



Restaurant Industry Forecast: 2013-2017

Sales to Accelerate in 2014 and 2015

OVERVIEW

Despite the challenges of the past few years, Canada has weathered the global economic storm better than most countries. Following two consecutive years of sub-par 1.7% growth, a rebound in exports will spur real GDP growth of 2.4% in 2014 and a further 2.9% in 2015. Improved economic growth will spur job creation and lead to stronger disposable income.

Consumer spending will also rebound in the near term, although it will be tempered by sky-high household debt levels.

Greater economic activity will boost foodservice sales by 4.7% in 2014 to a record \$57.5 billion following a 4.4% increase in 2013. Higher disposable income and lower unemployment rate will help foodservice sales expand by an additional 5.1% in 2015. As the economy moderates to a more sustainable pace, commercial

foodservice sales will advance by 4.1% in 2016 and 3.5% in 2017.

All sectors will post higher sales in 2014. Sales at quick-service restaurants will grow by 4.8% in 2014 following a modest 3.2% increase in 2013. Full-service restaurants will continue to recover. Although sales have posted steady increases in recent years, household traffic remains below pre-recession levels. Caterers will continue to be driven by growth in the natural resources industry. Following several years of declines, improved economic growth will lead to a marginal increase in sales at drinking places over the near term.

Although foodservice sales are expected to grow by \$10 billion over the next five years, the foodservice share of the total food dollar will increase marginally from 37.3% in 2012 to 37.7% by 2017.

Commercial Foodservice Sales in Canada

Year-over-Year Nominal Change

	2010	2011	2012f	2013p	2014f	2015f	2016f	2017f
Quick-service restaurants	5.4%	3.5%	5.4%	3.2%	4.8%	5.0%	4.1%	3.8%
Full-service restaurants	1.2%	2.6%	5.3%	5.6%	4.6%	5.2%	4.4%	3.4%
Caterers	7.1%	5.4%	5.5%	6.8%	5.8%	6.3%	4.4%	3.8%
Drinking Places	-3.4%	-4.3%	-0.3%	1.2%	1.5%	1.9%	1.2%	1.1%
Total Sales	3.2%	2.9%	5.1%	4.4%	4.7%	5.1%	4.1%	3.5%

At the provincial level, all provinces will boast higher foodservice sales in 2014. Growth in the country, however, will remain an east-west divide. With their booming economies and high disposable income, Alberta, Saskatchewan and Manitoba will lead the country with sales growth exceeding 5%.

The restaurant industries in Ontario and Quebec will expand by 4.6% and 4.3% respectively in 2014 following modest gains in 2013.

Pent-up demand and a stronger economy will lift foodservice sales in Nova Scotia by 4.3%.

British Columbia's restaurant industry continues to recover from the HST as sales expand by 4.2% in 2014.

After leading the country in 2013, foodservice sales in Newfoundland and Labrador will slow to 3.2% growth in 2014. Weak economic activity will restrain foodservice sales in New Brunswick and Prince Edward Island.

Chart 1

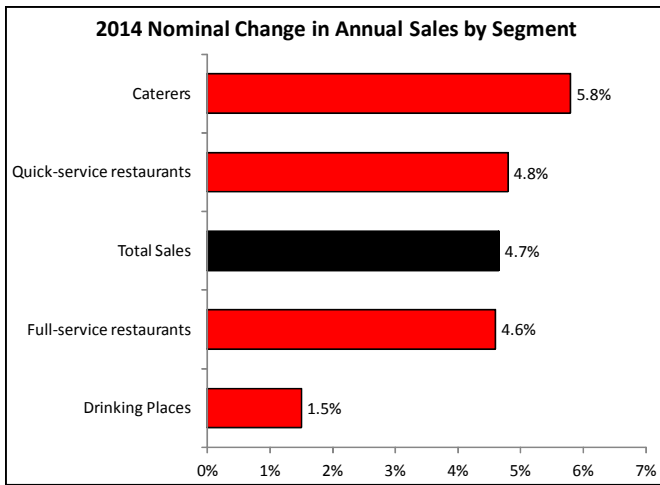


Chart 2

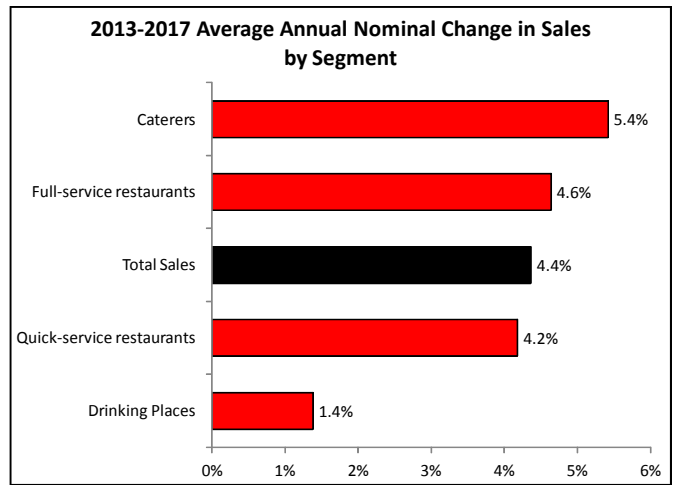


Chart 3

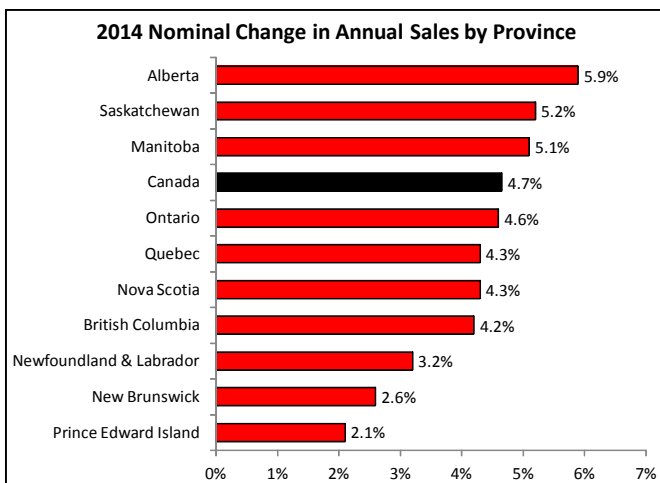
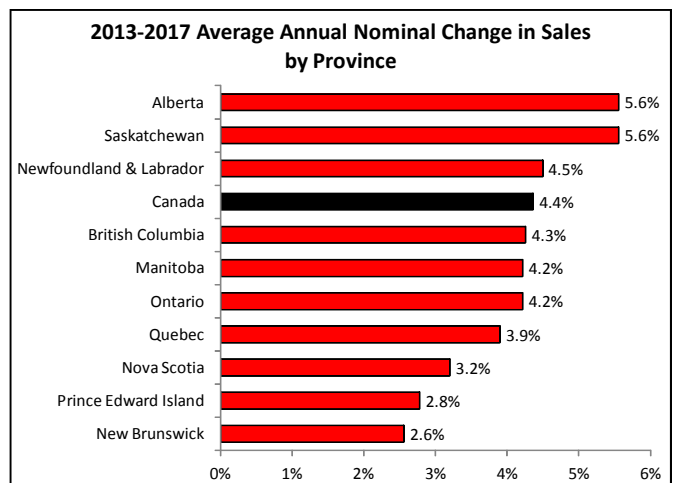


Chart 4



Source: CRFA

Note: Data are not adjusted for menu inflation.

National Restaurant Industry Sales Forecast

Canada's restaurant industry will ride a wave of positive economic news in the next two years. Commercial foodservice sales in Canada are projected to grow by a solid 4.7% to a record \$57 billion in 2014. This is on the heels of a respectable 4.4% increase in 2013.

Rising disposable income and job creation will lead to healthy gains across all segments, particularly restaurants and caterers in 2014. Most provinces will enjoy strong foodservice sales growth, especially in Western and Central Canada.

Sales will continue to climb in 2015, growing by 5.1% — marking the strongest foodservice sales growth since 2012. As economic activity moderates, sales will expand by 4.1% in 2016 and by 3.5% in 2017.

Between 2013 and 2017, foodservice sales will grow by \$10 billion. This represents average annual sales growth of 4.4% during this period. Adjusted for an average menu inflation rate of 2.5%, real foodservice sales will see average annual

real growth of 1.9%.

The key to growth in the restaurant industry over the next five years is disposable income, which will climb by an average of 3.8% per year over the next five years.

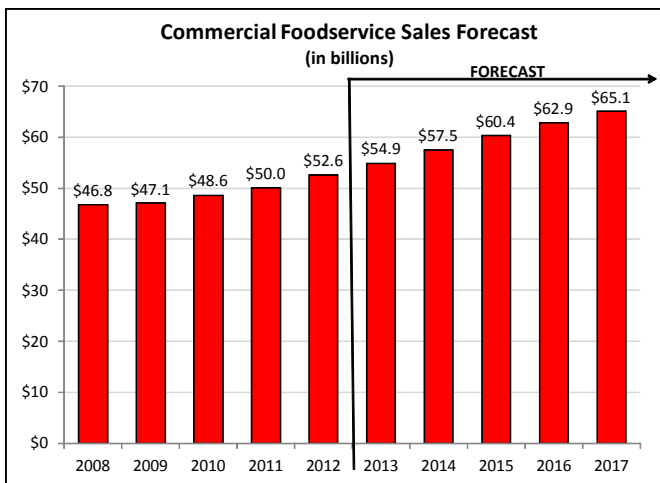
Rising disposable income will lead to improved consumer spending at full-service restaurants, which are still on the road to recovery. Traffic to full-service restaurants remains below 2008 levels.

A strong economy will also boost sales at quick-service restaurants and caterers. Unlike previous years, sales at drinking places will be less of a drag on overall commercial foodservice sales as demand slowly improves following several years of marginal growth.

Of course, there are several downside risks to the forecast. A slower-than-expected recovery in the United States economy, high consumer debt levels in Canada and economic uncertainty in

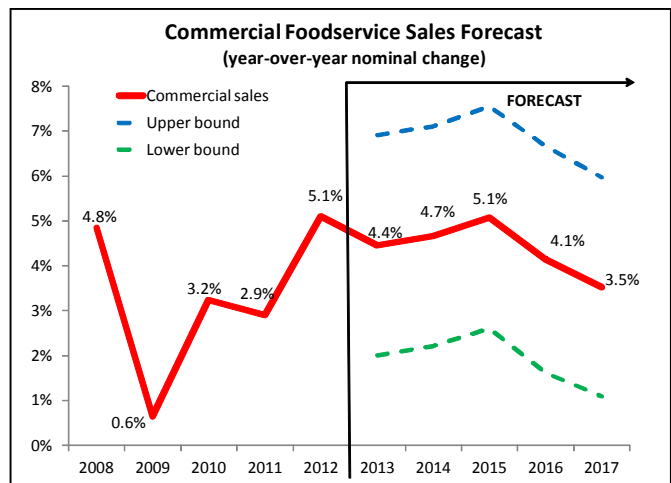
Restaurant sales are forecast to advance by an average of 4.4% per year between 2013 and 2017.

Chart 5



Source: CRFA and Statistics Canada

Chart 6



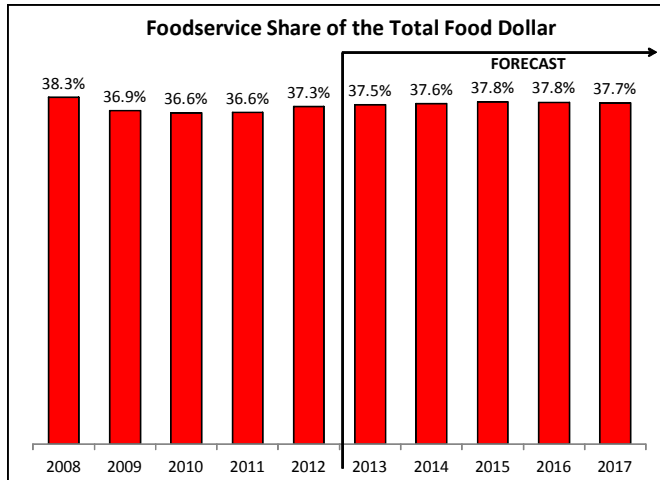
Note: Data are not adjusted for menu inflation. Upper and lower bounds represent a 95% confidence interval for foodservice sales growth based on current economic forecasts.

Europe could curtail economic activity and consumer spending.

With the continued recovery in foodservice sales, the foodservice share of the total food dollar is projected to climb to 37.5% in 2013 compared to 36.6% in 2010 and 2011. Foodservice sales are then forecast to slightly outpace sales growth at grocery stores in 2014 and 2015, peaking at a 37.8% share. Despite stronger foodservice sales growth over the next five years, the foodservice share of the total food dollar will remain below 2008 levels due to high consumer debt. (Chart 7)

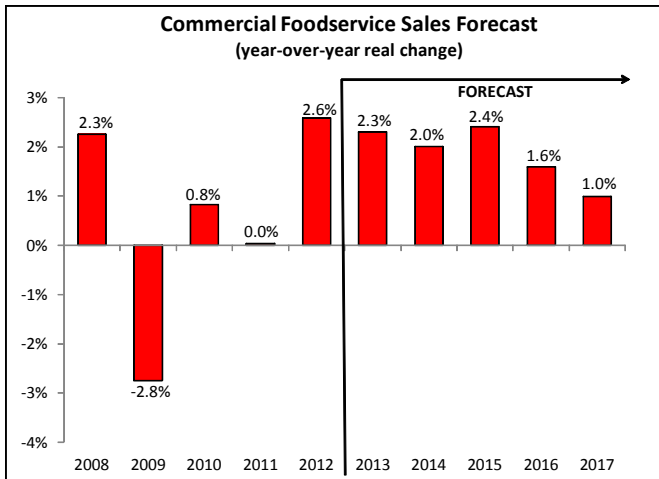
On a per capita basis, commercial foodservice sales will climb from \$1,555 in 2013 to \$1,596 in 2017 — which brings spending back (nearly) to pre-recession levels. (Chart 9).

Chart 7



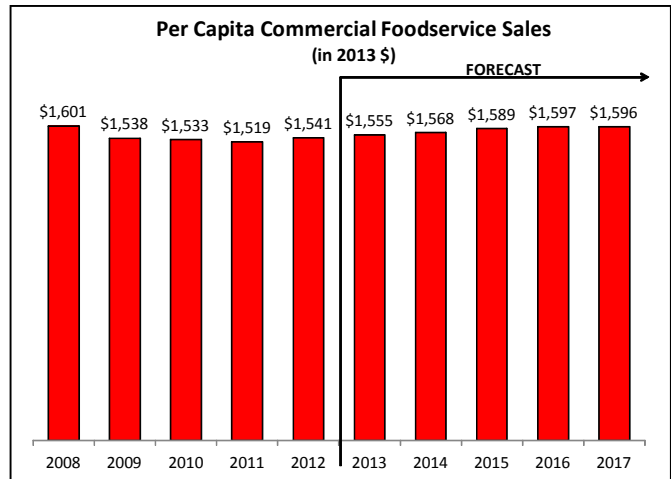
Notes: Includes food and beverage sales at grocery, department, liquor and convenience stores. Includes commercial and non-commercial foodservice spending by consumers, tourists, businesses and government. The above chart assumes average annual growth of 4.0% for non-commercial foodservice sales.

Chart 8



Note: Data are adjusted for menu inflation.

Chart 9



Source: CRFA and Statistics Canada

Quick-service Restaurants

After several years of robust gains, sales at quick-service restaurants moderated across the country in 2013 with slower growth in all provinces. As a result, sales are forecast to climb 3.2% in 2013 to \$23.9 billion. This represents the slowest pace of growth since the recession in 2009. (Chart 10)

After a breather in 2013, growth will resume in 2014 and beyond due to strong consumer demand for convenience, value and menu innovation.

In 2014, foodservice sales at quick-service restaurants will grow to a record \$25 billion, representing a 4.8% increase over 2013. As the economy heats up, sales will grow an additional 5.0% in 2015.

A moderation in economic activity will restrain sales at quick-service restaurants to a more sustainable 4.1% in 2016 and 3.8% in 2017.

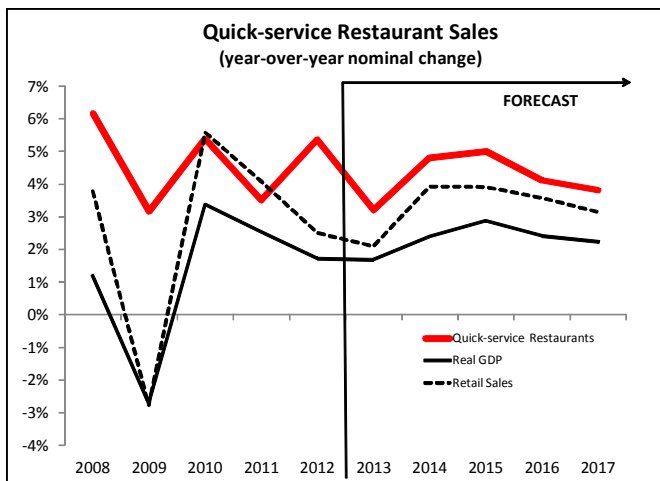
On average, sales at quick-service restaurants will grow an average of 4.2% per year over the next five years compared to an average of 4.7% growth over the previous five-year period.

Although traffic to quick-service restaurants continues to expand, the number of units has stabilized in recent years. The number of quick-service restaurants was virtually unchanged between 2010 and 2012 at 32,500, despite strong consumer spending. While the big chains continue to expand, the number of smaller foodservice businesses has declined, resulting in modest net unit growth over the near term.

Adjusted for menu inflation of 2.3%, real sales are forecast to climb by an average of 1.8% compared to the industry average of 1.9%. (Chart 11)

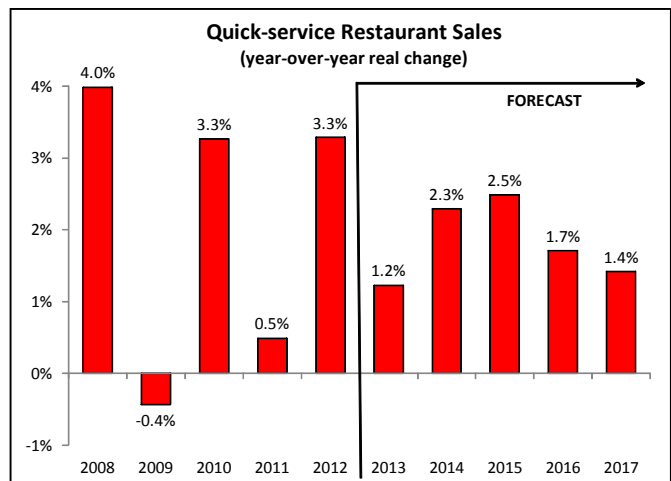
QSRs will post solid average annual sales growth of 4.2% per year over the next five years.

Chart 10



Source: CRFA, Statistics Canada and Conference Board of Canada.

Chart 11



Note: Data are adjusted for menu inflation.

Full-service Restaurants

The 2009 to 2011 period was a challenging time for full-service restaurant operators as they lost market share to quick-service restaurants. As the economy improved, sales at full-service restaurants climbed back with a rebound in supper traffic in 2012. That trend continued in 2013 as sales are forecast to grow by a solid 5.6% to \$23.9 billion. (Chart 12)

Growth improved in most parts of the country in 2013, driven by strong gains in the Prairie provinces and a rebound in demand in Central Canada.

Despite improved sales, there is still room to grow. According to data from the NPD Group, traffic by Canadian households to full-service restaurants remains 5.8% below 2008 levels. In contrast, traffic to quick-service restaurants has increased 7.3%¹.

Historically, healthy full-service restaurant

sales are heavily dependent on a strong economy, rising employment and higher disposable income. The next two years will create the right conditions for growth to continue at full-service restaurants.

After posting two consecutive years of plus-5% growth, sales will expand by a solid 4.6% in 2014 and a further 5.2% in 2015.

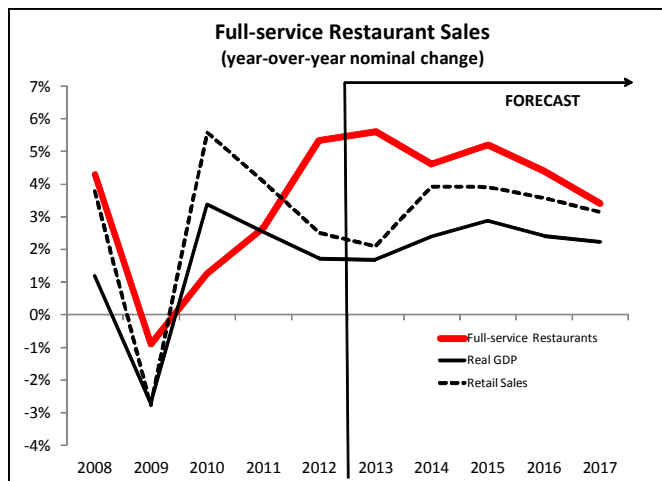
Over the remainder of the forecast, sales at full-service restaurants will grow at an average annual pace of 3.9% due to rising sales in Western and Central Canada.

Adjusted for menu inflation of 2.6%, real sales at full-service restaurants will advance by 2.0%. (Chart 13)

Healthy economic growth will boost full-service restaurant sales over the next five years.

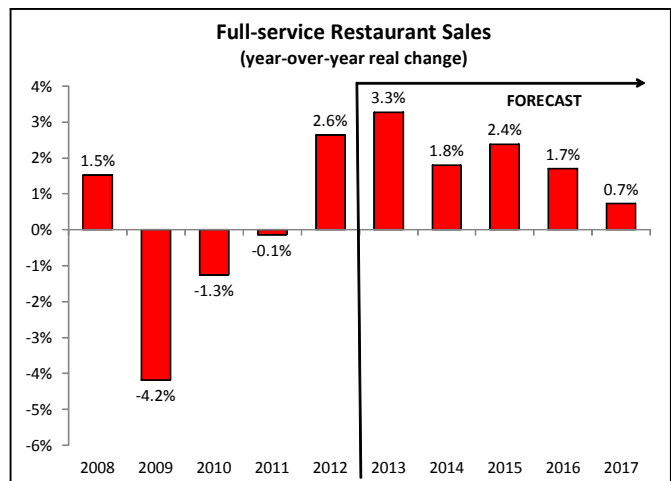
¹ Source: NPD Group. Data based on traffic growth for the 12 months ending May 2013 compared to the 12 months ending May 2008.

Chart 12



Source: CRFA, Statistics Canada and Conference Board of Canada.

Chart 13



Note: Data are adjusted for menu inflation.

Caterers

Following a steep decline in sales in 2009 due to the recession, caterers have been on a tear, outpacing all other segments. With strong gains in Central Canada, caterers will continue to dominate the commercial foodservice industry with a 6.8% increase in sales in 2013, growing to \$4.7 billion. (Chart 14)

Since 2009, sales have jumped an impressive \$1 billion, representing a 27% increase in sales.

Caterer sales in 2013 were driven by a rebound in spending in Ontario and Quebec and double-digit gains in Newfoundland and Labrador. Following several years of robust gains, sales have temporarily moderated in Alberta and Saskatchewan.

The strong growth in caterer sales over the past few years will carry forward over the forecast period due to a rebound in the global economy and greater demand

for natural resources. As a result, caterer sales will expand by 5.8% in 2014 and another 6.3% in 2015.

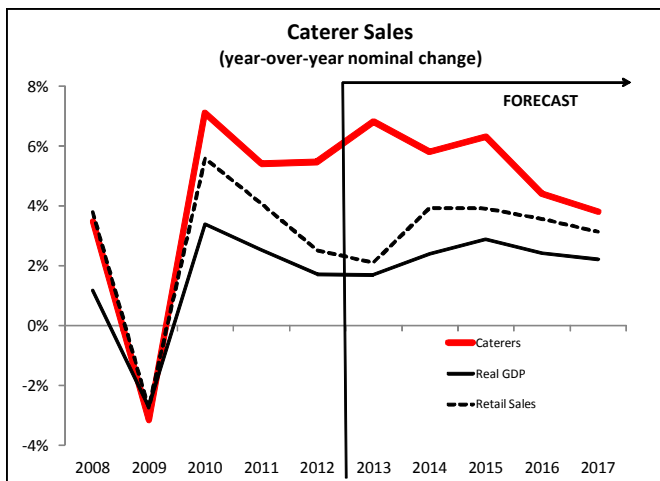
Between 2016 and 2017, growth in caterer sales will moderate following several years of robust gains.

Growth over the next five years will be fueled by strong gains in the natural resource industry and growth in health care as an aging population will boost foodservice spending at hospitals, retirement homes and long term care facilities.

Over the next five years, caterers will lead all segments with average annual sales growth of 5.4% per year. Adjusted for menu inflation, real sales will grow by a solid 2.9%. (Chart 15)

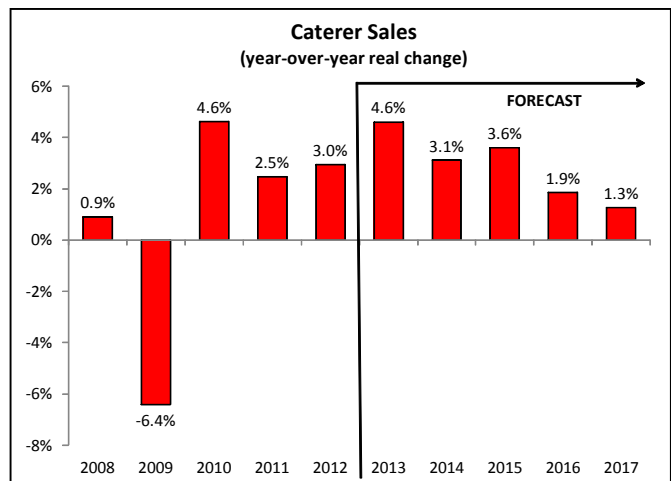
Caterers will boast average annual sales growth of 5.4% per year over the next five years.

Chart 14



Source: CRFA, Statistics Canada and Conference Board of Canada.

Chart 15



Note: Data are adjusted for menu inflation.

Drinking Places

While caterers, full- and quick-service restaurants have reported stronger sales since the recession, bars and pubs continue to struggle. Since 2000, the number of drinking places in Canada has shrunk from 9,000 establishments to 5,200 in 2012. The decline reflects changing consumer demand—likely due to an aging population, the rising price of alcohol at drinking places relative to liquor stores and stricter drinking and driving legislation. Indeed, British Columbia’s stricter drinking and driving laws were largely responsible for a sharp decline in sales at drinking places in the province.

Following four consecutive years of declines, sales at drinking places are forecast to grow by a benign 1.2% in 2013 to \$2.4 billion. While sales continue to struggle in British Columbia and Quebec, sales rebounded in the Prairie provinces and Ontario. (Chart 16)

In 2014, drinking place sales will grow by

1.5% and an additional 1.9% in 2015 due to improved economic growth and rising employment.

Slower economic activity will restrain sales growth to 1.2% in 2016 and 1.1% in 2017.

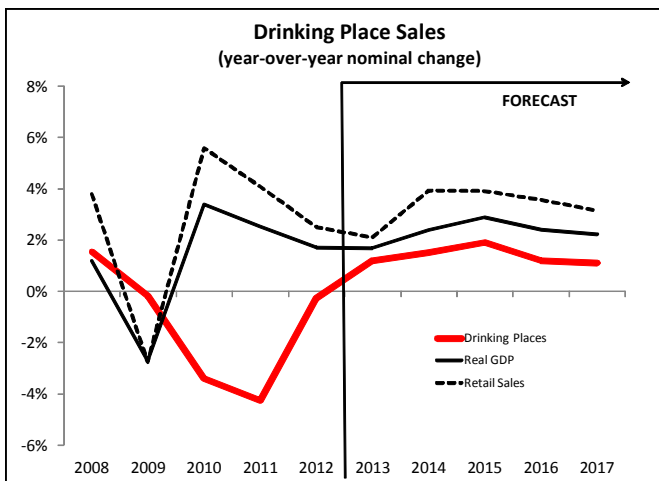
Razor-thin profit margins and lower consumer spending have reduced the number of drinking places over the past decade, but this is expected to stabilize in the coming years. As such, sales will post modest gains.

Between 2013 and 2017, sales at drinking places are forecast to grow by an average of 1.4% per year — the weakest growth of any segment.

Adjusted for menu inflation, real sales at drinking places will decline by an average of 1.1% per year. (Chart 17)

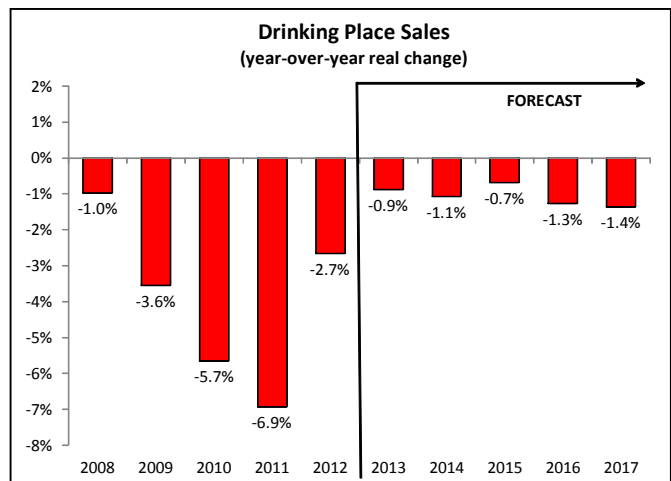
Drinking places will lag all other segments with sales growth of 1.4% per year over the next five years.

Chart 16

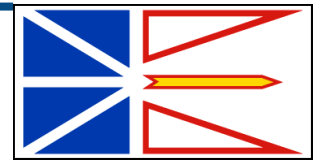


Source: CRFA, Statistics Canada and Conference Board of Canada.

Chart 17



Note: Data are adjusted for menu inflation.



Newfoundland & Labrador

Following healthy gains in 2012, Newfoundland and Labrador will lead the country for the second consecutive year as commercial foodservice sales are forecast to climb by a robust 10.7% to \$818 million in 2013. Once again, growth will be driven by double-digit gains at full-service restaurants and caterers. (Chart 18)

Foodservice spending has been driven by robust economic growth which was bolstered by a rebound in oil and gas. As a result, Newfoundland and Labrador will lead the country with real GDP growth of 5.4% in 2013 compared to the national average of 1.7%. The strong gains in the economy have led to solid job creation and lowered the unemployment rate from 12.5% in 2012 to 11.9% in 2013.

In 2014, however, a moderation in resource activity will hold the province's real GDP growth to just 0.7% - the weakest growth in the country. This will

lead to relatively flat job growth and restrain consumer spending.

A slowdown in consumer spending will lead to a 3.2% increase in commercial foodservice sales growth in 2014.

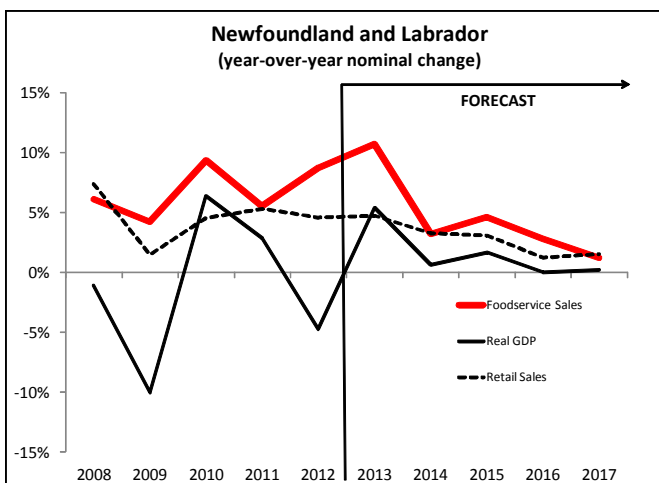
Improved economic activity will boost total foodservice sales by a solid 4.6% in 2015 before moderating to 2.8% growth in 2016 and 1.2% in 2017.

While Newfoundland's economy will benefit from a booming resource sector, in the long run, a high unemployment and flat population growth will impede consumer spending. As a result, Newfoundland will experience below-average growth in 2016 and 2017.

Adjusted for menu inflation, real sales will average a 1.9% average annual increase, matching the national average. (Chart 19)

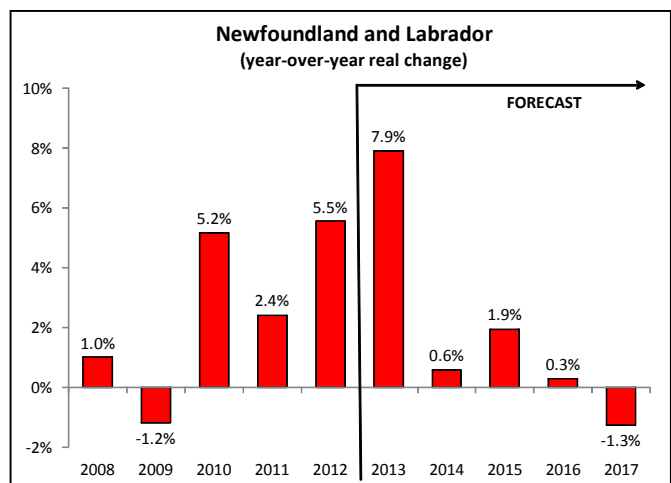
Following two years of robust gains, sales are forecast to moderate in 2014.

Chart 18

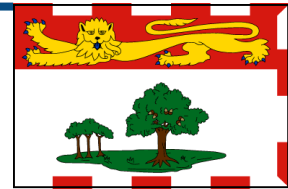


Source: CRFA, Statistics Canada and Conference Board of Canada.

Chart 19



Note: Data are adjusted for menu inflation.



Prince Edward Island

Commercial foodservice sales on Prince Edward Island will expand by a modest 3.5% in 2013 following a similar increase in 2012. Growth in 2013 will be driven by a rebound in spending at full-service restaurants. In contrast, sales at quick-service restaurants will moderate following several years of steady gains. (Chart 20)

The sluggish gains in the Island's restaurant industry reflect generally weak economic activity. As a result, commercial foodservice sales on Prince Edward Island have increased by just 13% in the past 10 years compared to the national average of 44%.

Fiscal restraint by the provincial government will limit real GDP growth to 1.0% in 2014 following a 1.3% expansion in 2013. As a result, there will be virtually no new job creation in 2014. This will result in commercial foodservice sales expanding by a sluggish 2.1% - the

weakest growth in the country.

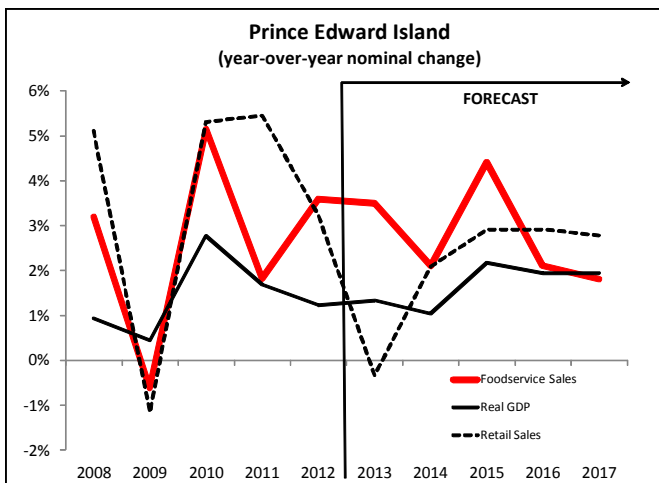
In 2015, pent-up demand will boost restaurant sales by 4.4% with improved sales at full- and quick-service restaurants.

In 2016 and 2017, restaurant sales will moderate to 2.1% and 0.8% respectively. The slowdown in foodservice sales reflects weak population growth and modest economic gains over the forecast horizon.

Adjusted for menu inflation of 2.4%, real sales will grow by a tepid 0.4% per year over the next five years. (Chart 21)

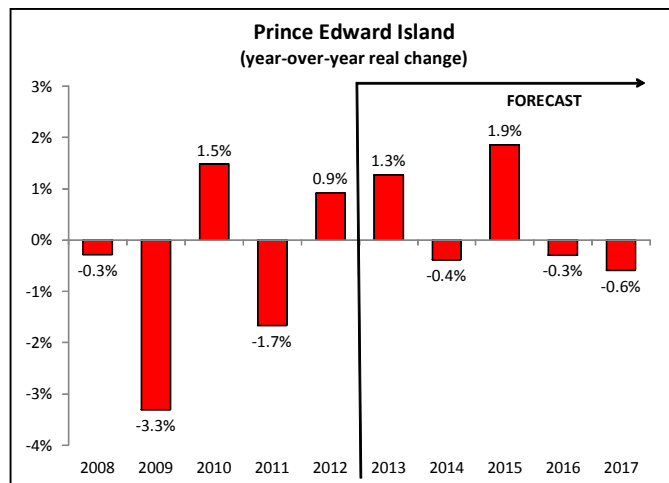
A weak economy will restrain restaurant sales growth over the next five years.

Chart 20

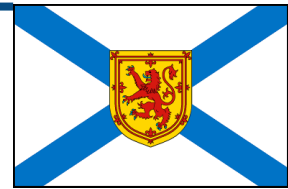


Source: CRFA, Statistics Canada and Conference Board of Canada.

Chart 21



Note: Data are adjusted for menu inflation.



Nova Scotia

Commercial foodservice sales in Nova Scotia will slow to 1.7% growth in 2013 following a 3.6% increase in 2012. While sales at full-service restaurants will post modest gains, sales at quick-service restaurants and caterers are forecast to decelerate. Drinking place sales are poised to post robust double-digit gains following several years of weak demand. (Chart 22)

The disappointing sales in 2013 reflect the general economy, where there was virtually no new job growth and consumer spending slowed to a crawl. Nova Scotia's economy expanded by just 1.1% in 2013 after posting a negligible 0.2% increase in 2012.

In 2014, economic activity is forecast to improve with real GDP growth of 2.9%. This will lead to improved job creation and higher retail spending. Foodservice sales are forecast to rebound with a solid 4.3% increase in sales in 2014 to a record

\$1.4 billion.

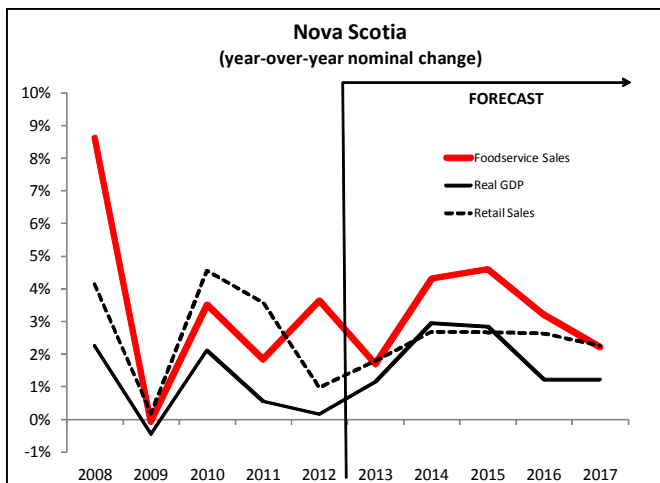
In 2015, commercial foodservice sales will advance by an additional 4.6% on the strength of a stronger economy. Sales will grow by an additional 3.2% in 2016 and 2.2% in 2017.

Despite the temporary weakness in Nova Scotia's restaurant industry, sales are expected to improve due to potential growth in deepwater drilling sites that will boost energy production, and the \$25-billion federal shipbuilding contract.

Adjusted for menu inflation of 2.2%, real sales will grow an average of 1.0% compared to the national average of 1.9%. (Chart 23)

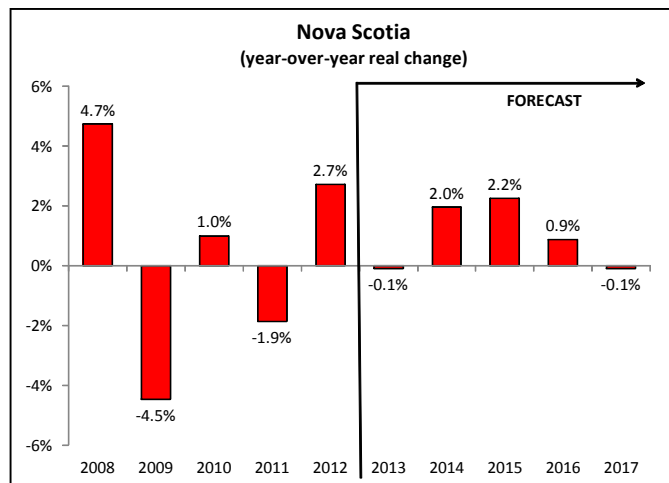
Foodservice sales poised to rebound in 2014 and 2015 due to stronger economic growth.

Chart 22



Source: CRFA, Statistics Canada and Conference Board of Canada.

Chart 23



Note: Data are adjusted for menu inflation.



New Brunswick

In order to eliminate its deficit, the New Brunswick government has sharply curtailed spending. The decline in government spending, coupled with weak exports and consumer spending, has led to anemic economic growth and shrinking employment in recent years.

Due to weak economic activity, foodservice sales are projected to slow to just 1.4% growth in 2013 following a modest 2.1% increase in 2012. (Chart 24)

All segments are impacted by the economic malaise as modest gains at full- and quick-service restaurants offset lower spending at caterers and drinking places.

New Brunswick's economy will show a slight improvement as real GDP grows by 1.9% in 2014 following a 0.8% increase in 2013. This will lead to stronger job creation and improve retail sales after two years of relatively flat spending.

Foodservice sales are forecast to climb by 2.6% in 2014 which will help annual industry sales surpass the \$1-billion mark for the first time.

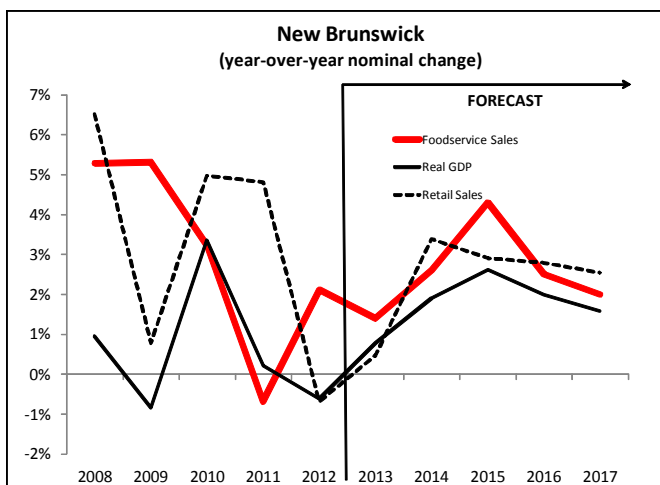
Pent-up demand and stronger disposable income growth will boost restaurant sales by a solid 4.3% in 2015.

Overall, sluggish population growth and a weak economy will restrain average annual foodservice sales to 2.6% growth over the next five years. This represents the weakest growth in the country.

Adjusted for menu inflation of 2.3%, real sales will grow by an average of just 0.3% per year over the next five years. (Chart 26)

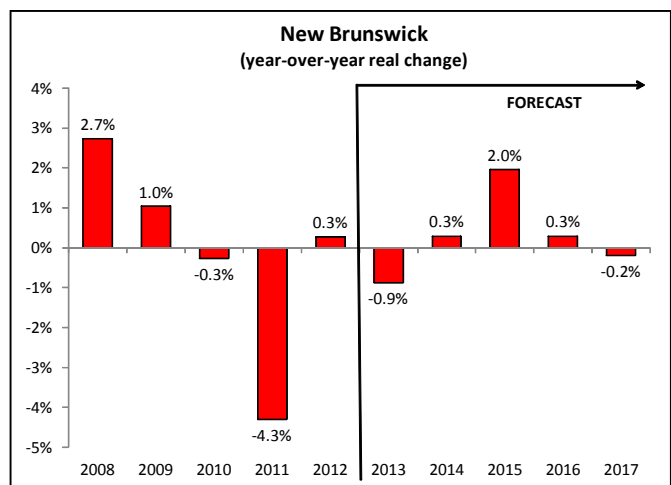
New Brunswick will rank last in foodservice sales growth over the next five years.

Chart 24



Source: CRFA, Statistics Canada and Conference Board of Canada.

Chart 25



Note: Data are adjusted for menu inflation.



Quebec

After enjoying a 5.0% rebound in sales in 2012, Quebec's commercial foodservice industry suffered a minor setback in 2013 due to a slowdown in demand at restaurants and lower sales at drinking places. As a result, total sales in Quebec are forecast to climb by just 3.5% in 2013 to \$10.8 billion. (Chart 26)

The weakness in restaurant sales in 2013 likely reflects sluggish economic activity in recent years as weak exports and modest job creation restrained spending.

Quebec's economy will improve with real GDP growing by 2.2% in 2014. This represents the province's strongest growth since 2010. Although economic activity will be driven by an increase in exports, fiscal restraint by the provincial government will continue to hold back real GDP growth.

The improvement in the economy will help boost foodservice sales by 4.3% in

2014. In 2015, a stronger economy will boost restaurant sales by an additional 4.8%.

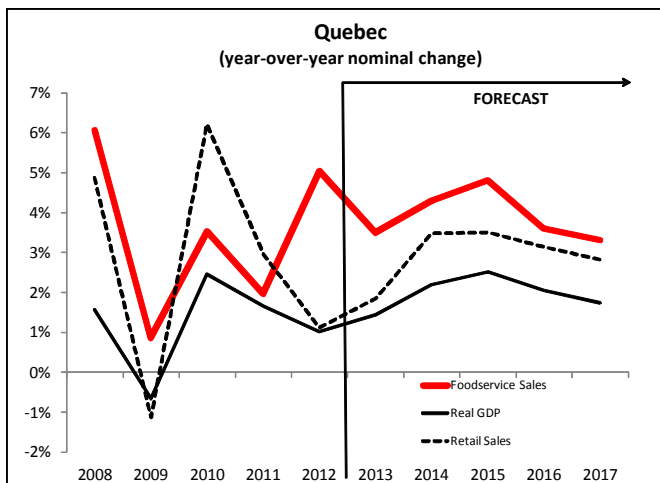
With a moderation in economic growth, sales will slow to 3.6% in 2016 and 3.3% in 2017.

Over the long term, foodservice sales will grow an average of 3.9% per year between 2013 and 2017. Because Quebec's population is expected to grow at a slower pace compared to the rest of Canada, foodservice sales will underperform the national average.

Adjusted for menu inflation of 2.5%, real sales will grow by 1.4% compared to the national average of 1.9%. (Chart 27)

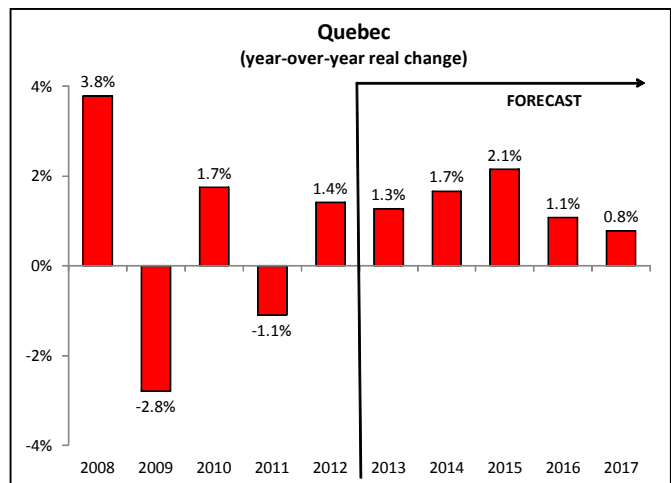
Weak population growth to restrain foodservice sales over the near term.

Chart 26



Source: CRFA, Statistics Canada and Conference Board of Canada.

Chart 27



Note: Data are adjusted for menu inflation.



Ontario

Foodservice sales in Ontario are forecast to grow by 3.9% in 2013 to a record \$21 billion. Growth in 2013 represents a slight slowdown following a 5.1% increase in sales in 2012. Drinking places and caterers will lead the industry as both segments posted a healthy rebound in sales. Full-service restaurants will outpace quick-service restaurants for the second consecutive year, although both segments will see softer gains in 2013 compared to 2012. (Chart 28)

The modest gains in foodservice sales in 2013 reflects the current economic climate. Real GDP will grow by 1.2%, which ranks Ontario in the middle of the pack compared to the rest of the country. Retail sales and job creation remain soft as well.

A rebound in exports will boost Ontario's real GDP by 2.2% in 2014. This will boost job creation and spur retail sales growth by 4.1% following a 0.9% increase in 2013.

A strong economy will bolster foodservice sales, which are forecast to climb by a solid 4.6% in 2014 to nearly \$22 billion. Both full- and quick-service restaurants will post improved sales growth relative to 2013 due to higher disposable income.

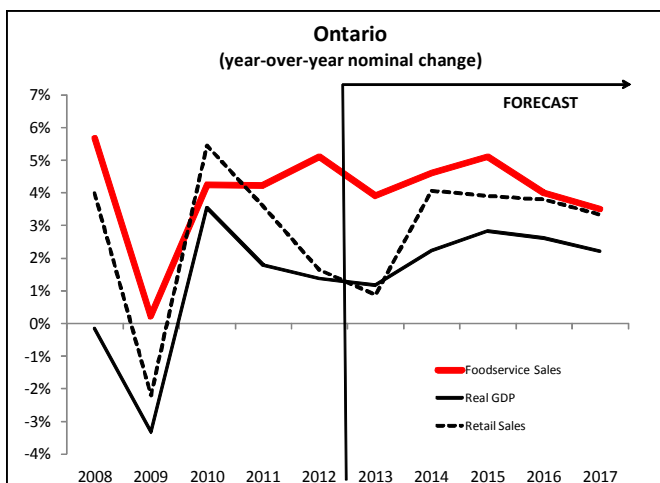
Improved economic growth will boost restaurant sales an additional 5.1% in 2015 before moderating to 2016 and 2017.

Thanks to stronger economic growth and an growing population, foodservice sales in Ontario will expand by an average of 4.2% per year over the next five years. This is up from the average of 3.9% average annual increase of the previous five years.

Adjusted for menu inflation of 2.5%, real sales will grow by 1.7%, slightly below the national average of 1.9%. (Chart 29)

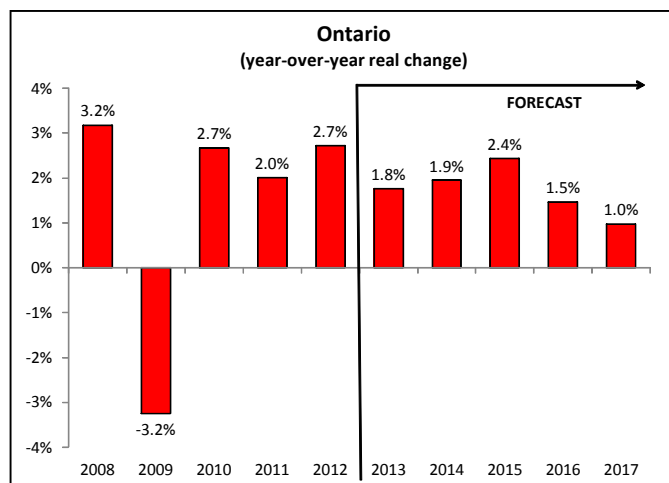
Improved economic growth will lead to healthy foodservice sales growth in 2014 and 2015.

Chart 28



Source: CRFA, Statistics Canada and Conference Board of Canada.

Chart 29



Note: Data are adjusted for menu inflation.



Manitoba

After two years of 5%-plus growth, foodservice sales in Manitoba stumbled in 2013 with a 2.7% increase. While full-service restaurants reported healthy gains, total sales were held back by flat spending at quick-service restaurants. *(Chart 30)*

The modest gain in foodservice spending reflects a slowdown in economic activity in 2013, which is projected to grow by 1.5% compared to a 2.7% increase in 2012. A one-percentage point increase in the PST to 8% on July 1st may also restrain sales growth in the near term.

A rebound in exports due to a strengthening global economy will boost Manitoba's real GDP by a solid 2.2%. Stronger economic activity will spur job creation and lead to a 4.1% increase in retail spending.

Foodservice sales will also benefit from a stronger economy, with sales forecast to climb by 5.1%. This will make

Manitoba the third-fastest growing province in 2014.

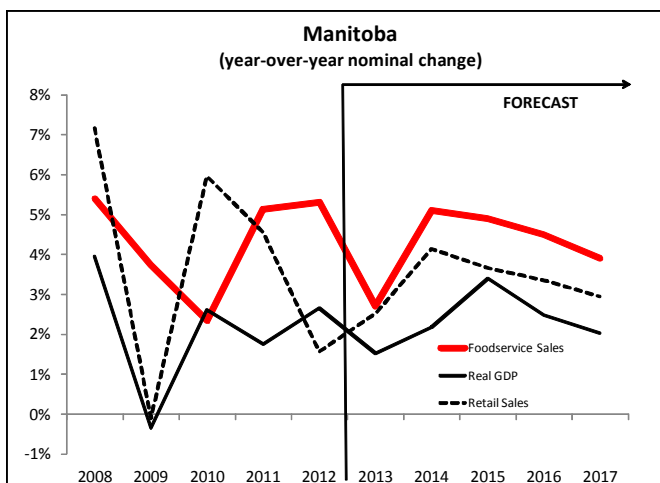
Foodservice sales will grow by an additional 4.9% in 2015 due to ongoing economic growth and a steady increase in population.

Over the next five years, Manitoba will grow by an average of 4.2% per year. This is a sharp improvement over the sanguine 2.4% growth of the previous decade when population fell and the province posted below-average economic growth.

Despite the temporary weakness in 2013, the economic fundamentals for Manitoba remain strong as foodservice sales will outpace the national average in three of the next four years. *(Chart 31)*

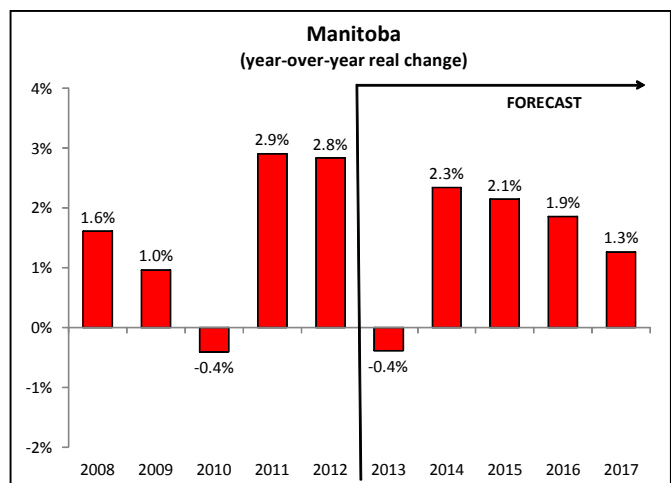
A strong economy and growing population will keep foodservice sales strong over the next four years.

Chart 30

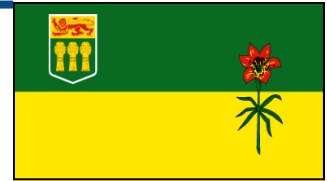


Source: CRFA, Statistics Canada and Conference Board of Canada.

Chart 31



Note: Data are adjusted for menu inflation.



Saskatchewan

Foodservice sales in Saskatchewan are forecast to jump by a robust 7.9% in 2013 due to strong gains at drinking places and restaurants. Caterers, in contrast, continue to moderate following double-digit gains 2010 and 2011. (Chart 32)

With its booming economy, rising disposable income and growing population, Saskatchewan's restaurant industry grew by 81% over the past 10 years, outpacing the national average of 44%.

Continued gains in the natural resource industry will boost Saskatchewan's real GDP by 2.4% in 2014 following a 3.5% increase in 2013. The increase will boost employment by 1.5% and reduce the unemployment rate to just 4.2% - the lowest rate in the country. The low unemployment rate will make it challenging for restaurant operators to find enough labour.

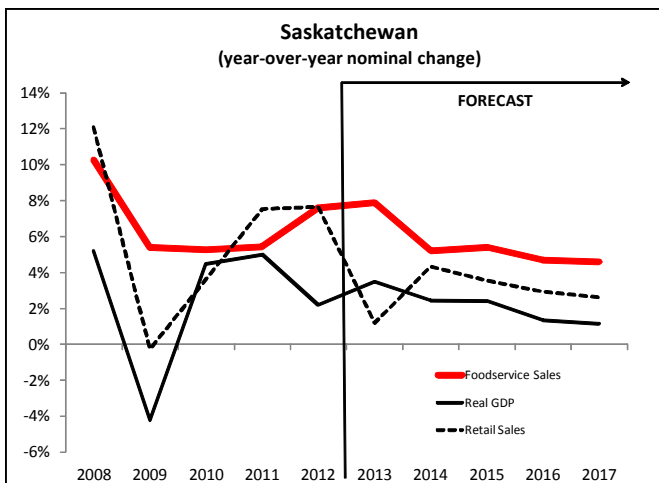
Healthy economic activity will bolster foodservice sales by 5.2% in 2014 with solid gains across all segments.

Restaurant demand will remain strong over the forecast horizon due to ongoing economic growth. Foodservice sales are forecast to average 5.6% growth over the next five years. This is tied with Alberta for the fastest growth in the country.

Adjusted for menu inflation, real sales will grow by an average of 2.8% per year. (Chart 33)

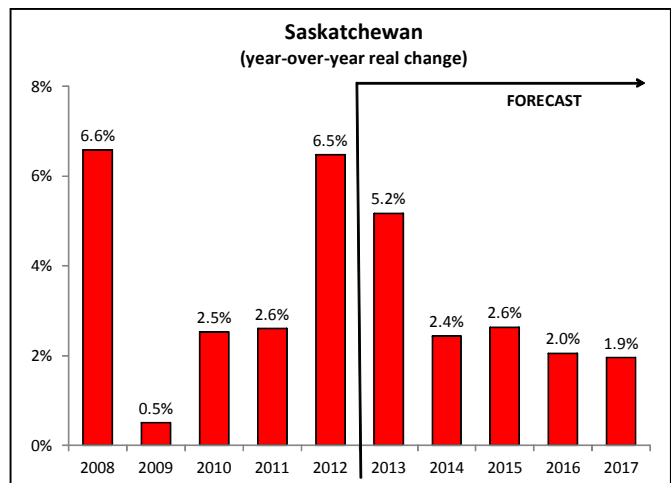
*Saskatchewan
will boast
above-average
foodservice
sales growth
over the next
five years.*

Chart 32



Source: CRFA, Statistics Canada and Conference Board of Canada.

Chart 33



Note: Data are adjusted for menu inflation.



Alberta

Bolstered by a booming energy sector and robust construction activity, Alberta will lead the country with retail sales growth of 6.7% in 2013. Strong economic growth has also translated into healthy spending on foodservice, with sales forecast to climb by 6.8% in 2013.

(Chart 34)

While caterers have seen a slowdown in 2013, sales at drinking places and restaurants continue to post solid gains.

With the strong growth in 2013, Alberta is on pace to surpass British Columbia as the third-largest restaurant industry in Canada.

Over the past 10 years, Alberta's restaurant industry has experienced the second-fastest growth in Canada with sales growing a staggering 73% compared to the national average of 44%.

Alberta's economy is forecast to grow by

3.0% in 2014 following a 3.2% expansion in 2013. This will lead to the strongest job and retail sales growth in the country. As a result, Alberta will also lead the country with foodservice sales growth of 5.9%.

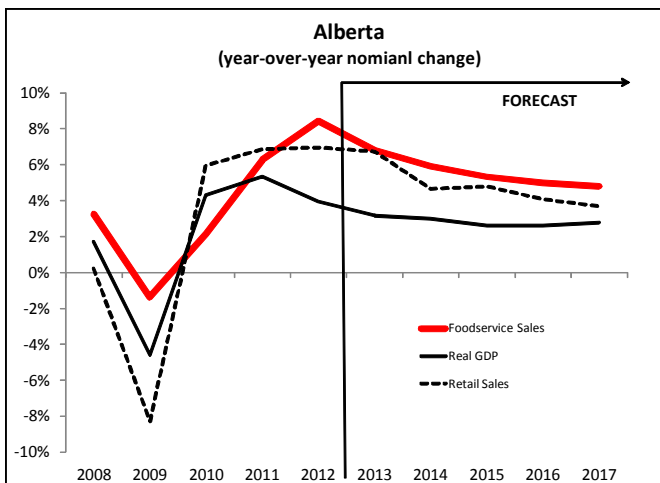
Growth will climb by an additional 5.3% in 2015. By 2017, commercial foodservice sales in Alberta will surpass the \$10-billion mark.

With robust economic growth, high disposable income and growing population, foodservice sales in Alberta will expand by a robust 5.6% per year over the next five years.

Adjusted for menu inflation of 2.9%, real foodservice sales will grow by 2.6% annually compared to the national average of 1.9%. (Chart 35)

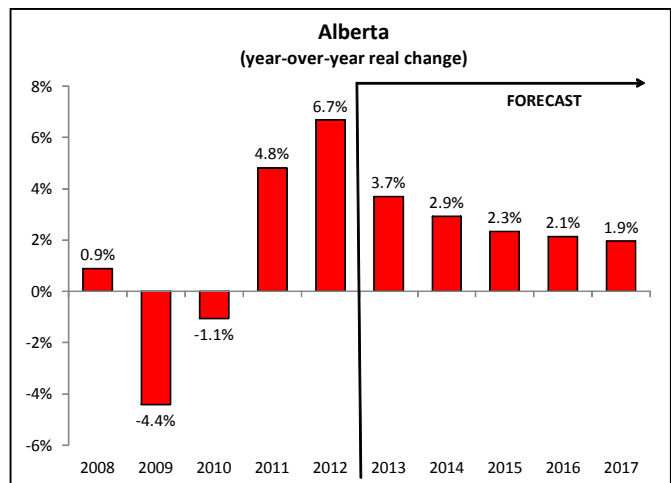
A booming economy will fuel strong restaurant sales over the next five years.

Chart 34



Source: CRFA, Statistics Canada and Conference Board of Canada.

Chart 35



Note: Data are adjusted for menu inflation.



British Columbia

In recent years, British Columbia's restaurant industry has struggled with a recession and the introduction of the HST. As a result, commercial foodservice sales grew by just 1.4% between 2008 and 2012 compared to 14.5% growth in the rest of Canada.

Despite continued economic weakness, pent-up demand led to a rebound in spending at full-service restaurants and caterers. As a result, foodservice sales are projected to climb by 4.8% in 2013. This represents the province's strongest growth since 2006. (Chart 36)

In 2014, British Columbia's economy is forecast to post solid growth due to higher merchandise exports and increased capital spending. As a result, real GDP is forecast to climb by 3.0% compared to a 1.5% expansion in 2013. Retail spending will jump 3.7% following modest gains in 2012 and 2013.

Stronger economic activity will boost employment and disposable income. This will lead to a healthy 4.2% increase in foodservice sales in 2014.

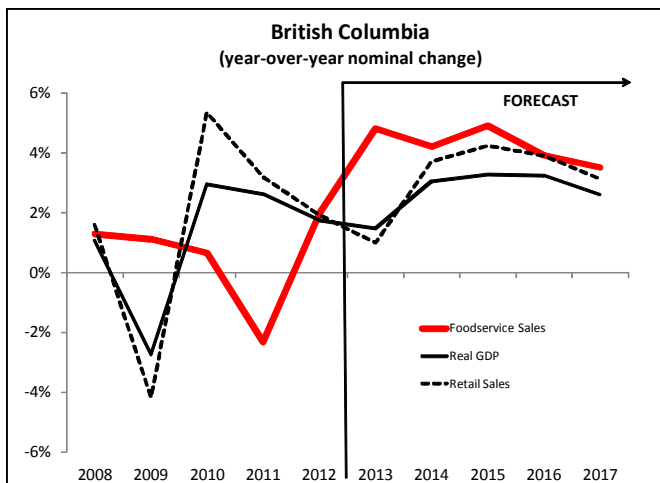
Foodservice sales will grow an additional 4.9% in 2015 as economic activity heats up.

After struggling in recent years, foodservice sales in British Columbia will grow an average of 4.3% per year over the next five years - a sharp improvement over the disappointing sales of the previous five years.

Adjusted for menu inflation of 2.3%, real sales will grow by an average of 1.9% per year. (Chart 37)

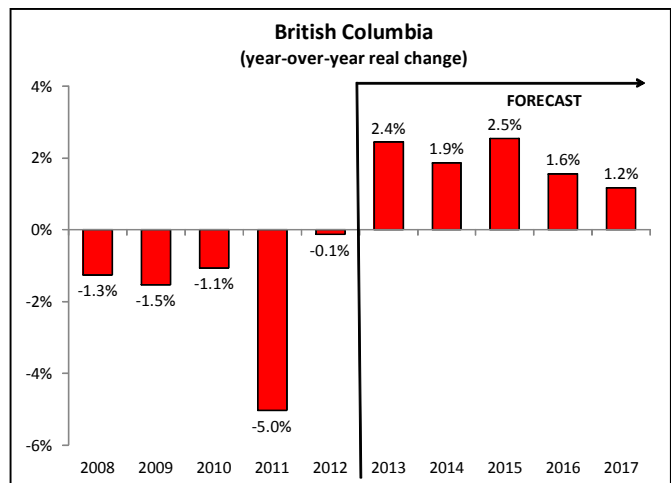
*After stumbling
in recent years,
restaurant sales
will bounce
back over the
next five years.*

Chart 36



Source: CRFA, Statistics Canada and Conference Board of Canada.

Chart 37



Note: Data are adjusted for menu inflation.

Economic Assumptions

A rebound in exports will boost economic activity in Canada in 2014 and 2015.

CRFA uses an econometric model to forecast foodservice sales using a variety of economic indicators, including disposable income, real GDP, the exchange rate and employment. The economic indicators are based on the five-year forecasts made by the Conference Board of Canada.

Canada's economy is forecast to climb by 2.4% in 2014 following two consecutive years of 1.7% growth. The rebound in economic activity will be spearheaded by a jump in exports and business investment. The economy will expand by a further 2.9% in 2015 before moderating in 2016 and 2017. (Chart 38)

A stronger economy will help boost job creation in Canada by an average of 1.4% per year over the next five years. This will help lower the unemployment rate from its current level of 7.1% to 5.8% by 2017. The decline in the unemployment rate will lead to significant labour shortages, especially in Western Canada.

Consumer spending will continue to

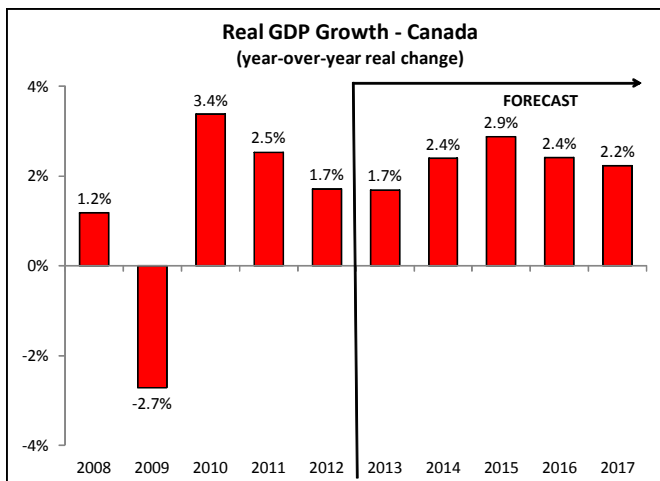
expand, albeit at a modest pace. Despite rising disposable income, consumer confidence remains below pre-recession levels due to economic uncertainty in the United States and Europe.

In addition, household debt remains at an all-time high representing 163% of disposable income. It's expected that consumers will watch their spending and increase savings over the near term to bring debt levels down. As a result, retail spending is forecast to grow by an average of 3.3% over the next five years compared to an average of 5.3% growth in the five years prior to the recession.

At the provincial level, Alberta and British Columbia are tied with the fastest-growing economies in 2014 with real GDP forecast to climb by 3.0%.

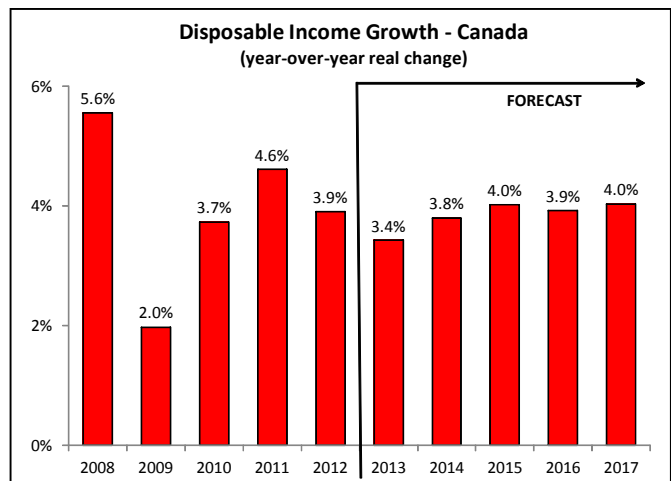
Alberta will continue to benefit from a booming natural resource industry. This will lead to a 4.7% increase in retail sales in 2014—the fastest growth in the country.

Chart 38



Source: Conference Board of Canada

Chart 39



Source: Conference Board of Canada

Following two consecutive years of sluggish economic growth, British Columbia's economy will post stronger gains due to a modest boost in the housing market and a round in exports to the United States.

Nova Scotia's economy is poised to grow by 2.9% following several years of sluggish growth. The province will benefit from several new infrastructure projects, including the new \$25 billion military shipbuilding project.

Saskatchewan will have the second-fastest retail sales growth in 2014 due to a booming economy, growing population and rising disposable income.

A rebound in exports will boost Ontario's real GDP by 2.2% in 2014. Greater economic activity and higher disposable income will lead to a 4.1% surge in retail sales following two years of sluggish gains.

Quebec's economy is expected to expand by 2.2% as a rebound in the U.S.

economy spurs exports. Stronger economic growth will lift retail sales by 3.5% following a 1.8% increase in 2013.

Due to a rebound in exports, Manitoba's economy is forecast to advance by 2.2% in 2014 following a 1.5% increase in 2013. Rising employment and disposable income will raise retail sales by 4.1%, tied with Ontario for the third-fastest growth.

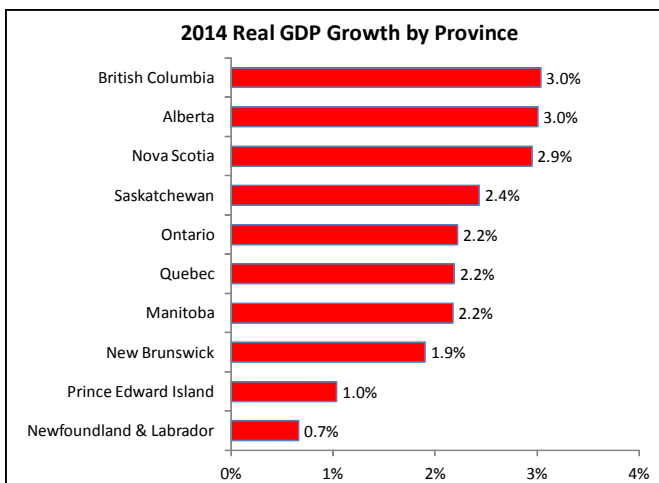
New Brunswick's economy is forecasted to improve with 1.9% real GDP growth in 2014. Over the three previous years, economic activity rose an average of just 0.1% per year due to provincial government cutbacks.

Government cutbacks, an increase in the HST and slow population growth will restrain economic growth on Prince Edward Island. The province will post the weakest retail sales growth (+2.1%).

After leading the country in 2013, Newfoundland and Labrador's economy will slow to 0.7% growth in 2014 due to a decline in investment activity.

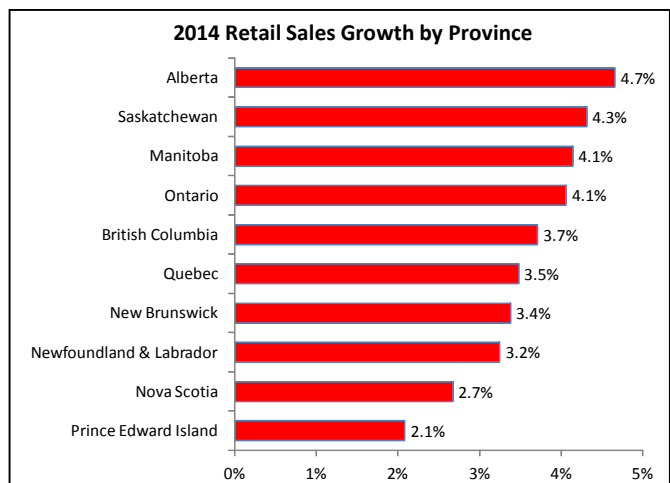
British Columbia and Alberta to lead the country in economic growth in 2014.

Chart 40



Source: Conference Board of Canada

Chart 41



Source: Conference Board of Canada
Note: Data are not adjusted for inflation.

Commercial Foodservice Sales Canada

Millions of Dollars

	2008	2009	2010	2011	2012	2013p	2014f	2015f	2016f	2017f	Average
Quick-service restaurants	\$19,517.1	\$20,133.8	\$21,219.7	\$21,962.0	\$23,139.7	\$23,880.2	\$25,026.5	\$26,277.8	\$27,355.2	\$28,394.7	
% change	6.2%	3.2%	5.4%	3.5%	5.4%	3.2%	4.8%	5.0%	4.1%	3.8%	4.2%
Full-service restaurants	\$20,864.6	\$20,675.0	\$20,931.4	\$21,486.0	\$22,631.1	\$23,898.5	\$24,997.8	\$26,297.7	\$27,454.8	\$28,388.2	
	4.3%	-0.9%	1.2%	2.6%	5.3%	5.6%	4.6%	5.2%	4.4%	3.4%	4.6%
Caterers	\$3,854.0	\$3,732.8	\$3,997.6	\$4,213.5	\$4,443.6	\$4,745.8	\$5,021.1	\$5,337.4	\$5,572.2	\$5,784.0	
	3.5%	-3.1%	7.1%	5.4%	5.5%	6.8%	5.8%	6.3%	4.4%	3.8%	5.4%
Drinking Places	\$2,559.6	\$2,554.8	\$2,467.7	\$2,362.4	\$2,355.6	\$2,383.9	\$2,419.6	\$2,465.6	\$2,495.2	\$2,522.6	
	1.5%	-0.2%	-3.4%	-4.3%	-0.3%	1.2%	1.5%	1.9%	1.2%	1.1%	1.4%
Total Sales	\$46,795.3	\$47,096.4	\$48,616.3	\$50,024.0	\$52,570.1	\$54,908.3	\$57,464.9	\$60,378.5	\$62,877.4	\$65,089.5	
	4.8%	0.6%	3.2%	2.9%	5.1%	4.4%	4.7%	5.1%	4.1%	3.5%	4.4%
CPI-FAFH	1.170	1.211	1.240	1.275	1.306	1.333	1.368	1.404	1.439	1.475	
	2.5%	3.5%	2.4%	2.9%	2.4%	2.1%	2.6%	2.6%	2.8%	2.5%	2.5%
Real Sales (in 2002 \$)	\$39,998.8	\$38,898.6	\$39,222.5	\$39,237.1	\$40,252.8	\$41,178.4	\$42,003.6	\$43,014.8	\$43,702.6	\$44,136.7	
	2.3%	-2.8%	0.8%	0.0%	2.6%	2.3%	2.0%	2.4%	1.6%	1.0%	1.9%
Retail Food Store Sales*	\$95,491.0	\$100,615.1	\$105,413.6	\$107,873.7	\$110,211.3	\$113,958.5	\$118,516.9	\$123,257.5	\$128,434.4	\$133,571.7	
	6.4%	5.4%	4.8%	2.3%	2.2%	3.4%	4.0%	4.0%	4.2%	4.0%	3.9%
Foodservice Share of Food Dollar**	38.3%	36.9%	36.6%	36.6%	37.3%	37.5%	37.6%	37.8%	37.8%	37.7%	37.7%
Real Per Capita Foodservice Sales (in 2013 \$)	\$1,601	\$1,538	\$1,533	\$1,519	\$1,541	\$1,555	\$1,568	\$1,589	\$1,597	\$1,596	\$1,581

Source: CRFA, Statistics Canada and Conference Board of Canada

f - forecast

* includes food and beverage sales at grocery, department, liquor and convenience stores.

** includes commercial and non-commercial foodservice sales. This assumes a constant average annual growth of 4.0% for non-commercial foodservice sales.

Commercial Foodservice Sales by Province

Millions of Dollars

	2008	2009	2010	2011	2012	2013p	2014f	2015f	2016f	2017f	Average
CANADA	\$46,795.3 4.8%	\$47,096.4 0.6%	\$48,616.3 3.2%	\$50,024.0 2.9%	\$52,570.1 5.1%	\$54,908.3 4.4%	\$57,464.9 4.7%	\$60,378.5 5.1%	\$62,877.4 4.1%	\$65,089.5 3.5%	4.4%
% change											
Newfoundland & Labrador	\$565.0 6.1%	\$588.9 4.2%	\$644.1 9.4%	\$679.7 5.5%	\$738.9 8.7%	\$818.0 10.7%	\$844.1 3.2%	\$883.0 4.6%	\$907.7 2.8%	\$918.6 1.2%	4.5%
P.E.I.	\$176.2 3.2%	\$175.1 -0.6%	\$184.1 5.1%	\$187.5 1.8%	\$194.2 3.6%	\$201.0 3.5%	\$205.2 2.1%	\$214.3 4.4%	\$218.8 2.1%	\$222.7 1.8%	2.8%
Nova Scotia	\$1,210.3 8.6%	\$1,209.5 -0.1%	\$1,252.0 3.5%	\$1,275.1 1.8%	\$1,321.4 3.6%	\$1,343.9 1.7%	\$1,401.7 4.3%	\$1,466.1 4.6%	\$1,513.0 3.2%	\$1,546.3 2.2%	3.2%
New Brunswick	\$891.3 5.3%	\$938.7 5.3%	\$968.8 3.2%	\$962.2 -0.7%	\$982.5 2.1%	\$996.2 1.4%	\$1,022.1 2.6%	\$1,066.1 4.3%	\$1,092.7 2.5%	\$1,114.6 2.0%	2.6%
Atlantic Region	\$2,842.8 6.7%	\$2,912.2 2.4%	\$3,049.1 4.7%	\$3,104.5 1.8%	\$3,237.0 4.3%	\$3,359.1 3.8%	\$3,473.1 3.4%	\$3,629.4 4.5%	\$3,732.2 2.8%	\$3,802.2 1.9%	3.3%
Quebec	\$9,304.9 6.1%	\$9,385.2 0.9%	\$9,715.8 3.5%	\$9,906.5 2.0%	\$10,405.2 5.0%	\$10,769.4 3.5%	\$11,232.5 4.3%	\$11,771.7 4.8%	\$12,195.5 3.6%	\$12,597.9 3.3%	3.9%
Ontario	\$17,593.3 5.7%	\$17,631.8 0.2%	\$18,381.4 4.3%	\$19,159.0 4.2%	\$20,137.1 5.1%	\$20,922.4 3.9%	\$21,894.9 4.6%	\$23,001.0 5.1%	\$23,921.0 4.0%	\$24,758.3 3.5%	4.2%
Manitoba	\$1,290.5 5.4%	\$1,338.6 3.7%	\$1,369.9 2.3%	\$1,440.1 5.1%	\$1,516.6 5.3%	\$1,557.5 2.7%	\$1,636.9 5.1%	\$1,717.2 4.9%	\$1,794.4 4.5%	\$1,864.4 3.9%	4.2%
Saskatchewan	\$1,287.3 10.2%	\$1,357.0 5.4%	\$1,428.6 5.3%	\$1,506.2 5.4%	\$1,620.5 7.6%	\$1,748.5 7.9%	\$1,839.5 5.2%	\$1,938.8 5.4%	\$2,029.9 4.7%	\$2,123.3 4.6%	5.6%
Alberta	\$6,618.4 3.3%	\$6,526.6 -1.4%	\$6,665.4 2.1%	\$7,082.2 6.3%	\$7,678.1 8.4%	\$8,200.2 6.8%	\$8,684.0 5.9%	\$9,144.3 5.3%	\$9,601.5 5.0%	\$10,062.4 4.8%	5.6%
British Columbia	\$7,709.8 1.3%	\$7,796.0 1.1%	\$7,846.1 0.6%	\$7,663.0 -2.3%	\$7,814.1 2.0%	\$8,189.2 4.8%	\$8,533.1 4.2%	\$8,951.3 4.9%	\$9,300.4 3.9%	\$9,625.9 3.5%	4.3%

Source: CRFA, Statistics Canada and Conference Board of Canada

Inflation for Food Away from Home (or Menu Inflation) by Province

	2008	2009	2010	2011	2012	2013p	2014f	2015f	2016f	2017f	Average
CANADA	1.170	1.211	1.240	1.275	1.306	1.333	1.368	1.404	1.439	1.475	
% change	2.5%	3.5%	2.4%	2.9%	2.4%	2.1%	2.6%	2.6%	2.5%	2.5%	2.5%
Newfoundland & Labrador	1.169	1.234	1.283	1.322	1.361	1.397	1.433	1.470	1.507	1.545	
	5.1%	5.5%	4.0%	3.0%	3.0%	2.6%	2.6%	2.6%	2.5%	2.5%	2.6%
P.E.I.	1.148	1.180	1.222	1.265	1.299	1.327	1.361	1.395	1.428	1.462	
	3.5%	2.8%	3.6%	3.5%	2.7%	2.2%	2.5%	2.5%	2.4%	2.4%	2.4%
Nova Scotia	1.214	1.270	1.302	1.351	1.363	1.387	1.419	1.452	1.485	1.519	
	3.7%	4.6%	2.5%	3.8%	0.9%	1.8%	2.3%	2.3%	2.3%	2.3%	2.2%
New Brunswick	1.168	1.217	1.259	1.307	1.331	1.362	1.393	1.425	1.456	1.488	
	2.5%	4.2%	3.5%	3.8%	1.8%	2.3%	2.3%	2.3%	2.2%	2.2%	2.3%
Atlantic Region	1.187	1.241	1.280	1.327	1.349	1.378	1.411	1.444	1.477	1.512	
	3.6%	4.5%	3.2%	3.6%	1.7%	2.1%	2.4%	2.4%	2.3%	2.3%	2.3%
Quebec	1.166	1.210	1.231	1.270	1.315	1.344	1.379	1.415	1.450	1.486	
	2.2%	3.8%	1.7%	3.1%	3.6%	2.2%	2.6%	2.6%	2.5%	2.5%	2.5%
Ontario	1.172	1.214	1.233	1.260	1.289	1.316	1.350	1.385	1.420	1.456	
	2.4%	3.6%	1.5%	2.2%	2.3%	2.1%	2.6%	2.6%	2.5%	2.5%	2.5%
Manitoba	1.195	1.228	1.262	1.289	1.320	1.361	1.398	1.436	1.473	1.511	
	3.7%	2.7%	2.8%	2.2%	2.4%	3.1%	2.7%	2.7%	2.6%	2.6%	2.7%
Saskatchewan	1.187	1.245	1.278	1.314	1.327	1.362	1.399	1.436	1.474	1.512	
	3.4%	4.9%	2.7%	2.8%	1.0%	2.6%	2.7%	2.7%	2.6%	2.6%	2.6%
Alberta	1.171	1.208	1.247	1.264	1.285	1.323	1.362	1.401	1.440	1.481	
	2.4%	3.2%	3.2%	1.4%	1.6%	3.0%	2.9%	2.9%	2.8%	2.8%	2.9%
British Columbia	1.151	1.182	1.202	1.236	1.262	1.291	1.321	1.351	1.382	1.414	
	2.6%	2.7%	1.7%	2.8%	2.1%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%

Source: CRFA, Statistics Canada and Conference Board of Canada

* Inflation rates for British Columbia exclude the impact of the Harmonized Sales Tax

Real Commercial Foodservice Sales (Adjusted for Inflation) by Province

Millions of Dollars

	2008	2009	2010	2011	2012	2013p	2014f	2015f	2016f	2017f	Average
CANADA	\$39,998.8	\$38,898.6	\$39,222.5	\$39,237.1	\$40,252.8	\$41,178.4	\$42,003.6	\$43,014.8	\$43,702.6	\$44,136.7	1.9%
% change	2.3%	-2.8%	0.8%	0.0%	2.6%	2.3%	2.0%	2.4%	1.6%	1.0%	1.9%
Newfoundland & Labrador	\$483.2	\$477.4	\$502.1	\$514.2	\$542.7	\$585.6	\$589.0	\$600.5	\$602.3	\$594.6	1.9%
	1.0%	-1.2%	5.2%	2.4%	5.5%	7.9%	0.6%	1.9%	0.3%	-1.3%	1.9%
P.E.I.	\$153.6	\$148.5	\$150.7	\$148.2	\$149.5	\$151.4	\$150.8	\$153.6	\$153.2	\$152.3	0.4%
	-0.3%	-3.3%	1.5%	-1.7%	0.9%	1.3%	-0.4%	1.9%	-0.3%	-0.6%	0.4%
Nova Scotia	\$997.0	\$952.6	\$962.0	\$944.1	\$969.7	\$968.8	\$987.7	\$1,009.9	\$1,018.8	\$1,017.8	1.0%
	4.7%	-4.5%	1.0%	-1.9%	2.7%	-0.1%	2.0%	2.2%	0.9%	-0.1%	1.0%
New Brunswick	\$763.5	\$771.4	\$769.3	\$736.1	\$738.2	\$731.7	\$733.8	\$748.2	\$750.4	\$748.9	0.3%
	2.7%	1.0%	-0.3%	-4.3%	0.3%	-0.9%	0.3%	2.0%	0.3%	-0.2%	0.3%
Atlantic Region	\$2,394.4	\$2,346.9	\$2,381.8	\$2,340.3	\$2,399.4	\$2,437.9	\$2,462.3	\$2,513.4	\$2,526.2	\$2,515.3	1.0%
	3.0%	-2.0%	1.5%	-1.7%	2.5%	1.6%	1.0%	2.1%	0.5%	-0.4%	1.0%
Quebec	\$7,977.3	\$7,754.7	\$7,889.9	\$7,803.5	\$7,913.2	\$8,013.9	\$8,146.7	\$8,321.4	\$8,410.7	\$8,476.3	1.4%
	3.8%	-2.8%	1.7%	-1.1%	1.4%	1.3%	1.7%	2.1%	1.1%	0.8%	1.4%
Ontario	\$15,008.2	\$14,520.8	\$14,907.9	\$15,207.6	\$15,621.2	\$15,896.6	\$16,206.5	\$16,601.4	\$16,844.4	\$17,008.7	1.7%
	3.2%	-3.2%	2.7%	2.0%	2.7%	1.8%	1.9%	2.4%	1.5%	1.0%	1.7%
Manitoba	\$1,079.7	\$1,090.1	\$1,085.6	\$1,117.1	\$1,148.7	\$1,144.2	\$1,171.0	\$1,196.1	\$1,218.2	\$1,233.6	1.4%
	1.6%	1.0%	-0.4%	2.9%	2.8%	-0.4%	2.3%	2.1%	1.9%	1.3%	1.4%
Saskatchewan	\$1,084.5	\$1,090.0	\$1,117.5	\$1,146.7	\$1,221.0	\$1,284.0	\$1,315.3	\$1,349.9	\$1,377.5	\$1,404.3	2.8%
	6.6%	0.5%	2.5%	2.6%	6.5%	5.2%	2.4%	2.6%	2.0%	1.9%	2.8%
Alberta	\$5,651.9	\$5,402.8	\$5,345.2	\$5,602.6	\$5,976.7	\$6,197.2	\$6,377.9	\$6,526.7	\$6,666.3	\$6,796.0	2.6%
	0.9%	-4.4%	-1.1%	4.8%	6.7%	3.7%	2.9%	2.3%	2.1%	1.9%	2.6%
British Columbia	\$6,699.8	\$6,597.4	\$6,527.5	\$6,199.8	\$6,191.9	\$6,343.2	\$6,461.0	\$6,625.2	\$6,728.8	\$6,807.7	1.9%
	-1.3%	-1.5%	-1.1%	-5.0%	-0.1%	2.4%	1.9%	2.5%	1.6%	1.2%	1.9%

Source: CRFA, Statistics Canada and Conference Board of Canada

Economic Forecasts (Year-over-Year Growth) Canada

	Year-over-Year Change										
	2008	2009	2010	2011	2012	2013p	2014f	2015f	2016f	2017f	Average
Real GDP	1.2%	-2.7%	3.4%	2.5%	1.7%	1.7%	2.4%	2.9%	2.4%	2.2%	2.3%
Disposable Income	5.6%	2.0%	3.7%	4.6%	3.9%	3.4%	3.8%	4.0%	3.9%	4.0%	3.8%
Employment	1.7%	-1.6%	1.4%	1.5%	1.2%	1.3%	1.5%	1.8%	1.5%	1.1%	1.4%
Unemployment Rate*	6.1%	8.3%	8.0%	7.5%	7.3%	7.1%	7.0%	6.4%	6.0%	5.8%	6.5%
Exchange Rate (USD per CAD)*	\$0.937	\$0.876	\$0.971	\$1.011	\$1.001	\$0.979	\$0.981	\$0.995	\$0.989	\$0.980	\$0.985
Retail Sales	3.8%	-2.8%	5.6%	4.1%	2.5%	2.1%	3.9%	3.9%	3.6%	3.1%	3.3%
Consumer Price Index*	2.4%	0.3%	1.8%	2.9%	1.5%	1.3%	2.2%	2.1%	2.0%	2.0%	1.9%
Real GDP - United States	-0.3%	-3.1%	2.4%	1.8%	2.2%	2.0%	3.2%	3.3%	3.1%	3.1%	2.9%

Source: Conference Board of Canada

* refers to actual levels.



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