

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 projected to advance 4.2% to \$60 billion for 2015.

In 2016, foodservice sales are forecast to slow to 3.5% growth due to weak economic activity in several provinces, a moderation in disposable income and high consumer debt.

Adjusted for menu inflation, real sales are forecast to grow by just 0.5% in 2016 compared to 1.4% in 2015.

Rising disposable income, improved consumer confidence and healthy job creation will boost foodservice sales by 3.9% in 2017. This represents 1.5% real growth.

Menu inflation is forecast to rise to 3.0% in 2016 before moderating to 2.3% in 2017.

The sharp decline in commodity prices, a slowdown in consumer spending and provincial government cutbacks will restrain Canada's real GDP growth to 1.8% in 2016. This is a downgraded outlook from the previous forecast of 2.1% growth published in the Q3 Quarterly Forecast.

Due to the weaker economic growth in the short term, Restaurants Canada has lowered its outlook with foodservice sales expected to expand by 3.5% in 2016. This is a slight reduction from the previous forecast of 3.8% growth.

The 2016 forecast also represents a slowdown in foodservice spending following healthy average annual growth of 4.3% over the past five years. This is due to:

- Sluggish economic conditions in Alberta, Saskatchewan and Newfoundland & Labrador. These provinces will experience flat or declining real GDP in 2016.
- Following several years of strong gains, foodservice demand is forecast to moderate in British Columbia and Ontario in 2016.
- Disposable income growth is forecast to slow from 3.6% in 2015 to 3.2% in 2016.

- Household debt remains at an all-time high. With weak economic conditions and declining confidence, consumers are tapped out.

Given the above, quick-service restaurants will benefit the most as sales climb by 3.9% in 2016.

A rebound in spending in Quebec and gains in Ontario and British Columbia will support a 3.5% increase in sales at full-service restaurants.

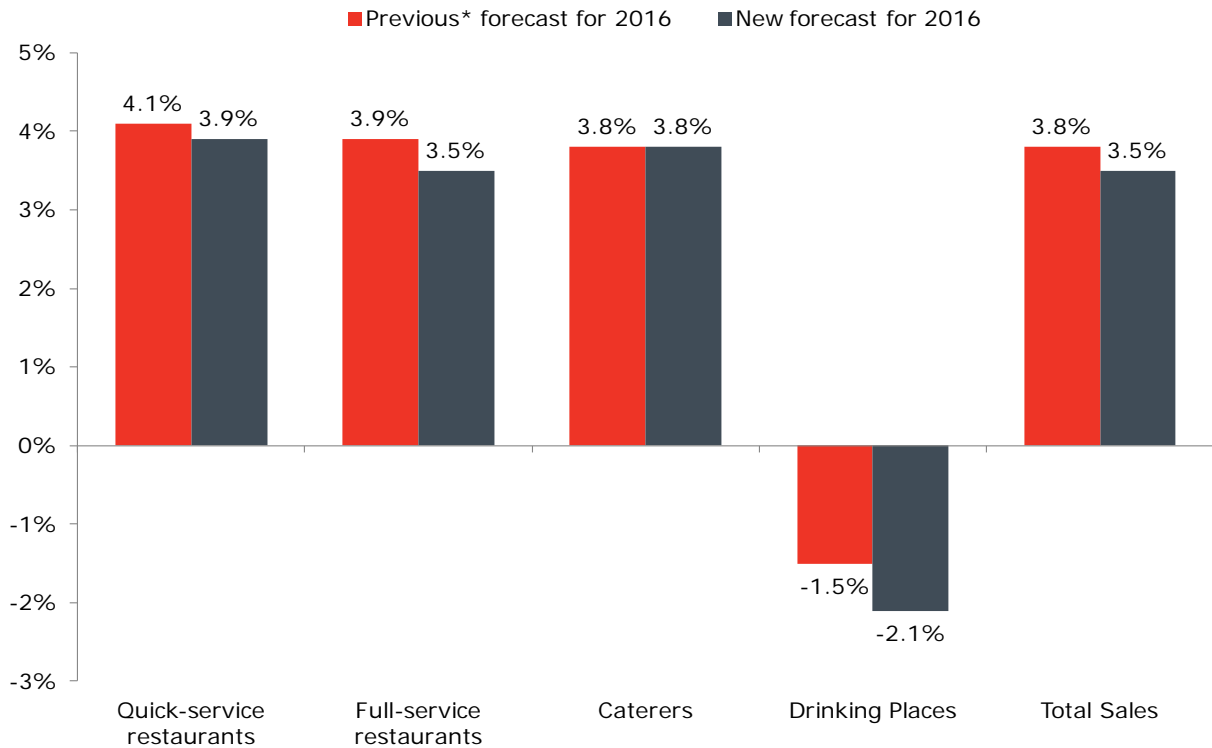
A slowdown in spending in Newfoundland, Alberta and Saskatchewan will restrain total caterer sales to 3.8% growth in 2016.

Weak consumer spending and a decline in the number of units will lead to a 2.1% drop in drinking place sales.

While consumers may prove to be more resilient in these turbulent economic times, there remain a number of downside risks to the outlook. A further drop in oil prices and the stock market; lower economic growth in China; and weaker-than-expected exports to the United States could further curtail foodservice sales growth, especially in the first half of 2016.

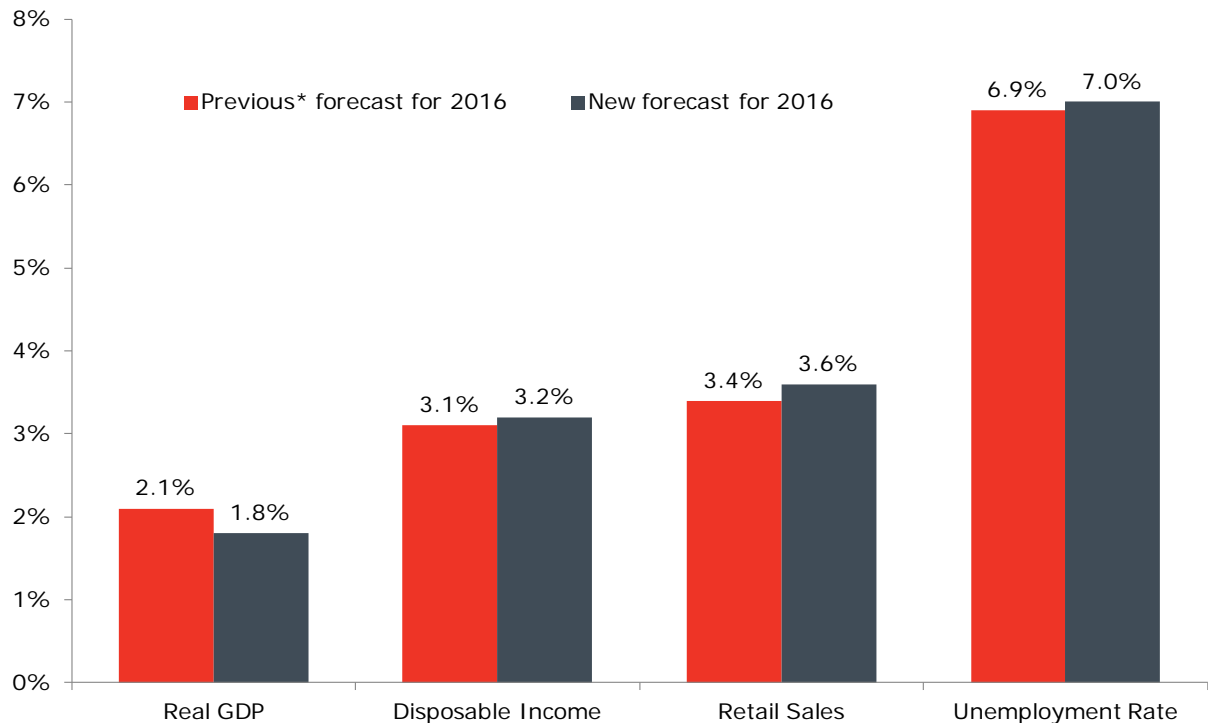
High food prices, a low Canadian dollar and rising labour costs will lift menu inflation to 3.0% in 2016 from 2.8% in 2015.

Comparison Between Previous and New Sales Forecast



* Forecast from Q3 2015 Quarterly Forecast, published in September 2015

Comparison Between Previous and New Economic Indicators Forecast



Source: Conference Board of Canada

* Forecast from Q3 2015 Quarterly Forecast, published in September 2015

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%	\$7,194.0 5.6%	\$6,819.2 5.2%	\$6,097.0 3.8%	\$7,174.5 3.9%	\$7,474.5 3.9%	\$7,102.1 4.1%	\$6,359.2 4.3%	\$7,454.3 3.9%	\$7,758.5 3.8%	\$7,364.9 3.7%	\$26,792.2 5.8%	\$27,848.2 3.9%	\$28,937.0 3.9%
Full-service restaurants	5,802.1 3.9%	6,583.8 3.3%	6,981.9 3.1%	6,558.8 3.2%	6,010.9 3.6%	6,807.7 3.4%	7,226.2 3.5%	6,794.9 3.6%	6,239.4 3.8%	7,086.8 4.1%	7,508.1 3.9%	\$7,066.7 4.0%	\$25,926.5 3.3%	\$26,839.7 3.5%	\$27,900.9 4.0%
Caterers	\$1,167.0 3.9%	\$1,255.3 5.2%	\$1,287.1 4.8%	\$1,395.7 4.8%	\$1,211.4 3.8%	\$1,300.5 3.6%	\$1,338.2 4.0%	\$1,450.1 3.9%	\$1,257.4 3.8%	\$1,355.1 4.2%	\$1,402.4 4.8%	\$1,516.8 4.6%	\$5,105.1 4.7%	\$5,300.2 3.8%	\$5,531.7 4.4%
Drinking Places	\$504.6 -6.3%	\$561.0 -6.1%	\$562.8 -5.3%	\$551.3 -2.0%	\$493.0 -2.3%	\$545.3 -2.8%	\$554.4 -1.5%	\$541.4 -1.8%	\$494.0 0.2%	\$547.5 0.4%	\$558.3 0.7%	\$551.1 1.8%	\$2,179.7 -4.9%	\$2,134.1 -2.1%	\$2,150.9 0.8%
Total Sales	\$13,347.5 4.5%	\$15,305.4 4.3%	\$16,025.8 4.0%	\$15,324.9 4.0%	\$13,812.3 3.5%	\$15,828.0 3.4%	\$16,593.3 3.5%	\$15,888.4 3.7%	\$14,350.0 3.9%	\$16,443.8 3.9%	\$17,227.3 3.8%	\$16,499.4 3.8%	\$60,003.6 4.2%	\$62,122.1 3.5%	\$64,520.4 3.9%
CPI-FAFH	1.377 2.8%	1.384 2.7%	1.393 2.8%	1.403 2.8%	1.417 2.9%	1.427 3.1%	1.437 3.1%	1.445 3.0%	1.449 2.3%	1.460 2.3%	1.470 2.3%	1.479 2.3%	1.389 2.8%	1.431 3.0%	1.464 2.3%
Real Sales	\$9,695.5 1.6%	\$11,056.2 1.5%	\$11,501.7 1.2%	\$10,921.3 1.2%	\$9,750.4 0.6%	\$11,089.9 0.3%	\$11,551.0 0.4%	\$10,993.0 0.7%	\$9,902.2 1.6%	\$11,262.3 1.6%	\$11,722.7 1.5%	\$11,159.1 1.5%	\$43,187.1 1.4%	\$43,398.9 0.5%	\$44,061.0 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.