

QUARTERLY FORECAST



**Restaurants
Canada**

The voice of foodservice | La voix des services alimentaires

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Restaurants Canada Quarterly Forecast

Highlights

Commercial foodservice sales in Canada are forecast to grow by 4.3% to \$62.6 billion in 2016.

This is a noticeable upward revision from the previous forecast of 3.5% growth for 2016.

Strong demand in British Columbia and Ontario combined with the leap day in February resulted in a more positive outlook for 2016.

The commercial foodservice sales growth forecast for 2017 is unchanged at 3.9%.

Menu prices are forecast to climb by 2.7% in 2016. While menu inflation at full-service restaurants is forecast to be 2.8%, menu inflation at quick-service restaurants has moderated to 2.3%.

According to the Conference Board of Canada, the outlook for Canada's real GDP remains 1.8% in 2016 and 2.3% for 2017.

The 2016 commercial foodservice sales forecast has been upgraded from the previous Quarterly Forecast. While the Conference Board of Canada's economic outlook has not changed, foodservice sales in Ontario and British Columbia continue to defy expectations as both provinces boast robust sales growth.

The leap day added to the strong performance in Q1 as sales jumped 7.7% in February. This is on par with the monthly sales growth in the last leap year.

As a result of the above, commercial foodservice sales in Canada are forecast to grow by 4.3% in 2016, an upward revision from the 3.5% growth published in the last issue of the Quarterly Forecast.

By segment, quick- and full-service restaurants are forecast to post higher growth rates than previously forecast due to stronger-than-expected consumer demand in Ontario and British Columbia. Sales at quick-service restaurants in Quebec will also report solid gains.

In contrast, a moderation in spending in Ontario and Quebec lowered the annual outlook for caterer revenues.

Although the forecast for drinking places has improved, sales are still expected to decrease (-0.7%) in 2016.

According to Restaurants Canada Q1 2016 Restaurant Outlook Survey, the share of operators that expect their sales to accelerate in Q2 and Q3 rose for the second consecutive quarter to 32%. There was a corresponding decrease in the share of respondents that expect their sales to decelerate (24%).

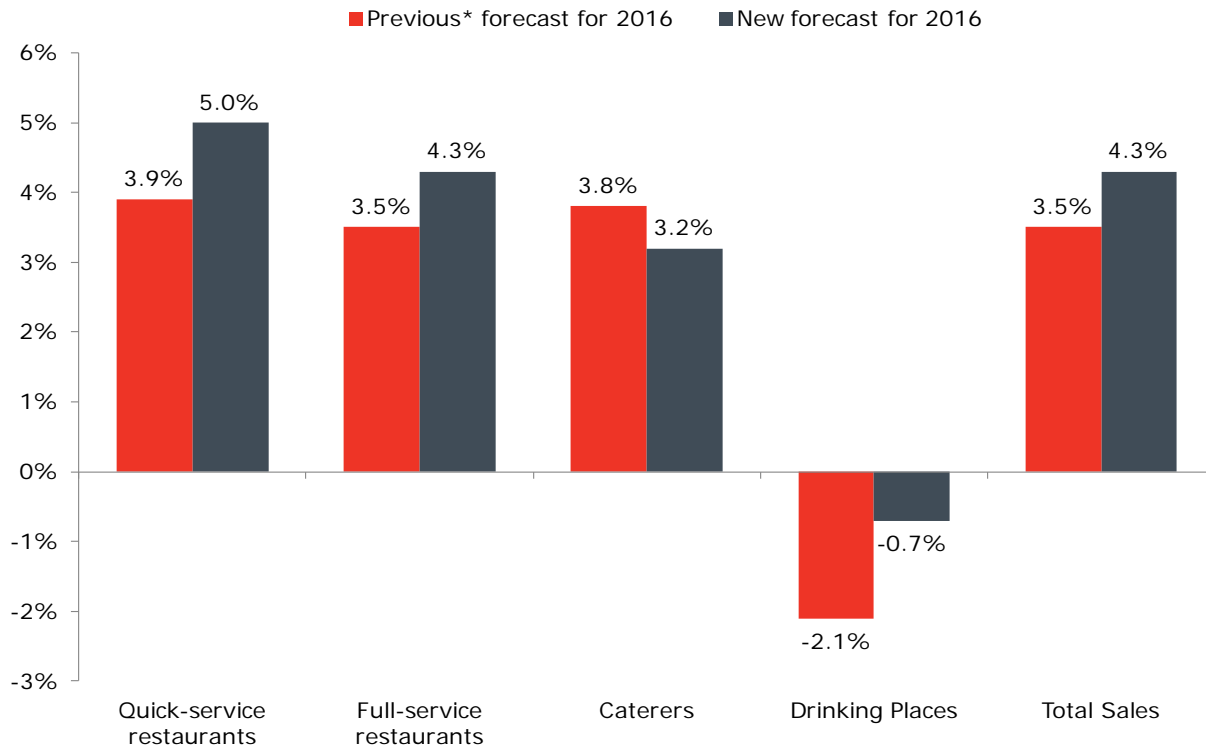
In light of these changes, there remains a significant amount of uncertainty. For the first time in a long time, the upside risks outweigh the downside risks. A healthy tourism season; sustained consumer spending in Ontario and British Columbia; unit expansion; and a strong rebound in Quebec's foodservice industry would result in stronger-than-expected foodservice sales growth.

Downward risks, such as a slowdown in the Chinese economy; weak consumer confidence; and high household debt level have moved to the background.

Menu inflation forecast was also adjusted downward. Menu inflation at full-service restaurants will be close to 2.8%, but menu inflation at quick-service restaurants was revised down to 2.3% based on data in the first quarter of 2016.

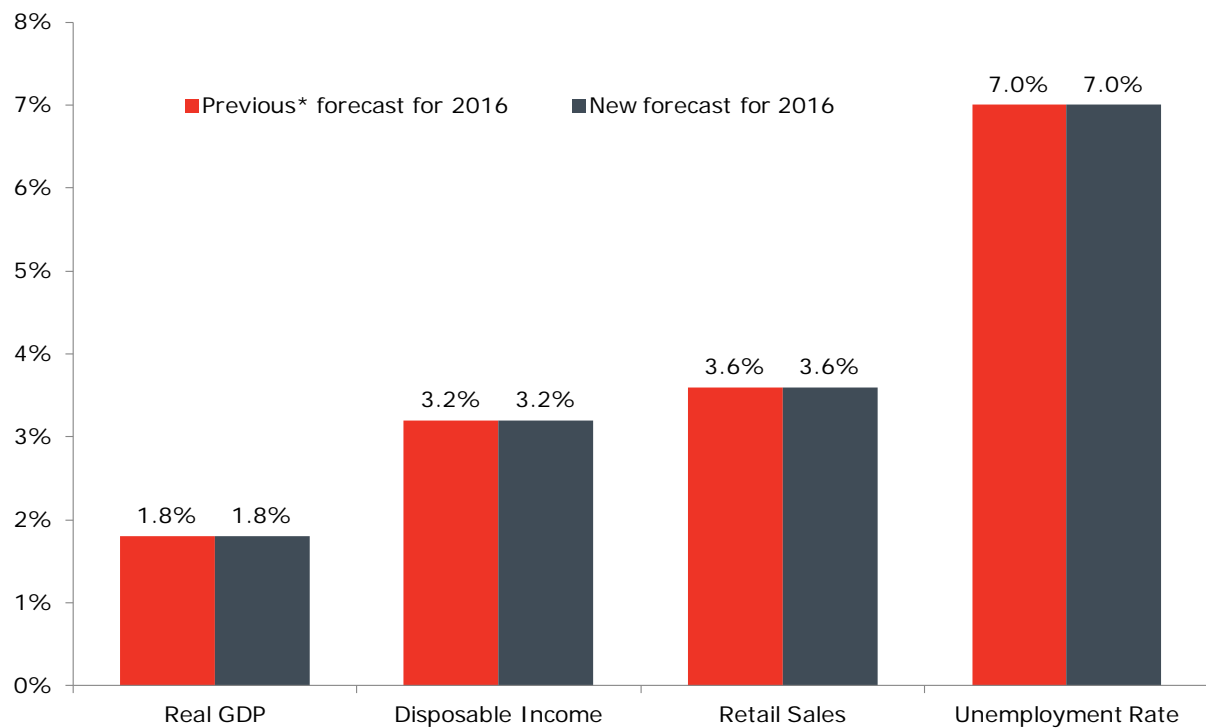
Overall, real foodservice sales in Canada are forecast to grow by 1.6% in 2016 following a 1.4% gain in 2015.

Comparison Between Previous and New Sales Forecast



* Forecast from Quarterly Forecast, published in January 2016

Comparison Between Previous and New Economic Indicators Forecast



Source: Conference Board of Canada

* Forecast from Quarterly Forecast, published in January 2016

Commercial Foodservice Sales Forecast

	2015.1	2015.2	2015.3	2015.4	2016.1	2016.2	2016.3	2016.4	2017.1	2017.2	2017.3	2017.4	2015	2016	2017
Quick-service restaurant	\$5,873.8 6.2%	\$6,905.2 6.1%	\$7,194.1 5.6%	\$6,862.1 5.9%	\$6,302.6 7.3%	\$7,222.9 4.6%	\$7,517.8 4.5%	\$7,143.4 4.1%	\$6,573.6 4.3%	\$7,504.6 3.9%	\$7,803.5 3.8%	\$7,407.7 3.7%	\$26,835.2 5.9%	\$28,186.7 5.0%	\$29,289.4 3.9%
Full-service restaurants	5,802.1 3.9%	6,583.8 3.3%	6,979.2 3.0%	\$6,560.3 3.2%	\$6,092.2 5.0%	\$6,853.8 4.1%	\$7,272.3 4.2%	\$6,816.2 3.9%	\$6,323.7 3.8%	\$7,134.8 4.1%	\$7,555.9 3.9%	\$7,088.8 4.0%	\$25,925.4 3.3%	\$27,034.5 4.3%	\$28,103.2 4.0%
Caterers	\$1,167.0 3.9%	\$1,255.3 5.2%	\$1,288.6 5.0%	\$1,383.2 3.9%	\$1,183.4 1.4%	\$1,300.5 3.6%	\$1,333.7 3.5%	\$1,437.2 3.9%	\$1,228.3 3.8%	\$1,355.1 4.2%	\$1,397.7 4.8%	\$1,503.3 4.6%	\$5,094.2 4.5%	\$5,254.8 3.2%	\$5,484.5 4.4%
Drinking Places	\$504.6 -6.3%	\$561.0 -6.1%	\$563.2 -5.2%	\$552.8 -1.7%	\$518.2 2.7%	\$550.9 -1.8%	\$554.7 -1.5%	\$542.9 -1.8%	\$519.3 0.2%	\$553.1 0.4%	\$558.6 0.7%	\$552.6 1.8%	\$2,181.7 -4.8%	\$2,166.8 -0.7%	\$2,183.7 0.8%
Total Sales	\$13,347.5 4.5%	\$15,305.4 4.3%	\$16,025.1 4.0%	\$15,358.5 4.3%	\$14,096.4 5.6%	\$15,928.1 4.1%	\$16,678.6 4.1%	\$15,939.7 3.8%	\$14,644.9 3.9%	\$16,547.6 3.9%	\$17,315.8 3.8%	\$16,552.5 3.8%	\$60,036.5 4.3%	\$62,642.7 4.3%	\$65,060.8 3.9%
CPI-FAFH	1.377 2.8%	1.384 2.7%	1.393 2.8%	1.403 2.8%	1.414 2.7%	1.422 2.7%	1.432 2.8%	1.441 2.7%	1.446 2.3%	1.454 2.3%	1.465 2.3%	1.474 2.3%	1.389 2.8%	1.427 2.7%	1.460 2.3%
Real Sales	\$9,695.5 1.6%	\$11,056.2 1.5%	\$11,501.2 1.2%	\$10,945.2 1.4%	\$9,970.3 2.8%	\$11,203.5 1.3%	\$11,644.2 1.2%	\$11,060.7 1.1%	\$10,125.4 1.6%	\$11,377.5 1.6%	\$11,817.3 1.5%	\$11,227.7 1.5%	\$43,210.7 1.4%	\$43,890.5 1.6%	\$44,559.8 1.5%
Real GDP ²	-0.7%	-0.3%	2.3%	1.4%	2.0%	2.2%	1.9%	2.2%	2.8%	2.2%	2.2%	2.0%	1.3%	1.8%	2.3%
Pers. Disp. Income	4.7%	3.4%	3.3%	3.2%	3.5%	2.9%	3.1%	3.3%	3.6%	3.9%	3.7%	3.8%	3.6%	3.2%	3.7%
Unemployment Rate ³	6.7%	6.8%	6.9%	7.1%	7.0%	7.0%	7.0%	7.0%	6.8%	6.7%	6.6%	6.5%	6.9%	7.0%	6.7%
Inflation ³	1.1%	0.9%	1.2%	1.4%	1.7%	1.4%	1.3%	1.8%	2.1%	1.9%	1.9%	2.0%	1.1%	1.6%	2.0%

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.