

Annual wholesale trade, 2016

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The operating revenue of Canadian wholesalers declined 1.4% in 2016 compared with 2015, dropping further below the \$1.0 trillion mark reached in 2014. The overall drop was partly caused by a price-induced decline in the petroleum products subsector, as all other subsectors saw increases in revenues. Excluding petroleum, operating revenues rose 3.1% compared with 2015.

Overall, the operating profits of wholesalers as a percentage of total operating revenue increased from 4.3% in 2015 to 4.6% in 2016. Excluding petroleum, operating profits were 5.7% in 2016, up from 5.4% in 2015. Meanwhile, petroleum products wholesalers earned operating profits of 1.0% in 2016, down from 1.3% in 2015.

The cost of goods sold, which accounted for 82.4% of total operating revenue, declined 2.2% to \$793.0 billion in 2016. This was attributable to the decline in the costs of goods sold by the petroleum subsector, which fell 14.3% from 2015 levels to \$206.2 billion in 2016. During that time, the Raw Materials Price Index for conventional crude oil fell 8.0%. The petroleum industry was also impacted by the forest fires in Fort McMurray, which caused a temporary shutdown of some oil sands activity. The declines in the petroleum subsector were partially offset by a 7.0% increase in the cost of goods sold by the motor vehicles and parts subsector to \$113.0 billion.

Total operating expenses, which include labour remuneration, were up 1.5% to \$124.3 billion. Total operating expenses in the petroleum subsector were down 9.2% to \$4.8 billion, but this was offset by increases in total operating expenses in six of the eight remaining subsectors.

Gross margins for wholesalers (the difference between total operating revenue and the cost of goods sold expressed as a percentage of operating revenue) increased from 16.9% in 2015 to 17.6% in 2016. Since the petroleum subsector has the lowest gross margins (3.2%) in the wholesale sector, as its share of total wholesale declines, the overall margins increase. Excluding petroleum, wholesale gross margins edged up to 21.6% in 2016.

Petroleum products subsector declines while all other subsectors increase

In dollar terms, the most substantial change in operating revenue was in the petroleum products subsector, down 14.5% to \$213.1 billion in 2016. The petroleum subsector saw revenues decline due to the lower price of oil in 2016 compared with 2015, as well as the temporary decline in output caused by the forest fires in Fort McMurray. It was the lone wholesale subsector with lower operating revenue in 2016.

Wholesalers of petroleum products accounted for the largest proportion of operating revenue in the wholesale trade sector in 2016 with 22.2% of total operating revenue, down from 25.5% in 2015.

The largest increase in revenue was in the motor vehicles and parts subsector, up 6.3% to \$133.2 billion in 2016. The main contributor among the three industry groups in this subsector was the motor vehicle industry group, with an 8.5% increase in operating revenue. This industry group accounted for nearly all of the change in total operating revenue for this subsector. Both exports and imports of motor vehicles and parts increased in 2016, which contributed to the higher operating revenue of motor vehicle and parts wholesalers.

Wholesale operating revenue in the food, beverage, and tobacco subsector increased 4.6% to \$134.7 billion in 2016. Most of the increase in this subsector was due to food wholesalers, with operating revenue up 4.7% to \$120.5 billion.

Gross margins of wholesalers rise

Expressed as a percentage of total operating revenue, gross margins rose from 16.9% in 2015 to 17.6% in 2016. Higher gross margins were reported by five of the nine subsectors, while three were down and one was flat.

Among wholesale merchants, the highest margins occurred in the machinery, equipment, and supplies (27.2%) subsector, followed by the personal and household goods (25.4%) subsector. The lowest gross margin was posted by wholesalers of petroleum products (3.2%).

Building materials and supplies wholesalers saw their gross margins increase from 23.3% in 2015 to 23.6% in 2016, while the gross margins for wholesalers of food, beverage, and tobacco rose from 17.6% to 18.4%.

Operating profits edge up

In 2016, seven of the nine subsectors posted annual increases in their operating profits as a percentage of total operating revenue, while two were down.

Among wholesale merchants, the personal and household goods wholesalers subsector posted the largest gains in operating profit margins, rising from 4.8% in 2015 to 5.4% in 2016. The food, beverage, and tobacco wholesalers subsector posted the second largest gains in operating profit margins, rising from 4.9% to 5.4%. These increases were driven by higher operating profits in the food wholesalers industry group, from 4.5% to 5.1%. Wholesalers of machinery, equipment, and supplies saw their operating profits increase from 6.9% in 2015 to 7.1% in 2016, the highest level among wholesale merchants.

Declining revenue in the Prairies is partially offset by Ontario

In 2016, five provinces and all three territories reported higher wholesale operating revenue compared with 2015. Overall, operating revenue in Canada declined \$13.6 billion in 2016. The decline was driven primarily by a \$28.0 billion decrease in operating revenue in Alberta, which was partially offset by a \$19.8 billion increase in Ontario.

Wholesale operating revenue in Ontario (up 5.5% to \$379.7 billion) remained higher than Alberta in 2016, mostly as a result of continued growth in the motor vehicles and parts (+8.9%) and the food, beverage, and tobacco (+6.1%) subsectors. Higher revenue by food wholesalers in Ontario accounted for 87.6% of the increase in the food, beverage, and tobacco subsector in the province.

Wholesalers in Alberta reported a 10.3% annual decrease in operating revenue to \$242.7 billion in 2016. The decline was mainly attributable to the petroleum products subsector (-12.8%), which accounted for approximately two-thirds of wholesalers' operating revenue in Alberta. Seven of nine wholesale subsectors in Alberta saw their revenues decline in 2016.

Wholesalers in Quebec posted the third highest provincial total operating revenue at \$147.3 billion in 2016, up slightly from \$146.1 billion in 2015. Quebec petroleum wholesalers posted an 18.2% annual decline in operating revenue to \$12.9 billion in 2016, but this was offset by gains in seven of the eight remaining wholesale subsectors. In particular, the building materials and supplies wholesalers subsector posted a \$1.2 billion increase in revenues to \$18.7 billion.

Operating profits in Quebec were up from 4.3% in 2015 to 5.2% in 2016. The cost of goods sold by wholesalers in Quebec declined 0.8% from 2015 to \$114.7 billion in 2016. Meanwhile, total operating expenses for Quebec wholesalers were up \$565.8 million on the year to \$24.9 billion in 2016.



In celebration of the country's 150th birthday, Statistics Canada is presenting snapshots from our rich statistical history.

Free trade agreements and the evolution of wholesale sales in Canada

As 2017 marks the 150th anniversary of Confederation, we take a look back at an aspect of the history of wholesale sales in Canada.

Canada has a long trading history, which started before Confederation. Because wholesalers play an important role in the import and export of goods, free trade agreements have had a notable influence on the evolution of the wholesale sector.

From 1947 to 1989, Canada signed several free trade agreements through seven rounds of General Agreement on Tariffs and Trade (GATT) negotiations. The World Trade Organization replaced GATT in 1995. Wholesale sales grew steadily over this period, declining in only two years. During this time, its share of total gross domestic product (GDP) gradually edged upward, hovering at about the 5% mark toward the end of the period.

A new era began with the Canada-United States Trade Agreement (signed in 1987 and brought into force on January 1, 1989) and the North American Free Trade Agreement (NAFTA, 1994), where international trade in goods and services expanded sharply, and wholesale sales along with it. From 1989 to 2013, wholesalers assumed a larger role in the economy, pushing the sector's share of GDP to as high as 5.9% (2006) and confirming its role as one of the most important industries in the Canadian economy.

Note to readers

Data for 2015 have been revised.

The gross margin is obtained by subtracting the cost of goods sold from total operating revenue. The figures are expressed as percentage of total operating revenue.

The operating profit is obtained by subtracting total operating expenses plus the cost of goods sold from total operating revenue. The figures are expressed as percentage of total operating revenue.

Table 1
Wholesale trade financial estimates by provinces and territories

	Total operating revenue		Cost of goods sold		Total operating expenses	
	2015	2016	2015	2016	2015	2016
millions of dollars						
Canada	975,618	961,974	810,889	793,031	122,479	124,291
Newfoundland and Labrador	6,981	6,850	5,685	5,495	957	1,020
Prince Edward Island	1,164	1,485	963	1,284	155	164
Nova Scotia	11,854	12,767	9,858	10,858	1,574	1,588
New Brunswick	33,954	26,812	31,660	25,287	1,392	1,209
Quebec	146,149	147,304	115,577	114,673	24,357	24,923
Ontario	359,813	379,650	281,899	298,003	56,925	58,615
Manitoba	30,862	29,621	26,004	24,888	3,459	3,423
Saskatchewan	37,724	36,516	31,564	30,423	4,280	4,127
Alberta	270,602	242,650	245,792	219,648	17,886	17,144
British Columbia	75,510	77,163	61,091	61,561	11,354	11,927
Yukon	220	263	178	213	38	39
Northwest Territories	623	694	484	537	90	97
Nunavut	164	200	134	161	13	15

Source(s): CANSIM table [081-0017](#).

Table 2
Wholesale trade financial estimates by North American Industry Classification System

	Total operating revenue		Cost of goods sold		Total operating expenses	
	2015	2016	2015	2016	2015	2016
millions of dollars						
Wholesale trade	975,618	961,974	810,889	793,031	122,479	124,291
Farm product merchant wholesalers	40,363	41,336	35,995	36,719	2,645	2,726
Petroleum and petroleum products merchant wholesalers	249,192	213,100	240,704	206,199	5,296	4,810
Food, beverage and tobacco merchant wholesalers	128,709	134,669	106,080	109,947	16,320	17,391
Personal and household goods merchant wholesalers	102,779	104,621	76,730	78,011	21,077	20,952
Motor vehicle and motor vehicles parts and accessories merchant wholesalers	125,289	133,204	105,589	113,001	13,201	13,519
Building material and supplies merchant wholesalers	91,431	93,115	70,151	71,148	16,503	16,849
Machinery, equipment and supplies merchant wholesalers	140,287	141,448	102,171	102,948	28,500	28,422
Miscellaneous merchant wholesalers	87,431	88,079	68,555	68,953	14,985	15,118
Business-to-business electronic markets, and agents and brokers	10,138	12,401	4,915	6,105	3,953	4,504

Source(s): CANSIM table [081-0017](#).

Available in CANSIM: table [081-0017](#).

Definitions, data sources and methods: survey number [2445](#).

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; STATCAN.infostats-infostats.STATCAN@canada.ca) or Media Relations (613-951-4636; STATCAN.mediahotline-ligneinfomedias.STATCAN@canada.ca).