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## Rural and Small Town Canada Analysis Bulletin

# A profile of businesses in rural Canada, 2020



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# A profile of businesses in rural Canada, 2020

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## Highlights

- In 2020, there were nearly 300,000 small businesses located in rural areas, comprising 15.5% of all small businesses in Canada. Medium-sized businesses located in rural areas were just above 7,500 units, making up 15.1% of all medium-sized businesses in Canada. The share of businesses located in rural areas remained stable over the previous year, with less than a 1 percentage point difference on a year-to-year basis.
- The average annual revenue for small rural businesses increased by 3.6% from 2019 to 2020, reaching \$462,000 in 2020. Their urban counterparts averaged a 1.4% increase in average annual revenue over the same period, reaching \$400,000 in 2020.
- In contrast to small rural businesses, the average annual revenue of medium-sized rural businesses decreased 0.5% from 2019 to 2020, reaching \$9.3 million in 2020. For medium-sized urban businesses, the average revenue increased 0.6%, reaching \$9.6 million in 2020.
- Total revenues earned by small (\$138.4 billion), and medium-sized (\$69.6 billion) rural businesses accounted for approximately one-sixth and one-seventh of all revenues in both of their respective size classes. Three industries, namely agriculture, forestry, fishing and hunting; construction; and retail trade industries generated more than half the total revenue for small (54.3%) and medium-sized (58.9%) rural businesses.
- Small businesses in rural and urban areas grew or maintained their return on total assets (ROTA) ratio, or relative profitability, from 2019 to 2020. In 2020, rural and urban small businesses reported a ROTA of 4.3% and 6.2% respectively.

## Introduction

Rural communities were home to approximately 16.1% of Canadians, or 6.1 million people<sup>1</sup> and the workplace for 13.3% of employed Canadians, or 2.4 million persons in 2020.<sup>2</sup> The COVID-19 pandemic has had widespread impacts on the Canadian economy. By the close of 2020, rural areas saw a decline in average monthly employment levels by nearly 200,000 compared to those of the previous year.<sup>3</sup> Challenges including inflation and supply chains issues,<sup>4</sup> as well as new labour force dynamics such as the re-location of workers to rural areas as businesses pivoted to remote work,<sup>5</sup> affected the financial health of rural and urban firms in different ways.

In 2020, the initial stages of the pandemic involved acute and varied public health measures by federal, provincial, and territorial governments which introduced an uncertain economic environment for both rural and urban businesses. This analytical paper uses the second release of Statistics Canada's Rural Canada Business Profiles (RCBP) database, which provides key financial information of small and medium businesses in rural and urban Canada in 2020.<sup>6</sup> The following trends from the RCBP 2020 database reflect the first response of Canadian businesses to new conditions set during the pandemic.

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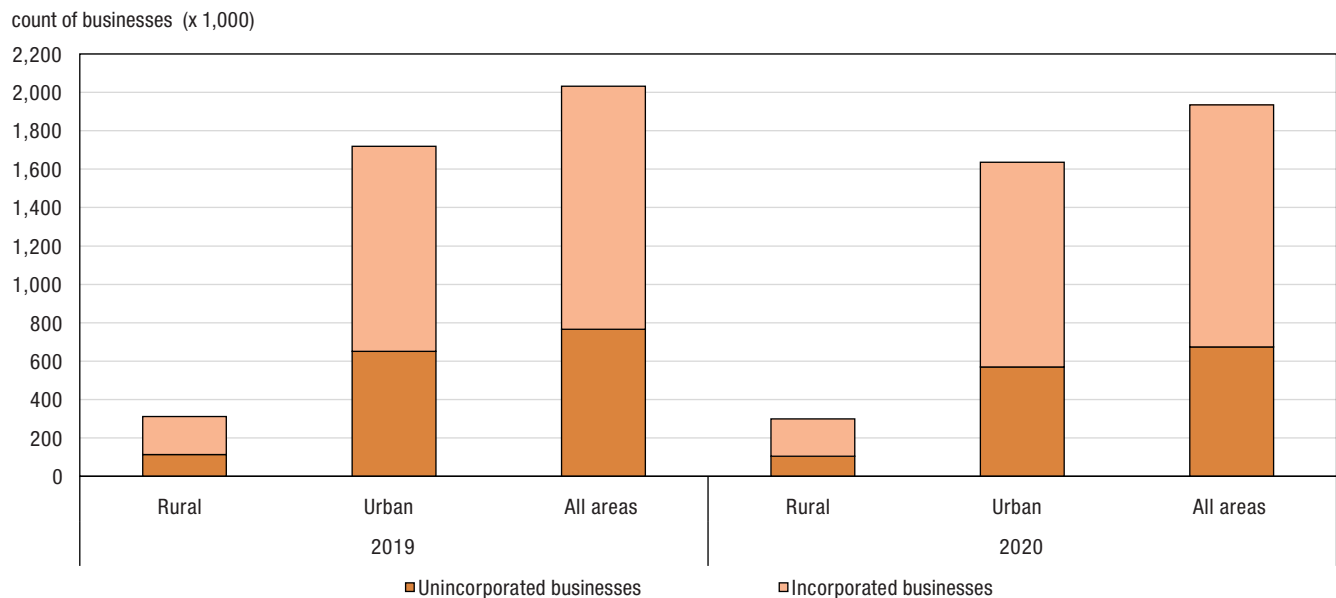
1. Statistics Canada. (2022). [Population estimates, July 1, by census metropolitan area and census agglomeration, 2016 boundaries.](#)  
 2. Statistics Canada. (2022). [Employment and unemployment rate, annual.](#)  
 3. Statistics Canada. (2022). [Employment and unemployment rate, annual.](#)  
 4. Statistics Canada. (2022). [The outlook of rural businesses, third quarter of 2022.](#)  
 5. Statistics Canada. (2022). [Population growth in Canada's rural areas, 2016 to 2021.](#)  
 6. See the Methodology section below.

## Number of small businesses decline to varying extents in all areas of Canada from 2019 to 2020

In 2020, there were 299,533 small rural businesses and 1.6 million small urban businesses representing 15.5% and 84.5% respectively of all small businesses in Canada (Chart 1). The number of small businesses declined since 2019,<sup>7</sup> by 4.1% in rural areas and 4.9% in urban areas.

The observed decline in business counts may be in part, a reflection of the disproportionate effects of the pandemic on small businesses which often have fewer resources to buffer against sudden economic shocks and may experience greater revenue losses in the event of a disruption.<sup>8</sup> Small businesses can include unincorporated businesses (which are the simplest business structure) as well as businesses comprised of one individual,<sup>9</sup> and generally have higher turnover rates than incorporated businesses.<sup>10</sup> The onset of business restrictions due to the pandemic may have particularly impacted the ability of smaller businesses to remain operational, with nearly half (47.2%) of businesses with fewer than five employees reporting by August 2020 that they were not able to take on more debt.<sup>11</sup>

**Chart 1**  
Counts of small businesses, all industries, Canada, by rural and urban areas and incorporation status, 2019-2020



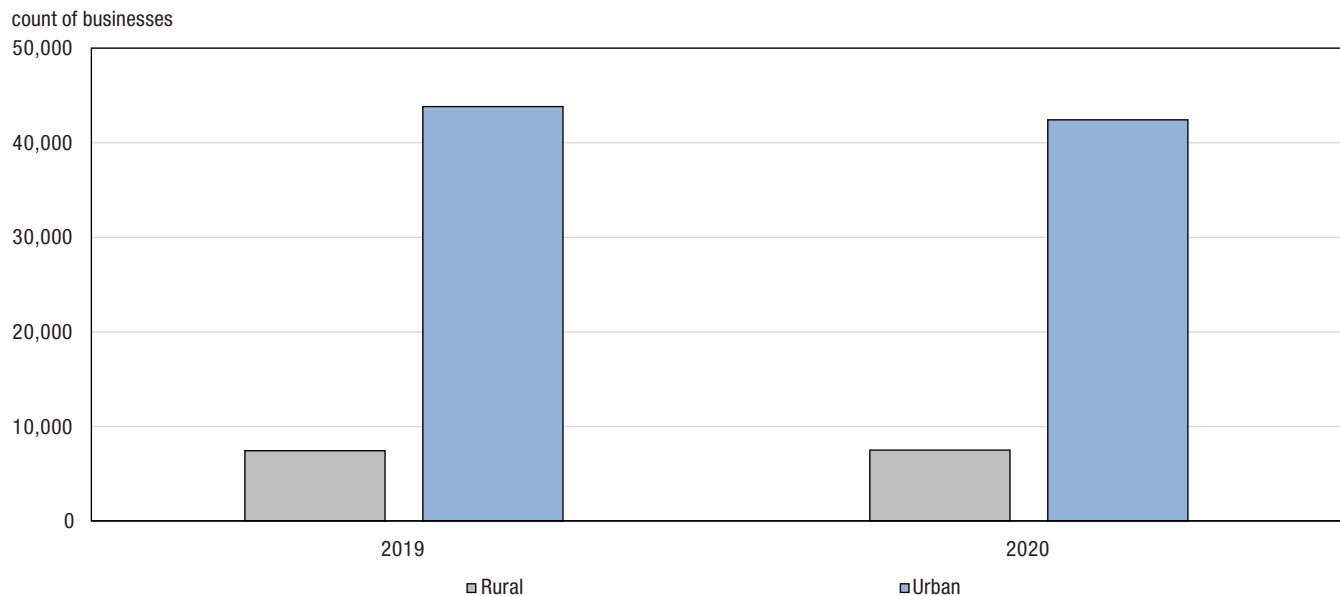
**Note:** All industries refers to all industries except: finance and insurance; and, public administration.  
**Sources:** Statistics Canada, Rural Canada Business Profiles, 2017 to 2019, and Rural Canada Business Profiles, 2020.

## Number of medium-sized rural businesses increases from 2019 to 2020

Unlike small businesses, the trajectories of medium-sized businesses diverged between rural and urban areas from 2019 to 2020. On a year-to-year basis, the number of medium-sized<sup>12</sup> rural businesses increased by 0.9%, from 7,446 to 7,515, while the number of urban medium-sized businesses declined 3.2%, from 43,823 to 42,415 (Chart 2). Therefore, the rural share of the total count of medium-sized businesses increased from 14.5% in 2019 to 15.1% in 2020. Among all small and medium-sized businesses in Canada, only the number of medium-sized rural businesses rose from 2019 to 2020.

7. Statistics Canada. (2022). [A profile of businesses in rural Canada, 2017 to 2019](#).  
8. Statistics Canada. (2020). [Impact of COVID-19 on Small Businesses in Canada, third quarter 2020](#).  
9. Government of Canada. [Small businesses and self-employed income and Sole proprietorship](#).  
10. Statistics Canada. (2015). [Unincorporated Self-employment in Canada, 1989 to 2010](#).  
11. Statistics Canada. (2020). [Impact of COVID-19 on Small Businesses in Canada, third quarter 2020](#).  
12. For the RCBP database, all medium-sized businesses are incorporated.

**Chart 2**  
**Counts of medium-sized businesses, Canada, all industries, by rural and urban areas, 2019-2020**



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

**Sources:** Statistics Canada, Rural Canada Business Profiles, 2017 to 2019, and Rural Canada Business Profiles, 2020.

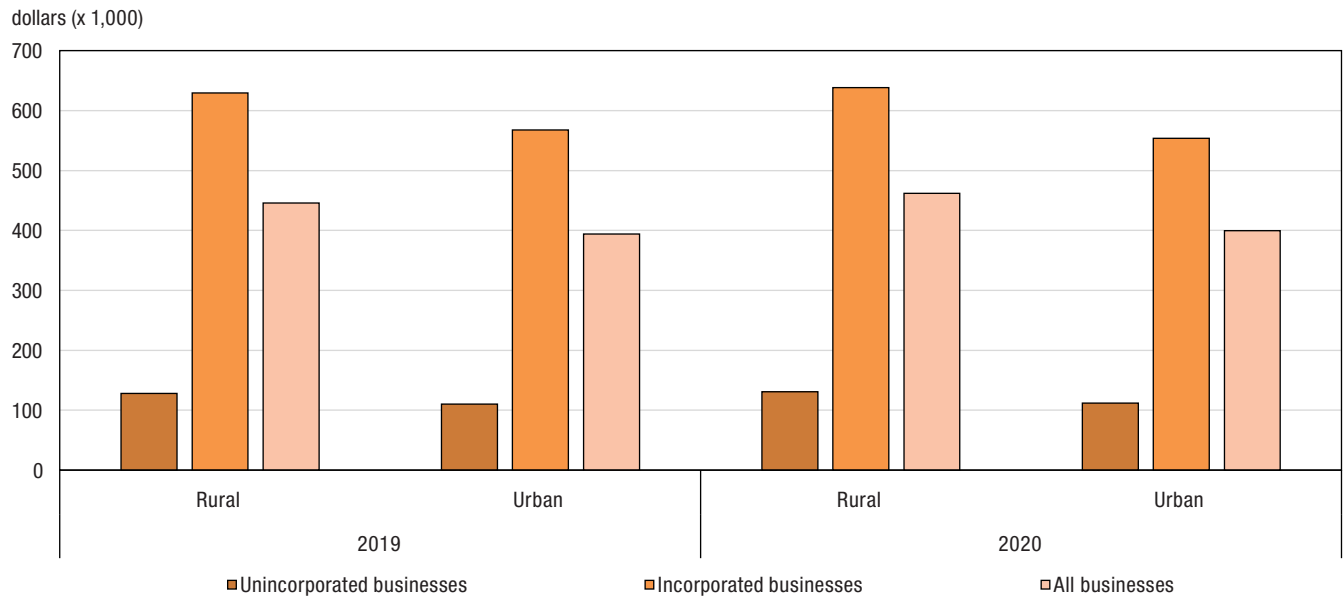
## Average annual revenue of small businesses varies by incorporation status and region

The decline in the number of small businesses across rural and urban areas corresponded to an overall decline in the total revenue generated by all small businesses of 3.1% from 2019 to 2020 (\$817.0 billion in 2019 to \$792.0 billion in 2020). Small rural businesses represented 17.5% (\$138.4 billion) of the \$792.0 billion in total small business revenue in 2020.

At the same time, the average annual revenue of small businesses grew from 2019 to 2020. On average, the annual revenue for small rural businesses outpaced their urban counterparts at \$462,080 compared to \$399,764 respectively (Chart 3). This represents a 3.6% growth in average annual revenue for small businesses in rural areas relative to a 1.4% growth in urban areas from 2019 to 2020.

The overall decline in the number of small businesses stated above included a 12.0% decrease in the count of unincorporated small businesses across all areas (rural and urban) from 2019 to 2020 (766,053 to 673,874). Collectively, these small unincorporated businesses had an average annual revenue that was approximately one-fifth of an incorporated firm in 2020 (\$121,460 compared to \$596,031). Among small rural businesses, those that were unincorporated increased their average annual revenue by 2.1% from 2019 to 2020, while their urban equivalents saw a 1.7% gain year-to-year. The number of small incorporated businesses across rural and urban areas declined 0.3% from 2019 to 2020 (1,265,052 to 1,260,715). The average annual revenue for small incorporated rural businesses increased by 1.4%, while those in urban areas declined by 2.5% over the same time period.

**Chart 3**  
**Average annual revenues of small businesses, Canada, all industries, by rural and urban areas, 2019-2020**

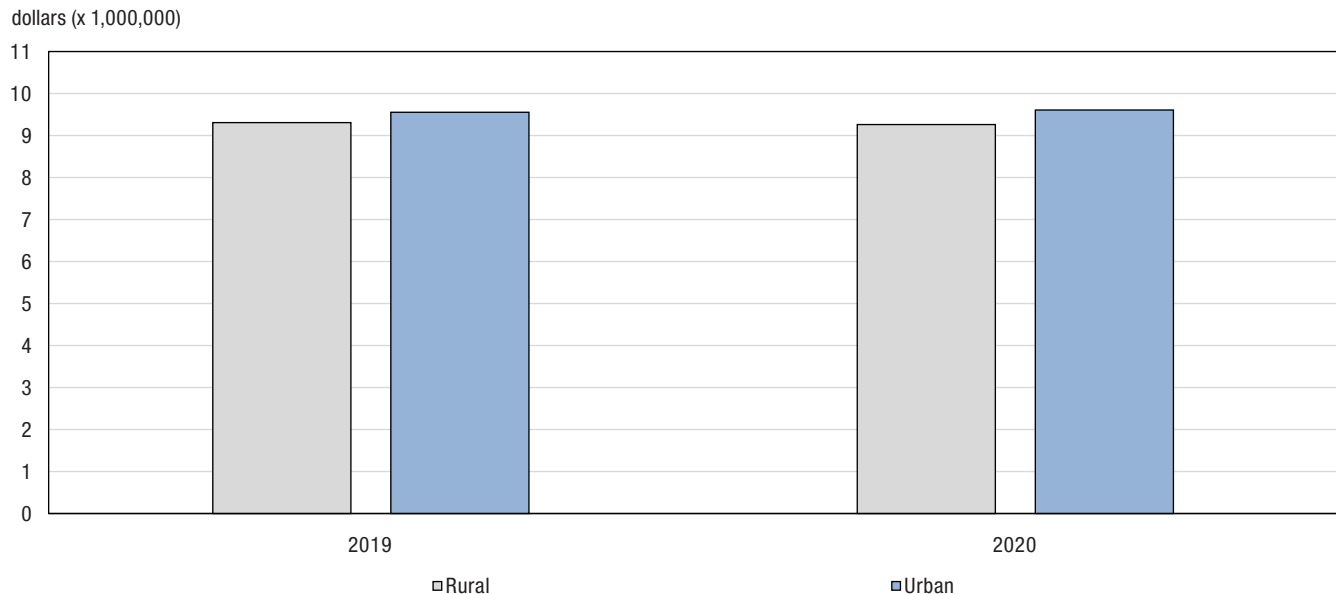


**Note:** All industries refers to all industries except: finance and insurance; and, public administration.  
**Sources:** Statistics Canada, Rural Canada Business Profiles, 2017 to 2019, and Rural Canada Business Profiles, 2020.

By region, small rural businesses in the Prairie provinces (4.7%), Quebec (4.0%), and Ontario (3.7%) had the highest increases in average annual revenue from 2019 to 2020, greater than the 3.6% increase observed nationally. By comparison, small rural businesses in the Territories (0.3%), British Columbia (1.1%), and Atlantic provinces (1.7%) had the smallest increase in average annual revenue over the same period. Small rural businesses in the Prairie provinces saw a 4.7% growth in average annual revenue which was 4.1 percentage points more than their urban counterparts (0.6%) from 2019 to 2020. On the other hand, the average annual revenue of small rural businesses in the Territories grew by 0.3%, which was 0.1 percentage points less than their urban equivalents (0.4%) over the same period.

### Differences in average annual revenue widen between medium-sized rural and urban businesses

Medium-sized rural businesses represented 14.6% or \$69.6 billion of the total medium-sized business revenue (\$477.0 billion) in 2020. These businesses had an average annual revenue of less than \$9.3 million, a decrease of 0.5% from 2019 values. Medium-sized businesses in urban areas averaged \$9.6 million in annual revenue, representing a 0.6% increase from 2019. Compared to medium-sized rural businesses, the average annual revenue of medium-sized urban businesses was \$345,000 higher than those in rural areas.

**Chart 4****Average annual revenues of medium-sized businesses, Canada, all industries, by rural and urban areas, 2019-2020**

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

**Sources:** Statistics Canada, Rural Canada Business Profiles, 2017 to 2019, and Rural Canada Business Profiles, 2020.

The revenues of small and medium businesses in both rural and urban areas were supported by Canadian government funding programs in response to the COVID-19 pandemic's impact on businesses. By May 2020, nearly two-thirds (63.7%) of surveyed businesses reported that they had applied and been approved for funding from government programs or external credit providers,<sup>13</sup> including the Canada Emergency Business Account (CEBA)<sup>14</sup> and the Canada Emergency Wage Subsidy (CEWS).<sup>15</sup> Between March to October 2020, an estimated 10.1% of wage subsidies through the CEWS program was received by rural businesses across Canada.<sup>16</sup>

### Three industries comprise majority of total revenues generated by small and medium-sized rural businesses

Of the small rural businesses operating across Canada, those in the agriculture, forestry, fishing, and hunting (24.6%); construction (15.8%); and retail trade (13.9%) industries generated over half (54.3%) of the total revenue (\$138.4 billion) earned in rural areas in 2020. For medium-sized rural businesses, nearly three-fifths (58.9%) of the total revenue (\$69.6 billion) were earned by the same industries - retail trade (30.0%); agriculture, forestry, fishing, and hunting (16.6%); and construction (12.3%) industries.

Small urban businesses accounted for 82.5% (\$653.6 billion) of the total small business revenue (\$792.0 billion), of which the construction (15.0%); professional, scientific, and technical services (11.7%); and retail trade (11.2%) industries held the top three shares. Medium-sized urban businesses generated 85.4% (\$407.4 billion) of the total medium-sized business revenue (\$477.0 billion) with approximately half (50.7%) of the total revenue produced by the retail trade (17.6%); construction (17.3%); and wholesale trade (15.8%) industries.

13. Statistics Canada. (2020). [The Daily — Canadian Survey on Business Conditions: Impact of COVID-19 on businesses in Canada, May 2020](#).

14. The Canada Emergency Business Account provided loans of up to \$60,000 to eligible businesses. For more information, see [Canada Emergency Business Account \(CEBA\)](#).

15. The Canada Emergency Wage Subsidy provided subsidies for employee wages to businesses that had a drop in revenue as a result of the pandemic. For more information, see [Wage and rent subsidies](#).

16. Statistics Canada. (2021). [The Daily — The Canada Emergency Wage Subsidy through a rural lens, March 15 to October 24, 2020](#).

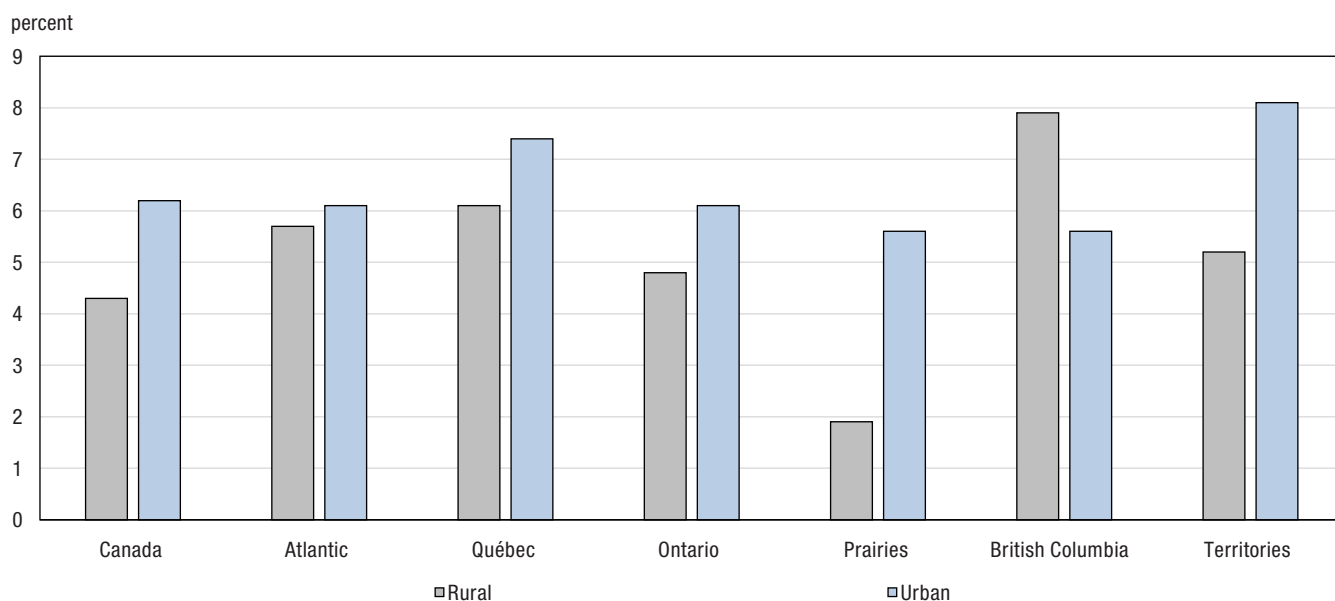
## Small rural businesses improved their profitability in 2020

The return on total assets (ROTA) ratio is a financial measure of relative profitability that compares the net income of a business to its assets.<sup>17</sup> The higher the net income to assets ratio, the better the profitability relative to assets on the balance sheet. Overall, small rural businesses (incorporated)<sup>18</sup> were more profitable in 2020 with a ROTA of 4.3% (Chart 5), increasing from 3.3% in 2019 (Chart 6). The profitability of small urban businesses (incorporated) was relatively higher, with a ROTA of 6.2% and remained stable over the same period.

In 2020, small rural businesses in the Prairie provinces had the lowest ROTA at 1.9% (nearly half the national value of 4.3%) while British Columbia reported the highest ROTA at 7.9% (nearly double the national value). Generally, small urban businesses across the country were more profitable relative to their rural counterparts, except in British Columbia where the ROTA for urban businesses (5.6%) was 2.3 percentage points below that of small rural businesses (7.9%).

**Chart 5**

### Return on Total Assets of small incorporated businesses, all industries, by region and rural/urban areas, 2020



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

**Source:** Statistics Canada, Rural Canada Business Profiles, 2020.

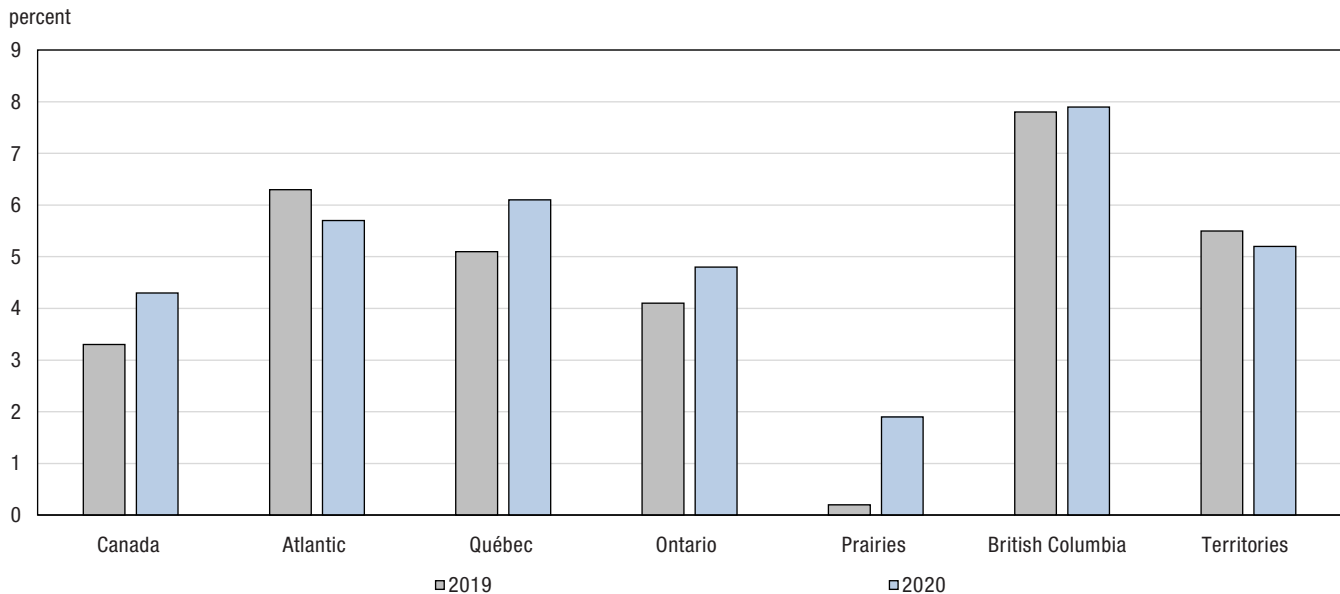
Return on total assets ratios from 2019 to 2020 also demonstrated that small rural businesses in Quebec (5.1% to 6.1%), Ontario (4.1% to 4.8%), Prairie provinces (0.2% to 1.9%), and British Columbia (7.8% to 7.9%) became more profitable over the period, while those in the Atlantic provinces (6.3% to 5.7%) and Territories (5.5% to 5.2%) decreased in profitability (Chart 6).

17. Statistics Canada. (2023). [Rural Canada Business Profiles, 2020](#).

18. For small businesses, the RCBP database provides the return on total assets ratio for only incorporated businesses.



**Chart 6**  
**Return on Total Assets of small incorporated rural businesses, all industries, by region, 2019-2020**



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

**Sources:** Statistics Canada, Rural Canada Business Profiles, 2017 to 2019, and Rural Canada Business Profiles, 2020.

## Definitions

- Using Statistics Canada’s Standard Geographical Classification (SGC) 2016,<sup>19</sup> 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.<sup>20</sup>
- An incorporated business is a separate entity from the owner(s).
- Industries are defined using the North American Industry Classification System (NAICS).<sup>21</sup>

## 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 (CRA). 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<sup>22</sup> released on March 11, 2022, provides data for the three years from 2017 to 2019. The second and current release of the RCBP provides updated data for 2020. 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

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

20. For further details, see: [Small businesses and self-employed income](#) and [Sole proprietorship](#).

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

22. Statistics Canada. (2022). [Rural Canada Business Profiles, 2017 to 2019](#).

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).