



Building Supplies Dealers in the Prairie Provinces

A strategically important retail industry in Manitoba, Saskatchewan and Alberta

Economic Impact Report

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Executive Summary

The building supplies dealers sector across the Prairie Provinces is a strategically important retail sector with more than 1,300 stores employing 27,000 staff and generating \$7.2 billion in sales in 2019. The sector provided a significant boost to regional gross domestic product (GDP) through its operations in 2019. The sector's impact goes well beyond what happens in the stores. More than most other retail trade sectors, the building supplies dealers sector sources a considerable number of Canadian-made products supporting tens of thousands of jobs in provinces and local economies across the country. The economic impact model developed for this report includes estimates of the direct, indirect (supply chain) and induced spending associated with the sector's operations in 2019.

Economic impact of the building supplies dealers sector operations

Table 1 provides a summary of the sector's impact on the provincial economies in Manitoba, Saskatchewan, and Alberta. The operational expenditures of the sector boosted provincial gross domestic product (GDP) by \$2.9 billion, labour income by more than \$1.6 billion and tax revenue to governments of an estimated \$559 million just from operations¹. Through direct, indirect and induced effects, over 36,000 jobs were supported across the three provinces. Further, the labour income generated by the building supplies dealers sector boosted household spending by an estimated \$1.16 billion supporting businesses large and small in a broad range of industry sectors. Section 2.2 provides a full review of the approach and findings of the economic impact model.

Table 1: Summary economic impact, building supplies dealers sector, Prairie Provinces (2019)

	Manitoba	Saskatchewan	Alberta	Prairie Provinces
 Total number of retail stores	271	293	785	1,349
 Retail sales (2019)	\$1.6B	\$1.2B	\$4.4B	\$7.2B
 Provincial GDP contribution	\$618M	\$375M	\$1,876M	\$2,869M
 Employment and income				
Employment supported	8,029	6,033	21,995	36,057
Total employment income	\$332M	\$218M	\$1,051M	\$1,601M
 Taxes generated from operations¹				
Provincial and local government	\$76.3M	\$46.4M	\$185.4M	\$308M
All levels of government	\$129.0M	\$79.0M	\$351.4M	\$559M
Taxes generated relative to GDP	21%	21%	19%	19%
 Household spending (generated by employment income)	\$240M	\$162M	\$762M	\$1,164M

¹ Sales taxes generated from the sale of goods and services in the stores was not estimated. See Section 2.2.3.

Executive Summary (cont.)

The building supplies dealers sector in the Prairie Provinces has many other positive attributes including:



It benefits communities large and small across the region

There are building supplies dealers in over 330 different communities ranging from villages as small as Cartwright-Roblin rural municipality in eastern Manitoba (pop. 1,300) which has one dealer to the City of Calgary (pop. 1.5 million) which has 161 dealers. Of the 27 main retail trade industry groups, only four have a larger footprint (i.e. more stores) than the building supplies dealers. See Sections 2.2 and 3.4.



The ability to scale allows it to service so many communities

There is one building supplies store per 4,300 population across the three provinces. 59% of stores have fewer than 10 employees. The ability of the sector to be able to scale retail stores to a small size is a main reason why there are stores in more than 330 communities across the region (Section 3.4).



The sector is a major employer

Among the larger retail industry sub-sectors, only food and beverage, automobile dealers, clothing stores and general merchandise stores have more employees across the Prairie Provinces. In the past five years, between 2014 and 2019, employment in the sector has been rising up 9.5%, a slightly faster growth rate compared to the country overall (up 9.1%). See Section 2.2.



The sector is selling Canadian-made products

Many of the core products sold by building supplies dealers in the Prairie Provinces are produced in Canada such as lumber, wood products, paint and other manufactured goods. By contrast, 93% of the value of cars, trucks, vans and SUVs sold in the three provinces, 92% of major appliances (washers, dryers, refrigerators, etc.), 88% of all telephones and other communications equipment and 84% of all men's, women's, boys' and girls' clothing were not produced in Canada (Section 3.1).



The sector is benefitting the rest of Canada

Building supplies dealers in the Prairie Provinces sell hundreds of millions of dollars worth of products produced elsewhere in Canada – everything from wood products, metal windows and paint. This is important to the country's economy. To illustrate this, for every \$1 million worth of Canadian-made furniture and kitchen cabinets sold in Alberta building supplies stores an addition 13.3 jobs are supported across Canada compared to international imports of furniture and kitchen cabinets. (See Section 3.1 for details).

Executive Summary (cont.)



The sector offers above retail sector wages

The average weekly wage for the building supplies dealers sector in Manitoba is 20% higher than the overall retail trade sector. Only motor vehicle and parts dealers offer a higher average weekly wage than the building supplies dealers sector. In Saskatchewan, the average weekly wage in the building supplies dealers sector is 35% higher than in the food and beverage store sector and 49% higher than in the general merchandise store sector (Section 3.2).



The sector offers a variety of career paths

For those looking for a career path, the building supplies dealers sector offers many alternatives. For example, one out of every seven workers in the sector is employed in management occupations (Section 3.2).



The sector is fostering entrepreneurs hip

More than 6% of all workers in the sector are self-employed compared to only 1.4% of workers in general merchandise stores, 4.2% in the automobile dealers sector and 4.7% of in the food and beverage sector. In Saskatchewan, self-employment rates in the sector are the highest in the country (Alberta ranks 8th highest out of 10 provinces). See Section 3.3.



The building supplies wholesale sector is also a large economic sector

The building supplies wholesale sector, which supplies the retail stores but also directly services the construction sector, employs 24,000 people across the three provinces, boosted provincial GDP by more than \$2.3 billion in 2019. There are 1,900 wholesale firms ranging from lumber suppliers to drywall to paints and wallpaper. See Section 3.5.

Emerging from the pandemic: The role for building supplies dealers



The building supplies dealers sector will be an important driver of economic activity as the national economy recovers from the Covid-19 pandemic. As discussed in Section 4, a boost in sales in the building supplies sector generates far more economic value in Canada compared to a boost in sales in the automobile, appliances, communications equipment, clothing, and other retail sectors.

As an example of the role that building supplies dealers could play in economic recovery consider the following scenario. If every household in the three provinces spent, on average, an additional \$500 on repair construction activities, it would boost provincial GDP across the Prairie Provinces by \$1.5 billion, generate \$938 million in labour income and support 14,800 jobs (direct, indirect and induced).

1. Introduction

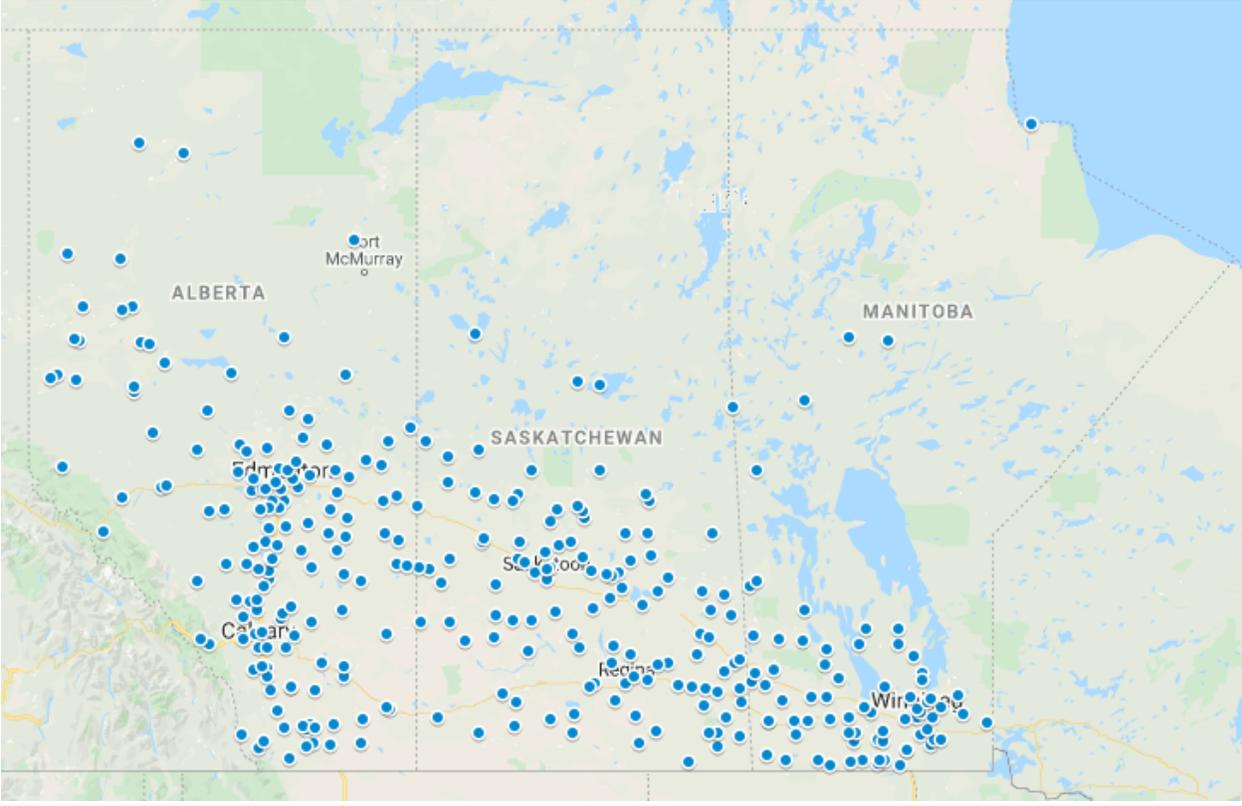
1.1 Purpose of this report

The objective of the project is to estimate the economic contribution arising from the operations of the building supplies dealers in the three provinces of Manitoba, Saskatchewan, and Alberta. The impact model includes direct, indirect, and induced effects. This report provides estimates of gross domestic product (GDP) as well as employment, employment income, taxation and consumer spending.

In addition, the report includes a broader set of data to better frame the story of the contribution the industry makes to the regional economy. There are building supplies dealers in over 330 communities across Manitoba, Saskatchewan, and Alberta. There are dealers in just about every community large and small from Lac du Bonnet, Manitoba to Grand Cache, Alberta. As will be shown, a large share of the products sold by building supplies dealers is produced in Canada unlike other retail sectors such as automobiles, clothing and electronics.

Average wage levels in the building supplies dealers' sector are higher than most other retail sectors. Overall, this industry provides more value and has a broader economic footprint than most other retail sectors of the economy.

Figure 1: Map showing all communities with at least one building supplies dealers



This report is broken down into three sections:

- Section 1 introduces the economic impact model and report overview.
- Section 2 looks at the economic impact of the industry including its secondary effects on consumer spending, taxation and other economic activity.
- Section 3 summarizes a broader set of economic benefits provided by the building supplies dealers sector.

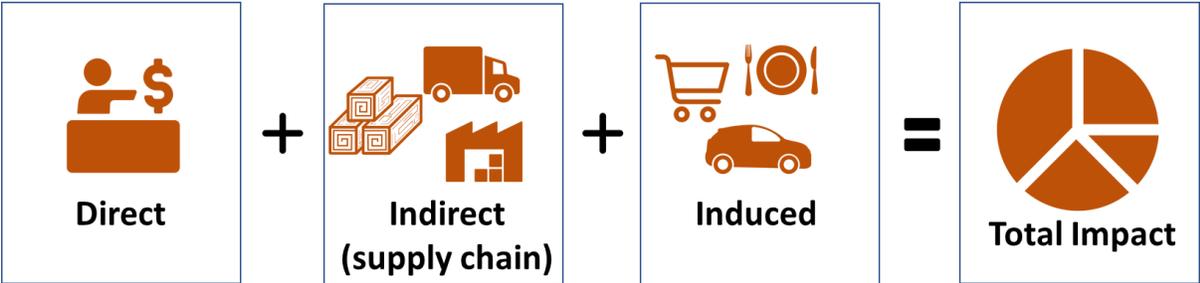
Appendix A includes a detailed description of the economic impact model and sources.

1.2 The economic impact model

The economic impact model used to estimate how the industry directly impacts the economy is based on Statistics Canada’s Input-Output (I-O) tables which provide a detailed profile of how expenditures in specific sectors flow through the provincial and national economy as well as through international trade. The I-O tables are developed using actual spending patterns within specific industries and provinces and, as a result, estimates of new economic activity are based on the expenditure profile of previous activity in those industries. The economic impact model evaluates the direct, indirect, and induced economic impacts, using the following parameters:

- *Direct impact* measures the value-added to the economy that is attributed directly from the employees, the wages earned, and the revenues generated from the industry’s spending in the three provinces.
- *Indirect impact* measures the value-added generated within the regional economy through firm and organizational demand for intermediate inputs or other support services (e.g. the supply chain). The building supplies dealers industry works with hundreds of suppliers and partners across the three provinces.
- *Induced impacts* are derived when employees in the aforementioned industries spend their earnings and owners spend their profits. These purchases lead to more employment, higher wages, and increased income and tax revenues, and can be felt across a wide range of industries.

Figure 2: Economic multipliers



The I-O tables trace the impact of economic activity (output shock) on the provincial and national economies (including imports and exports). In addition to the GDP and employment impacts, the economic impact model estimates the amount of tax revenue supported by the industry as well as consumer spending impacts.

Most of the data included in this report is published by Statistics Canada. Annual revenue, direct gross domestic product (GDP), economic multipliers and other statistics are mostly based on the industry group *building material and garden equipment and supplies dealers* (NAICS 444) (referred to as building supplies dealers) as that is the level of data aggregation used for most of the data sets analyzed in this report.

2. Economic impacts: Building supplies dealers in the Prairie Provinces

2.1 Building supplies dealers: Economic profile

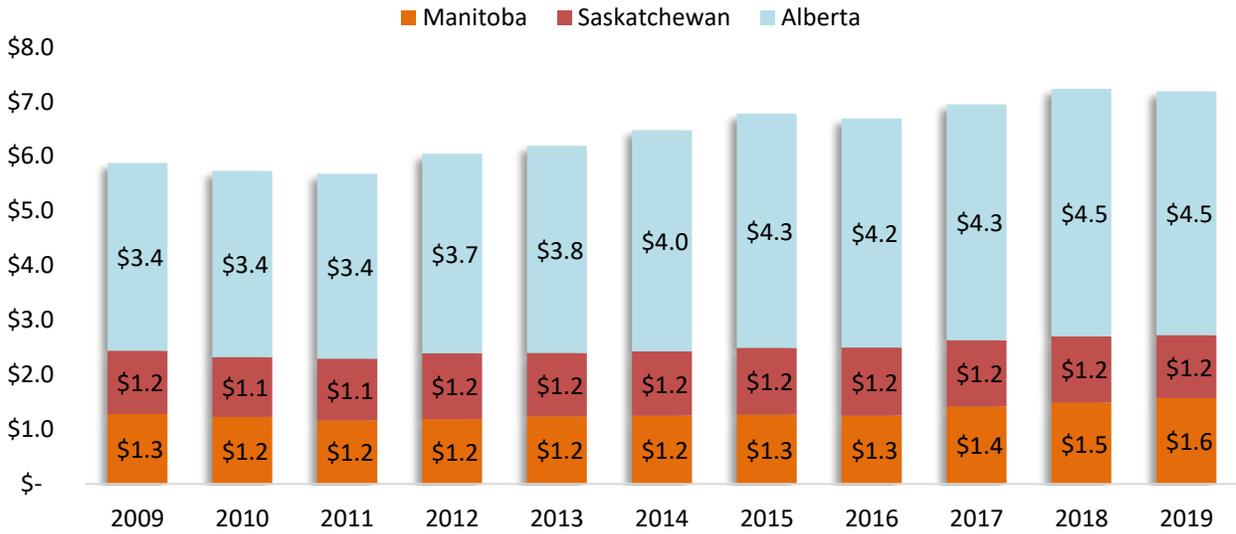
According to Statistics Canada, there were 1,349 firms in the building material and garden equipment and supplies dealers sector across Manitoba, Saskatchewan and Alberta in June 2019. These firms generated a combined \$7.2 billion worth of revenue in 2019.

2.1.1 Revenue trends

Figure 3 breaks down industry revenue by year and province. Alberta accounts for 62 percent of the industry’s revenue in the three provinces followed by Manitoba (22%) and Saskatchewan (16%). The in building material and garden equipment and supplies dealers sector is one of the largest of the retail trade sub-sectors generating more revenue than clothing and clothing accessories stores [NAICS 448], furniture and home furnishings stores [NAICS 442], electronics and appliance stores [NAICS 443] and sporting goods, hobby, book and music stores [NAICS 451].

In recent years annual revenue in the sector has been rising modestly in Alberta and Manitoba and remaining relatively consistent in Saskatchewan. Across the region total revenues increased from \$6.5 million in 2014 to \$7.2 million in 2019.

Figure 3: Building supplies dealers sales by year and province*



*Building material and garden equipment and supplies dealers [NAICS 444].

Source: Statistics Canada. Table 20-10-0008-01.

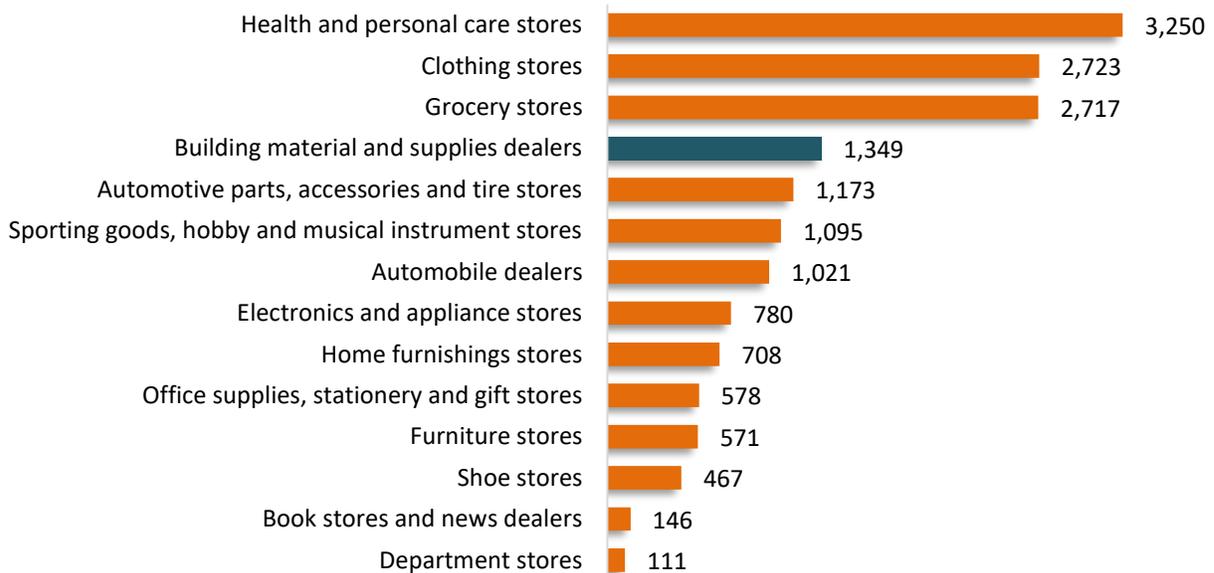
2.1.2 Firm profile

Statistics Canada provides data on the number of firms in the sector, location with the province and employment size. The data in this section is for the industry *NAICS 4441 - Building material and supplies dealers* and is from June 2019. The data is based on individual establishments in the communities and not on ownership. In other words, a retailer might own multiple stores across the region and each of those stores is published as an individual location.

There are building material and supplies dealers in over 330 different communities across the Prairie Provinces ranging from villages as small as Cartwright-Roblin rural municipality in eastern Manitoba (pop. 1,300) which has one dealer to the City of Calgary (pop. 1.5 million) which has 161 dealers.

Of the 27 main retail trade industry groups, only four have a larger footprint (i.e. more stores) than the building supplies dealers sector across the three provinces (Figure 4).

Figure 4: Number of retail establishments by sector, Prairie Provinces*



*Businesses with employees. Source: Statistics Canada business counts, June 2019.

Like most industries across Canada, the building supplies dealers sector is made up primarily of smaller establishments. As shown in Table 2, there are 271 in Manitoba, 293 in Saskatchewan and 785 in Alberta for a total of 1,349 across the region. Of this group 59 percent have fewer than 10 employees. The ability of the sector to be able to scale retail stores to a small size is a main reason why there are stores in more than 330 communities across the region.

The larger establishments of 50 or more employees account for only eight percent of the total but an estimated 55 percent of total employment.

Table 2: Building supplies dealers by employment level and province*

Employment size:	Prairie				% of total	Prairie			
	MB	SK	AB	Provinces		MB	SK	AB	Provinces
Total*	271	293	785	1,349					
1-4	62	97	254	413	23%	33%	32%	31%	
5-9	82	83	217	382	30%	28%	28%	28%	
10-19	65	60	148	273	24%	20%	19%	20%	
20-49	45	36	88	169	17%	12%	11%	13%	
50-99	5	8	30	43	2%	3%	4%	3%	
100-199	6	8	41	55	2%	3%	5%	4%	
200-499	6	1	7	14	2%	0%	1%	1%	
500 +	-	-	-	-	-	-	-	-	

*Businesses with employees. NAICS 4441 - Building material and supplies dealers.

Source: Statistics Canada business counts, June 2019.

2.1.3 Employment trends

The building supplies dealers sector is a major employer across the three provinces with more than 27,000 employees² as of 2019. To put this into perspective, there are more workers in this sector than the entire legal services industry, the accounting services sector, and the general freight trucking sector. Compared to other retail industries, the building supplies dealers employ considerably more than the furniture and home furnishings stores sector (14,700 employees), electronics and appliance stores (8,950), and sporting goods, hobby, book and music stores (17,900 employees). In fact, among the larger retail industry sub-sectors, only food and beverage, automobile dealers, clothing stores and general merchandise stores have more employees.

Across Canada, the building material and garden equipment and supplies dealers sector accounts for 87 out of every 10,000 workers across the economy compared to 101 in Manitoba (16% higher) and 95 in Saskatchewan (10% higher). In Alberta, the sector accounts for 82 out of every 10,000 workers across the economy, slightly below average for the country as a whole.

In the past five years, between 2014 and 2019, employment in the sector has been rising up 9.5 percent, a slightly faster growth rate compared to the country overall (up 9.1%).

Table 3: Employment by province, building supplies dealers, Prairie Provinces

	<u>2014</u>	<u>2019</u>	<u>5-year change</u>
Manitoba	5,408	6,181	+14.3%
Saskatchewan	4,639	4,605	-0.7%
Alberta	<u>14,924</u>	<u>16,550</u>	<u>+10.9%</u>
Prairie Provinces	24,971	27,336	+9.5%

Source: Statistics Canada Table 14-10-0202-01.

² Section 2.2.2 below develops the broader employment footprint including indirect and induced jobs.

2.2 Building supplies dealers: Economic impact analysis

2.2.1 GDP contribution

The building supplies dealers sector across the Prairie Provinces generated an estimated \$7.2 billion in retail sales in 2019. The economic value to the provincial economies from that retail activity is defined as the gross domestic product (GDP)³. GDP is the best measure to determine how much of that \$7.2 billion results in value-added economic activity in the three Prairie Provinces (such as labour income, jobs, etc.).

For example, most of the GDP from the manufacture of automobiles accrues in the jurisdiction where the automobiles are designed and manufactured. The share of GDP from this sector in Alberta, Saskatchewan and Manitoba relates only to the distribution and sale of automobiles, a very small share of the total economic activity.

For products the building supplies dealers imports from other jurisdictions in Canada and elsewhere, the GDP captured in the economic impact model only relates to the retail margins on those products (i.e. the sale and distribution of those products). Section 3.1 below expands on where the products sold by building supplies dealers are produced and makes the case there is much more value created across Canada from this sector than most other retail industries.

Table 4 shows the direct provincial gross domestic product (GDP) created by the sector in 2019 in the three provinces and the region as a whole. Direct economic activity relates to internal (non supply chain) spending. Across the Prairie Provinces, the sector generated \$1.7 billion in GDP in 2019. In addition to direct effects, there are indirect effects (supply chain) and induced effects (when labour income is spent on goods and services across the economy). Adding in these effects, the total GDP contribution in the three provinces rises to \$2.9 billion. Again, the supply chain here does not include the economic value from the production of the goods sold in building supplies dealers. It does include activities such as transportation and warehousing, utilities, professional services, etc.

Table 4: Building supplies dealers revenue and GDP impact, Prairie Provinces, 2019

	<u>Manitoba</u>	<u>Saskatchewan</u>	<u>Alberta</u>	<u>Prairie Provinces</u>
Retail sales (2019)	\$1.6B	\$1.2B	\$4.4B	\$7.2B
Direct provincial GDP contribution	\$406M	\$236M	\$1,080M	\$1,722M
Total GDP contribution	\$618M	\$375M	\$1,876M	\$2,869M

Building material and garden equipment and supplies dealers [NAICS 444]

See Appendix A for sources and methodology.

³ There are national economic impacts from the sector but these impacts are not included in the model.

2.2.2 Employment and labour income effects

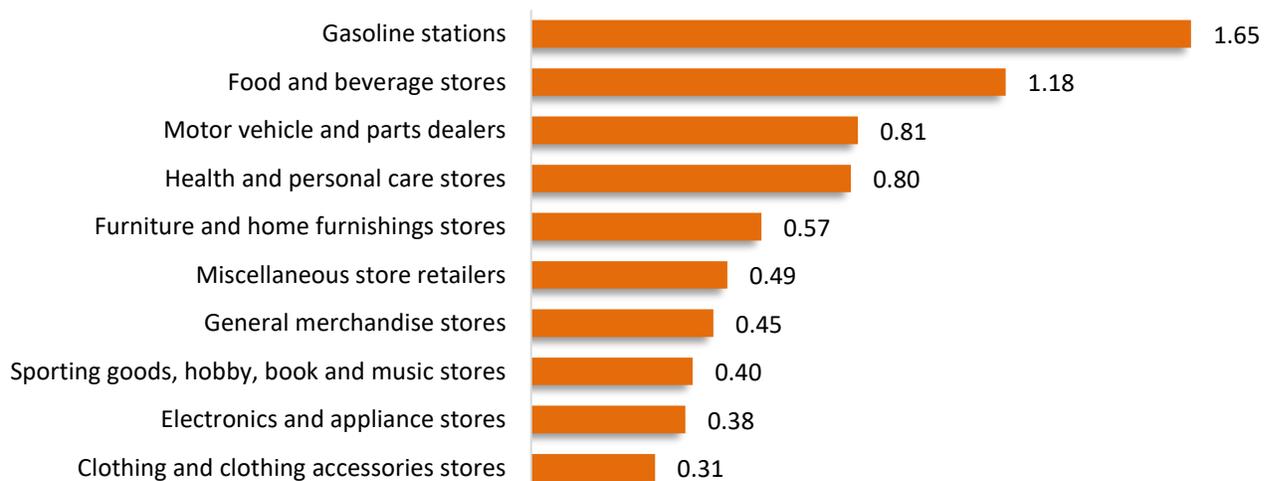
As discussed above, the building supplies dealers industry is a major employer across the Prairie Provinces with a distributed employment base. There are workers in more than 330 different communities across the three provinces.

There are 60 different Census Divisions (counties) in Manitoba, Saskatchewan and Alberta. Across the region, the building supplies dealers sector accounted for eight percent of total retail trade employment during the 2016 Census. In many of the smaller more rural counties, the sector's employment concentration is much higher accounting for 10 percent or more of total retail jobs in 18 of the counties. In some lightly populated counties, the building supplies dealers sector employs between 13% and 18% of total retail employment.

This is the opposite situation of many other retail sectors that consolidate activity in larger cities. When compared to the other main retail trade sectors, only food and beverage stores and gasoline stations have a higher share of total employment in the 20 smallest counties by population (Figure 6). As a share of total employment across the Prairie Provinces, general merchandise stores such as Walmart have 55 percent less of total employment in the smallest 20 counties compared to the building supplies dealers sector (shown in the chart as 0.45).

The bottom line is that residents in smaller areas looking to shop at sporting good stores, electronics stores, clothing stores, etc. are required to drive to the larger urban centres whereas when shopping for building supplies they are far more likely to find one or more dealers in their hometown.

Figure 6: Concentration of retail trade sub-sector employment in the 20 smallest counties by population across the Prairie Provinces (Building supplies dealers employment = 1.00)



Source: Statistics Canada 2016 Census.

Using Statistics Canada data, the direct payroll of the building supplies dealers in the Prairie Provinces amounted to nearly \$1.1 billion in 2019 (Table 5 shows the breakdown by province). Adding in the employment generated in the supply chain and from induced economic activity, the total employment income supported by the industry in 2019 was \$1.6 billion.

There were an estimated 27,300 employed in the building supplies dealers sector across the three provinces in 2019. Adding in the jobs generated in the supply chain and from induced economic activity, the total employment supported by the industry in 2019 was more than 36,000.

Table 5: Building supplies dealers employment and income impact, Prairie Provinces, 2019

	<u>Manitoba</u>	<u>Saskatchewan</u>	<u>Alberta</u>	<u>Prairie Provinces</u>
Direct employment	6,181	4,605	16,550	27,336
Total employment	8,029	6,033	21,995	36,057
Direct employment income*	\$243M	\$160M	\$688M	\$1,090M
Total employment income*	\$332M	\$218M	\$1,051M	\$1,601M

*includes non-wage benefits and payroll taxes.

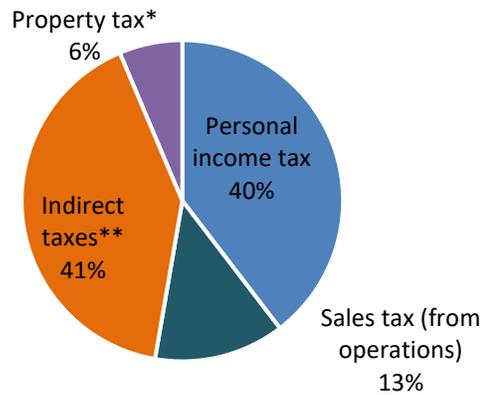
See Appendix A for sources and methodology.

2.2.3 Taxation impacts

Wages, salaries and benefits account for approximately half of the total operating expenses generated by the building supplies dealers sector. This wage income combined with supply chain and induced activity generates significant tax revenue for government.

As shown in Table 6, the building supplies dealers sector generated from operations an estimated \$308 million worth of tax revenue for provincial and local government in 2019 across the three provinces. Including the federal government total taxes generated from operations rose to \$559 million. Importantly this does not include sales tax on the sales of goods and services sold by the building supplies dealers sector, only the taxes arising from operations, supply chain and induced spending.

Figure 7: Breakdown of tax revenue generated from building supply dealer operations in the Prairie Provinces by source (% of total)



*from household spending only. Business-related property tax is included in indirect taxes.
 **indirect taxes include a variety of taxes and fees including fuel taxes, corporate property taxes, etc.
 See Appendix A for sources and methodology.

In total, taxes generated by the building supplies dealers sector were equivalent to more than 19 percent of its GDP contribution. Figure 7 shows the breakdown of taxes generated by the sector by type of tax.

Table 6: Building supplies dealers taxes generated from operations, Prairie Provinces, 2019

	Manitoba	Saskatchewan	Alberta	Prairie Provinces
Provincial and local government	\$76.3M	\$46.4M	\$185.4M	\$308M
All levels of government	\$129.0M	\$79.0M	\$351.4M	\$559M
Taxes generated relative to GDP	21%	21%	19%	19%

See Appendix A for sources and methodology.

Tax on Sales: The sales tax generated on the sales of building supplies dealers sector is significant likely in the range of several hundred million dollars per year. Because the Statistics Canada data for the building supplies dealers sector does not breakdown sector sales by end market (household versus construction sector), it is impossible to accurately determine the sales tax generated from sales.

2.2.4 Household spending impacts

The employment income generated by the building supplies dealers sector in 2019 supported a wide variety of consumer spending across the region. Table 7 shows the estimated direct, indirect and induced consumer spending activity supported by the sector by major expenditure category. The figures were derived using the average household expenditures in the three provinces and on the assumption that the industry's employment income would be spent in a similar pattern to the average household across the region.

In total, the employment income generated by the building supplies dealers sector supported \$1.16 billion worth of consumer spending during the year. This included \$151 million on food (groceries and restaurants), \$326 million in housing-related expenditures such as mortgage payments, utilities and furniture, and \$249 million on transportation costs that are mostly related to vehicle purchases, operations and maintenance. As shown in table, the building supplies dealers sector supported \$77 million worth of spending on recreation and another \$69 million on health and personal care across the three provinces.

In short, a large share of the retail margin generated from the sales of building products in retail stores across the Prairie Provinces stays in local communities as employment income supporting other sectors of the economy.

Table 7: Estimated consumer spending from the income generated by building supplies dealers operations, Prairie Provinces, 2019 (\$Millions)

	<u>Manitoba</u>	<u>Saskatchewan</u>	<u>Alberta</u>	<u>Prairie Provinces</u>
Total current consumption	\$240.4	\$161.5	\$762.1	\$1,164.0
Food expenditures	\$33.2	\$22.7	\$95.0	\$150.9
Shelter	\$62.4	\$43.5	\$220.1	\$326.0
Transportation	\$52.5	\$33.0	\$163.0	\$248.5
Health and personal care	\$14.5	\$9.3	\$45.5	\$69.3
Recreation	\$15.9	\$12.2	\$48.9	\$77.0

See Appendix A for sources and methodology.

3. Building supplies dealers: Broader economic impacts

Beyond the economic impacts from the building supplies dealers sector's operations each year, the sector is important to the economic for a variety of other important reasons.

3.1 Selling Canadian-made products

The retail trade sector in the Prairie Provinces generated \$122 billion worth of sales in 2019. Retail trade includes of the goods households purchase from grocery stores to clothing and sporting goods. But not all retail sectors are the same. The building supplies dealers sector sells much more Canadian-made products than most other retail trade sub-sectors.

Statistics Canada publishes data on supply and demand for hundreds of commodity groups⁴. This includes interprovincial and international trade. The data is lagged due to the effort required to gather and analyze it. The most recent data set is for 2016.

The data is *not specific to the building supplies dealers sector*. For example, a large share of paints, coatings and adhesive products is sold in building supplies stores but can also be found in general merchandise stores and other retailers.

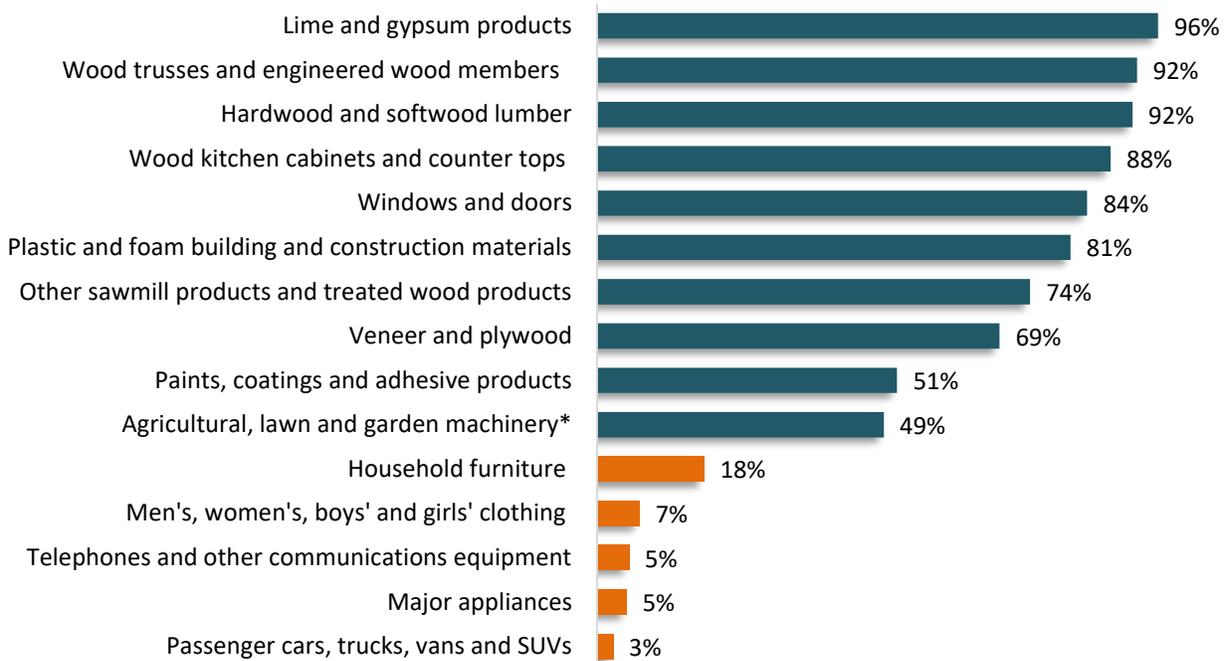
However, looking at the products that are *primarily* sold by building supplies dealers provides insight into the important relationship between the Prairie Provinces' building supplies dealers and the manufacturing sector in Canada. There was \$651 million worth of hardwood and softwood lumber sales across the three provinces in 2016 and only eight percent was imported from outside of Canada. The three provinces generated \$783 million worth of wood and metal windows sales in 2016 of which only 16 percent came from outside Canada. In fact, most wood-based products – a considerable amount of which are sold through building supplies dealers to contractors or the general public – are produced in Canada. Lime and gypsum products such as drywall were worth \$279 million in 2019 across the three provinces and only four percent of the value came from international imports.

By contrast, 93 percent of the value of cars, trucks, vans and SUVs sold in the three provinces were not produced in Canada and 92 percent of major appliances (washers, dryers, refrigerators, etc.). The three provinces import from international sources 88 percent of all telephones and other communications equipment and 84 percent of all men's, women's, boys' and girls' clothing.

Figure 8 compares products in large part sold through building supplies dealers to those sold in other retail sub-sectors.

⁴ For each province, total supply is equal to total domestic demand. Total supply is defined as the sum of production and inventory withdrawals available for own consumption plus interprovincial and international imports.

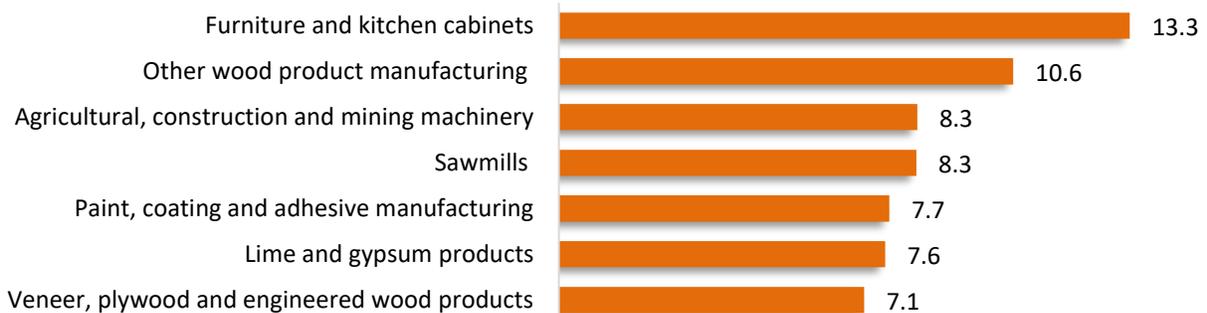
Figure 8: Share of total provincial demand supplied by Canadian-made products, Prairie Provinces (2016)



*and equipment. Source: Statistics Canada Table: 12-10-0101-01.

This matters because the end value to the provincial and national economies from wood kitchen cabinets produced in Canada is far greater than the value from imported kitchen cabinets. Figure 9 shows the number of jobs created (direct, indirect and induced) from \$1 million worth of sales of Canadian-made products sold in Alberta. These job figures do not include wholesale and retail sales activity. For every \$1 million worth of Canadian-made furniture and kitchen cabinets sold in Alberta building supplies stores an additional 13.3 jobs are supported across Canada compared to international imports of furniture and kitchen cabinets. For paint produced in Canada, 7.7 jobs are supported for every \$1 million in Alberta sales.

Figure 9: Total jobs created in Canada for every \$1 million worth of Canadian-made products sold in Alberta, selected sectors*



*For 2016. Excludes wholesale and retail margins. Source: Statistics Canada Table: 36-10-0595-01

Supporting the Canadian economy

The building supplies dealers sector relies on a number of industries across Canada to supply products. For example, 45 percent to the \$1 billion spent on paints, coatings and adhesive products each year across the Prairie Provinces comes from other provinces. Nearly half of the \$783 million spent on windows and doors goes to suppliers in other provinces. This contrasts to only two percent of the value of passenger cars, trucks, vans and SUVs and one percent of the value of telephones and other communications equipment.

3.2 A good employment sector

Beyond the role retailing a large share of Canadian-made products, the building supplies dealers sector has a number of other positive attributes including as an employer of Canadians. The sector offers average weekly wages considerably higher than most other retail sub-sectors. The sector also offers a variety of career paths for workers and the potential for entrepreneurship among those aspiring to own their own business.

The sector offers above retail sector wages

The retail trade industry is not one of the higher wage industries in the Canadian economy, but it provides important employment opportunities for students, second income earners and people looking to develop a career within the industry. However, compared to most other retail trade sub-sectors, the building supplies dealers sectors stands out for offering above average wages. Using Statistics Canada average weekly wage data for 2019, Table 8 compares the average weekly wage for the major retail trade sub-sectors in the three Prairie Provinces.

The building supplies dealers sector features an average weekly wage of between \$716/week in Manitoba to \$741/week in Alberta. The average weekly wage for the building supplies dealers sector in Manitoba is 20 percent higher than the overall retail trade sector in the province. Only motor vehicle and parts dealers offer a higher average weekly wage than the building supplies dealers sector.

In Saskatchewan, the average weekly wage in the building supplies dealers sector is 35 percent higher than in the food and beverage store sector and 49 percent higher than in the general merchandise store sector.

Table 8: Average weekly wage comparison, retail trade sub-sectors, Prairie Provinces (2019)

	Average weekly wage			Relative to the retail trade average		
	<u>MB</u>	<u>SK</u>	<u>AB</u>	<u>MB</u>	<u>SK</u>	<u>AB</u>
Retail trade (total)	\$595	\$637	\$657			
Motor vehicle and parts dealers	\$940	\$1,123	\$1,178	+58%	+76%	+79%
Building supplies dealers*	\$716	\$720	\$741	+20%	+13%	+13%
Food and beverage stores	\$491	\$533	\$508	-17%	-16%	-23%
Health and personal care stores	\$670	\$650	\$728	+13%	+2%	+11%
Gasoline stations	\$415	\$497	\$549	-30%	-22%	-16%
Clothing and clothing accessories stores	\$363	\$382	\$458	-39%	-40%	-30%
Sporting goods, hobby, book and music stores	\$482	\$481	\$522	-19%	-25%	-21%
General merchandise stores	\$498	\$482	\$540	-16%	-24%	-18%
Miscellaneous store retailers	\$511	\$507	\$547	-14%	-20%	-17%

*Building material and garden equipment and supplies dealers.

Source: Statistics Canada Table 14-10-0204-01.

The sector offers a variety of career paths

In the 2016 Census, Statistics Canada published data on the number of people working in 51 different occupational groups within the building supplies dealers sector. There are a wide variety of career paths for those working in the sector ranging from management roles to self-employment. For example:

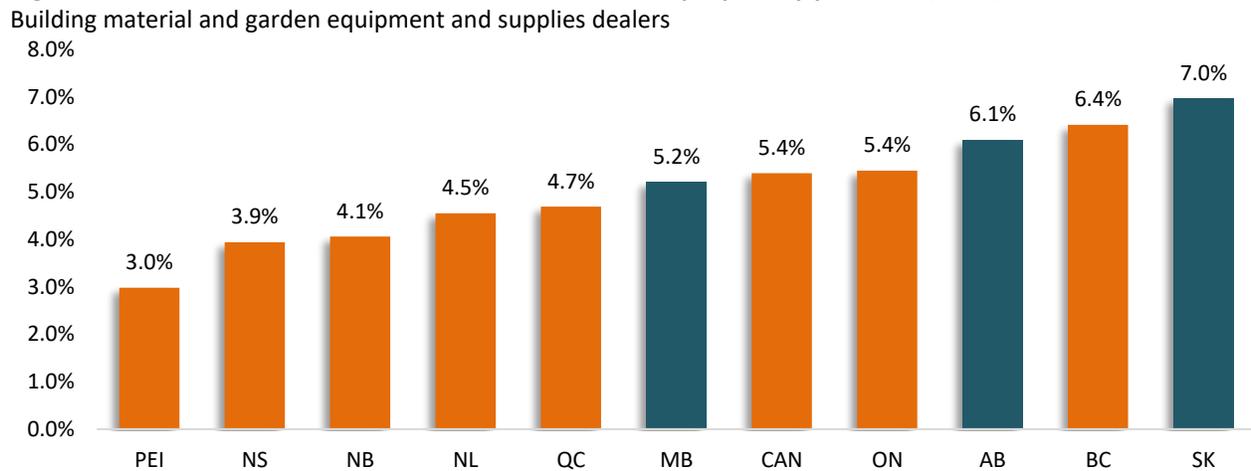
- One out of every seven workers is employed in management occupations.
- One out of every 25 is employed in professional or technical roles such as accounting services or administrative roles.
- One out of every eight is employed in sales support roles.
- One out of every 19 workers in the sector is self-employed.

3.3 Entrepreneurship in the sector

Unlike many sectors of the economy, the building supplies dealer sector provides opportunities for entrepreneurship, particularly in western Canada. According to the 2016 Census there were nearly 1,700 self-employed persons working in the building supplies dealers sector across the three provinces or well over six percent of all workers. By contrast, only 1.4 percent of workers in general merchandise stores are self-employed, 4.2 percent of those working in the automobile dealers sector and 4.7 percent of those working in food and beverage stores.

Figure 10 shows the share of the workforce who are self-employed for the building supplies dealers sector by province across Canada. The west has a much higher rate of self-employment in the sector. A worker in the sector in Saskatchewan is more than twice as likely to be self-employed as on Prince Edward Island.

Figure 10: Share of the total workforce who are self-employed, by province (2016)



Source: Statistics Canada 2016 Census.

3.4 Distributed economic benefits

As discussed earlier in the report, the building supplies dealers sector has a broadly distributed footprint across the three provinces. There are nearly 1,600 stores (with employment) ranging from those with only a handful of workers to stores with several hundred workers.

As shown in Figure 11, there is one building supplies store per 4,300 population across the three provinces. This is a larger store-to-population ratio compared to most other retail industries with the exception of food stores, health and personal care and gas stations.

This broad economic footprint means distributed economic benefits across the region. Rural and smaller communities supply many of the products sold in building supplies dealers stores. There are 62 sawmills across the three provinces, 67 veneer, plywood and engineered wood product manufacturing plants and over 240 wood product manufacturing facilities. Many of these businesses feed the building supplies dealers sector.

Figure 11: Population per retail store, selected retail sectors, Prairie Provinces



Source: Statistics Canada business counts, June 2019.

3.5 Economic impact of the building materials wholesale sector

The building supplies *wholesale* sector supplies much of the product sold in retail building supplies stores across the Prairie Provinces. Building supplies wholesalers distribute goods directly to the construction industry as well as the building supplies retail sector, as well as other industries.

The wholesale sector has a large economic footprint employing over 24,000 people in 2019 across the Prairie provinces and generating more than \$2.3 billion in provincial GDP. Table 9 shows the summary statistics for the wholesale sector. The three provinces are home to 1,900 firms in the sector supplying a wide range of products including:

- Electrical wiring and construction supplies
- Plumbing, heating and air-conditioning equipment and supplies
- Metal service centres
- General-line building supplies
- Lumber, plywood and millwork
- Hardware
- Paint, glass and wallpaper
- Other specialty-line building supplies

Table 9: Summary statistics, building supplies wholesale sector, Prairie Provinces

	<u>Manitoba</u>	<u>Saskatchewan</u>	<u>Alberta</u>	<u>Prairie Provinces</u>
Provincial GDP (\$millions)*	\$392	\$305	\$1,664	\$2,360
Employment (2019)	4,091	2,939	16,976	24,006
Firms (2019)**	290	323	1,317	1,930

*Chained (2012) dollars.

Firms with employment. For industry group: Building material and supplies merchant wholesalers [NAICS 416].

Sources: Statistics Canada Tables: 14-10-0202-01 and 36-10-0402-01, and Canadian Business Patterns.

A sample of some of the wholesale firms supplying the retail building supplies sector is found in Table 10. The list includes large, global suppliers as well as national and local suppliers.

Table 10: Selected building supplies wholesale firms serving the retail sector, Prairie Provinces

<u>Company Name</u>	<u>Industry</u>	<u>Prov/State</u>
AFA Forest Products Inc.	Building materials	AB
Alexandria Moulding Inc.	Wood products	WA
All Weather Windows Ltd.	Windows	AB
Alliance Door Products - Winnipeg	Doors	MB
Building Products of Canada Corp.	Building materials	AB
Can-Cell	Building materials	AB
CanWel Building Materials Group Ltd.	Building materials	BC
CertainTeed Gypsum Canada	Drywall/wallboard	AB
Cervus Equipment	Equipment	AB
CGC Inc.	Drywall/wallboard	AB
Domtek Building Products	Building materials	MB
Duchesne et Fils Itée	Building materials	QC
DuPont Performance Building Solutions	Building materials	BC
Durabuilt Windows & Doors Inc.	Windows/doors	AB
GAF Canada	Roofing products	ON
GENTEK Building Products	Building materials	AB
Goodfellow Inc.	Wood products	AB
Harris Rebar	Steel and related products	BC
Henry Company Canada Inc.	Building materials	ON
Johns Manville Canada Inc.	Building materials	MB
Kaycan Ltd.	Vinyl siding	QC
Kenroc Building Materials Co. Ltd.	Building materials	SK
Lancashire Distribution	Building materials	SK
Makita Canada Inc.	Construction tools	ON
Metrie Canada Ltd.	Doors	AB
Orgill Canada	Building materials	ON
Ply Gem Building Products	Building materials	AB
Prime Fasteners Ltd.	Construction tools	MB
Resisto - Division of Soprema Inc.	Building materials	QC
Richelieu Hardware	Building products	QC
ROCKWOOL	Insulation projects	ON
Saint-Gobain ADFORS	Building materials	NY
SHNIER	Floor coverings	ON
Spectrum Brands Canada Inc.	Building products	ON
Stanley Black & Decker	Construction tools	ON
Steelform, A Division Of Imperial Building Products Ltd.	Building products	AB
Taiga	Building materials	AB
Target Products Ltd., Quikrete® Canada	Concrete & related products	BC
Taymor Industries Ltd.	Building materials	BC
The Sherwin Williams Company-Consumer Brands Group Canada	Paint products	ON
Vicwest Building Products	Building materials	AB
Wajax Equipment	Construction equipment	AB
Westman Steel Industries	Steel and related products	AB
Weyerhaeuser	Wood products	AB

Source: Western Retail Lumber Association.

4. Emerging from the pandemic: Potential role for the sector

The building supplies dealers sector will be an important driver of economic activity as the national economy recovers from the Covid-19 pandemic. As discussed in Section 3.1, a boost in sales in the building supplies sector generates far more economic value in Canada compared to a boost in sales in the automobile, appliances, communications equipment, clothing, and other retail sectors.

As an example of the role that building supplies dealers could play in economic recovery consider the following scenario. If every household in the three provinces spent, on average, an additional \$500 on repair construction activities, it would boost provincial GDP across the Prairie Provinces by \$1.5 billion, generate \$938 million in labour income and support 14,800 jobs (direct, indirect and induced).

Table 10: An example of the economic impact of household construction activity

	<u>Households</u>	<u>Spending (\$500/household)</u>	<u>GDP boost</u>	<u>Income boost</u>	<u>Jobs supported</u>
Manitoba	539,748	\$269,874,000	\$323,578,926	\$209,961,972	3,828
Saskatchewan	495,582	\$247,791,000	\$277,525,920	\$173,205,909	2,835
Alberta	<u>1,654,129</u>	<u>\$827,064,500</u>	<u>\$879,169,564</u>	<u>\$554,960,280</u>	<u>8,116</u>
Prairie Provinces	2,689,459	\$1,344,729,500	\$1,480,274,410	\$938,128,161	14,779

Sources: Number of households, Statistics Canada 2016 Census. GDP, income and jobs multipliers taken from Statistics Canada Table: 36-10-0595-01.

Even DIY (do-it-yourself) home improvement and repair projects can generate significant economic activity. As discussed in this report, not only does household spending in the building supplies dealers sector create retail sector jobs, it supports a wide variety of manufacturing activity across the country.

In the 2016 Census, households reported that 37 percent of all dwellings in Manitoba and Saskatchewan required either minor or major repairs. The share was 30 percent in Alberta. Combine this repair work with home improvement and expansion projects, and this could provide a significant economic stimulus in the months and years ahead.

5. Conclusion

This report has summarized the economic impact of the building supplies dealers on the provincial economies in Manitoba, Saskatchewan, and Alberta as well as the Prairie Provinces as a whole. The industry is one of the largest employers among retail trade sub-sectors in the region, it pays above average retail wages and its footprint extends to more than 330 communities across the three provinces.

In addition, the building supplies dealers sector is more important than most other retail sectors because it distributes a larger share of Canadian-made products such as lumber, value-added wood products, paints and other goods. This ties the sector directly back to important manufacturing industries in the three provinces and across Canada.

Finally, the report shows how a significant boost in spending in the building supplies dealers sector would be a good stimulus to the economy coming out of the Covid-19 pandemic. Home repairs and improvement projects have a significant GDP, labour income and employment multiplier.

Appendix A: The Economic Impact Model and Sources

The data sources used in the preparation of this report include:

<u>Statistic:</u>	<u>Source/Description:</u>
Industry definition	There are two main industry groups used in this report depending on the level of data aggregation published by Statistics Canada. When using the term 'building supplies dealers', the report is referring to data related to NAICS 444 Building material and garden equipment and supplies dealers with the exception of the business count data which relates to NAICS 4441 Building material and supplies dealers.
Retail sales data	Statistics Canada Table: 20-10-0008-01 and Table: 20-10-0066-01. Shows Sales of goods for resale, Total operating revenue, Opening inventory, Purchases, Closing inventory, Cost of goods sold, Total labour remuneration, Total operating expenses, Gross margin and Operating profit margin.
Employment by industry	Statistics Canada Table: 14-10-0202-01.
Average weekly wages	Taken from Statistics Canada Table: 14-10-0204-01. Shows the annualized average weekly wage including overtime in selected sectors.
Direct, indirect and induced GDP, employment and income estimates	Uses Statistics Canada Input-Output multiplier and impact estimates at the M industry level. Provincial Input-Output Multipliers, 2016. Catalogue no. 15F0046XDB. Industry Accounts Division. Statistics Canada. Includes multipliers for: Output, Gross domestic product (GDP) at market prices, Taxes on products, Subsidies on products, Gross domestic product (GDP) at basic prices, Labour income, Wages and salaries, Employers' social contributions, Labour income of unincorporated sector 11, Gross operating surplus, Subsidies on production, Taxes on production, International imports, and Jobs.
HST paid	Based on the ratio of HST collected to total provincial personal income in 2018 (Source: provincial budget documents and Statistic Canada).
Personal income taxes paid	Derived using several sources including Statistics Canada personal tax-related tables and its Survey of household spending (SHS) for 2017.
Property taxes paid (from employment income)	Derived using Statistics Canada's Survey of household spending (SHS) for 2017.
Indirect taxes	Source: Statistics Canada Input-Output tables. These indirect taxes are levied on the business activity (not employment income) and include such tax areas as: business property taxes, fuel taxes, vehicle license fees, land transfer taxes, and any sales taxes arising out of the corporate activity.
Household spending impacts	Derived using Statistics Canada's Survey of household spending (SHS) for 2017.
Business count data	Taken from Canadian Business Patterns for June 2019. Source: Statistics Canada.
Interprovincial and international exports	Source: Statistics Canada Table 12-10-0101-01.
Various labour market characteristics	Statistics Canada 2016 Census.

