urban small businesses (chart 3). Over the three years from 2017 to 2019, rural small businesses brought in average yearly revenues of \$443,700, which was 11.8% more than the \$396,900 average for urban areas.

Between 2017 and 2019, rural small business average annual revenues increased by 1.0% over the same period. For urban small businesses, average annual revenues decreased 1.0% over this period.

Average revenues for rural small businesses that were incorporated were \$622,100 in 2019, while for unincorporated businesses, this figure was \$130,500. The corresponding values for urban small businesses were lower at \$566,900 for incorporated and \$115,400 for unincorporated businesses.

Chart 3

Average annual revenues of small businesses, Canada, all industries,¹ by rural and urban areas, 2017-2019



1. All industries refers to all industries except: finance and insurance; and, public administration.

Source: Statistics Canada, Rural Canada Business Profiles, 2017-2019.

Rural small businesses had higher average annual revenues in 2019 than urban counterparts in a majority of provinces as well as in Yukon and Northwest Territories.⁷ However, in the four Atlantic Provinces, as well as in British Columbia, it was small urban businesses that had higher average revenues in 2019. Among provinces, the highest values for average revenues for rural small businesses were in Saskatchewan (\$517,800) and Manitoba (\$508,800), while the lowest were in Newfoundland and Labrador (\$374,700) and British Columbia (\$382,800). Nunavut rural small businesses had the highest average revenues (\$678,400) among territories, while Yukon had the lowest values (\$534,800).

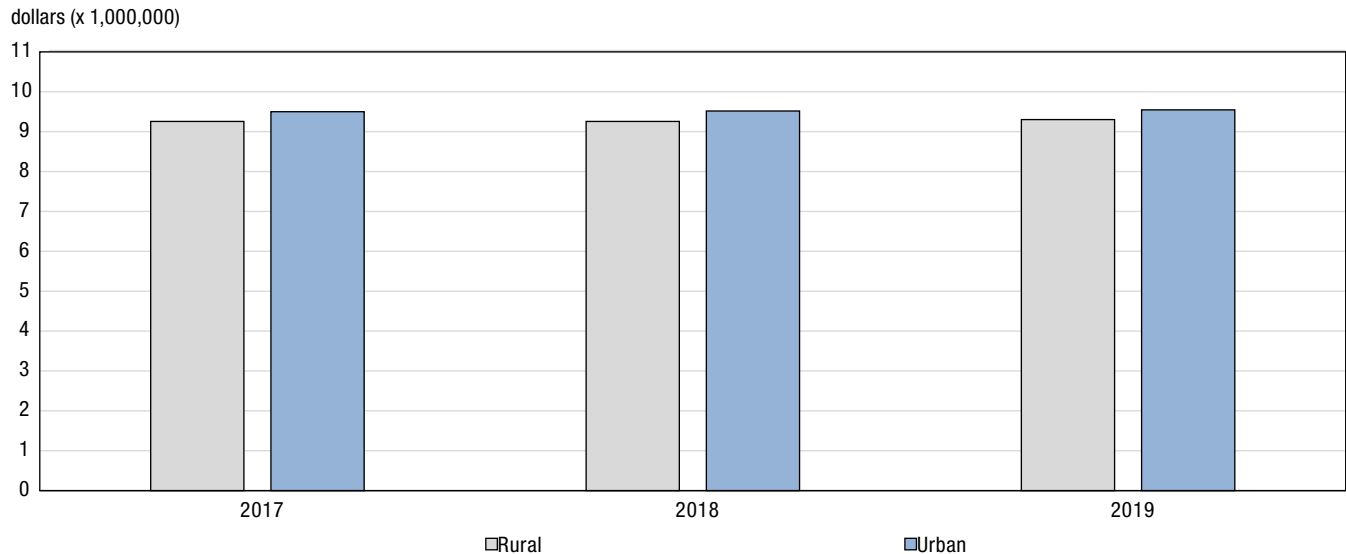
7. According to the definition used in this article, Nunavut does not have any urban areas. See the Definitions section below.

Businesses in rural and urban settings had similar average revenues

In the three years from 2017 to 2019, the average annual revenues for rural medium businesses were \$9.3 million, while for urban medium businesses, this figure was \$9.5 million (chart 4). This is a contrast to the case for small businesses, for which rural businesses had higher average annual revenues over this period (\$443,700) than their urban counterparts (\$396,900).⁸ Both rural and urban medium businesses had an increase of about 0.5% in their average annual revenues between 2017 and 2019.

Chart 4

Average annual revenues of medium businesses, Canada, all industries,¹ by rural and urban areas, 2017-2019



1. All industries refers to all industries except: finance and insurance; and, public administration.

Source: Statistics Canada, Rural Canada Business Profiles, 2017-2019.

8. All medium businesses in the RCBP are incorporated. See the Definitions section below.

Over half of rural small business revenues generated in three industries

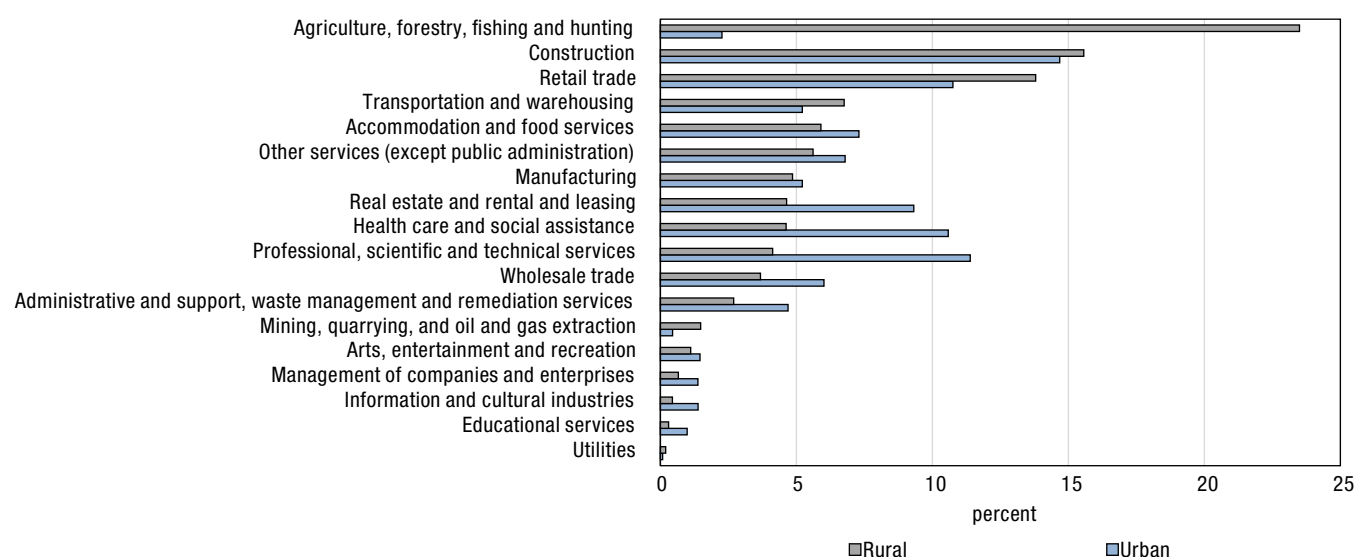
Rural small businesses earned \$139,300 million in total revenues in 2019, while their urban counterparts made \$677,700 million in the same year. In terms of share, 17.1% of small business revenues were in rural areas and 82.9% in urban areas.

The distribution of small business revenues among industries was different in rural and urban areas (chart 5). The industries with the highest share of revenues among rural small businesses in 2019 were agriculture, forestry, fishing and hunting (23.5%), construction (15.6%) and retail trade (13.8%). These three industries accounted for over half (52.9%) of the revenues of small businesses in rural areas in 2019. For rural medium businesses, the same three industries had the highest share of revenues and made up 55.9% of the revenue.

In urban areas, construction (14.7%) and retail trade (10.8%) had significant shares of small business revenues, as they did in rural economies. Other urban industries with relatively high shares were professional, scientific and technical services (11.4%), health care and social assistance (10.6%), and real estate and rental and leasing (9.3%). These five industries together made up 56.8% of urban small business revenues in 2019. On the other hand, the five largest industries in urban areas for medium businesses made up 68.0% of the revenues for these businesses (construction, retail trade, wholesale trade, manufacturing, and professional, scientific and technical services). The following section provides further insights into the revenues of rural and urban medium businesses.

Chart 5

Industry shares of total annual revenues, small businesses, Canada, by industry and rural and urban areas, 2019



Note: All industries are included except: finance and insurance; and, public administration.

Source: Statistics Canada, Rural Canada Business Profiles, 2017-2019.

Five industries made up four-fifths of rural medium business revenues

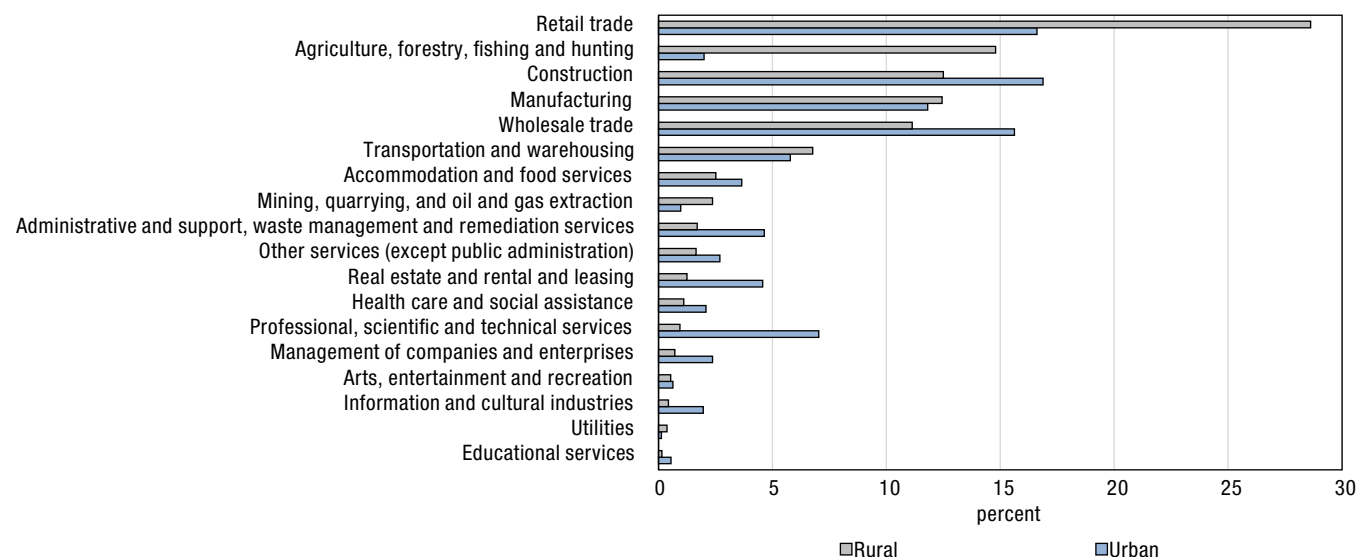
Of the \$487,700 million in total revenues for medium businesses in 2019, \$69.3 million (14.2%) were generated by businesses in rural areas and \$418,400 million (85.8%) in urban areas.

Over two-fifths of the 2019 revenues of rural medium businesses were earned in retail trade (28.6%) and agriculture, forestry, fishing and hunting (14.8%) (chart 6). Together with construction (12.5%), manufacturing (12.4%), and wholesale trade (11.1%), the five largest industries in terms of revenues of rural medium businesses comprised nearly four-fifths (79.5%) of the 2019 revenues of medium businesses. In comparison, the concentration of revenues among the five largest industries for rural small businesses was 65.6% (other analysis on rural and urban small business revenues was seen in the previous section).

About two-thirds of urban medium business revenues were in five industries. As in rural areas, construction (16.9%) and retail trade (16.6%) businesses were important contributors to the revenues of medium businesses in urban areas. The next three most significant industries for urban medium businesses in terms of revenue shares in 2019 were wholesale trade (15.6%), manufacturing (11.8%), and professional, scientific and technical services (7.0%).

Chart 6

Industry shares of total annual revenues, medium businesses, Canada, by industry and rural and urban areas, 2019



Note: All industries are included except: finance and insurance; and, public administration.

Source: Statistics Canada, Rural Canada Business Profiles, 2017-2019.

Definitions

- Using Statistics Canada's Standard Geographical Classification (SGC) 2016,⁹ businesses located in either census metropolitan areas (CMAs) or census agglomerations (CAs) are classified as "urban" and all others as "rural".
- Small businesses are defined as those businesses that have annual revenues of \$30,000 to \$5,000,000; this group includes incorporated and unincorporated businesses.
- Medium businesses are defined as those having annual revenues of \$5,000,001 to \$20,000,000. All medium businesses are incorporated.
- An unincorporated business is typically a sole proprietorship or partnership where the owner(s) and the business are the same, and the owner(s) bear all results of the business.¹⁰
- An incorporated business is a separate entity from the owner(s).
- Industries are defined using the North American Industry Classification System (NAICS).¹¹

Methodology

This analysis uses Statistics Canada's Rural Canada Business Profiles (RCBP) database, which is based on business tax returns filed with the Canada Revenue Agency. The RCBP contains annual data on key financial variables for small and medium businesses by rural and urban areas. The first version of the [RCBP](#), released on March 11, 2022, provides data for the three years from 2017 to 2019. A reference year for RCBP runs from January 1 to December 31.

The main variables in the RCBP include: counts of businesses, revenue and expense breakdowns, and balance sheet items (assets, liabilities, equity breakdowns), financial ratios. Data are arranged, as feasible, by various levels of geography (e.g., province/territory), rural and urban areas, industry, incorporation status, and profitable and non-profitable businesses. All regions across Canada and all industries except finance and insurance and public administration are included. For small businesses, data are provided at the Canada, region, and province/territory levels, as well as by rural and urban areas of these geographies. Owing to the need for protecting business confidentiality, for medium businesses, in terms of geography, data are provided at the Canada-level only (country, rural and urban areas). While the RCBP provides separate tables for small and medium businesses, larger businesses are not included in this database.

Businesses file tax returns with the CRA on an annual basis. The RCBP is expected to be updated annually as new tax records become available and are processed. The lag for the latest tax year available in an RCBP release may be reduced in the future as the development cycle of the RCBP is expected to be shortened after the initial release(s).

9. For further details, see: [Standard Geographical Classification \(SGC\) 2016 - Volume I, The Classification](#).

10. For more detail, see: [Small businesses and self-employed income](#) and [Sole proprietorship](#).

11. For further details regarding North America Industries classification System (NAICS) 2017, see: [North American Industry Classification System \(NAICS\) Canada 2017 Version 3.0](#).