

RESEARCH

Restaurants Canada Quarterly Forecast

Q3 /Q4 2020





Highlights

- Overall, annual commercial foodservice sales in Canada are projected to decline by 28.5% in 2020 to \$55 billion. As a result, sales are forecast to be \$22 billion lower in 2020 than in 2019.
- Caterers and drinking places are projected to experience the largest year-over-year declines in annual sales, with revenues from both segments reduced by nearly half of 2019's totals.
- Sales at full-service restaurants are forecast to decline by 38.4% in 2020 to \$21.1 billion. This represents the lowest annual sales since 2007.
- Quick-service restaurant sales are forecast to decline by 13.3% in 2020, dropping to \$29.2 billion.
- Looking ahead, annual commercial foodservice sales are forecast to grow by 17.4% in 2021, but will remain 16.1% below 2019 levels. Quick-service restaurants will be the first segment to return to pre-COVID levels in the latter part of 2021.
- In 2022, foodservice sales are forecast to improve by a further 14.8%, rising to \$74.1 billion. Nevertheless, sales in 2022 will projected to remain 3.7% below 2019 levels.
- Canada's economy is forecast to decline by 6.6% in 2020, but improve with 5.6% growth in 2021. After peaking at 13% in the second quarter of 2020, Canada's unemployment rate won't likely return to pre-COVID levels until 2024.



Forecasting in normal times is as much art as it is science. Prior to COVID-19, fluctuations in employment, economic activity, population and disposable income had the largest effects on spending at restaurants and drinking places according to Restaurants Canada’s econometric model of the foodservice industry. The Canadian exchange rate also played a role, impacting the number of international visitors, domestic tourism spending and menu prices. These economic factors accounted for 98% of the total variation in foodservice spending.

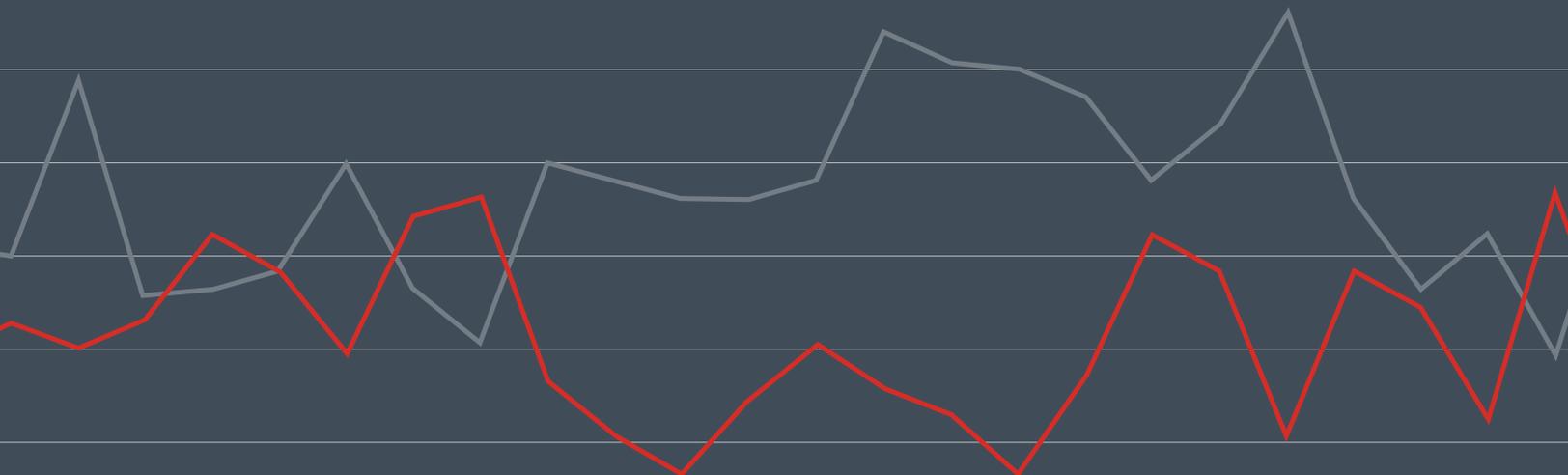
But these are anything but normal times.

While economic conditions remain a vital influence on foodservice spending, Restaurants Canada’s forecasting models have been updated to factor in the repercussions of COVID-19. While these models take into account the change in consumer spending in the second and third quarter of 2020, the outlook for the foodservice industry hinges on two very big unknowns: current and/or future bans of on-premise dining across the country; and the timing of the vaccination rollout.

In October and November, provincial governments restricted on-premise dining at restaurants and bars in various jurisdictions in Quebec, Ontario and Manitoba. In early December, dine-in service was banned across the province of Alberta. We may still see other regions in Canada ban dine-in service if the number of COVID-19 cases continues to climb. Given the difficulty of tracking and tracing the virus, there is a great deal of uncertainty about when the bans might lift.

At the same time, hope is on horizon. With the approval of the Pfizer-BioNTech and Moderna vaccines, Canadian health authorities estimate that most Canadians will be vaccinated by September 2021. This helps our forecasting timeline, as sales will steadily improve in the latter part of 2021 due to the reduced risk of being infected by COVID-19 and pent-up consumer demand.

Overall, annual commercial foodservice sales in Canada are projected to decline by 28.5% in 2020, down to \$55 billion. In our previous forecast, Restaurants Canada called for a 30.8% decline. It’s important to note this does mean we are more optimistic about the remainder of 2020, but rather Q3 sales performed better than expected in relative terms (sales were forecast to decline by 29.6%, but in fact fell by 22.5%). Statistics Canada also made some revisions to the sales data in Q1 and Q2, which also influenced our final sales projections for 2020*. Our latest projection represents a \$22 billion decline from the \$77 billion in annual sales achieved in 2019.



2020 Foodservice Sales by Segment

In 2020, caterers and drinking places are projected to experience the largest year-over-year declines in annual sales, with revenues at both segments reduced by nearly half of 2019's totals. Although drinking place sales improved in Q3 with the help of patios and a modest return in on-premise service, recent bans in on-premise service and the rising number of COVID-19 cases will lead to worsening sales in the fourth quarter.

Similarly, full-service restaurant sales are forecast to fall by 46.3% in the fourth quarter, compared to Q3's decline of 28.8%. As a result, annual full-service restaurant sales are forecast to decline by 38.4% in 2020 compared to 2019. This decline would reduce annual full-service restaurant sales to \$21.1 billion – the lowest level since 2007.

Due to their reliance on off-premise orders, sales at quick-service restaurants will fare relatively better than the other segments. Overall, annual sales at quick-service restaurants are forecast to dip by 13.3% in 2020, down to \$29.2 billion.

The Outlook for 2021 and 2022

When considering the outlook for the next few years, it is important to view the data in the context of pre-COVID-19 levels. Traditional year-over-year growth rates will not tell a complete story. For example, sales at drinking places are forecast to rise by 157.7% in Q2 of 2021 compared to 2020, but will still remain 31% below pre-COVID-19 levels in Q2 of 2019. As a result, all the forecasts for 2021 and 2022 include both year-over-year growth rates and the percentage change in sales relative to the same period in 2019.

Annual commercial foodservice sales in Canada are forecast to improve in 2021, increasing by 17.4% up to \$64.6 billion. Nevertheless, sales will remain 16.1% below 2019 levels. Quick-service restaurants will be the first segment to return to pre-COVID levels, in the fourth quarter of 2021.

In 2022, commercial foodservice sales in Canada are forecast to grow by 14.8%, rising to \$74.1 billion. This will still not fully return the industry to pre-COVID-19 levels. Caterer and drinking place revenues are forecast to remain more than 10% below pre-COVID-19 levels in 2022, while sales at full-service restaurants will be 6.6% down.

Once a vaccine is widely administered, strong pent-up demand could lead to a faster-than-expected recovery in foodservice sales in the latter part of 2021 and into 2022. However, any reluctance to take the vaccine and/or a weaker-than-expected recovery in business dining and tourism will result in lower-than-expected sales in 2022 and postpone the recovery until 2023 or beyond.

*The revision not only impacted the year-over-year change in sales, but also led to a revision in the size of the industry. Annual commercial foodservice sales in 2019 rose to \$77 billion, rather than the previously estimated \$74.4 billion. This represents an increase of nearly \$2.6 billion in annual commercial foodservice sales. Any comparison between this report and previous forecasts must take these changes into account.

(sales in millions of dollars)

	2019.1	2019.2	2019.3	2019.4	2020.1	2020.2	2020.3	2020.4	2021.1	2021.2	2021.3	2021.4	2022.1	2022.2	2022.3	2022.4
Quick-service restaurants	\$7,487.0	\$8,655.5	\$9,054.6	\$8,537.8	\$7,056.7	\$6,308.8	\$8,266.0	\$7,617.4	\$6,899.6	\$8,310.9	\$8,699.6	\$8,594.1	\$7,472.2	\$8,867.7	\$9,299.9	\$8,783.2
year-over-year change	4.6%	4.9%	4.0%	4.2%	-5.7%	-27.1%	-8.7%	-10.8%	-2.2%	31.7%	5.2%	12.8%	8.3%	6.7%	6.9%	2.2%
change in sales relative to 2019									-8%	-4%	-4%	1%	0%	2%	3%	3%
Full-service restaurants	\$7,586.2	\$8,718.9	\$9,325.1	\$8,659.5	\$6,551.5	\$3,291.7	\$6,639.6	\$4,650.1	\$4,620.2	\$6,713.3	\$7,496.1	\$7,340.7	\$6,407.4	\$8,203.0	\$8,876.3	\$8,551.1
year-over-year change	5.3%	5.3%	4.3%	4.5%	-13.6%	-62.2%	-28.8%	-46.3%	-29.5%	103.9%	12.9%	57.9%	38.7%	22.2%	18.4%	16.5%
change in sales relative to 2019									-39%	-23%	-20%	-15%	-16%	-6%	-5%	-1%
Caterers	\$1,394.1	\$1,577.8	\$1,600.3	\$1,734.8	\$1,287.0	\$520.2	\$694.1	\$717.4	\$654.9	\$1,003.5	\$1,175.4	\$1,236.2	\$1,098.2	\$1,389.6	\$1,452.7	\$1,458.7
year-over-year change	5.9%	6.1%	6.0%	6.1%	-7.7%	-67.0%	-56.6%	-58.6%	-49.1%	92.9%	69.3%	72.3%	67.7%	38.5%	23.6%	18.0%
change in sales relative to 2019									-53%	-36%	-27%	-29%	-21%	-12%	-9%	-16%
Drinking Places	\$623.5	\$695.2	\$714.9	\$660.7	\$491.8	\$187.0	\$443.4	\$314.7	\$300.5	\$481.9	\$545.8	\$530.8	\$442.1	\$599.5	\$638.0	\$599.5
year-over-year change	-1.0%	-1.7%	-4.3%	-5.2%	-21.1%	-73.1%	-38.0%	-52.4%	-38.9%	157.7%	23.1%	68.7%	47.1%	24.4%	16.9%	12.9%
change in sales relative to 2019									-52%	-31%	-24%	-20%	-29%	-14%	-11%	-9%
Total Sales	\$17,090.8	\$19,647.3	\$20,694.8	\$19,592.8	\$15,386.9	\$10,307.7	\$16,043.1	\$13,299.6	\$12,475.2	\$16,509.6	\$17,916.9	\$17,701.8	\$15,420.0	\$19,059.9	\$20,266.9	\$19,392.5
year-over-year change	4.8%	4.9%	4.0%	4.1%	-10.0%	-47.5%	-22.5%	-32.1%	-18.9%	60.2%	11.7%	33.1%	23.6%	15.4%	13.1%	9.6%
change in sales relative to 2019									-27%	-16%	-13%	-10%	-10%	-3%	-2%	-1%
CPI-FAFH	1.549	1.560	1.572	1.580	1.582	1.593	1.606	1.616	1.642	1.654	1.667	1.678	1.700	1.712	1.725	1.736
	3.0%	2.6%	2.7%	2.6%	2.1%	2.1%	2.1%	2.3%	3.8%	3.8%	3.8%	3.8%	3.5%	3.5%	3.5%	3.5%
Real Sales	\$11,033.4	\$12,594.4	\$13,161.9	\$12,400.5	\$9,726.3	\$6,469.2	\$9,989.5	\$8,228.2	\$7,597.0	\$9,982.3	\$10,747.8	\$10,550.9	\$9,072.8	\$11,134.6	\$11,746.4	\$11,167.7
	1.8%	2.3%	1.2%	1.4%	-11.8%	-48.6%	-24.1%	-33.6%	-21.9%	54.3%	7.6%	28.2%	19.4%	11.5%	9.3%	5.8%
Real GDP²	1.2%	3.2%	1.1%	0.6%	-8.2%	-38.7%	33.0%	6.1%	4.7%	5.3%	10.9%	8.1%	3.1%	2.4%	2.5%	2.2%
Pers. Disp. Income	3.6%	4.6%	4.8%	5.0%	5.1%	14.5%	14.9%	6.7%	2.3%	-7.5%	-8.2%	-1.7%	1.8%	2.6%	3.4%	3.5%
Retail Sales	1.6%	1.2%	1.1%	0.9%	-0.8%	-14.6%	-8.9%	-9.7%	-7.2%	10.6%	6.1%	11.0%	12.2%	10.7%	9.2%	6.7%
Unemployment Rate³	5.8%	5.6%	5.6%	5.7%	6.3%	13.0%	10.0%	9.2%	8.7%	8.1%	7.2%	6.6%	6.5%	6.3%	6.3%	6.3%
Inflation³	1.7%	2.2%	1.9%	2.1%	1.8%	0.1%	1.0%	1.4%	1.7%	2.7%	2.0%	2.0%	2.0%	2.5%	2.6%	2.3%

Source: Restaurants Canada, Statistics Canada and Conference Board of Canada

NOTE:

1. Shaded areas represent forecast periods. All percentage changes are period-over-period. CPI-FAFH refers to the consumer price index for food away from home, also known as menu inflation.
2. Annualized quarter-over-quarter change.
3. Refers to actual value.

	(sales in millions of dollars)				Relative to 2019	
	2019	2020	2021	2022	2021	2022
Quick-service restaurants year-over-year change change in sales relative to 2019	\$33,734.8 4.4%	\$29,248.9 -13.3%	\$32,504.2 11.1%	\$34,423.0 5.9%	-3.6%	2.0%
Full-service restaurants year-over-year change change in sales relative to 2019	\$34,289.7 4.8%	\$21,132.9 -38.4%	\$26,170.4 23.8%	\$32,037.9 22.4%	-23.7%	-6.6%
Caterers year-over-year change change in sales relative to 2019	\$6,306.9 6.0%	\$3,218.6 -49.0%	\$4,070.0 26.5%	\$5,399.3 32.7%	-35.5%	-14.4%
Drinking Places year-over-year change change in sales relative to 2019	\$2,694.3 -3.1%	\$1,436.8 -46.7%	\$1,859.0 29.4%	\$2,279.1 22.6%	-31.0%	-15.4%
Total Sales year-over-year change change in sales relative to 2019	\$77,025.7 4.4%	\$55,037.2 -28.5%	\$64,603.5 17.4%	\$74,139.2 14.8%	-16.1%	-3.7%
CPI-FAFH	1.565 2.7%	1.599 2.2%	1.660 3.8%	1.718 3.5%		
Real Sales	\$49,207.2 1.7%	34,410.8 -30.1%	\$38,913.2 13.1%	\$43,146.8 10.9%		
Real GDP²	1.7%	-6.6%	5.6%	4.8%		
Pers. Disp. Income	4.5%	10.3%	-4.0%	2.8%		
Retail Sales	1.2%	-8.5%	4.8%	9.6%		
Unemployment Rate³	5.7%	9.6%	7.6%	6.3%		
Inflation³	2.0%	1.1%	2.1%	2.4%		

Source: Restaurants Canada, Statistics Canada and Conference Board of Canada

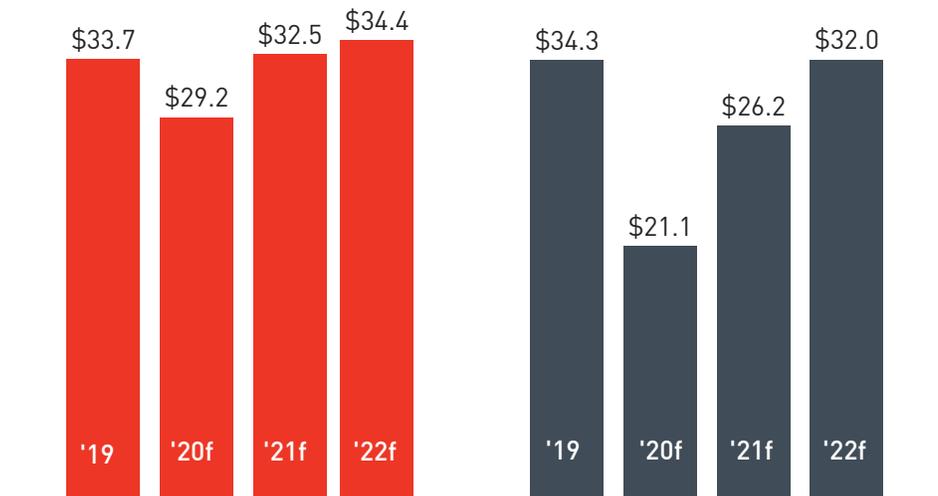
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Annual
Foodservice
Sales Forecast
- Canada

(in billions)

Quick-service restaurants



Full-service restaurants

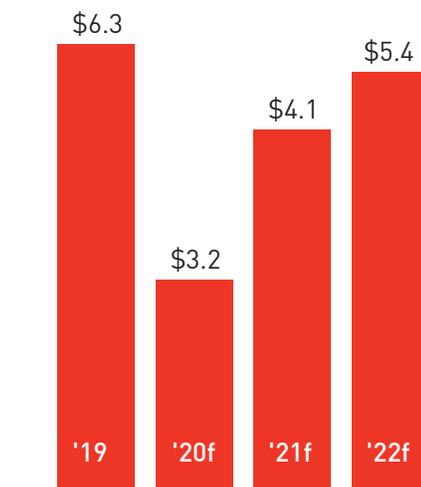


Source: Restaurants Canada and Statistics Canada

Annual
Foodservice
Sales Forecast
- Canada

(in billions)

Caterers



Drinking Places



Source: Restaurants Canada and Statistics Canada

**Total
Commercial
Foodservice
Sales Forecast
- Canada**

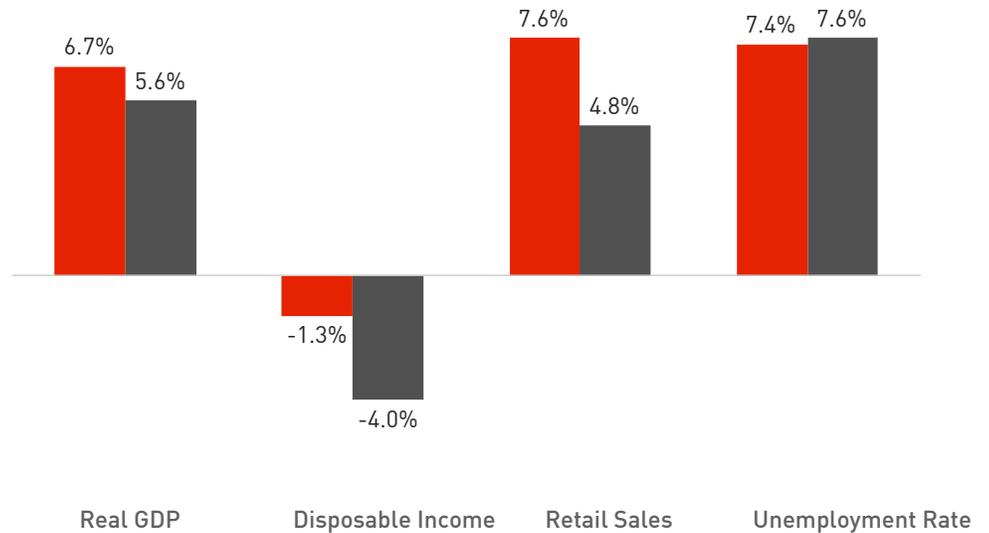
(in billions)



Source: Restaurants Canada and Statistics Canada

**Comparison
Between
Previous &
New Economic
Indicators
Forecast**

- Previous forecast for 2021
- New forecast for 2021



Source: Conference Board of Canada

About the Restaurants Canada Quarterly Forecast

Restaurants Canada uses an econometric model to forecast commercial foodservice sales by using the Conference Board of Canada's forecasts of consumer spending, disposable income, real GDP, employment and tourism by segment.

About Restaurants Canada

Restaurants Canada is a growing community of 30,000 foodservice businesses, including restaurants, bars, caterers, institutions, and suppliers. We connect our members from coast to coast through services, research, and advocacy for a strong and vibrant restaurant community.

Before the start of the COVID-19 pandemic, Canada's foodservice sector was a \$95 billion industry, directly employing 1.2 million people, providing Canada's number one source of first jobs and serving 22 million customers across the country every day. The industry lost more than 800,000 jobs by April.



The voice of foodservice | La voix des services alimentaires

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