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Global Economic Impact Study of Shopify

April 2021

Table of Contents

1	Introduction	3
2	2021 Economic Impact Summary	7
3	Jurisdictional Analyses	15
4	Appendix	35

Introduction



Introduction

2020 was a year of health, social, and economic crises. COVID-19 caused nearly 2 million deaths across the globe, which combined with social justice events and economic crises created many more layers of hardship.¹

The pandemic was especially turbulent for small businesses. Among many challenges, these firms tended to have less capital and resources for weathering the fallout in economic demand and the costs of operating under social distancing rules. In June 2020, the Metlife and United States Chamber of Commerce Small Business Index illustrated that confidence levels reached record lows.²

Yet there were positive trends for small business in 2020. Communities across the world launched successful ‘shop local’ campaigns. In several countries, last year witnessed major growth in the number of new businesses formed.³

Arguably, the most impactful positive trend from 2020 was that small businesses accelerated their adoption of digital technology. A survey conducted by Cisco Systems and International Data Corporation last June showed that over 70% of small businesses globally noted that “COVID-19 has been a key driver for fast-tracking [the] digitization journey.”⁴

Looking to the future, digitalization has potential to drive entrepreneurship, empower small business, and, in turn, foster economic growth and job creation. The economic damage of 2020 will likely linger for years to come. Small business – platformed by digital technology – is a powerful strategy to reduce that possibility.

Note to Reader

In October 2019 Shopify released its first ever Global Economic Impact Report. Developed in partnership with Deloitte (“we”, “us”, etc.), the study explored impact through six underlying themes by analyzing data from 2018 and earlier. Ultimately the report was launched at the time of a significant milestone – over 1 million businesses globally are built on Shopify.

Shopify aims to continue quantifying its economic footprint and exploring how it catalyzes positive changes to the global economy. Aligned to this goal, we refreshed select findings chosen by Shopify, using 2019 and 2020 data. The purpose of this report is to present the key findings of our analysis.

In line with our initial report, it is evident that Shopify broadens the possibilities available for entrepreneurs and businesses. The quantifiable impacts of economic activity and employment are substantial and have increased each year since 2018. This finding is especially meaningful in 2020, given the very challenging macroeconomic context that businesses were operating within globally.



Our Approach

This study models the economic impacts associated with Shopify businesses using a customized global economic impact model.

Note on Currency

Please note that all \$ values presented in this study are in USD unless noted otherwise.

Key Definitions

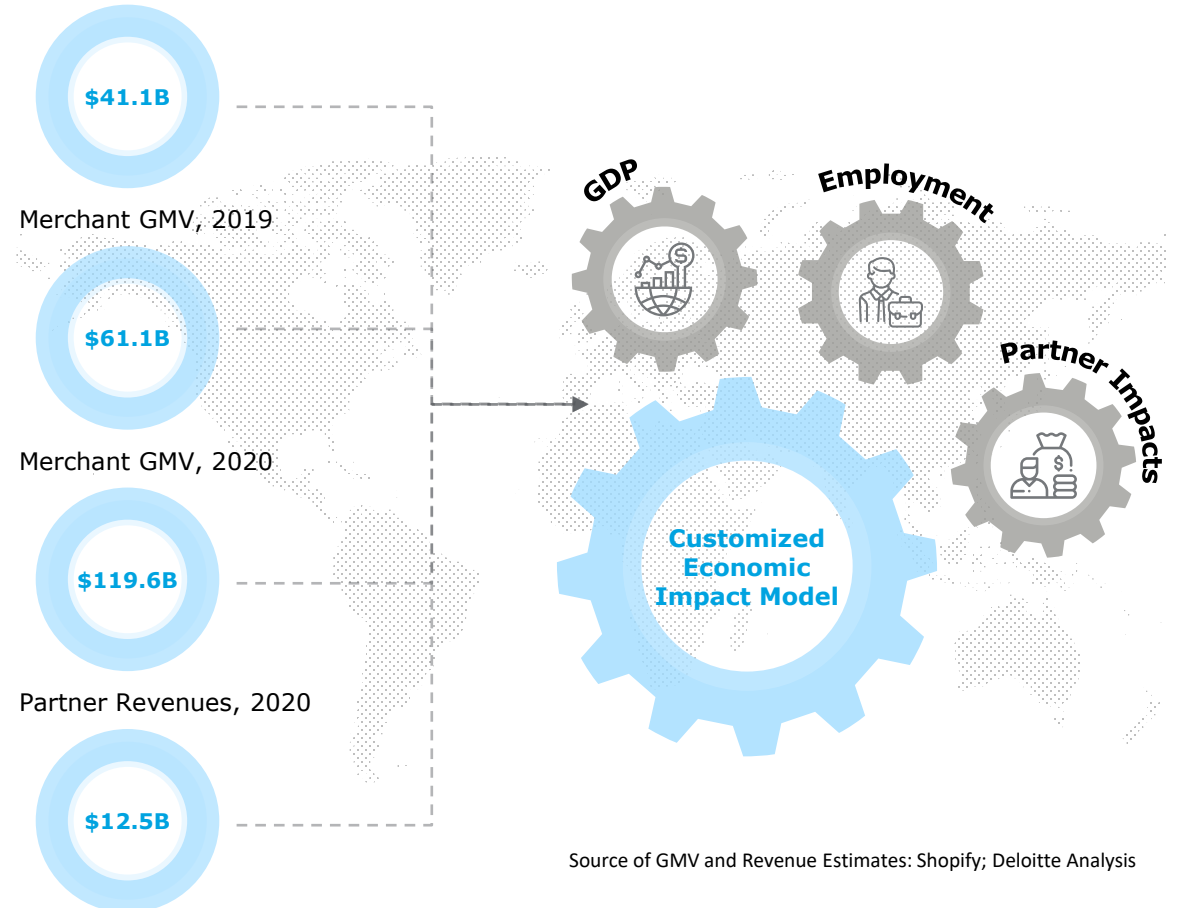
- **Direct impacts** result from the first round of expenditures.
- **Indirect impacts** result from the second and subsequent rounds of spending by businesses providing intermediate goods and services.
- **Induced impacts** result from households spending the wages earned through direct expenditures.
- **Gross Merchandise Volume (“GMV”)** is the “total dollar value of orders facilitated through the Shopify platform.”⁵
- **Business Activity** represents the gross value of goods and services produced in a jurisdiction during a given period.
- **GDP** is the total unduplicated value of goods and services produced in a jurisdiction during a given period.
- **Employment** represents full-time equivalent positions (FTEs). FTEs are counted according to their duration and not according to whether they were employed on a full-time or part-time basis.

Key Model Details

In this study, “business activity impact”, GDP, and employment modelling of Shopify merchants and partners is based on an input-output framework, a standard approach in economic analysis that enables a clear distinction between direct, indirect, and induced impacts. To capture the impacts of global supply-chain activity, we added detailed bi-lateral trade data to our model. The key data sources for our model is Organization for Economic Co-Operation and Development (OECD), including Input Output database and Trade in Value Added (TiVA) database, and World Bank. Our model estimates the gross impacts (as opposed to incremental impacts) of Shopify merchants business activity.

Economic impact model framework

Merchant GMV, 2018



Source of GMV and Revenue Estimates: Shopify; Deloitte Analysis

2020 Economic Impact Summary



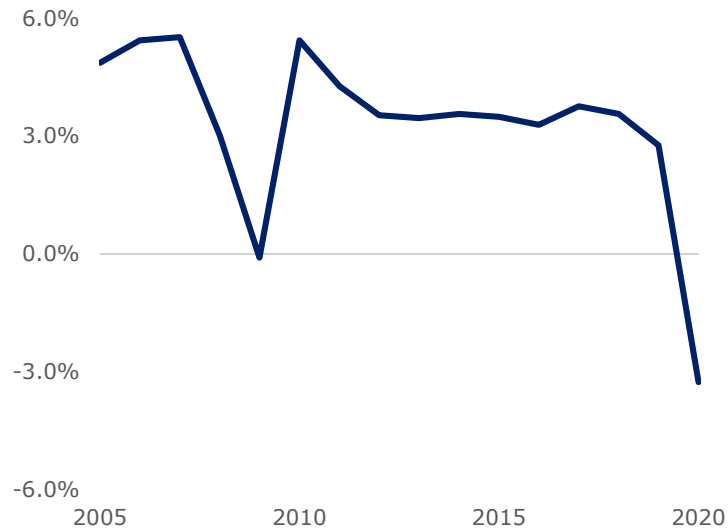
Through a historic economic downturn, Shopify was a platform for substantial global business growth

Along with health and social hardships, COVID-19 led to the worst global recession since the Great Depression. Between 2010 and 2019, global economic output grew each year by an average of 2.9%. In 2020 it fell by 3.3%.⁶

In a year defined by social distancing, the world required digital solutions to fuel business activity. The data shows that Shopify played a key role in driving substantial business activity growth across the globe over the course of 2020.

2020 witnessed a historic economic downfall

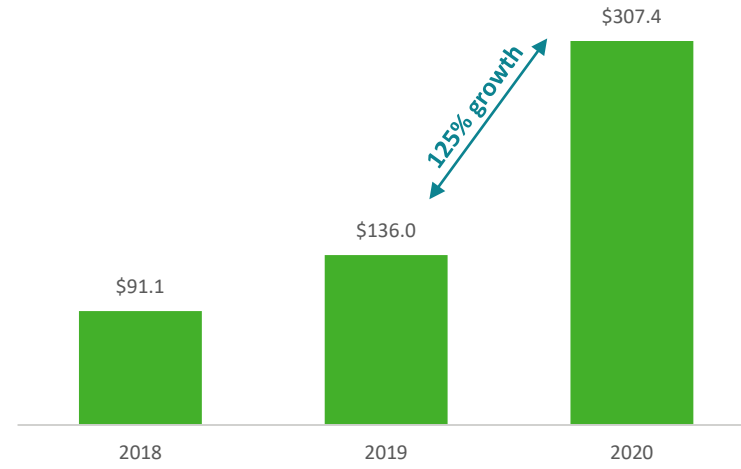
Annual percent change in Global GDP



Source: International Monetary Fund ("IMF"); Deloitte Analysis

Yet across the world, Shopify enabled economic activity

Total business activity impact of Shopify merchants, in \$ billions



Source: Shopify; Deloitte Analysis

Note: Includes the direct, indirect, and induced economic impacts. Please see page 6 for further details and definitions.

Shopify also facilitated \$12+ billion in partner revenues

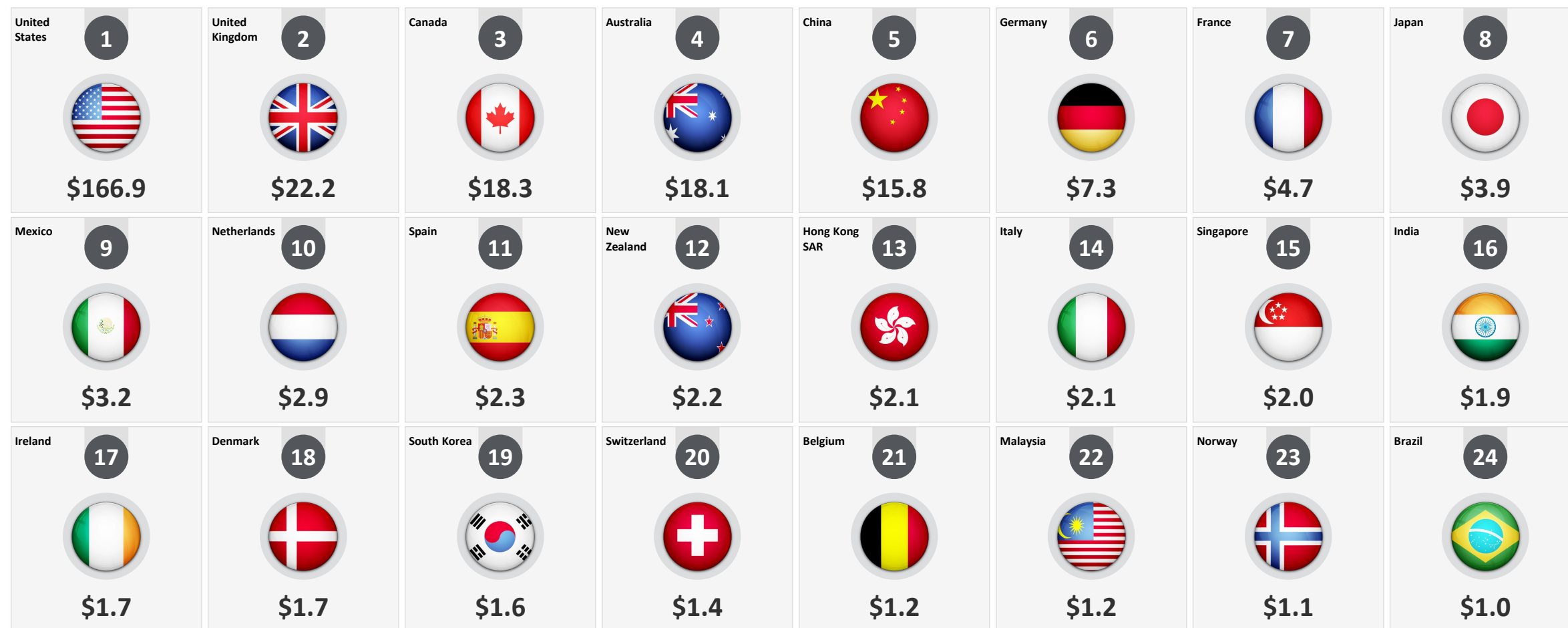
Shopify partner revenues, 2020



Source: Shopify; Deloitte Analysis

Shopify generated over \$1 billion in impact in 24 jurisdictions in 2020

Jurisdictions with over \$1 billion in business activity impact supported by Shopify merchants, in \$ billions



Source: Shopify; Deloitte Analysis

Note: Includes the direct, indirect, and induced economic impacts.

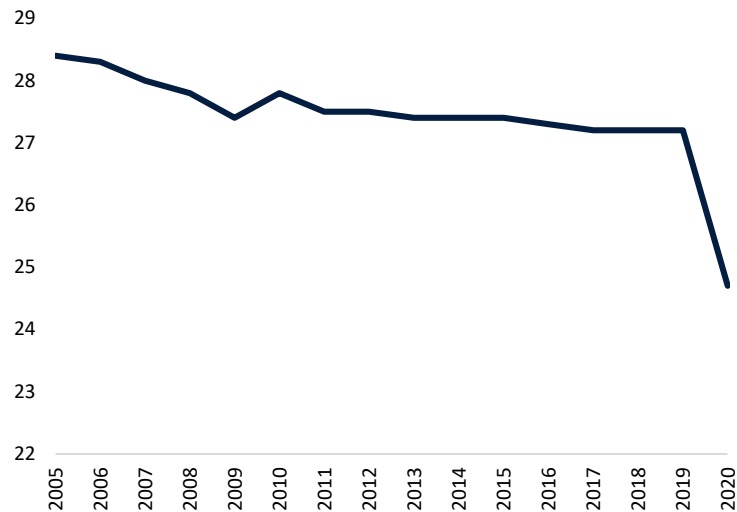
In 2020 Shopify business activity was the backbone of 3.6 million jobs

Over 250 million FTE jobs were lost globally in 2020. This translates to a decrease in hours worked that was four times greater than during the 2009 Global Financial Crisis.⁷

Yet, driven by growth in the number of merchants and the value of their gross merchandise volume (GMV), businesses on Shopify supported approximately 1.5 million more jobs in 2020 than they had in 2019.

COVID-19 caused major disruptions in the labour market

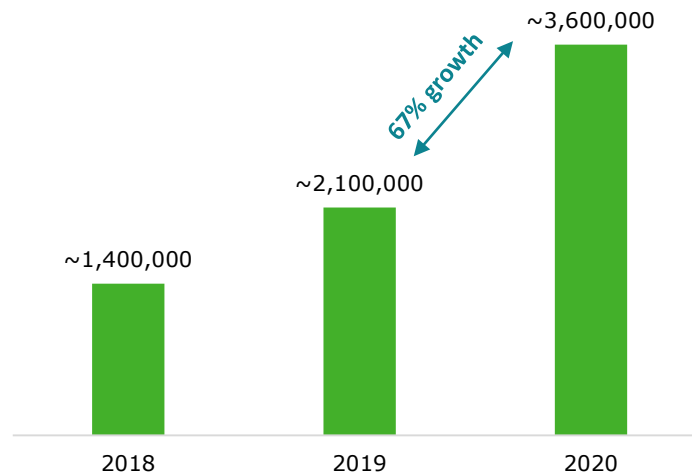
Weekly hours worked per global population aged 15 – 64



Source: ILO; Deloitte Analysis

Nevertheless, Shopify supported job growth in 2020

Total FTEs supported by merchants and partners on Shopify



Source: Shopify; Deloitte Analysis

Note: Includes the direct, indirect, and induced economic impacts. Please see page 6 for further details and definitions.

As part of the supply chain for merchants, Shopify partners supported over 200,000 FTEs



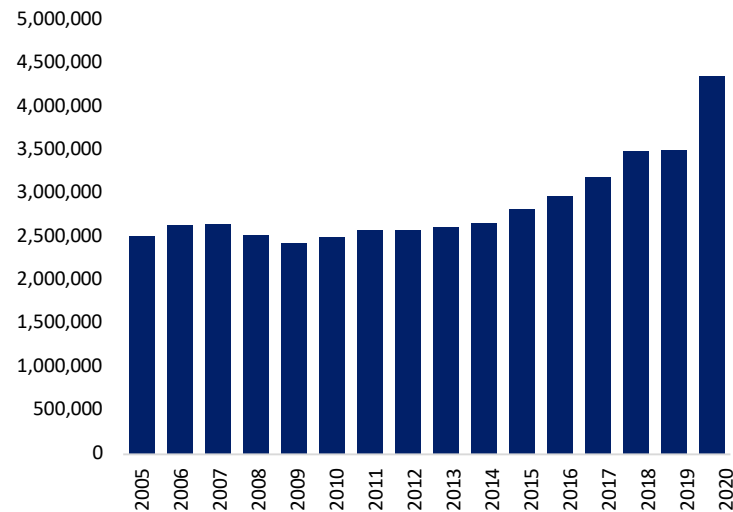
Source: Shopify; Deloitte Analysis

Shopify supported 1.7 million businesses in 2020, with 690,000+ small businesses selling internationally

Small businesses faced the brunt of COVID-19's economic impact, as they typically have limited access to capital and resources to navigate the crisis. Simultaneously, in some jurisdictions 2020 witnessed major growth in the number of new start ups. So, while a number of existing small businesses were experiencing challenges, a new class of entrepreneurs chose to build a business during the COVID-19 crisis.

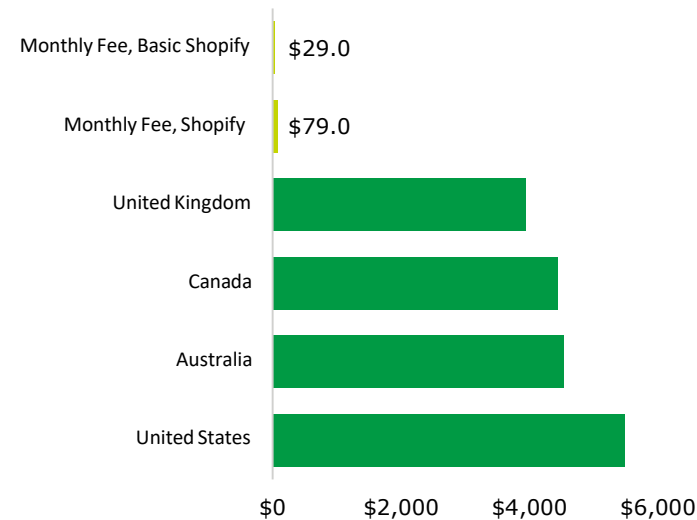
Shopify played a role in supporting both groups, offering comprehensive digital business services at relatively low cost, and enabling small businesses to enter and compete in the global market.

A positive story from 2020 was growth in new start ups
Annual business application submissions in the U.S.



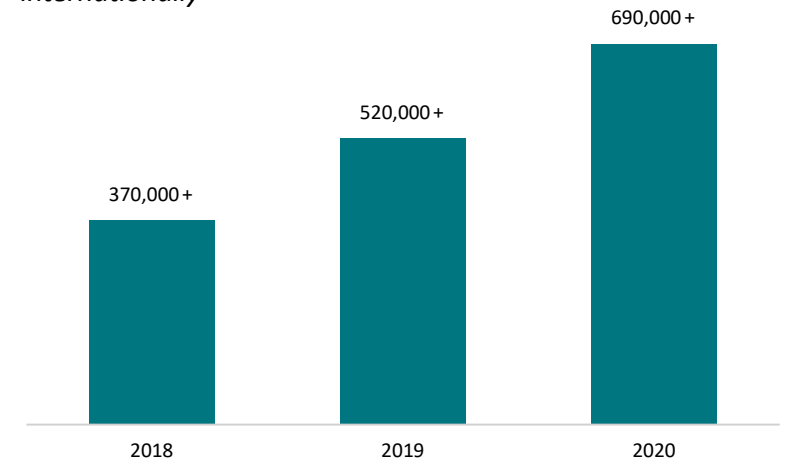
Source: U.S. Census Bureau; Deloitte Analysis

Shopify continues to provide subscriptions at low cost
Monthly Shopify fees compared to average monthly wages in select economies



Source: Shopify; OECD; Deloitte Analysis

There was a net-positive increase in the number of small businesses on Shopify selling internationally in 2020
Number of small businesses on Shopify selling internationally



Source: Shopify; Deloitte Analysis

Note: Small businesses are defined in this study as merchants with less than \$2.5 million in annual GMV.

Cross-border trade by Shopify businesses was up by nearly 75% in 2020

In recent years there has been a decline in import-export growth. COVID-19 served to worsen this trend. April, May, and June of 2020 witnessed a severe decline in international trade.⁸

Historically, Shopify has been a platform for cross-border trade. Yet in 2020 the contrast between global trends and Shopify business trends were especially stark. Even amidst the severe macroeconomic headwinds, Shopify enabled access to new markets and significant export growth among merchants, supporting over \$20 billion in exports. Additionally, in 2020 the number of Shopify partners working internationally increased by over 50% to approximately 23,000 .

Against global headwinds, Shopify enables exports

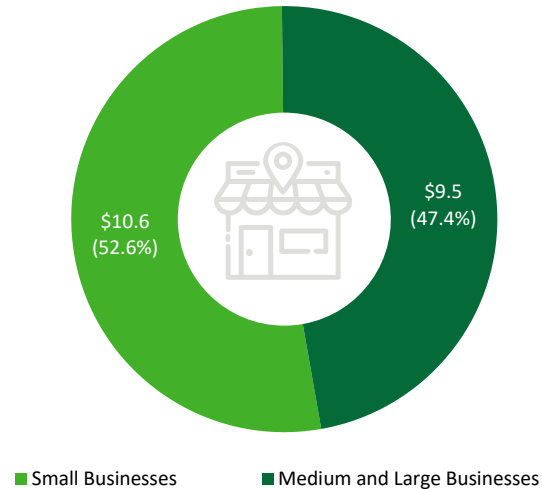
Total international trade and international trade by Shopify merchants, annual percent change



Source: World Trade Organization; Shopify; Deloitte Analysis

Small business on Shopify made the majority of exports

Value of international sales by Shopify merchants in 2020, in \$ billions

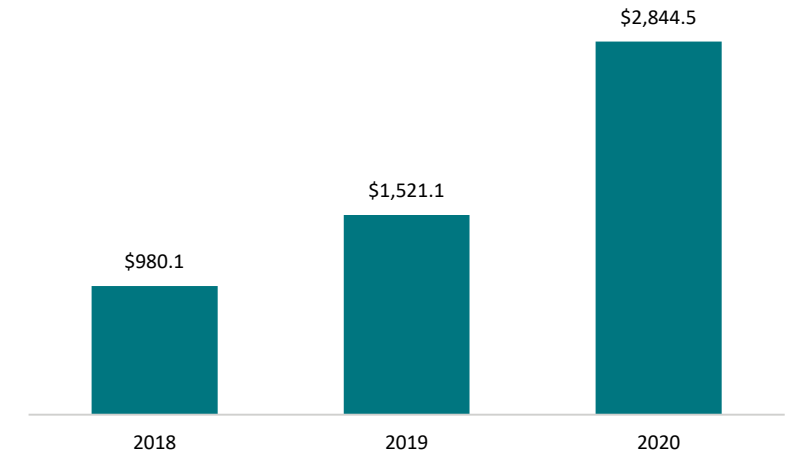


Source: Shopify; Deloitte Analysis

Note: Small businesses are defined in this study as merchants with less than \$2.5 million in annual GMV.

Shopify supported significant intercontinental trade

Case Study: Sales generated by European merchants to customers outside of the continent of Europe, in \$ millions



Source: Shopify; Deloitte Analysis

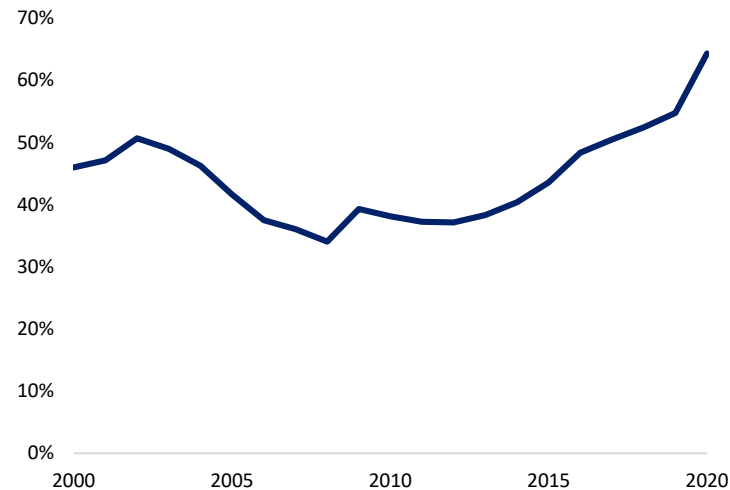
Shopify continues to empower entrepreneurship in developing countries

The pandemic intensified economic challenges faced by developing countries. Fiscal strain, sustaining job growth, and extreme poverty, among other issues, have been exacerbated by COVID-19.

The crisis has underscored the need for new channels of economic activity – such as entrepreneurship and ecommerce – to promote broader, healthier economic growth across all geographic regions. Through 2020 Shopify helped to deliver against this goal, with GMV by merchants in developing countries increasing by more than \$2 billion compared to 2019. Additionally, during this period the number of partners in developing countries doubled from approximately 7,500 to approximately 15,000.

COVID-19 exacerbated fiscal strain in developing countries

Gross debt position as a percentage of GDP in developing countries

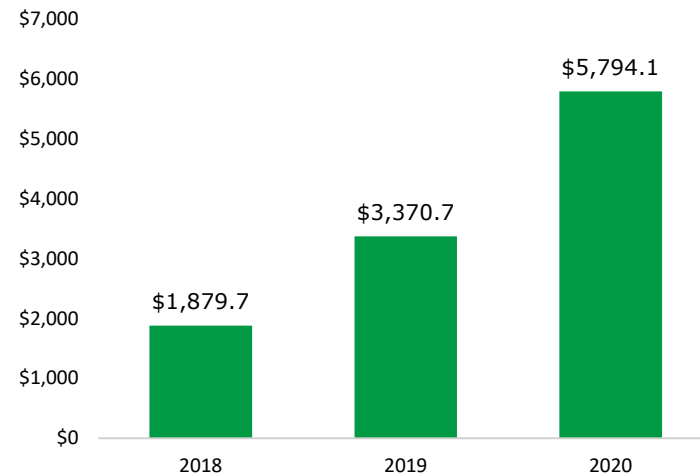


Source: IMF; World Bank Income Classifications; Deloitte Analysis

Note: Low-income countries, as defined by World Bank Income Classifications, are not included in this time series.

Shopify supports billions in sales in developing markets

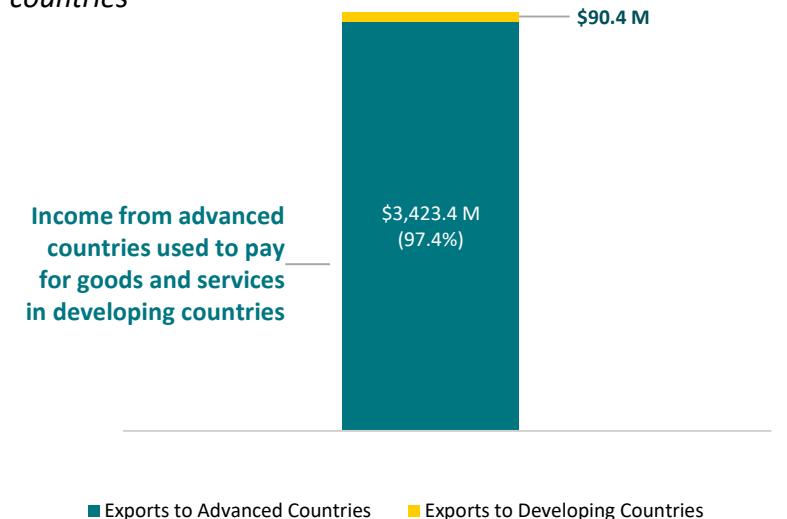
Annual GMV generated by merchants on Shopify in developing countries, in \$ millions



Source: Shopify; Deloitte Analysis

Shopify facilitates financial flows from advanced to developing countries

Breakdown of exports by Shopify merchants in developing countries



Source: Shopify; Deloitte Analysis

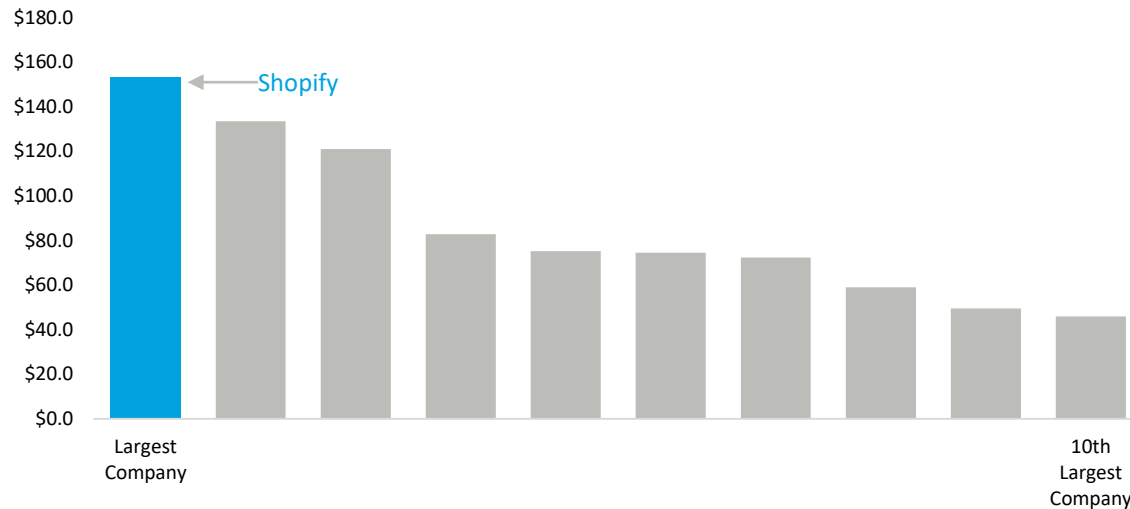
Shopify deepened its positive impact on Canada in 2020

Shopify has grown to become Canada's largest company by market capitalization. Yet its contribution on Canada's economy extends further than just shareholder value creation.

Through the company's R&D investment, Shopify helps to advance the country's evolution towards digital, high-value-added services. And, there are entrepreneurs across Canada – in commercial centers and elsewhere – using Shopify to bring their business ideas to market, generate GMV, support jobs, and create tax revenues.

Shopify has made its mark as a Canadian firm

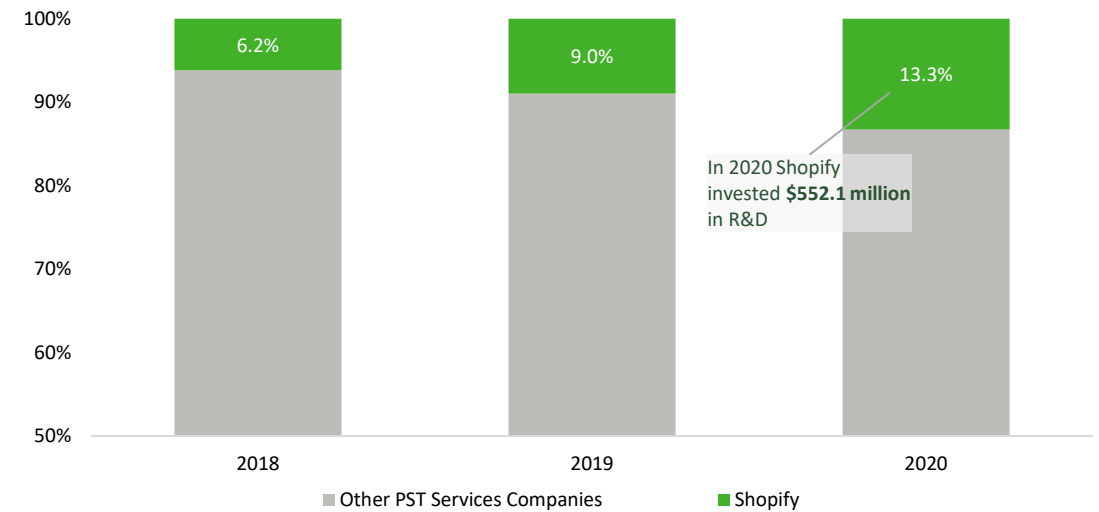
Largest Canadian firms by market capitalization, in \$ billions



Source: companiesmarketcap.com; Deloitte Analysis
Note: Data reflects April 13, 2021

Shopify supports innovation through R&D expenditures

Annual Shopify R&D as a share of Canada's professional scientific, and technical service Sector's R&D



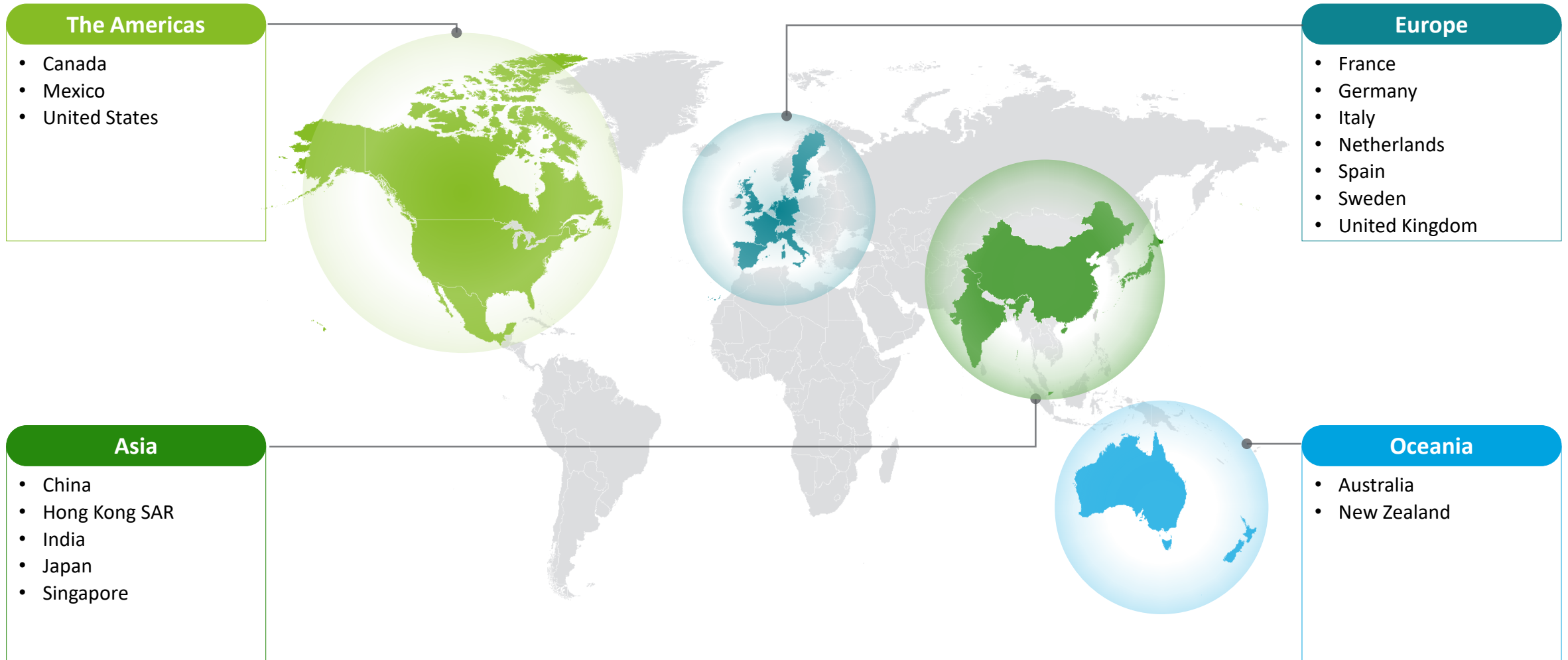
Source: Statistics Canada; Shopify; Deloitte Analysis

Jurisdictional Analyses



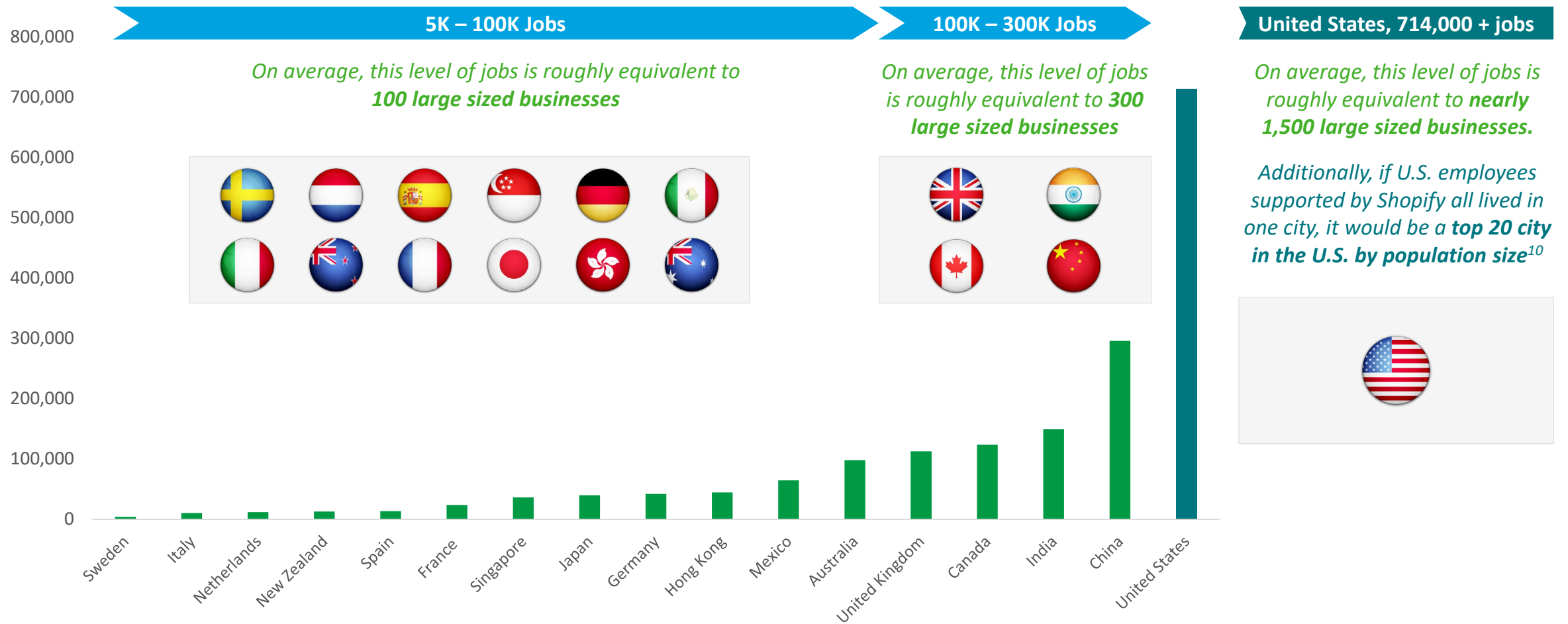
Introduction to Jurisdictional Analyses

Shopify generates economic contributions in individual jurisdictions worldwide. This report explores the following 17 jurisdictions across four continents.



In 2020 Shopify merchants across the world supported significant employment

Total FTEs supported by Shopify merchants in 2020, by jurisdiction

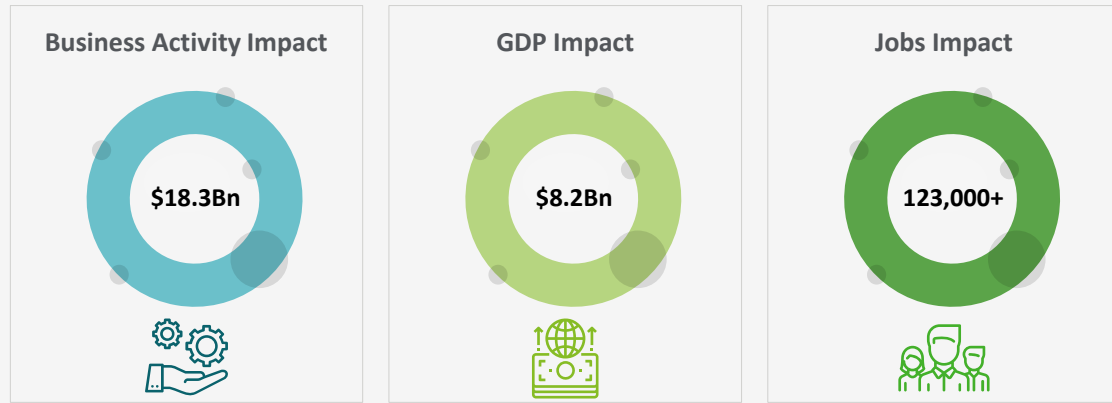


Source: Shopify; Deloitte Analysis

Note: Large sized businesses are estimated as businesses with 500 employees, a standard definition in major economies such as the U.S.



In 2020, Canadian merchants supported a significant impact to the economy



Source: Shopify; Deloitte Analysis

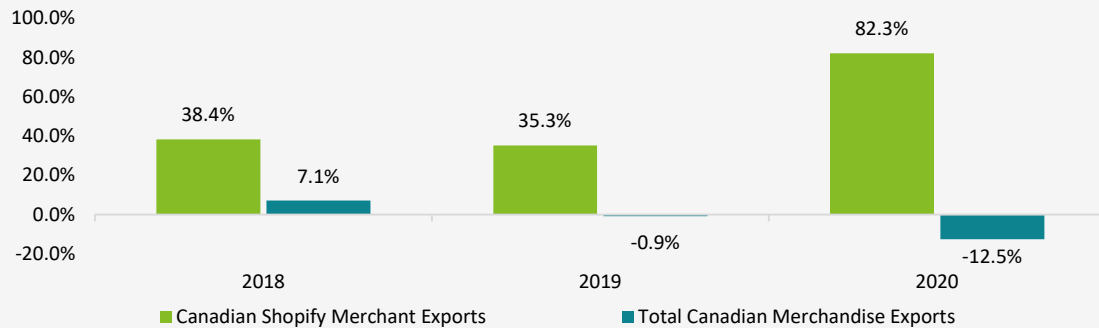
In 2020, Canadian merchants made \$2.0 billion in exports



Source: Shopify; Deloitte Analysis

In 2020, Canadian merchants outpaced export growth by 94.8%

Annual percent change in exports



Source: Shopify; Deloitte Analysis; World Trade Organization

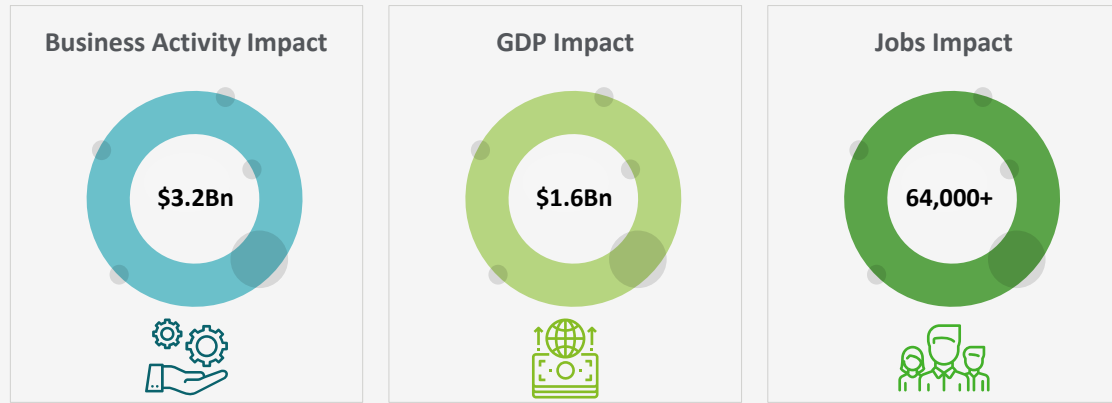
3,900+ Canadian partners supported merchants on Shopify



Source: Shopify; Deloitte Analysis



In 2020, Mexican merchants supported a significant impact to the economy



Source: Shopify; Deloitte Analysis

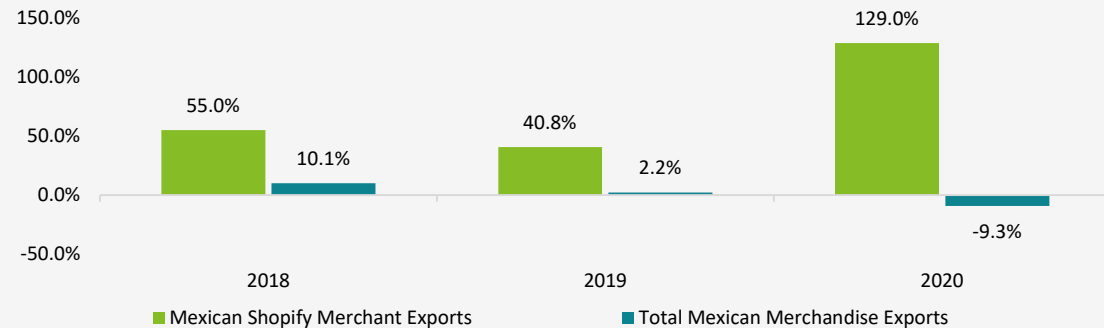
In 2020, Mexican merchants made \$17.6 million in exports



Source: Shopify; Deloitte Analysis

In 2020, Mexican merchants outpaced export growth by 138.3%

Annual percent change in exports



Source: Shopify; Deloitte Analysis; World Trade Organization

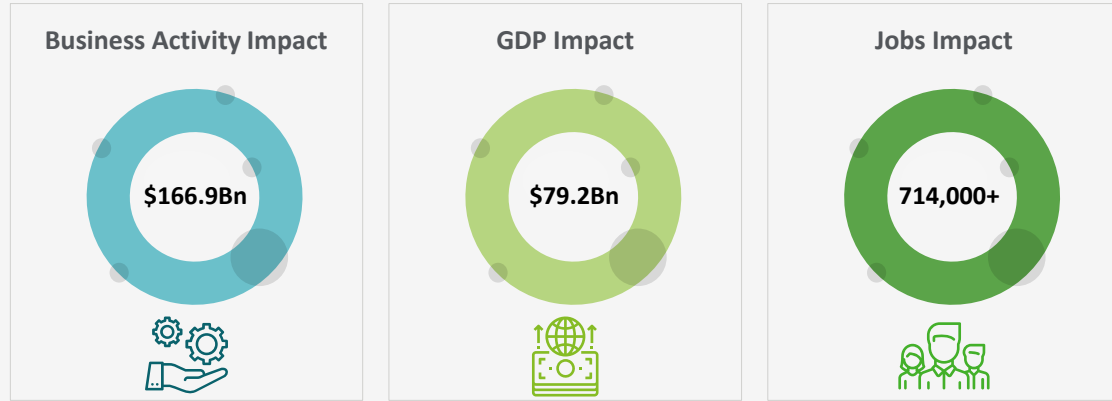
900+ Mexican partners supported merchants on Shopify



Source: Shopify; Deloitte Analysis



In 2020, U.S. merchants supported a significant impact to the economy



Source: Shopify; Deloitte Analysis

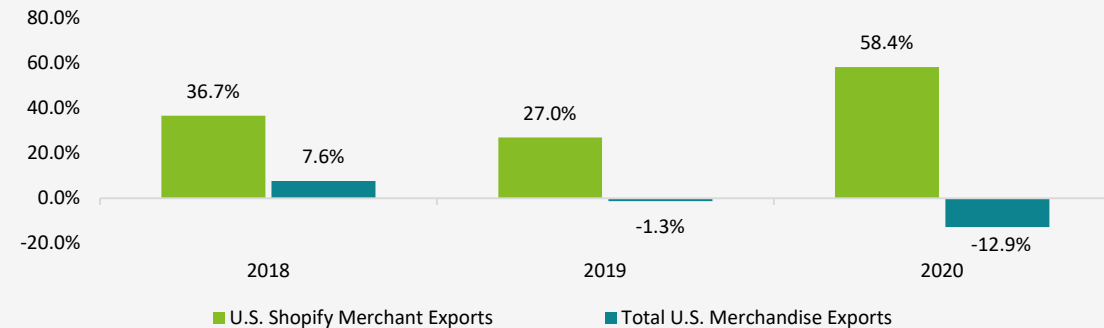
In 2020, U.S. merchants made \$4.8 billion in exports



Source: Shopify; Deloitte Analysis

In 2020, U.S. merchants outpaced export growth by 71.3%

Annual percent change in exports



Source: Shopify; Deloitte Analysis; World Trade Organization

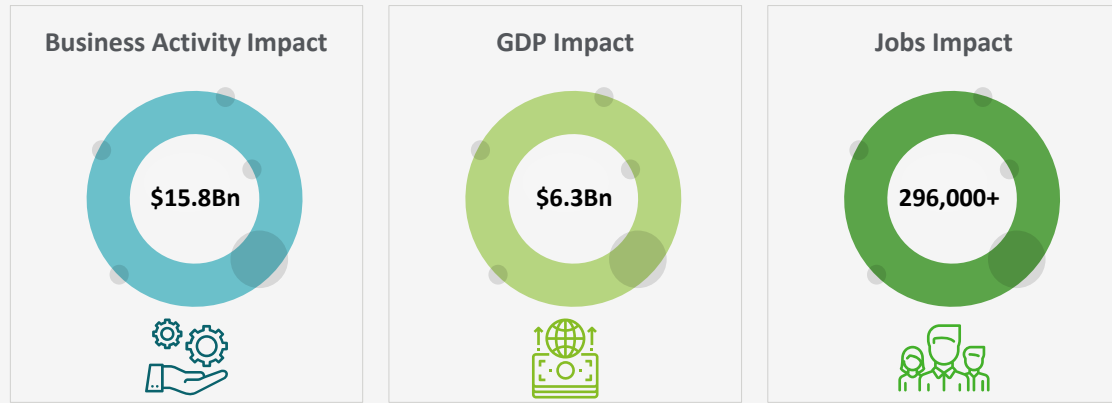
18,000+ U.S. partners supported merchants on Shopify



Source: Shopify; Deloitte Analysis



In 2020, Chinese merchants supported a significant impact to the economy



Source: Shopify; Deloitte Analysis

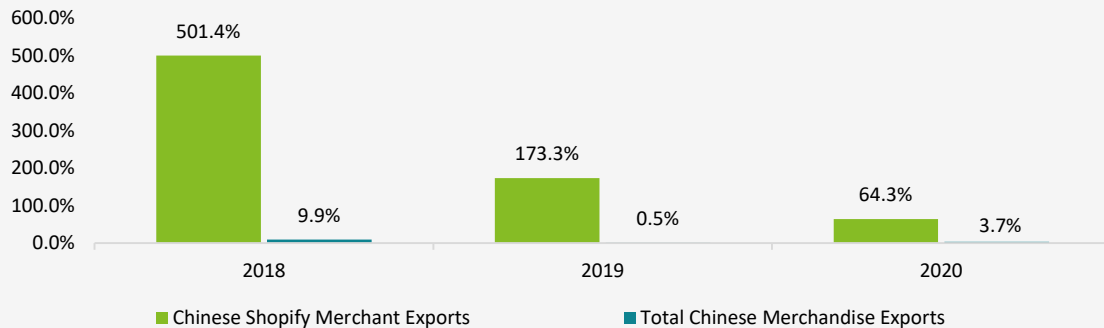
In 2020, Chinese merchants made \$2.7 billion in exports



Source: Shopify; Deloitte Analysis

In 2020, Chinese merchants outpaced export growth by 60.6%

Annual percent change in exports



Source: Shopify; Deloitte Analysis; World Trade Organization

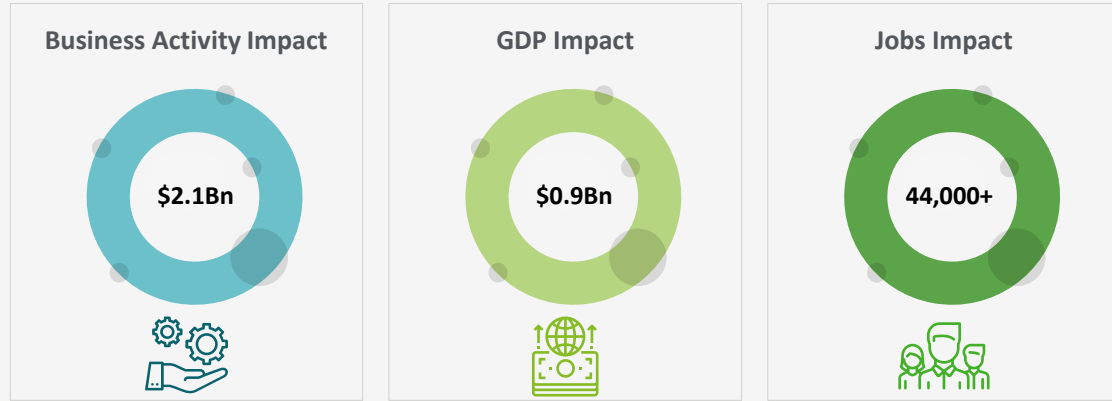
500+ Chinese partners supported merchants on Shopify



Source: Shopify; Deloitte Analysis



In 2020, merchants in Hong Kong SAR supported a significant impact to the economy



Source: Shopify; Deloitte Analysis

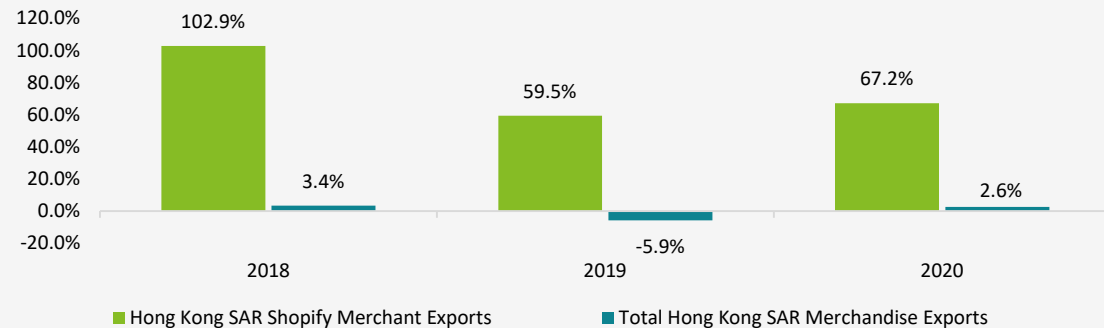
In 2020, Hong Kong SAR merchants made \$1.3 billion in exports



Source: Shopify; Deloitte Analysis

In 2020, merchants in Hong Kong SAR outpaced export growth by 64.6%

Annual percent change in exports



Source: Shopify; Deloitte Analysis; World Trade Organization

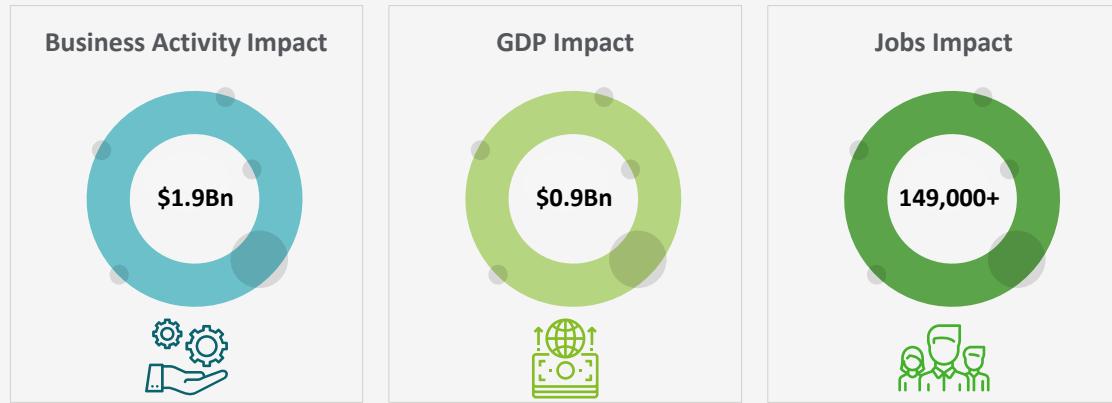
300+ Hong Kong SAR partners supported merchants on Shopify



Source: Shopify; Deloitte Analysis



In 2020, Indian merchants supported a significant impact to the economy



Source: Shopify; Deloitte Analysis

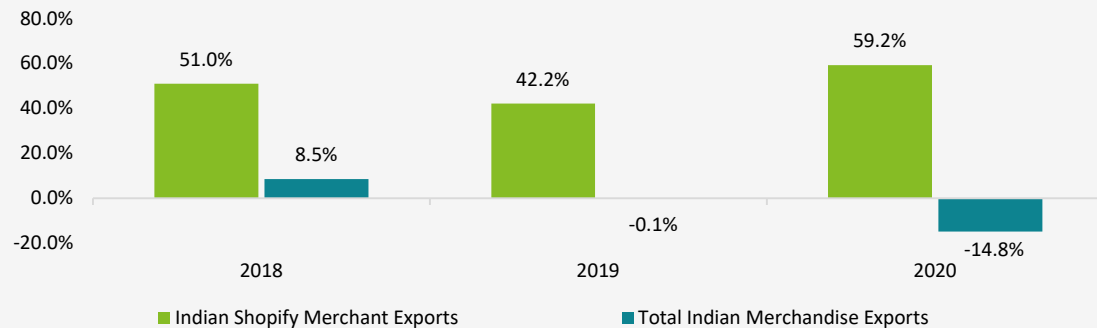
In 2020, Indian merchants made \$70.1 million in exports



Source: Shopify; Deloitte Analysis

In 2020, Indian merchants outpaced export growth by 74.1%

Annual percent change in exports



Source: Shopify; Deloitte Analysis; World Trade Organization

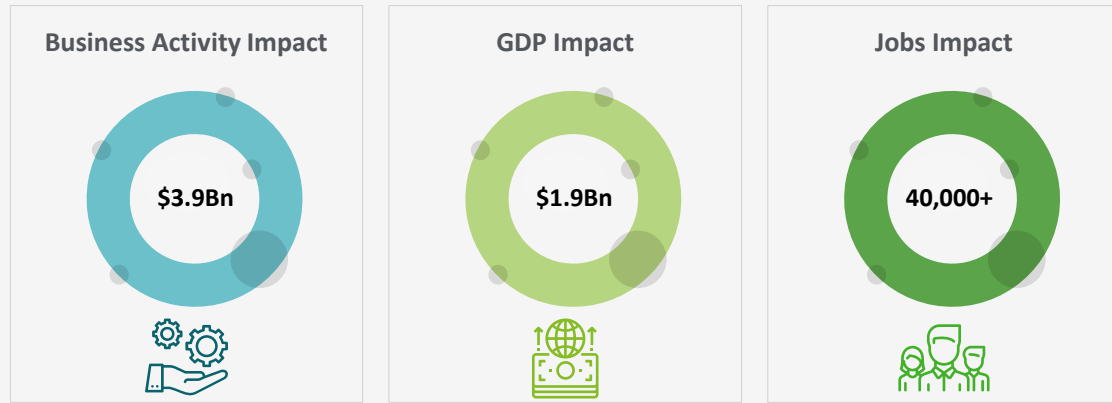
2,500+ Indian partners supported merchants on Shopify



Source: Shopify; Deloitte Analysis



In 2020, Japanese merchants supported a significant impact to the economy



Source: Shopify; Deloitte Analysis

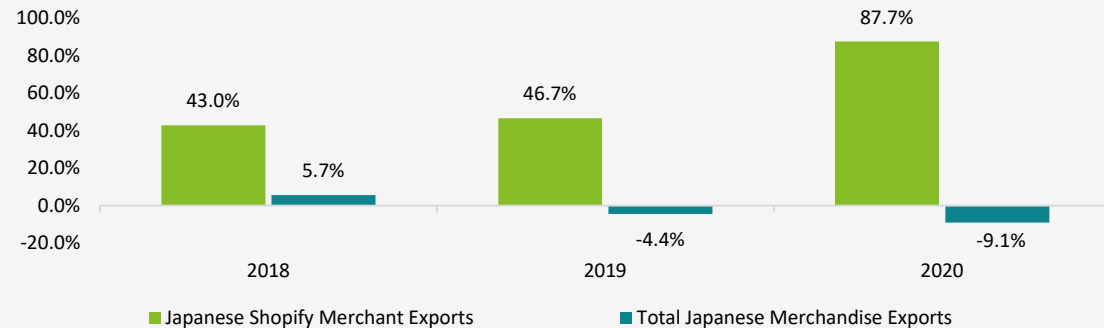
In 2020, Japanese merchants made \$85.8 million in exports



Source: Shopify; Deloitte Analysis

In 2020, Japanese merchants outpaced export growth by 96.8%

Annual percent change in exports



Source: Shopify; Deloitte Analysis; World Trade Organization

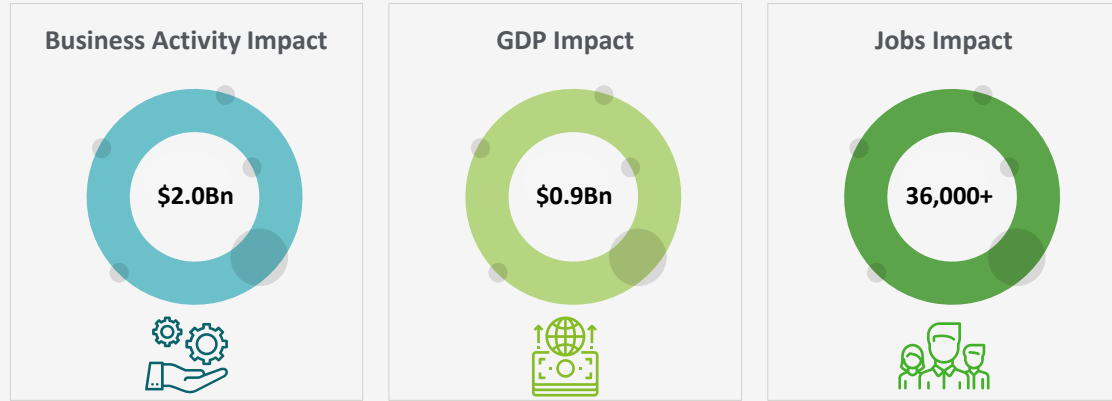
900+ Japanese partners supported merchants on Shopify



Source: Shopify; Deloitte Analysis



In 2020, merchants in Singapore supported a significant impact to the economy



Source: Shopify; Deloitte Analysis

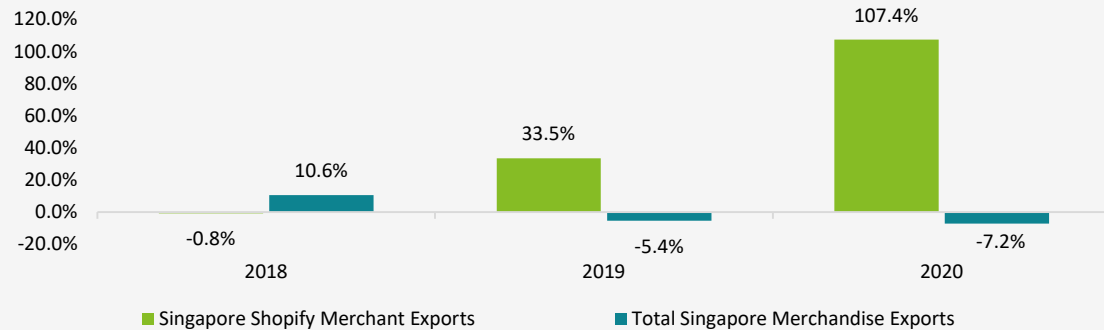
In 2020, Singapore merchants made \$514.9 million in exports



Source: Shopify; Deloitte Analysis

In 2020, merchants in Singapore outpaced export growth by 114.6%

Annual percent change in exports



Source: Shopify; Deloitte Analysis; World Trade Organization

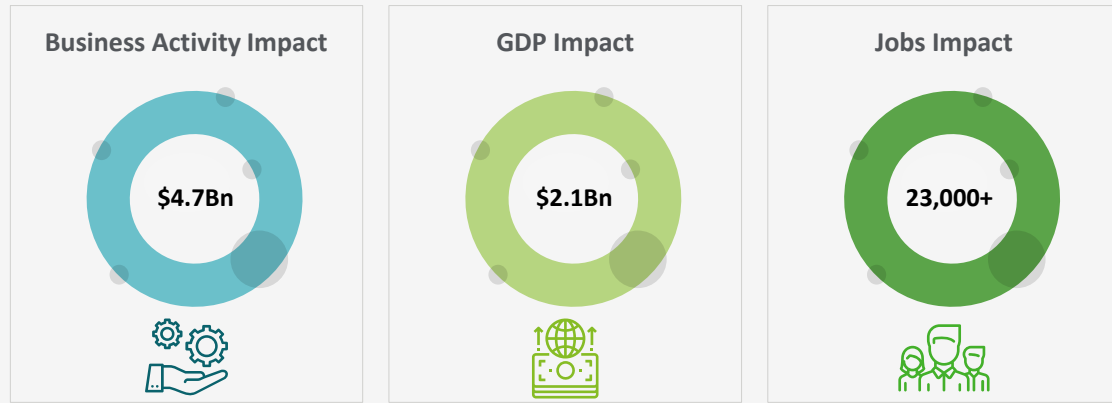
500+ Singapore partners supported merchants on Shopify



Source: Shopify; Deloitte Analysis



In 2020, French merchants supported a significant impact to the economy



Source: Shopify; Deloitte Analysis

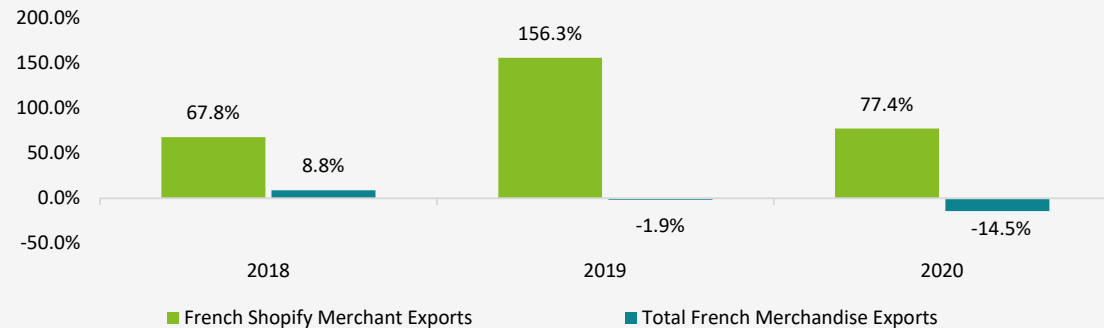
In 2020, French merchants made \$484.7 million in exports



Source: Shopify; Deloitte Analysis

In 2020, French merchants outpaced export growth by 91.9%

Annual percent change in exports



Source: Shopify; Deloitte Analysis; World Trade Organization

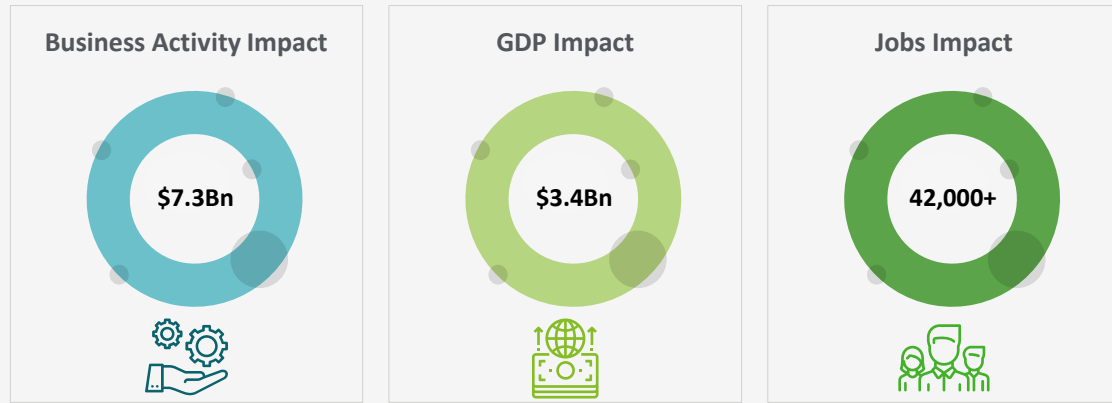
3,000+ French partners supported merchants on Shopify



Source: Shopify; Deloitte Analysis



In 2020, German merchants supported a significant impact to the economy



Source: Shopify; Deloitte Analysis

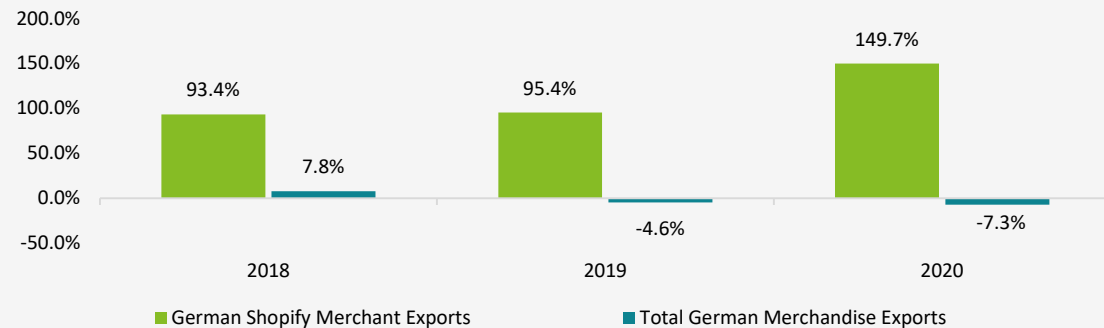
In 2020, German merchants made \$530.2 million in exports



Source: Shopify; Deloitte Analysis

In 2020, German merchants outpaced export growth by 157.0%

Annual percent change in exports



Source: Shopify; Deloitte Analysis; World Trade Organization

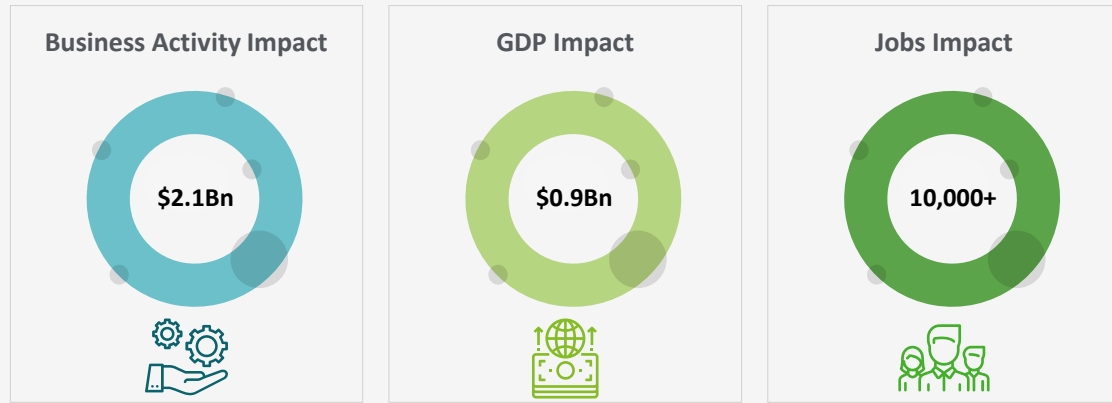
1,300+ German partners supported merchants on Shopify



Source: Shopify; Deloitte Analysis



In 2020, Italian merchants supported a significant impact to the economy



Source: Shopify; Deloitte Analysis

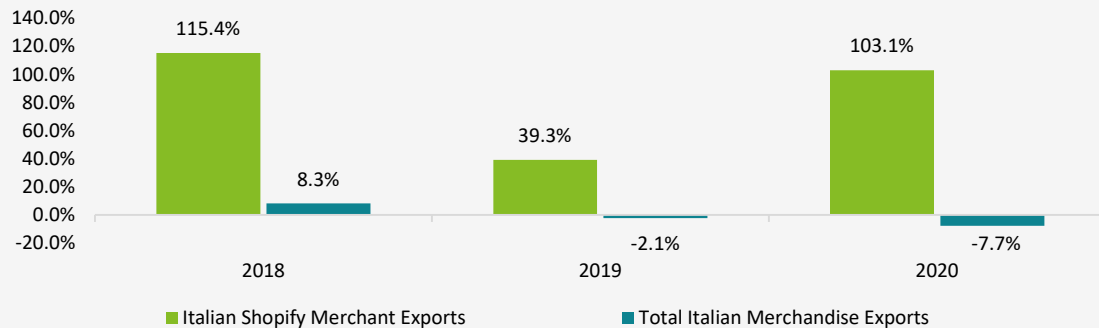
In 2020, Italian merchants made \$143.2 million in exports



Source: Shopify; Deloitte Analysis

In 2020, Italian merchants outpaced export growth by 110.8%

Annual percent change in exports



Source: Shopify; Deloitte Analysis; World Trade Organization

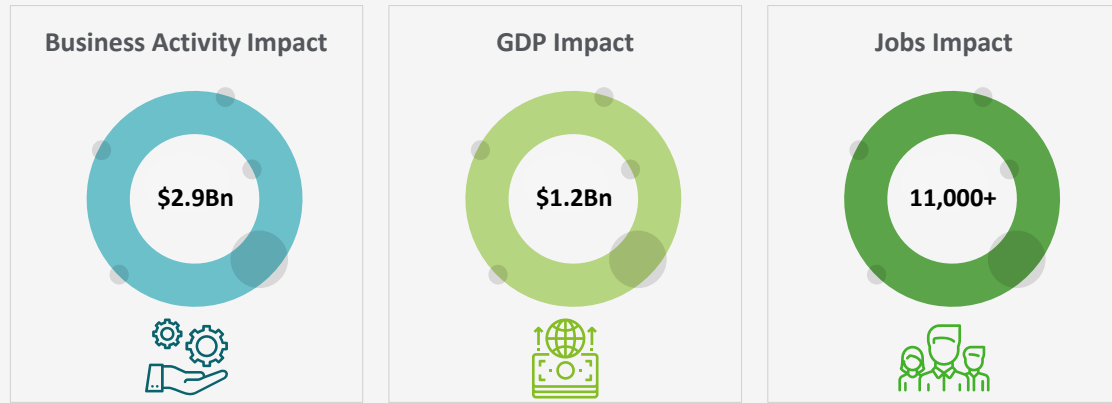
900+ Italian partners supported merchants on Shopify



Source: Shopify; Deloitte Analysis



In 2020, merchants in Netherland supported a significant impact to the economy



Source: Shopify; Deloitte Analysis

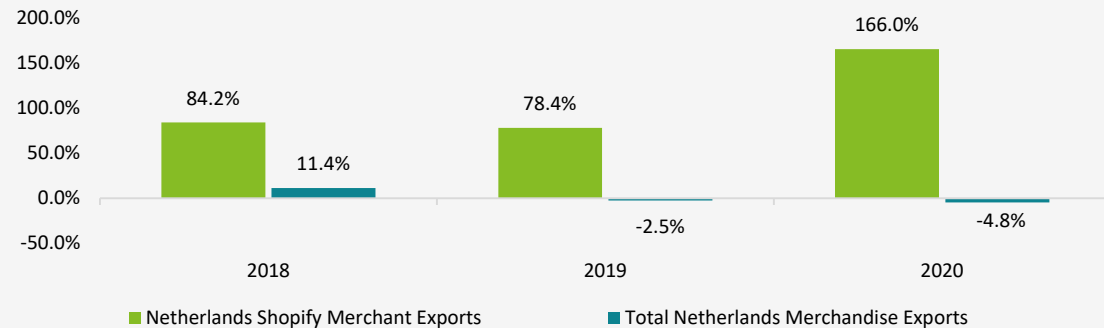
In 2020, merchants in The Netherlands made \$525.9 million in exports



Source: Shopify; Deloitte Analysis

In 2020, merchants in The Netherlands outpaced export growth by 170.8%

Annual percent change in exports



Source: Shopify; Deloitte Analysis; World Trade Organization

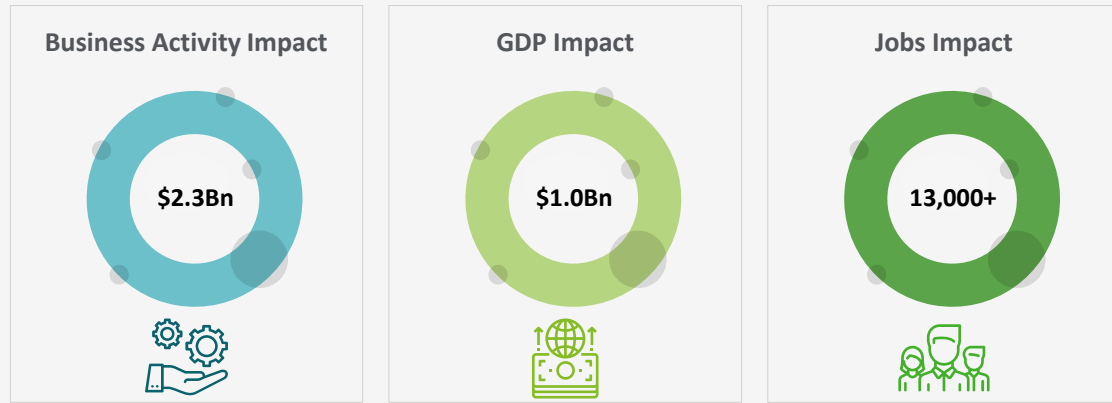
700+ partners in The Netherlands supported merchants on Shopify



Source: Shopify; Deloitte Analysis



In 2020, Spanish merchants supported a significant impact to the economy



Source: Shopify; Deloitte Analysis

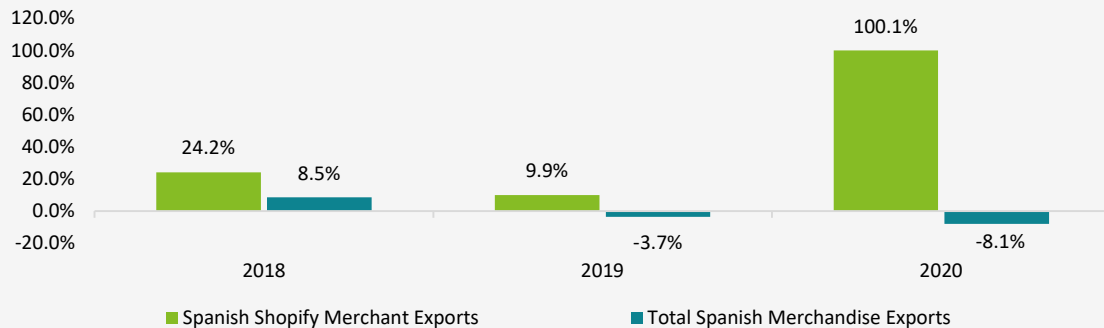
In 2020, Spanish merchants made \$298.5 million in exports



Source: Shopify; Deloitte Analysis

In 2020, Spanish merchants outpaced export growth by 108.2%

Annual percent change in exports



Source: Shopify; Deloitte Analysis; World Trade Organization

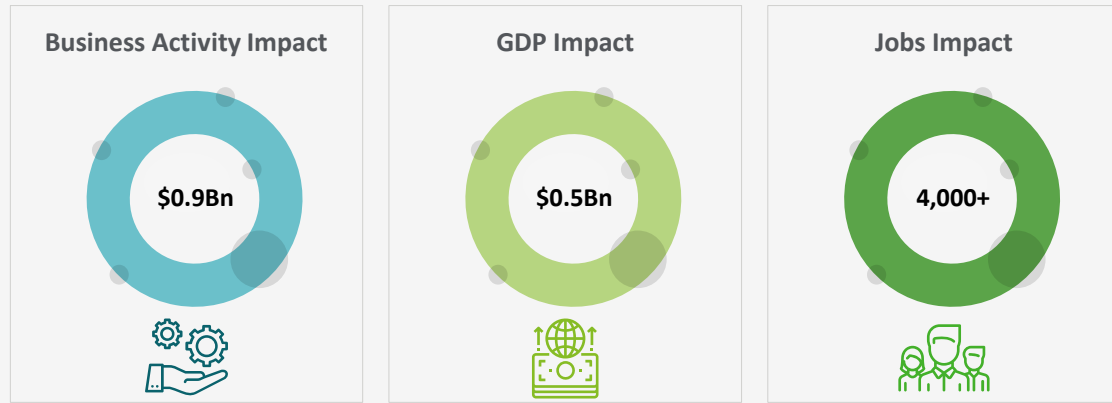
800+ Spanish partners supported merchants on Shopify



Source: Shopify; Deloitte Analysis



In 2020, Swedish merchants supported a significant impact to the economy



Source: Shopify; Deloitte Analysis

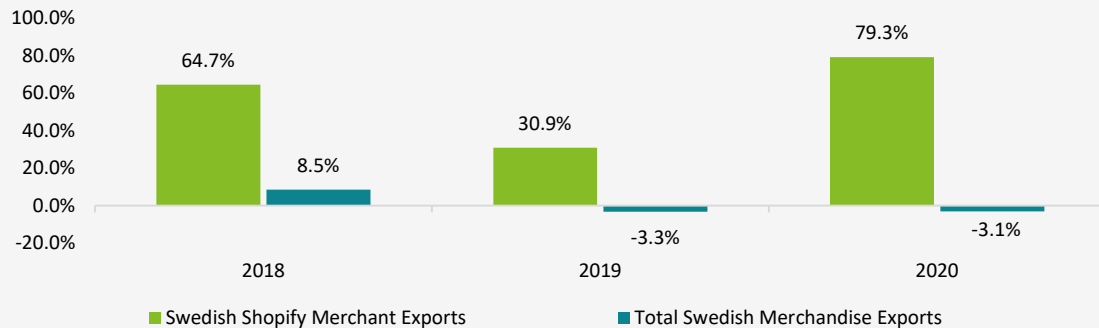
In 2020, Swedish merchants made \$114.3 million in exports



Source: Shopify; Deloitte Analysis

In 2020, Swedish merchants outpaced export growth by 82.4%

Annual percent change in exports



Source: Shopify; Deloitte Analysis; World Trade Organization

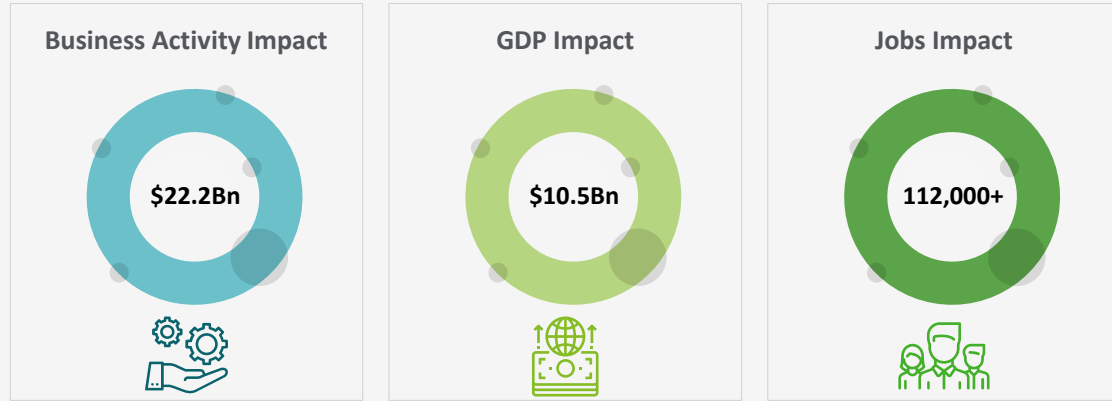
200+ Swedish partners supported merchants on Shopify



Source: Shopify; Deloitte Analysis



In 2020, U.K. merchants supported a significant impact to the economy



Source: Shopify; Deloitte Analysis

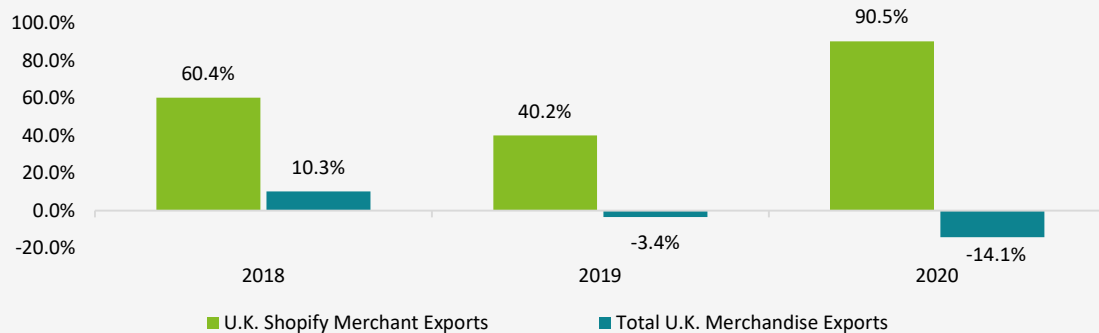
In 2020, U.K. merchants made \$2.6 billion in exports



Source: Shopify; Deloitte Analysis

In 2020, U.K. merchants outpaced export growth by 104.7%

Annual percent change in exports



Source: Shopify; Deloitte Analysis; World Trade Organization

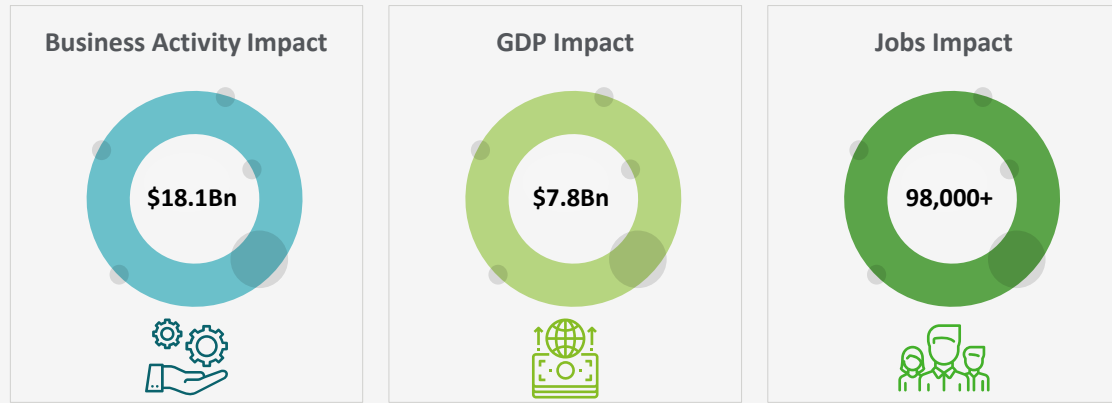
4,500+ U.K. partners supported merchants on Shopify



Source: Shopify; Deloitte Analysis



In 2020, Australian merchants supported a significant impact to the economy



Source: Shopify; Deloitte Analysis

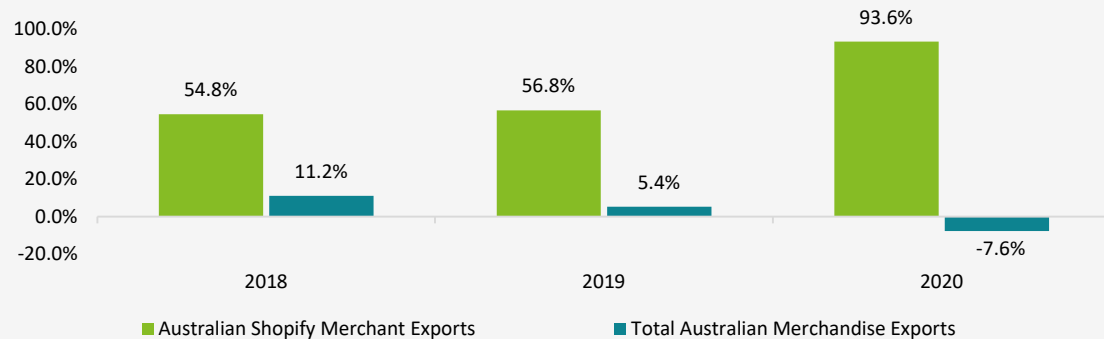
In 2020, Australian merchants made \$1.3 billion in exports



Source: Shopify; Deloitte Analysis

In 2020, Australian merchants outpaced export growth by 101.3%

Annual percent change in exports



Source: Shopify; Deloitte Analysis; World Trade Organization

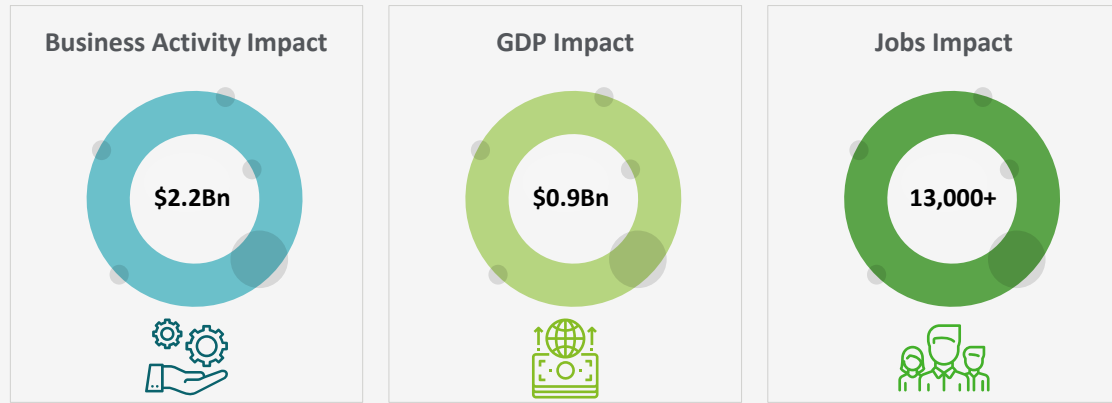
2,900+ Australian partners supported merchants on Shopify



Source: Shopify; Deloitte Analysis



In 2020, merchants in New Zealand supported a significant impact to the economy



Source: Shopify; Deloitte Analysis

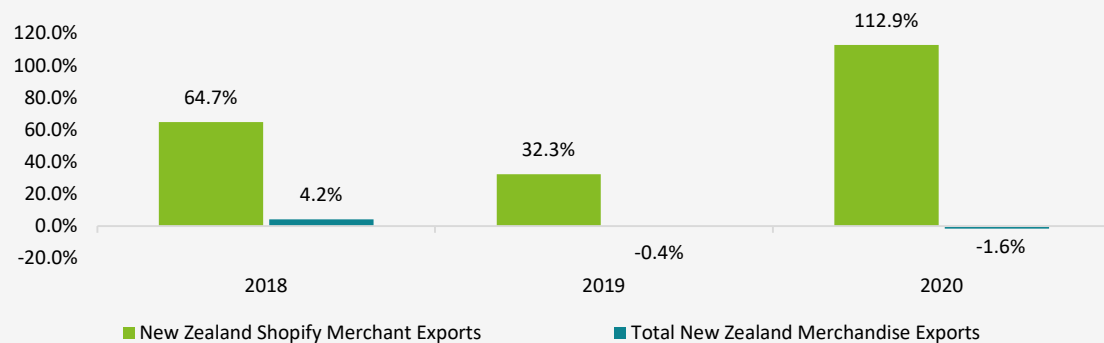
In 2020, New Zealand merchants made \$231.4 million in exports



Source: Shopify; Deloitte Analysis

In 2020, New Zealand merchants outpaced export growth by 114.4%

Annual percent change in exports



Source: Shopify; Deloitte Analysis; World Trade Organization

700+ New Zealand partners supported merchants on Shopify



Source: Shopify; Deloitte Analysis

Appendix



The coverage of analysis includes an aggregate view of Shopify's global merchant, partner and operational activity

At the outset of conducting this study, Shopify and Deloitte confirmed key metrics that to be analyzed, as detailed below.



Key Metrics Analyzed

- | | | | |
|---|---|----|---|
| 1 | Global economic activity from merchant businesses on Shopify | 10 | Export growth of businesses on Shopify |
| 2 | Merchant business GDP impact results by jurisdiction | 11 | Revenue generated by developing nations |
| 3 | FTE's supported by business on Shopify | 12 | Exports from developing countries |
| 4 | FTE's supported by partner businesses on Shopify | 13 | Number of partners in developing countries and working internationally |
| 5 | Revenue generated by Shopify's partner ecosystem | 14 | Number of countries with partners that work internationally (i.e. referred merchants from a foreign jurisdiction) |
| 6 | Sales generated by European merchants to those outside of Europe | 15 | Revenues from Canadian merchants outside of 6 major centers |
| 7 | Number of small businesses on Shopify | 16 | Revenues from Canadian merchants inside the 6 major centers |
| 8 | International sales generated by small businesses on Shopify | 17 | Online sales growth of businesses on Shopify |
| 9 | Share of international sales generated by small businesses on Shopify | 18 | Share of R&D spend in Canada (and spending increase) |

Endnotes

1. Source: World Health Organization (WHO)
2. Source: MetLife and U.S. Chamber of Commerce
3. Source: *Financial Times*
4. Source: Cisco and International Data Corporation (IDC)
5. Source: Shopify
6. Source: International Monetary Fund (IMF)
7. Source: International Labour Organization (ILO)
8. Source: World Trade Organization (WTO)
9. Source: *Fortune*
10. Source: United States Census Bureau



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