



Sectoral Profile

Wholesale Trade

Region of Western Canada and the Territories

2018-2020



EXECUTIVE SUMMARY

The wholesale trade sector serves as an intermediary industry. Wholesalers buy goods directly from producers and manufacturers, then sell and distribute these goods to retailers, other businesses, and institutional clients. As a proportion of all industries in Western Canada, wholesale trade represents 4.7% of gross domestic product (GDP) and 3.7% of employment. Approximately half of all Western Canadian wholesale employers in 2017 were in the machinery and equipment, and the building materials and supplies subsector.

Western Canada's wholesale trade sector performed well in 2017, growing in all regions except for Yukon and the Northwest Territories. Compared to the previous year, the total value of wholesale sales increased 9.5%.¹ Employment in this industry rose 2.0% across the West in 2017, with the gain in full-time jobs more than offsetting the decline in part-time positions.² Business investment and consumer spending in Western Canada have helped increase wholesale trade sales by an average of 3.7% per year over the past decade, in line with Canada's average annual growth of 3.6%. Looking forward, wholesale employment is projected to continue to grow in Western Canada over the next few years — although challenges in the resource sector and increasing trade protectionism could slow the pace of growth.

KEY DRIVERS

- Since many wholesale firms import and/or export goods, factors impacting international trade influence this sector. While Western Canadian wholesalers are expected to benefit from an expanding US economy as demand for exported products increase, Canada-US reciprocal trade tariffs and the ongoing trade war between the US and China could add costs to wholesalers that import goods impacted by trade tensions. Nonetheless, Canada has reached a new deal with the US and Mexico to replace NAFTA, and is continuing to work on a number of trade agreements to gain greater market access in the Asia-Pacific region and the European Union, that could benefit wholesalers. In addition, the lower value of the Canadian dollar could further boost exports, but it could also make importing goods to Canada less profitable.

- Trends in supply chain management also impact the wholesale trade sector. For example, retailers, producers, and consumers may choose to deal directly with one another, thereby decreasing the need for wholesale distribution services. In addition, globalization and technological advances have made it easier for businesses and consumers to access international suppliers, lowering their reliance on domestic wholesale firms. Nonetheless, during periods of strong economic growth, demand for local and regional wholesale services tends to grow.

BACKGROUND

Western Canada is home to an active wholesale trade sector that has grown substantially over the past decade. In 2017, wholesale sales in the West totalled \$199 billion, having risen 40% since 2007. Over this period, Western Canada's wholesale trade industry has benefitted immensely from the region's robust business investment, healthy consumer spending, and population growth that outpaces Canada's average.

Looking at individual provinces, Alberta's wholesale sales grew an average of 3.1% a year during the past decade, totalling \$78 billion in 2017. In British Columbia (BC), the rate of growth averaged 3.9% per year and wholesale sales reached \$75 billion in 2017. Saskatchewan's smaller wholesale sector averaged 6.9% annual growth and posted sales of \$26 billion in 2017, while Manitoba's wholesale sales increased 3.5% annually, accounting for nearly \$19 billion last year. Wholesale trade volumes were far smaller in the three territories and are often subject to large fluctuations, but estimates still show strong increases over the past decade for Nunavut, averaging growth of 22% per year. Meanwhile, volumes were relatively flat in Yukon and the Northwest Territories.

Employment

There were 221,600 people employed in the wholesale trade sector across the western provinces in 2017, up 11% from ten years earlier. Nationally, wholesale employment grew more slowly, increasing only 8.5% over this period.

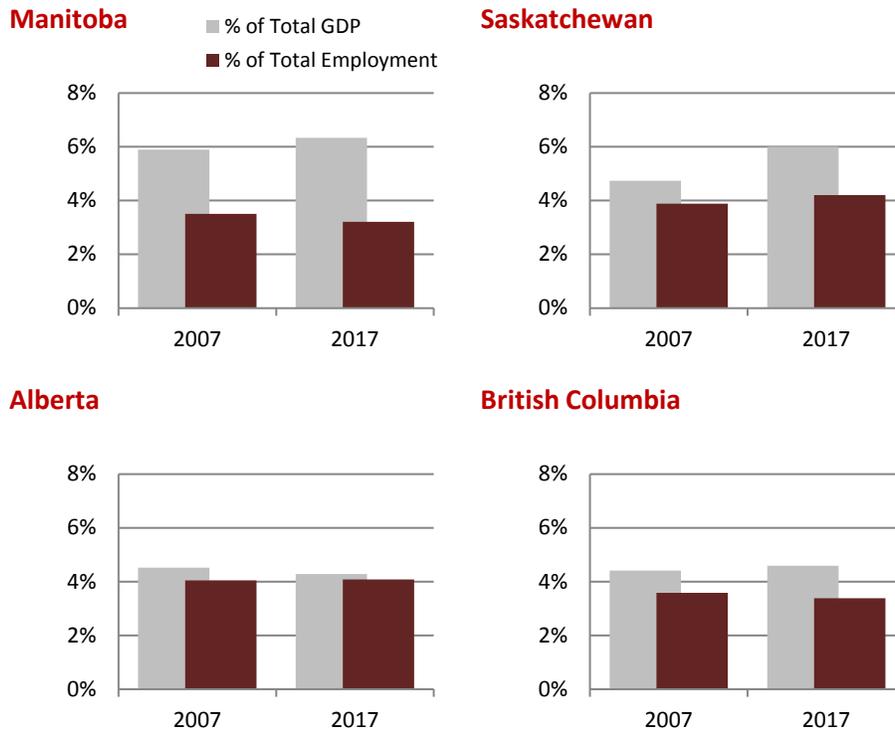
Alberta was home to the largest number of wholesale workers in the West, and employment in the industry reached 93,400 in 2017. BC was not far behind, with 83,600 people working in wholesale trade. Meanwhile, there were 23,900 wholesale workers in Saskatchewan and 20,800 in Manitoba. The Survey of Employment, Payrolls and Hours (SEPH) recorded 1,105 people working in the wholesale sector across the three territories in 2017, representing 0.5% in the Western region.³

Among wholesale industries, the largest employers in Western Canada in 2017 were in machinery and equipment (32%); building materials and supplies (17%); miscellaneous wholesale (16%); and food, beverage, and tobacco (14%). Over the past decade, employment has increased across all sub-sectors, with the exception of motor vehicle and parts wholesalers and in the farm product wholesale subsector, where technological improvements and consolidations have reduced workforce requirements.

The wholesale trade sector has very different employment characteristics than the retail industry. In 2017, approximately 93% of wholesale jobs in the western provinces were full-time positions, compared to 67% in the

retail sector. Meanwhile, the wholesale sector's workforce is significantly older, with employment for youth (aged 15 to 24) accounting for only 8.8% of all employment in 2017, compared to 29% in retail. In addition, average weekly earnings for wholesale workers were around twice that of their retail counterparts. Northwest Territories had the highest gap in earnings, with wholesale workers averaging \$1,597 per week in 2017, compared to \$675 for retail workers.⁴

Wholesale Trade's Provincial % Share of Employment and GDP, 2007 vs. 2017

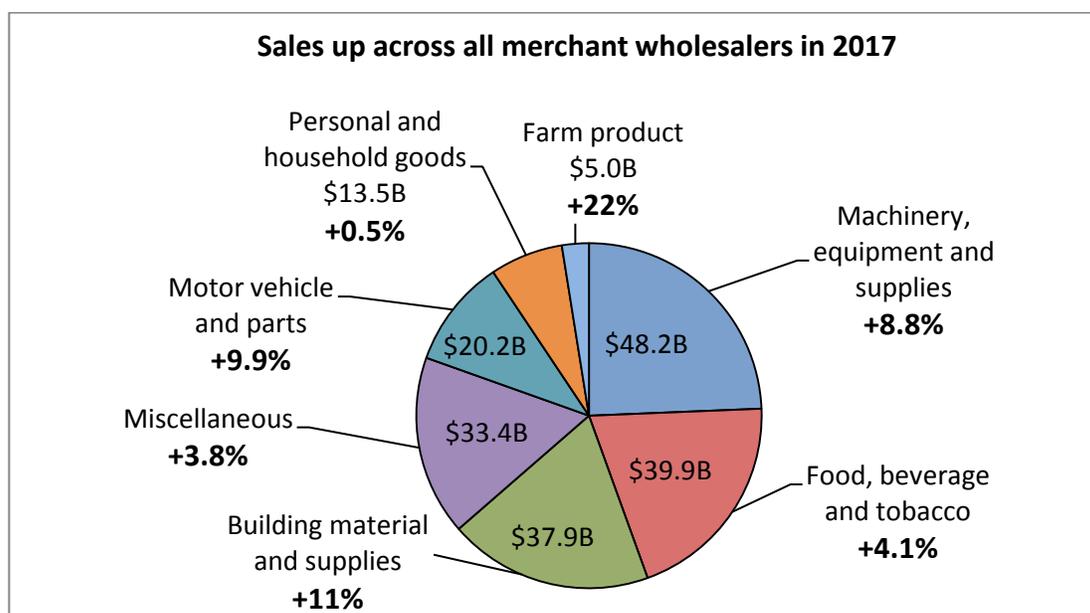


Sources: 1. Statistics Canada Table 36-10-0402 - GDP at basic prices, by North American Industry Classification System (NAICS), provinces and territories, annual (dollars). 2. Statistics Canada labour force estimates by detailed industry, age, sex, class of worker.

INDUSTRY TRENDS

2017 Wholesale Trade Highlights

- Western Canada's wholesale trade sales totalled \$199 billion in 2017, rising 7.2% from the year before. Sales growth was inconsistent across the West, with the largest annual increase in Nunavut (+89%), followed by Alberta (+9.2%), BC (+8.0%), Manitoba (+5.4%), and Saskatchewan (+0.7%). Meanwhile, sales dropped in Yukon (-16%) and the Northwest Territories (-5.8%) in 2017, after having risen by 11% and 7.3% respectively, in the previous year.



Source: Statistics Canada Table 20-10-0074-01 (Western provinces, 2017 wholesale sales, 2017/2016 growth rate)

- The growth in overall sales was reflected in wholesale trade employment, up 2.0% in 2017, as the sector added 4,300 more workers across the four western provinces. Substantial growth occurred in Alberta (+11.6%) and Saskatchewan (+3.5%), while BC (-6.8%) and Manitoba (-0.5%) recorded lower wholesale employment. Overall, wholesale employment gains in the Western provinces were not enough to offset employment losses at the national level (-1.4%), which were mainly driven by a decline in Ontario (-16,200).

Industry Outlook

The short-term outlook for Western Canada's wholesale trade sector is mixed. Positive signs for the industry include the lower Canadian dollar, continuing growth of the US economy, the new USMCA, and work on new trade agreements including CETA and CPTPP⁵, which could boost Canadian exports and drive up demand for related wholesale services. In addition, Canada's interest rates, even with recent increases, are still at historically low levels, making financing for major purchases relatively affordable for businesses and consumers alike. However, economic uncertainties in key industries such as oil and gas, risks of growing trade barriers, and a continued rise in interest rates, are raising concerns that business investment and consumer spending may take a hit in parts of the West.

EMPLOYMENT OUTLOOK

The Conference Board of Canada's most recent forecast suggests that Canada's overall trade sector (wholesale and retail) will perform moderately well in 2018 (+2.0%), with economic growth across all four western provinces.⁶ BC is expected to lead the Western provinces in Real GDP growth this year with gains of 2.4%. Alberta's economy is projected to rise by 2.2%, while economies in Manitoba and Saskatchewan's are forecast to expand 1.9% and 1.5%, respectively.⁷

Projected employment change for the wholesale trade sector during the 2018-2020 forecast period

Economic Region	Projected Change in Employment	Projected Annual Growth
Manitoba	200	0.3%
Southern Manitoba		0.4%
Winnipeg		0.2%
Northern Manitoba		0.4%
Saskatchewan	500	0.8%
Regina & Southern Saskatchewan		0.9%
Saskatoon & Northern Saskatchewan		0.7%
Alberta	6,700	2.3%
Calgary & Southern Alberta		2.2%
Edmonton, Red Deer, Camrose, & Drumheller		2.4%
Northern Alberta and Banff		2.8%
British Columbia	3,000	1.2%
Vancouver Island & Coast		1.2%
Lower Mainland - Southwest		1.2%
Okanagan - Kootenay		1.2%
Northern BC		1.2%
Yukon	120	1.4%
Northwest Territories	-90	-1.2%
Nunavut	110	2.4%

Source: Service Canada Regional Occupational Outlooks in Canada, 2018-2020

Note: Due to data limitations, the territorial forecast represents employment for the both the Wholesale and Retail Trade industries.

REGIONAL OVERVIEW

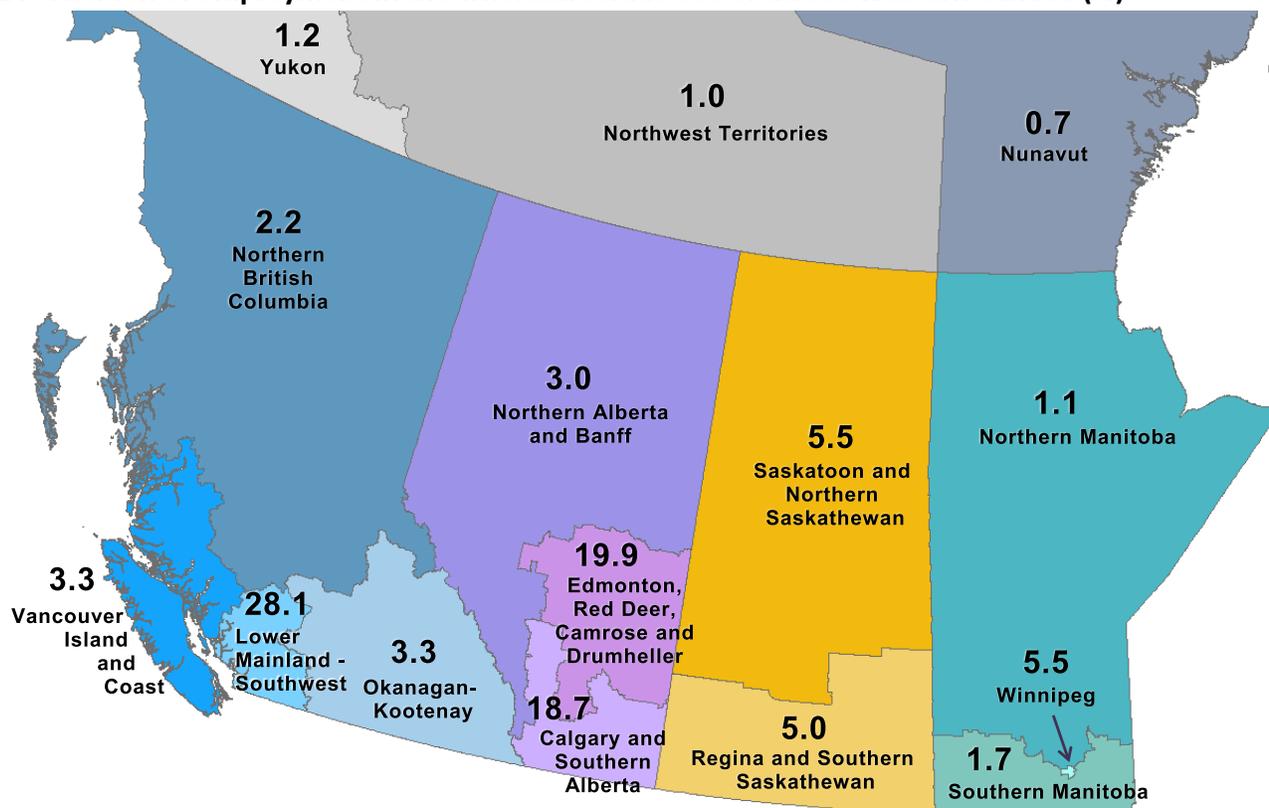
Regional Trends

- In terms of employment, Vancouver (Lower Mainland-Southwest) had Canada's second largest wholesale trade sector, behind only Toronto. This region had approximately 63,800 wholesale trade workers in 2017, accounting for 29% of Western Canada's total wholesale trade employment. Vancouver's regional wholesale trade sector serves as the main hub for Canadian exports and imports on the West Coast. In fact, Port Metro Vancouver is by far Canada's largest port, handling 142 million tonnes of cargo in 2017.⁸ Ongoing developments in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which will be one of the world's largest free trade agreements when it comes into force, will boost market access to key Asia-Pacific markets and benefit the large cluster of wholesalers operating in this region.
- Alberta's overall wholesale employment rose faster than in any other western province last year. Calgary was home to 37,700 wholesale trade workers in 2017, representing nearly 17% of the sector's employment across

the West. Edmonton was close behind, with approximately 35,500 workers employed in wholesale trade. In the past, wholesalers in both of Alberta's major centres have benefitted from strong oil sands investment. Improving commodity prices and the federal government's recent purchase of the Trans Mountain pipeline could be positive for many sectors in the province, including wholesale trade, over the next few years. Furthermore, the new Amazon fulfilment centre in Balzac will support additional employment growth in this sector.

- Winnipeg is Western Canada's fourth largest centre in terms of wholesale trade employment, with around 12,600 workers in 2017. The city's central location makes it a key transportation hub for wholesale trade between Eastern and Western Canada, as well the US Midwest. Looking forward, stronger output by local manufacturers should benefit the region's wholesalers; however, US tariffs on steel and aluminum and Canadian retaliatory tariffs on the US, is expected to soften gains in the region.
- Saskatoon and Regina have smaller wholesale trade sectors, employing around 9,600 and 8,400 workers in 2017, respectively. Saskatchewan's overall wholesale employment continued to rise in 2017 (+3.5%), following strong growth the previous year (+12%). The recent improvement in commodity prices may have helped sales in Saskatchewan in 2017, leading to expectations that employment could continue to grow over the next several years.

Distribution of employment in the wholesale trade sector across Western Canada (%)



Source: Service Canada Regional Occupational Outlooks in Canada, 2018-2020

Note: Territorial estimates include employment for the both the wholesale trade and retail trade sectors.

Note: In preparing this document, the authors have taken care to provide clients with labour market information that is timely and accurate at the time of publication. Since labour market conditions are dynamic, some of the information presented here may have changed since this document was published. Users are encouraged to also refer to other sources for additional information on the local economy and labour market. Information contained in this document does not necessarily reflect official policies of Employment and Social Development Canada.

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¹ Unless otherwise noted, all wholesale trade figures have been calculated from unadjusted monthly figures from the Wholesale Trade Survey.

Statistics Canada, Table 20-10-0074; Wholesale trade, sales by the North American Industry Classification System (NAICS), monthly; accessed August 10, 2018

² Unless otherwise noted, all employment estimates and labour force characteristics are from the Labour Force Survey. Regional totals have been calculated combining data for Manitoba, Saskatchewan, Alberta, and British Columbia.

Statistics Canada, Table 14-10-0023; Labour force survey estimates (LFS), by North American Industry Classification System (NAICS), sex and age group, annual; accessed July 25, 2018

³ Territorial estimates for wholesale employment are not published as part of the Labour Force Survey. Estimates from SEPH are referenced only to show the small size of the industry's workforce in the territories.

Statistics Canada, Table 14-10-0023; SEPH, employment all employees by NAICS, seasonally adjusted, annual (persons); accessed July 25, 2018

⁴ Statistics Canada, Table 14-10-0204; Average weekly earnings (SEPH), by type of employee for selected industries classified using the North American Industry Classification System (NAICS), annual (current dollars); accessed July 30, 2018

⁵ USMCA: United States Mexico Canada Agreement

CETA: Canada-European Union Comprehensive Economic and Trade Agreement

CPTPP: Comprehensive and Progressive Agreement for Trans-Pacific Partnership

⁶ Conference Board of Canada, Canadian Outlook Economic Forecast Summer 2018, accessed September 12, 2018

<http://www.conferenceboard.ca/e-library/abstract.aspx?did=9785> (subscription required)

⁷ Conference Board of Canada, Provincial Outlook Economic Forecast Summer 2018, accessed August 15, 2018

<http://www.conferenceboard.ca/e-library/abstract.aspx?did=9845> (subscription required)

⁸ Port of Vancouver, Statistics Overview 2017, accessed September 14, 2018

<https://www.portvancouver.com/wp-content/uploads/2018/03/2017-Stats-Overview-1.pdf>