

Reference Period: Q3 2015

QUARTERLY FORECAST



**Restaurants
Canada**

The voice of foodservice | La voix des services alimentaires

Prepared by
Chris Elliott, Senior Economist

September
2, 2015

Restaurants Canada Quarterly Sales Forecast Third Quarter - 2015

Highlights

Commercial foodservice sales in Canada are projected to climb by 4.5% to more than \$60 billion in 2015. This is a slight upward revision from the previous forecast of 4.0%.

Growth in 2015 will be driven by healthy gains at restaurants and caterers. In contrast, a decline in units and fewer customers will lead to a drop in sales at drinking places.

Slower disposable income growth and a moderation in demand in Ontario and British Columbia will restrain total foodservice sales in Canada to 3.8% growth in 2016.

Following a 3.5% increase in 2014, real sales will expand by a projected 1.7% in 2015 and 1.3% in 2016.

Since the release of our Q2 Quarterly Forecast, economic conditions in Canada have deteriorated sharply. Rather than a 1.1% expansion in the first half of 2015, Canada's economy slipped into a recession. This is due to the decline in oil prices, but also lower output in the manufacturing and construction sectors.

As a result, Canada's economy is now forecast to grow by 1.6% in 2015 compared to the previous forecast of 1.9% growth.

Canada's restaurant industry held up surprisingly well, with commercial foodservice sales projected to climb by 4.5% in 2015. This is largely due to stronger-than-expected growth in disposable income.

Quick-service restaurants will lead all segments with a robust 5.9% jump in sales in 2015. Consumer demand remains strong across most of the country as Canadians look for affordability and convenience.

Sales at full-service restaurants are projected to expand 4.0% in 2015. Although demand remains strong in British Columbia and Ontario, spending moderated in Alberta and declined in Quebec.

Despite a sharp decline in Alberta, total caterer revenues will expand by 4.4% in 2015 due to strong gains in Saskatchewan, Manitoba and Newfoundland & Labrador.

Sales at drinking places will decline by 4.3% in 2015 as a result of unit closures and falling consumer demand.

Looking ahead, foodservice sales will advance by an additional 3.8% in 2016 to more than \$62 billion.

Although Canada's economy will improve in 2016 due to a lower Canadian dollar and stronger American economy, foodservice sales will grow at a slower pace due to weaker disposable income growth and a moderation in spending in British Columbia and Ontario.

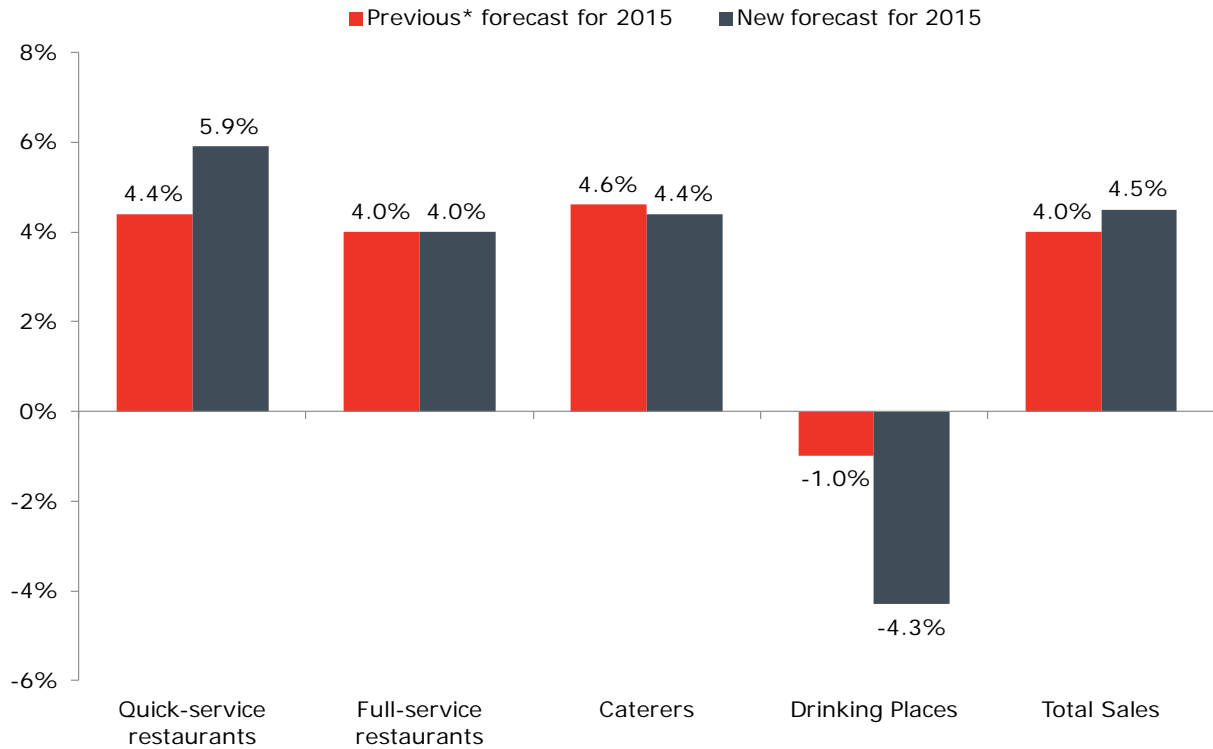
Quick-service restaurants are forecast to lead all segments with sales expanding by 4.1% in 2016, while full-service restaurants are forecast to post a 3.9% increase.

Caterer sales will slow to 3.8% growth due to a moderation in revenue in most provinces.

Drinking places will report their eighth consecutive decline in sales due to weak consumer demand.

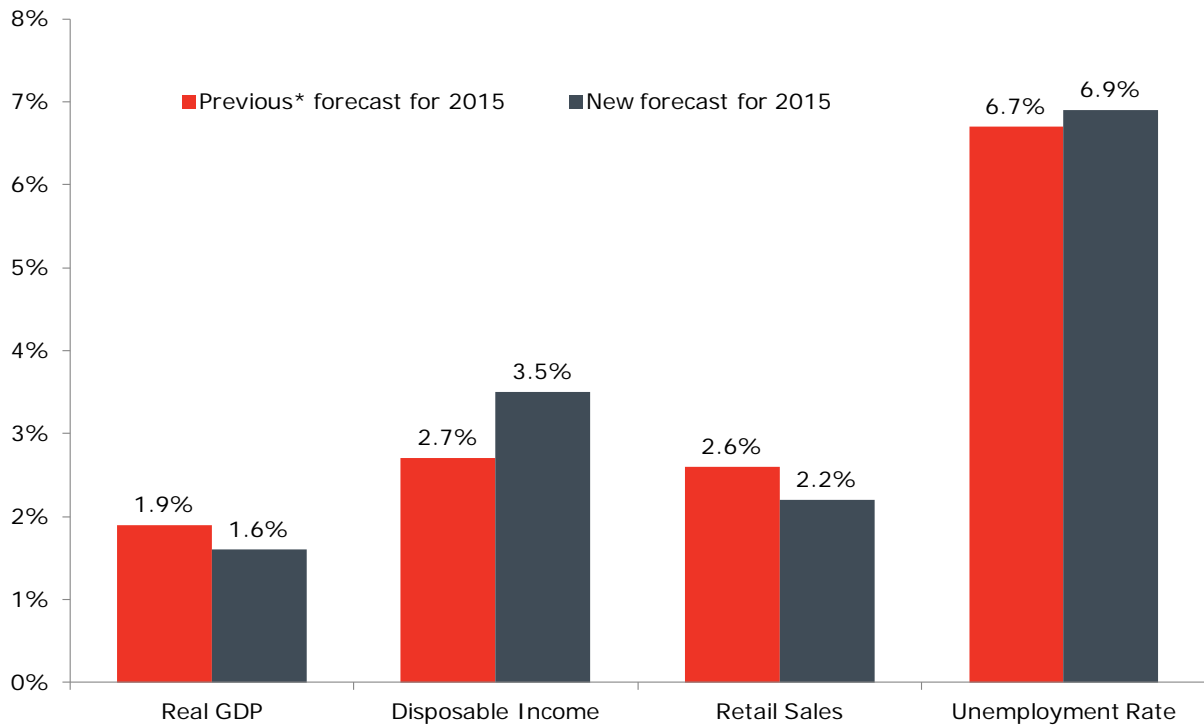
Following a 2.8% increase in 2015, menu prices are forecast to grow by 2.5% in 2016 due to a moderation in meat prices.

Comparison Between Previous and New Sales Forecast



* Forecast from Q2 2015 Quarterly Forecast, published in May 2015

Comparison Between Previous and New Economic Indicators Forecast



Source: Conference Board of Canada

* Forecast from Q2 2015 Quarterly Forecast, published in May 2015

Commercial Foodservice Sales Forecast Third Quarter 2015

| | 2014.1 | 2014.2 | 2014.3 | 2014.4 | 2015.1 | 2015.2 | 2015.3 | 2015.4 | 2016.1 | 2016.2 | 2016.3 | 2016.4 | 2014 | 2015 | 2016 |
|--------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Quick-service restaurant | \$5,531.4 4.4% | \$6,508.9 5.8% | \$6,810.1 5.5% | \$6,482.2 6.6% | \$5,873.8 6.2% | \$6,917.0 6.3% | \$7,208.5 5.9% | \$6,819.2 5.2% | \$6,126.4 4.3% | \$7,200.6 4.1% | \$7,496.8 4.0% | \$7,102.1 4.1% | \$25,332.5 5.6% | \$26,818.5 5.9% | \$27,925.9 4.1% |
| Full-service restaurants | \$5,584.4 4.5% | \$6,372.9 5.4% | \$6,774.3 6.4% | \$6,355.4 6.7% | \$5,802.1 3.9% | \$6,577.5 3.2% | \$7,065.5 4.3% | \$6,635.0 4.4% | \$6,034.2 4.0% | \$6,834.0 3.9% | \$7,334.0 3.8% | \$6,887.1 3.8% | \$25,086.9 5.8% | \$26,080.1 4.0% | \$27,089.3 3.9% |
| Caterers | \$1,123.2 4.8% | \$1,193.5 5.9% | \$1,227.8 8.8% | \$1,331.7 5.8% | \$1,167.0 3.9% | \$1,261.6 5.7% | \$1,279.3 4.2% | \$1,385.0 4.0% | \$1,211.4 3.8% | \$1,307.0 3.6% | \$1,330.1 4.0% | \$1,439.0 3.9% | \$4,876.1 6.3% | \$5,092.9 4.4% | \$5,287.5 3.8% |
| Drinking Places | \$538.4 -3.8% | \$597.3 1.3% | \$594.2 1.4% | \$562.5 -0.7% | \$504.6 -6.3% | \$560.4 -6.2% | \$574.6 -3.3% | \$554.1 -1.5% | \$486.0 -3.7% | \$544.7 -2.8% | \$571.7 -0.5% | \$558.5 0.8% | \$2,292.4 -0.4% | \$2,193.7 -4.3% | \$2,160.9 -1.5% |
| Total Sales | \$12,777.3 4.1% | \$14,672.6 5.4% | \$15,406.3 6.0% | \$14,731.8 6.3% | \$13,347.5 4.5% | \$15,316.4 4.4% | \$16,128.0 4.7% | \$15,393.4 4.5% | \$13,857.9 3.8% | \$15,886.2 3.7% | \$16,732.7 3.7% | \$15,986.8 3.9% | \$57,588.0 5.5% | \$60,185.2 4.5% | \$62,463.6 3.8% |
| CPI-FAFH | 1.339 1.1% | 1.347 2.2% | 1.356 2.2% | 1.365 2.4% | 1.377 2.8% | 1.384 2.7% | 1.394 2.8% | 1.403 2.8% | 1.411 2.5% | 1.419 2.5% | 1.429 2.5% | 1.437 2.4% | 1.352 2.0% | 1.390 2.8% | 1.424 2.5% |
| Real Sales | \$9,540.1 3.0% | \$10,890.1 3.2% | \$11,361.5 3.8% | \$10,792.5 3.8% | \$9,695.5 1.6% | \$11,064.1 1.6% | \$11,569.8 1.8% | \$10,970.0 1.6% | \$9,820.7 1.3% | \$11,195.8 1.2% | \$11,710.9 1.2% | \$11,125.9 1.4% | \$42,597.3 3.5% | \$43,312.8 1.7% | \$43,866.9 1.3% |
| Real GDP ² | 1.0% | 3.4% | 3.2% | 2.2% | -0.8% | -0.5% | 2.9% | 1.8% | 2.0% | 2.1% | 2.8% | 1.7% | 2.4% | 1.6% | 2.1% |
| Pers. Disp. Income | 3.2% | 3.6% | 3.8% | 3.1% | 3.9% | 3.1% | 3.7% | 3.3% | 2.6% | 3.2% | 2.9% | 3.6% | 3.4% | 3.5% | 3.1% |
| Unemployment Rate ³ | 7.0% | 7.0% | 7.0% | 6.7% | 6.7% | 6.8% | 6.9% | 7.0% | 7.0% | 6.9% | 6.9% | 6.8% | 6.9% | 6.9% | 6.9% |
| Inflation ³ | 1.4% | 2.2% | 2.1% | 1.9% | 1.1% | 0.9% | 1.5% | 2.3% | 2.8% | 2.3% | 2.2% | 2.1% | 1.9% | 1.5% | 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.