RCINTEL

Foodservice Industry Forecast

2019-2023

MADE IN CANADA

Garland Canada, a Welbilt Company, is the leading supplier of foodservice equipment in the Canadian market. Garland Canada is committed to delivering high quality, reliable, innovative solutions that address operator needs. A high focus is placed on delivering operational and energy efficiencies, labour savings, menu execution and service and support solutions. Garland Canada and the portfolio of Welbilt brands deliver unmatched value and peace of mind.

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A MESSAGE FROM OUR PRESIDENT & CHAIR

Economic conditions may be unpredictable and significant world events continually unfolding, but one thing remains certain: Canadians will always need good food and a welcoming place to eat.

After nearly a decade of solid growth, we're seeing a moderation in economic activity. It's a natural process that will impact retail and foodservice sales alike. All of this happens when households are carrying a record $2.25 trillion in debt. When combined with the constant, rapid fluctuations of the current political climate, the results can be volatile.

There's more economic uncertainty than ever, creating a ripple effect across the entire world. Global real GDP in 2019 will see its weakest growth since the great recession in 2009. This slowdown will have repercussions for Canada in terms of trade, business investment, and consumer confidence. Tourism, both local and international, will be affected too. All of that news is troubling, but it means there are opportunities out there for smart and savvy foodservice operators who are ready to seize the day.

In times of rapid change, foodservice operators must be fast and flexible to keep up. Obviously, you don't want to compromise on service or quality, but this is a prime opportunity to experiment. Diversify your menu, your format, and even your clientele. Take advantage of existing networks, whether that means partnering with local festivals or riding the wave of international championships. Or branch into new territory with delivery services or modern plant-based alternatives. When costs require careful management, innovation is the best way to thrive. The inventions that arise in tough times can become standard-bearers going forward.

Amidst the upheaval, you can use this forecast as a guide to navigating the unexpected. The informed and expert analysis it contains can take the guesswork out of the near future and help you take advantage of new connections. In 2021, foodservice sales are projected to climb above $100 billion; that's a milestone worth reaching, and you'll want to be a part of it.

Shanna Munro
President and CEO
Restaurants Canada

Brad Kramble
Chair of the Board
Restaurants Canada

Executive Summary

Highlights:

+3.6%

Commercial foodservice sales in Canada are forecast to expand by 3.6% in 2019. This figure reveals a noticeable moderation in spending after achieving year-over-year sales growth of 5% or more between 2014 and 2018.

Adjusted for menu inflation of 2.6%, real sales are projected to grow by 1.0% in 2019, following a 0.8% increase in 2018.

In 2020, commercial foodservice sales will improve slightly with a 4.0% nominal increase. Alberta and Ontario will lead the way with 4.4% and 4.2% growth, respectively.

Strained personal financial situations remain a significant challenge to consumer spending over the near term as high household debt and lower disposable income restrain discretionary spending.

By 2021, combined commercial and non-commercial foodservice sales are forecast to surpass the $100-billion mark.

In 2019, commercial foodservice sales are projected to grow by 3.6% to a record $74.5 billion. Including non-commercial foodservice sales, total foodservice industry sales will grow to $93 billion.

Despite record sales levels, the pace of growth has slowed following year-over-year sales growth of 5% or more between 2014 and 2018. While some of this is due to inclement weather in the first half of 2019, consumers are dialing back their spending due to lower consumer confidence and strained household budgets. As a result, 2019 will mark the slowest increase in spending since 2011.

Menu prices are projected to increase by 2.6% in 2019, compared to a 4.2% increase in 2018. As a result, real foodservice sales are forecast to grow by 1.0% in 2019 compared to a 0.8% increase in 2018.

In 2020, commercial foodservice sales will grow by an additional 4.0% to $77.5 billion. Despite a slowdown in job creation and disposable income growth, an extra day in February will help boost spending.

Given tighter household budgets, quick-service restaurant sales are forecast to grow by an average of 3.9% over the next five years compared to a 3.7% increase at full-service restaurants.

A rebound in economic fortunes in Alberta and Saskatchewan will help boost caterer revenues by an average of 3.8% per year over the next five years.

In contrast, drinking places will see the weakest gains with average annual growth of just 1.6% between 2019 and 2023 due to changing consumer behaviour and a decline in units.

COMMERCIAL FOODSERVICE SALES IN CANADA

YEAR-OVER-YEAR NOMINAL CHANGE

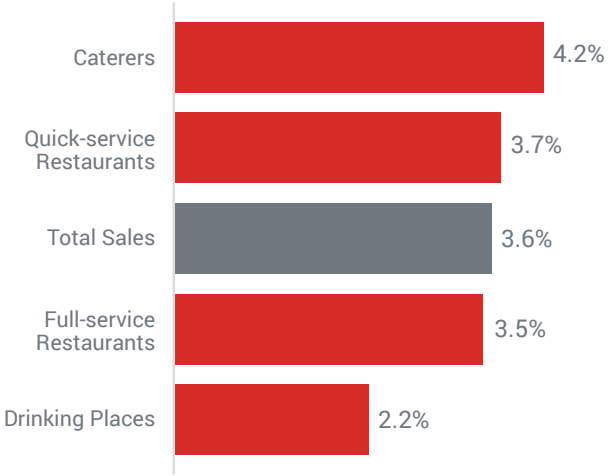
	2018	2019f	2020f	2021f	2022f	2023f
Quick-service Restaurants	4.9%	3.7%	4.2%	4.0%	3.9%	3.8%
Full-service Restaurants	5.4%	3.5%	4.0%	3.7%	3.6%	3.6%
Caterers	5.5%	4.2%	3.9%	4.1%	3.8%	3.2%
Drinking Places	2.6%	2.2%	2.3%	1.3%	1.1%	1.1%
Total Sales	**5.1%**	**3.6%**	**4.0%**	**3.8%**	**3.7%**	**3.6%**

Over the past two decades, food and beverage sales from traditional grocery stores and supermarkets and non-traditional retail stores (e.g. Walmart, Costco) posted the most substantial year-over-year sales growth rates in 2008 and 2009 – coinciding with the recession. While there are growing concerns that another recession will happen in the next few years, even without a recession, consumers are tightening their belts to rein in household debt.

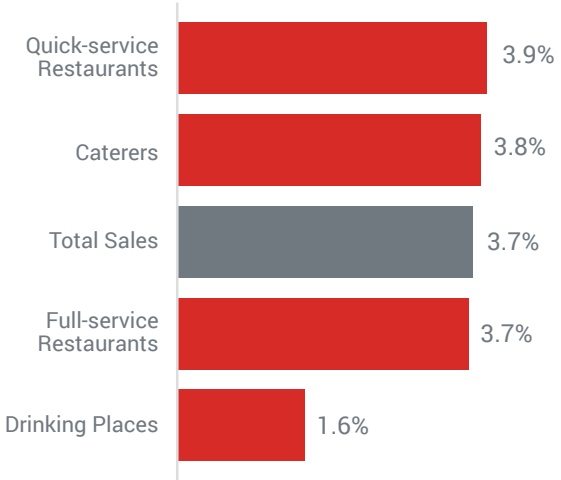
Overall, retail food store sales are forecast to grow by 3.8% in 2019 and 3.4% in 2020. Another recession, however, would lead to stronger-than-forecasted sales growth at retail food stores and erode the foodservice share of the total food dollar. We saw this precise scenario unfold during the last recession when the foodservice share of the total food dollar fell nearly two percentage points to 37%.

In the long term, the need for convenient and portable food offerings from restaurants will boost foodservice sales. Provinces with the most vigorous economic growth or largest increases in population will boast the fastest-growing foodservice markets. In contrast, provinces with an aging population, or a population declining in number will fall behind the rest of the country in foodservice sales growth.

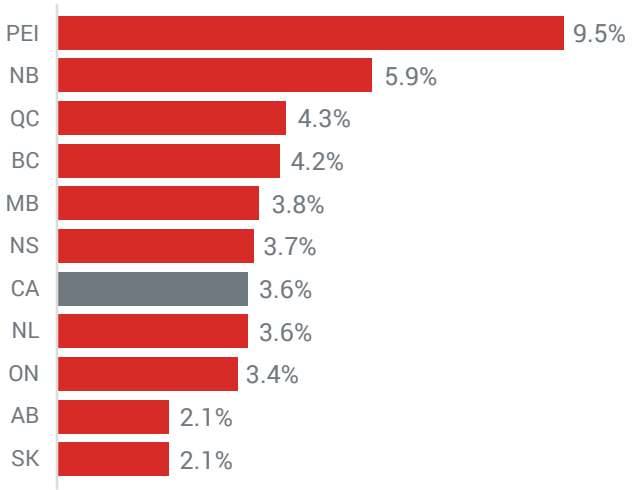
2019 Nominal Change in Annual Sales by Segment



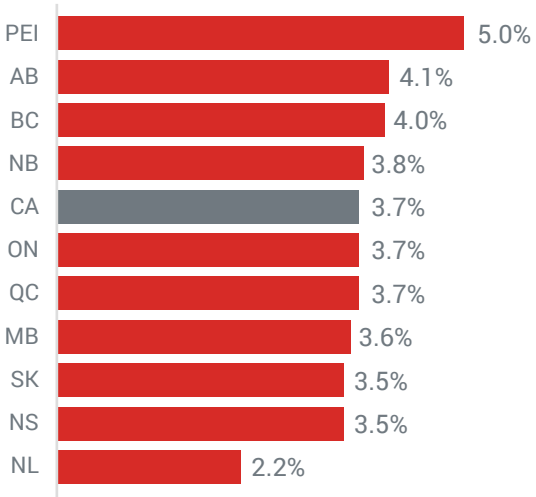
2019-2023 Average Annual Nominal Change in Sales by Segment



2019 Nominal Change in Annual Sales by Province



2019-2023 Average Annual Nominal Change in Sales by Province



Source: Restaurants Canada and Statistics Canada

The Economic Climate is Uncertain

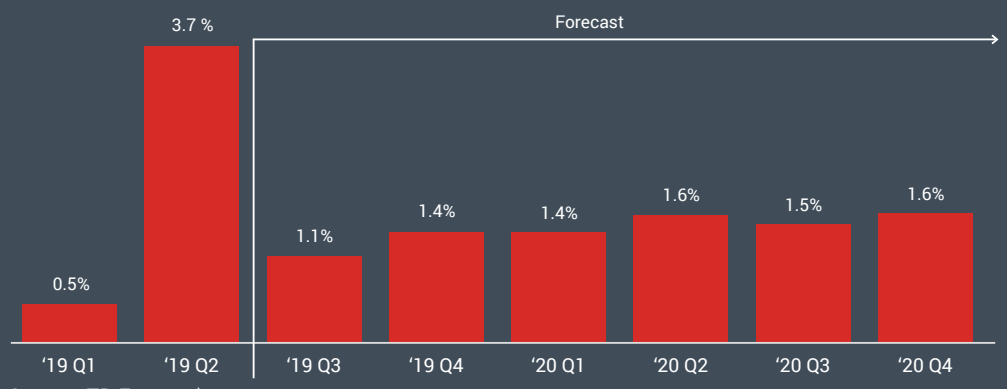
What a difference a few months can make. At the start of 2019, there were growing concerns about a possible recession in the near future. Although those fears quickly subsided, the respite didn't last long. In recent months, rising global trade tensions have once again raised fears of a recession. Already, economic uncertainty and tariffs have pushed the global manufacturing sector into a recession. Furthermore, the global economy is forecast to experience its weakest growth since the great recession due to heightened trade uncertainty.

Some leading indicators are also suggesting a recession could be on the horizon. An inverted yield curve is one important signal, as the spread between 10-year and 2-year Treasury bond yields briefly inverted in September. In this situation, short-term interest rates are higher than long-term interest rates. Since 2000, the yield curve inverted two other times, each followed by a recession shortly after.

Another closely watched indicator is the Institute of Supply Management Purchasing Managers Index, which fell to 47.8 in September. This result marks the lowest level for the Index since the great recession. Historically, a reading below 47 is a sign the U.S. economy is in a recession.

As a result of the above, the New York Federal Reserve believes there is a 35% chance of a recession between October 2019 and September 2020. Any percentage above 30% is worrisome. In fact, in the previous three recessions, the percentage chance of a recession never reached 100% before the recession hit. Whether a recession is close or not, financial markets are clearly calling for slower economic growth in the year ahead.

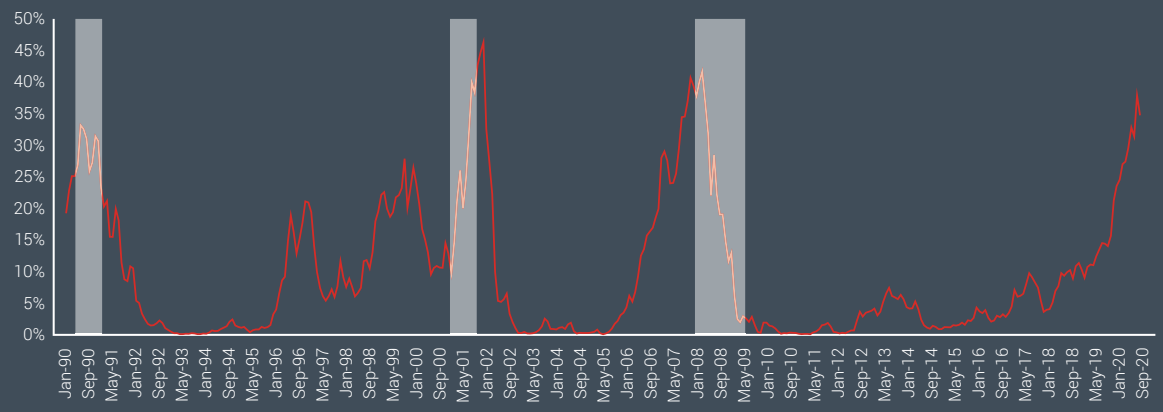
Annualized Quarterly Real GDP Canada



Source: TD Economics

Probability of U.S. Recession, Twelve Months Ahead of Term Spread Readings

Percent (Monthly Average)



Source: New York Federal Reserve

Canada's economy: healthy but slowing

Despite the economic uncertainty, Canada will boast the second-strongest real GDP growth of the G7 countries in 2019. Nevertheless, Canada's economy will decelerate to 1.5% growth in 2019 compared to a 1.9% expansion in 2018.

Following little growth in the first quarter, Canada's economy rebounded in Q2 with an annualized 3.7% gain. Despite the headline growth, economic activity was uneven as an increase in exports and a decline in imports offset weak consumer spending and a sharp contraction in business investment.

Looking to the near future, none of the major banks are forecasting a recession over the next six quarters, although economic conditions could rapidly deteriorate. Canada's economy is forecast to grow by 1.6% in 2020 and 1.7% in 2021 due to improved business investment and healthy growth in exports.

Consumer spending stumbles in early 2019

In the second quarter of 2019, real consumer spending rose by a tepid 0.5% (annualized). That's the slowest growth reported since 2011. While consumer spending was forecast to moderate following several years of substantial gains, this could be a sign that weaker-than-expected consumer spending will continue into the second half of 2019.

Although the nation currently has a strong job market, and despite a slight uptick in housing prices, the combination of weaker consumer confidence and record-high household debt is weighing on Canadians. Total household debt is more than $2.2 trillion – roughly the same size as the entirety of the national economy.

Another factor holding back consumer spending is moderation in household wealth. The "wealth effect" from rising housing valuations was a significant factor propelling consumer spending. In the past year, however, net household wealth stalled, and this will also contribute to softer consumer spending over the near term.

Business investment remains fragile

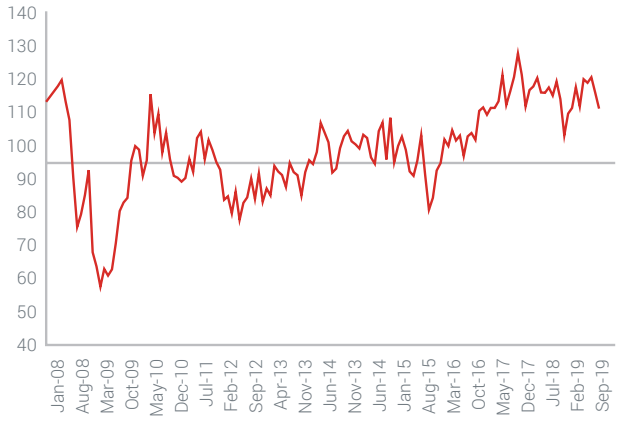
While overall business sentiment remains solid, trade uncertainty has led to a sharp curtailment in business investment. Following several volatile quarters, business investment is forecast to show tentative growth over the second half of 2019 and into 2020. While the ripple effects on Canada's economy from the ongoing U.S.-China trade war will remain in the near term, enough domestic demand will materialize to support modest business investment in the coming quarters. Also, the oil sector has gone through a significant readjustment in recent years, but activity will stabilize and will not act as a drag on economic output.

Economic uncertainty continues worldwide and at home

Overall, the global economic uncertainty index reached a record high in October 2019. In addition to global trade tensions, there is also the uncertainty surrounding Brexit and heightened geopolitical tensions around the globe. Continued or worsening economic doubts will certainly weigh down business and consumer confidence in Canada. A resolution to any of these issues, however, would shore up business and consumer confidence, resulting in improved economic activity.

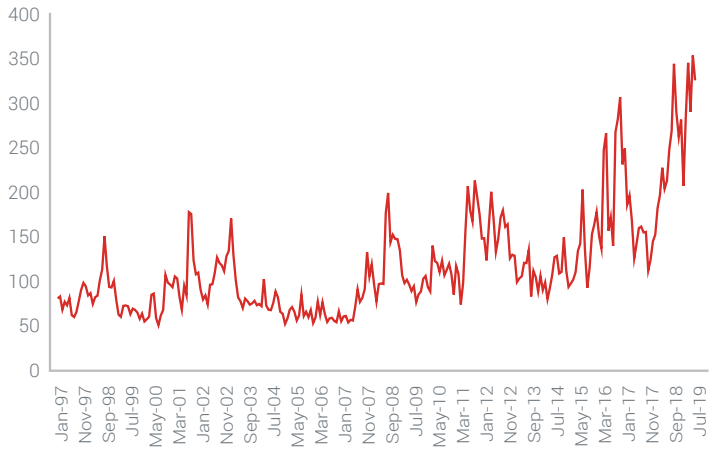
Consumer Confidence Index - Canada

(2014 = 100)



Source: Conference Board of Canada

Global Economic Policy Uncertainty Index



Source: Economic Policy Uncertainty

BUSINESS INSIGHTS

When the Economy Reaches Peak Performance, What Comes Next?

There are lots of signs in the outside world that this economic cycle is getting long in the tooth. There are also likely signals within your four walls and in your trade area. Have you noted any of the following:

- You significantly raised your prices and have so far gotten away with it without losing many guests?
- You have difficulty finding staff despite the fact paycheques are larger, driven by increases in minimum wages?
- Rent is through the roof for new sites and renewals, yet new locations keep opening near you?

What can you do about it?

Check Your Bets – Don't go 'all-in' assuming growth lasts forever. The peak of the market is a time to take some money off the table, increase cash reserves, and resist moving on projects that can wait; there's no such thing as a site you 'have to have' or a market you'll be locked out of if you don't act now. On the people front, if you need to pay staff more to keep them, make it variable bonus pay that goes away when things get tough. The more resources you have stuffed away, the more good assets and people you'll pick up in a downturn when those who 'partied on' are on the ropes.

Manage the 'Down & Out' – In a recession, you can bank on guests 'trading down' to cheaper menu items and cheaper competitors, and 'trading out' to making meals at home. The more opportunities your guests have to trade down within your establishment, and the more ways you can catch guests trading down from those above you, the better.

Simplify and Diversify – There is nothing like being "meat 'n' potatoes" to make it through a recession, even if it seems boring. As they say, "people gotta eat." When 'business' is pinched though, 'business' doesn't have to eat or host splashy conferences and events. Expense account dining is a time bomb in a recession, and vacation spending is vulnerable, too. If these segments are at the core of your business model, get ready for a more challenging ride and plan accordingly.

- Hugh Johnston
Strategic and Financial Architect,
Hugh Johnston Strategy

Foodservice Sales Forecasting

To forecast foodservices sales, Restaurants Canada relies on a series of econometric models. Based on historical and projected data from the Conference Board of Canada, these models include real GDP, total consumer spending, population growth and other economic indicators. In addition to economic factors, foodservice sales are strongly influenced by historical spending patterns at restaurants due to habit formation.

In 2019 and 2020, foodservice sales are forecast to grow by 3.6% and 4.0%, respectively. These figures reflect a slowdown in disposable income growth, softening consumer confidence, and moderation in job creation. On the plus side, an extra day in February will provide a measurable boost to foodservice sales in 2020.

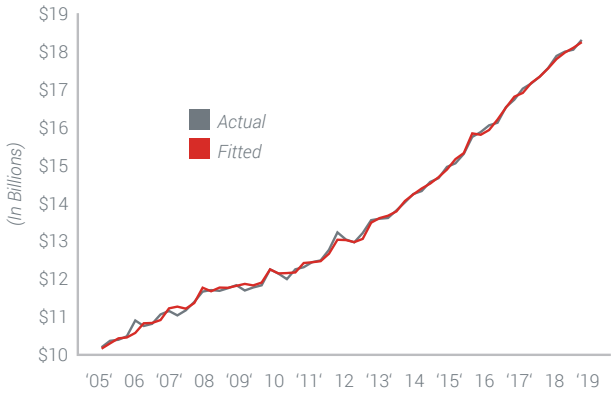
Foodservice sales growth rates can vary significantly by province year to year. Differences between provinces due to job creation, population growth, wage growth, tourism demand, weather and consumer behaviour can influence which provinces post the strongest growth and which experience weaker growth.

In 2019, most provinces will report relatively steady job creation for all industries. British Columbia is forecast to lead the country with total employment growth of 2.8%, resulting in another year of solid foodservice sales growth. Ontario and Nova Scotia have also posted enviable foodservice sales growth due to strong job creation. In contrast, sluggish job creation in Alberta has stymied demand for foodservice sales in the province.

Another factor supporting rising foodservice sales is higher household wages. Nova Scotia and Quebec led the country in wage growth in the first seven months of 2019 versus the same period in 2018. While overall job creation in New Brunswick was relatively weak, the province's foodservice industry has benefitted from rising average weekly earnings.

Commercial Foodservice Actual Sales and Econometric Model

Data are Quarterly and Seasonally Adjusted

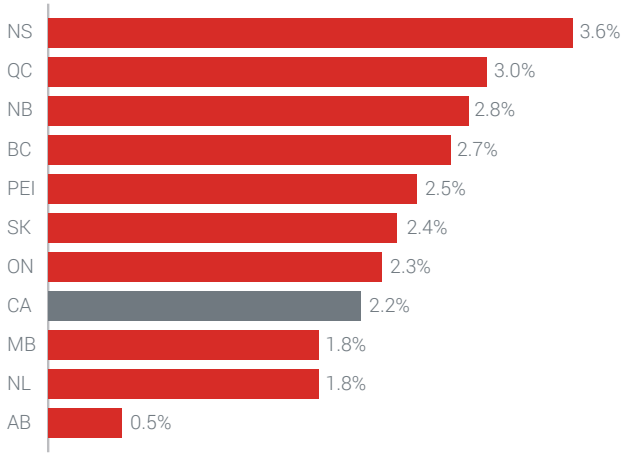


Source: Statistics Canada and Restaurants Canada

The models are continually updated to reflect the latest economic and foodservice trends. Overall, the model explains 99% of the historical variation in foodservice sales.

2019 Average Weekly Earnings Growth

All Industries

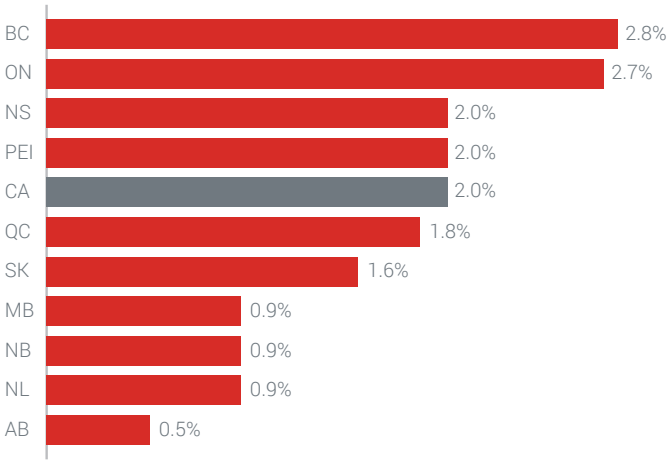


*January to July 2019 over January to July 2018

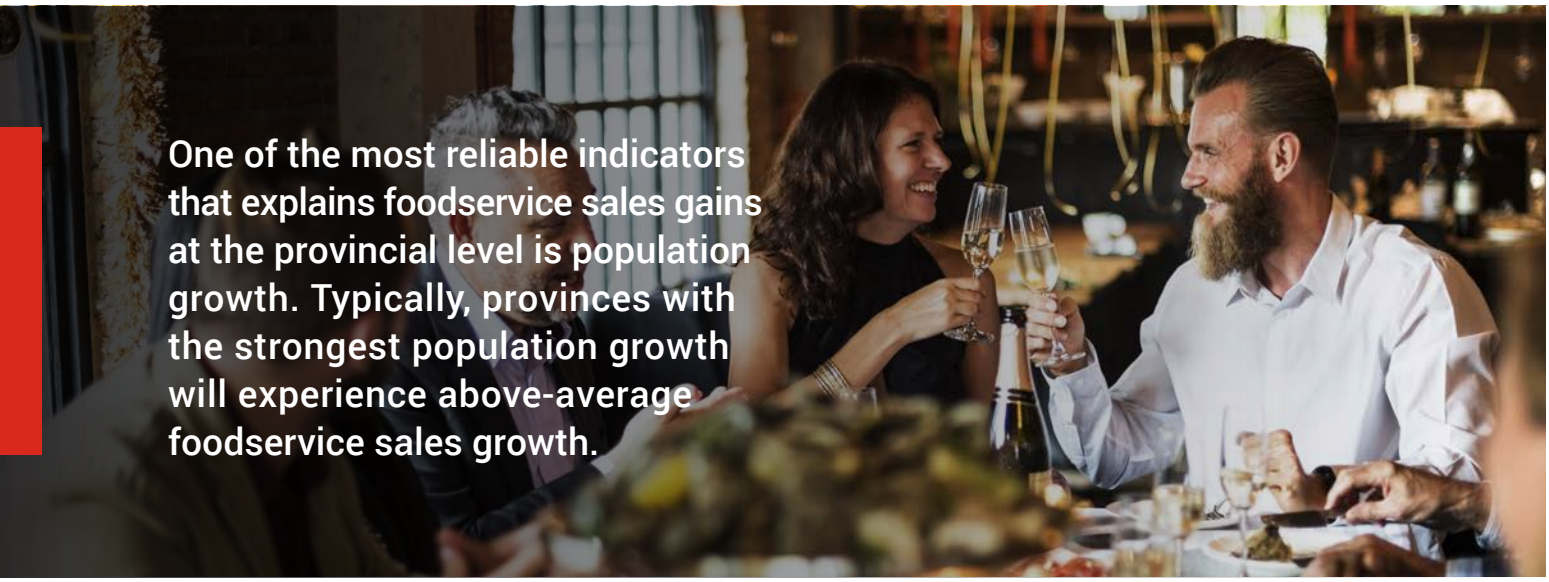
Source: Statistics Canada

2019 Employment Growth

All Industries



Source: TD Economics



One of the most reliable indicators that explains foodservice sales gains at the provincial level is population growth. Typically, provinces with the strongest population growth will experience above-average foodservice sales growth.

After posting very little population growth between 2011 and 2015, Prince Edward Island will lead the country with the fastest population growth (+2.2%) for the second consecutive year. Likewise, and despite the economic hardships in recent years, Alberta's population will still see above-average population growth (+1.6%) in 2019.

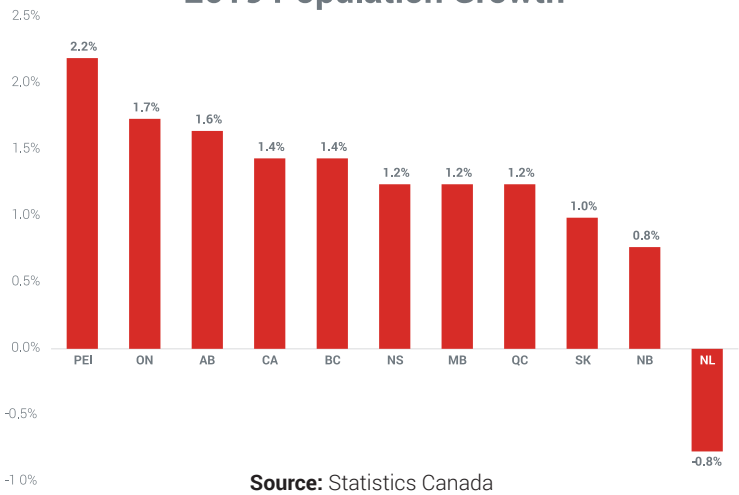
In contrast, Newfoundland and Labrador's population continues to decline primarily due to outmigration (including many to Alberta) and an aging population. Since 2016, the population has declined by nearly 7,900 people, a 1.5% decrease. A new Statistics Canada report projects that the population of Newfoundland and Labrador will shrink by 20,000 to 90,000 over the next 25 years.

Tourist spending is up, but distribution is wildly uneven

Total foodservice spending by domestic and international visitors rose to a record $16.7 billion in 2018. Of that, domestic tourists spent $12.8 billion (+4.4% over 2017), while international visitors spent $4.0 billion (+4.8%).

In the first half of 2019, tourist spending on foodservice grew by an additional 4.0% compared to 2018. International tourists led the charge with a 6.5% increase in foodservice spending, while domestic spending rose by 3.3%. It is important to note that the benefits from tourism are highly regional; 2018 data from Statistics Canada shows that over 75% of all tourist spending happened in B.C., Ontario, and Quebec. More than 40% happened in Vancouver, Toronto, and Montreal, alone.

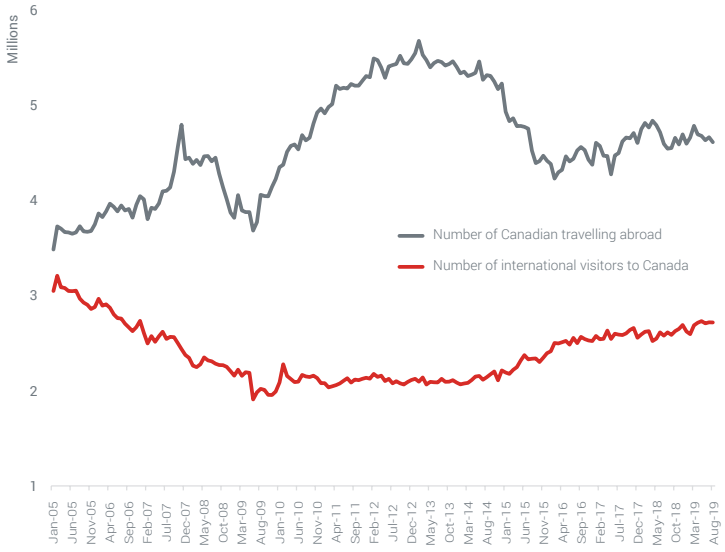
2019 Population Growth



Source: Statistics Canada

Number of Travellers to and From Canada

(In Millions)



Source: Statistics Canada

National Foodservice Industry Forecast

Canada's foodservice industry grew at a slower-than-expected pace in the first seven months of 2019, with sales expanding by just 3.9% over the same period in 2018.

This result defied our 2018 Foodservice Industry Forecast, in which commercial foodservice sales were predicted to decelerate to 4.4% growth in 2019, down from 5.1% actual growth in 2018.

The slowdown in sales may be partially attributable to colder winter temperatures at the start of the year and a wet and cold spring. Even when the weather improved, however, July foodservice sales grew by a disappointing 2.5%, the weakest growth we've seen since December 2013. Adjusted for seasonality and inflation, real foodservice sales have been relatively unchanged since November 2017.

In this year's Forecast, annual commercial foodservice sales are projected to grow by 3.6% in 2019, the slowest annual increase since 2011. Nevertheless, commercial foodservice sales will grow to a record $74.5 billion, representing a $2.6 billion increase over 2018.

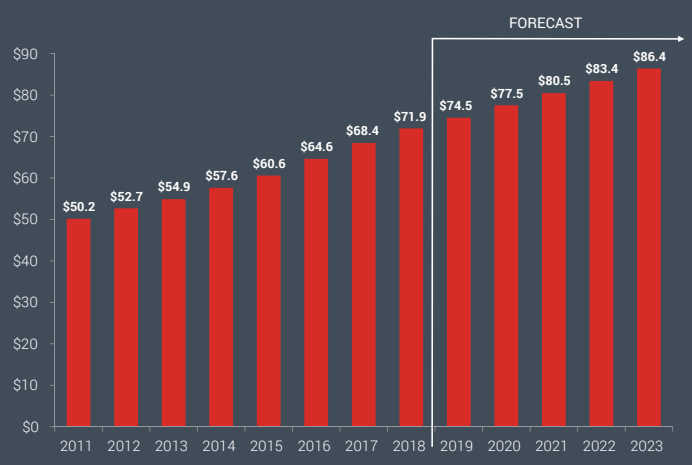
Adjusted for menu inflation of 2.6%, real sales are forecast to grow by 1.0% in 2019. This rise is only a modest improvement over the 0.8% increase in 2018. Including non-commercial foodservice sales, total annual spending on foodservice in Canada will reach $93.1 billion in 2019.

Looking into 2020, commercial foodservice sales are forecast to grow by 4.0% to $77.5 billion. While foodservice sales will receive a boost from a leap day in February, a slowdown in disposable income growth (as shown in the graph below) and job creation will temper that gain and restrain foodservice sales growth overall. In addition, consumers will be watching their discretionary spending. Household debt in Canada is at a record $2.25 trillion. To put that in perspective, the size of Canada's entire economy is $2.29 trillion.

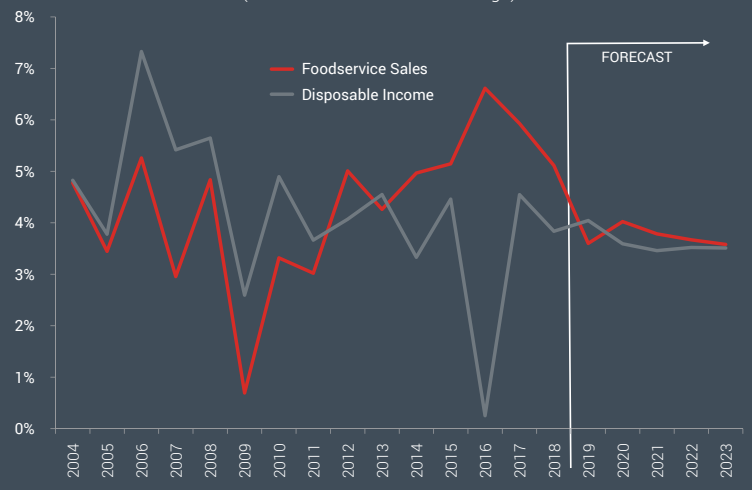
In 2021, combined commercial and non-commercial foodservice sales will surpass the $100 billion mark.

Between 2019 and 2023, commercial foodservice sales will average 3.7% growth. During this time, spending at grocery stores will grow by an average of 3.4%. As a result, the foodservice share of the total food dollar will increase from 39.6% in 2019 to 39.9% by 2023.

Commercial Foodservice Sales Forecast
(In Billions)



Foodservice Sales and Disposable Income
(Year-Over-Year Nominal Change)



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

Is a recession actually coming? And if so, how will it impact your operation?

As of October 2019, there are growing concerns about a potential recession looming on the horizon. While a recession is overdue, and there are growing warning signs in the financial markets, at this point, no major economic forecaster is predicting a recession. TD Economics, for instance, is predicting real GDP growth of 1.6% in 2020 and 1.7% in 2021. Nevertheless, if a recession were to occur, it could have a significant impact on foodservice spending, depending on the magnitude and duration.

How severely operators feel the effects will vary by segment. During the 2008-09 recession, spending at full-service restaurants was impacted far more significantly than at quick-service restaurants. At that time, real spending at full-service restaurants fell by 4.1%, while real sales slipped by a modest 0.5% at quick-service restaurants. Even within the full-service restaurant segment, sales at high-end fine dining establishments bore more of the brunt than family-style full-service restaurants, which have a lower average check.

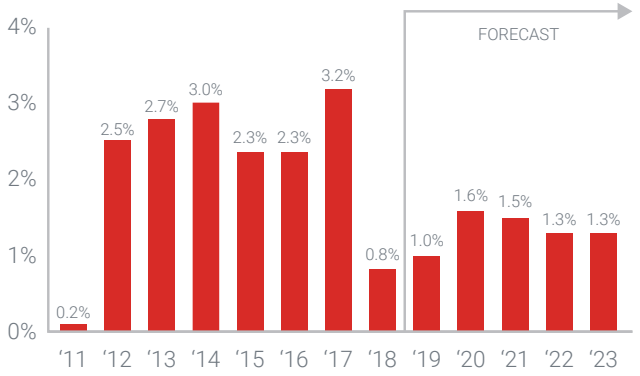
Retail food sales continue to compete with foodservice for consumer spending

In 2019, total retail food sales are forecast to grow by 3.8% to a record $142 billion. The vast majority of the growth in retail food sales has come from general merchandise stores such as Walmart and Costco. This competing segment grew an average of 10% per year between 2013 and 2018. By comparison, traditional grocery stores posted average annual sales growth of just 2.9% during that time. Despite the differences in growth rates, however, nearly 80% of all retail food sales are still purchased at traditional grocery stores.

Overall, the foodservice share of the total food dollar is expected to increase gradually from 39.6% in 2019 to 39.9% in 2023. This small but steady predicted increase stems from value-conscious consumers watching their discretionary spending over the forecast period due to high household debt and a slowdown in disposable income. Greater-than-expected disposable income growth, however, would lead to a corresponding increase in foodservice spending, resulting in a higher market share for the foodservice industry.

Commercial Foodservice Sales Forecast

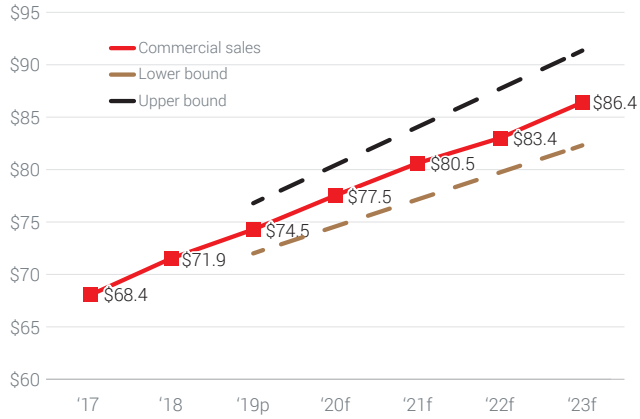
(Year-Over-Year Real Change)



Source: Statistics Canada and Restaurants Canada

Commercial Foodservice Sales Forecast

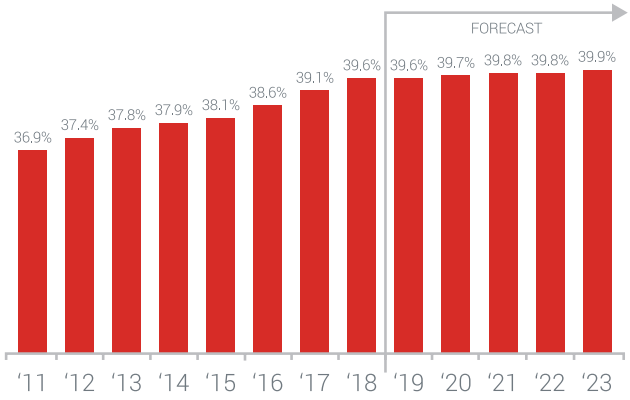
(In Billions)



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.

Source: Restaurants Canada and Statistics Canada

Foodservice Share of the Total Food Dollar



Note: Total food dollar 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 3.5% for non-commercial foodservice sales.

Source: Restaurants Canada and Statistics Canada

Quick-service Restaurants

In 2019, quick-service restaurant sales are forecast to slow to 3.7% growth and total $33.2 billion. This moderate gain will be QSR's weakest since 2011.

Between 2009 and 2018, quick-service restaurant sales in Canada enjoyed steady gains, thanks to growth in the breakfast daypart, a low average check, and new unit openings. During that time, sales increased by an average of 5.1% per year, and it was the fastest-growing sector of the commercial foodservice industry.

A moderation in foodservice spending in several provinces was expected. Although consumer demand in Ontario and British Columbia remains relatively high, weak economic conditions have led to lukewarm sales growth at quick-service restaurants in Alberta and Newfoundland & Labrador.

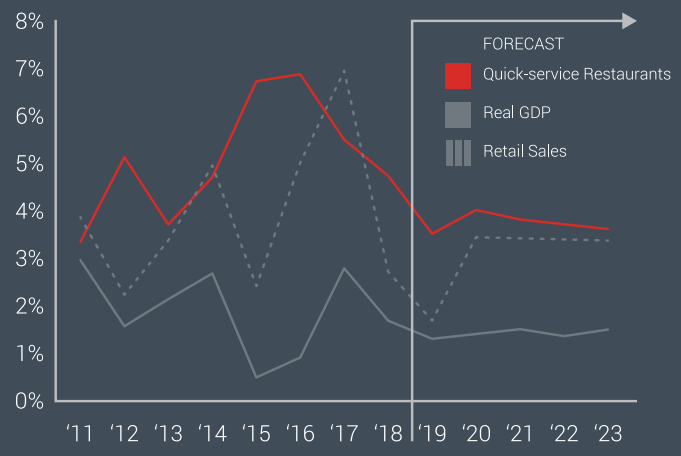
Following a 5.3% increase in menu prices in 2018, menu prices at quick-service restaurants are projected to increase by an additional 3.6% in 2019. As a result, real sales are forecast to grow by a scant 0.1% in 2019 – not even enough to offset a 0.3% decrease in 2018.

In 2020, quick-service restaurant sales will post a mild recovery, expanding by 4.2% thanks in part to an extra day in February.

Over the next five years, spending at quick-service restaurants is forecast to grow by an industry-leading 3.9% per year. With their disposable income forecast to slow down and shouldering high household debt, consumers will look to quick-service restaurants for affordability. Convenience will also remain a factor to support growth. While QSRs are poised to show notable gains, growing competition from grocery stores and convenience stores that also have a lower average check could erode their market share.

Quick-Service Restaurant Sales

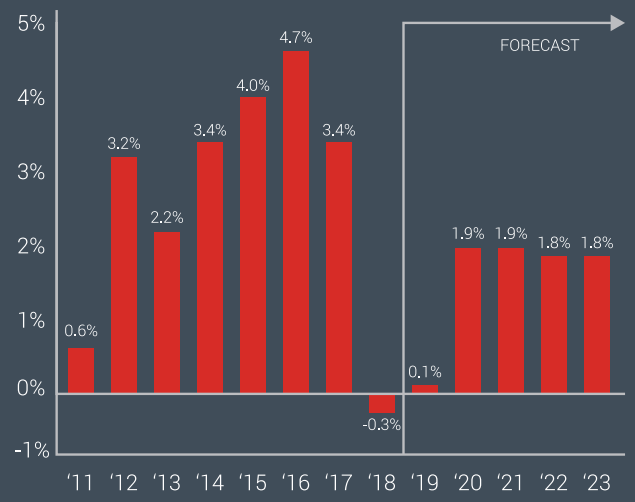
Year-Over-Year Nominal Change



Source: Statistics Canada

Quick-Service Restaurant Sales

Year-Over-Year Real Change



Source: Statistics Canada and Restaurants Canada

Full-service Restaurants

Full-service restaurants is forecast to moderate to 3.5% growth in 2019.

Mother Nature is partially to blame as bad winter weather and a cold spring discouraged consumers from going out in the first half of 2019.

Additionally, consumer spending moderated in British Columbia and Quebec after many years of consistently strong growth. Finally, the long-awaited recovery in dining out in Alberta and Saskatchewan failed to materialize in 2019, also acting as a drag on total full-service restaurant growth. There was one bright spot, however: invigorated consumer spending led to double-digit sales growth in Prince Edward Island.

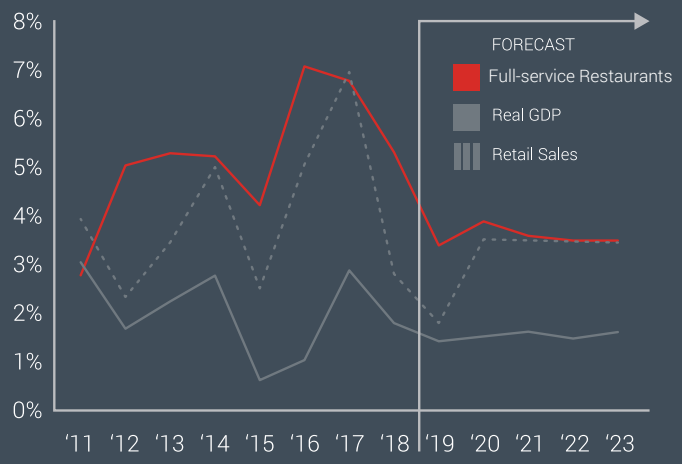
Fiscally-conscious consumers are also spending at a lower rate than menu inflation. While menu prices have increased by 2.3% in the first half of 2019, the average check size per person slipped by 0.1% during that same period. High household debt and weaker consumer spending will weigh especially heavy on full-service restaurants in the coming years.

In 2020, full-service restaurant sales are forecast to advance by 4.0%. While nothing to scoff at, it will be a notable slowdown from the average annual gains of 5.7% between 2012 to 2018.

Full-service restaurant sales are forecast to grow by an average of 3.7% per year between 2019 and 2023, a pace just slightly above the growth in disposable income. Adjusted for menu inflation, real sales will expand by an average of 1.2% per year. As in the past, provinces with the strongest economic growth, namely Alberta, Ontario and British Columbia, will experience above-average full-service restaurant sales growth.

Full-Service Restaurant Sales

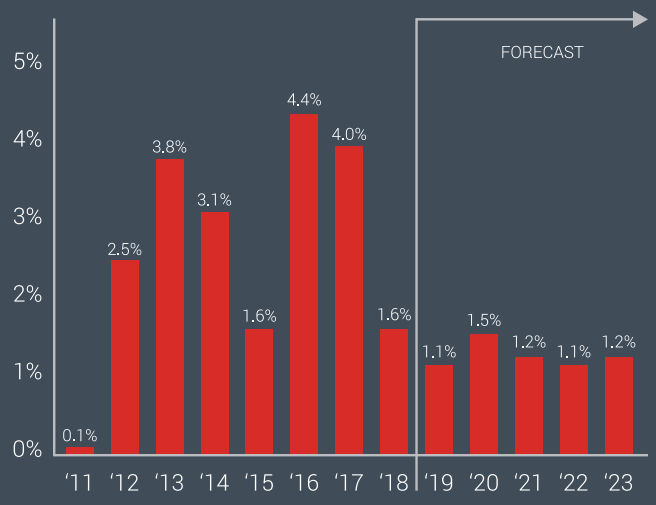
Year-Over-Year Nominal Change



Source: Statistics Canada

Full-Service Restaurant Sales

Year-Over-Year Real Change



Source: Statistics Canada and Restaurants Canada

Caterers

Spending on caterers is expected to grow by an additional 4.2% to $5.9 billion this year.

Quebec and Alberta were the primary drivers of growth in 2019. In contrast, spending in British Columbia and Ontario tapered off following healthy gains in 2018. Meanwhile, weak economic growth led to lower catering revenues in Saskatchewan.

Despite rising revenues, the number of caterer locations fell by 4.6% to 9,738 in the first half of 2019. This contraction is primarily due to a restatement in the number of contract caterers in most provinces. Essentially mirroring this statistical adjustment, there was a slight increase in the quantity of social caterers (+2.1%) and mobile caterers (+5.2%).

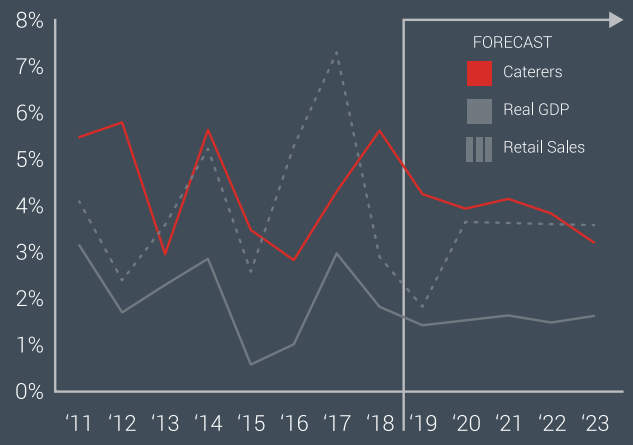
For 2020, caterer revenues are forecast to grow by an additional 3.9%, on par with the long-run average annual growth.

The outlook for caterer revenues will hinge mainly on highly volatile commodity prices. Historically, caterer revenues posted their strongest growth when commodity prices were high. This relationship led to substantial gains in remote camps serving the natural resources sector. However, a global economic slowdown will suppress commodity prices and result in weaker spending at such places in the near term.

Over the next five years, caterer revenues are forecast to grow by an average of 3.8% per year. During that time, an aging population will lead to increased foodservice spending at retirement homes, long-term care facilities and hospitals. Growth will also be bolstered by increased foodservice spending at education facilities as the youth of Gen Z head into post-secondary.

Caterer Sales

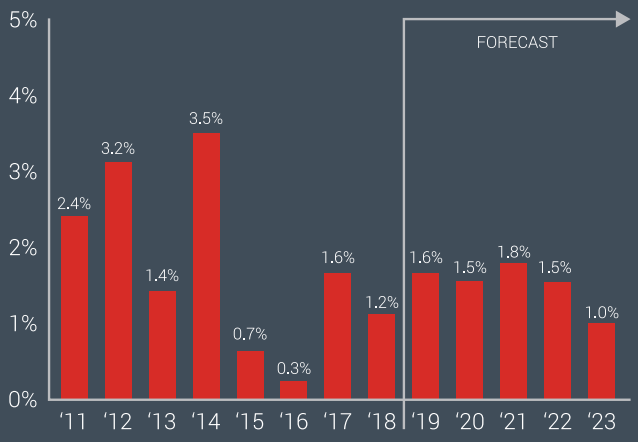
Year-Over-Year Nominal Change



Source: Statistics Canada

Caterer Sales

Year-Over-Year Real Change



Source: Statistics Canada and Restaurants Canada

Drinking Places

In the first seven months of 2019, strong gains occurred in Quebec (+16.7%) and New Brunswick (+10.7%). However, sales fell dramatically in Western Canada (-5.7%).

Overall, the drinking places category – which includes bars, taverns, pubs, and nightclubs – is forecast to grow by a slight 2.2% to $2.5 billion for 2019. That's down from the 2.6% increase reported in 2018.

The one constant across the country is that every province reported fewer drinking place establishments. In the first half of 2019 over the same period in 2018, the number of locations fell by 2.9% to 4,908. Remarkably, this loss marks the 15th consecutive year of reduced drinking place locations.

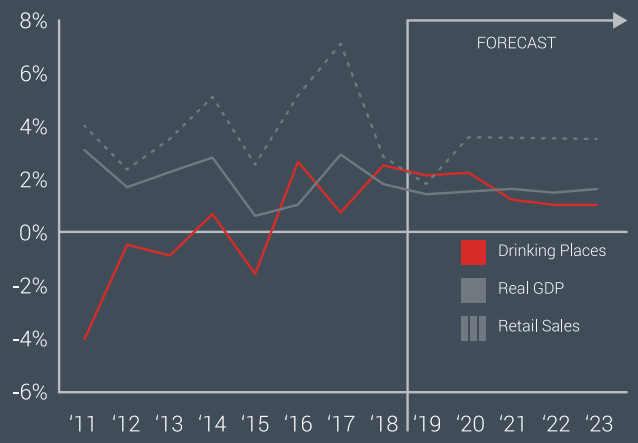
Part of the decline in total establishments is due to more drinking places reclassifying as full-service restaurants, because of a higher percentage of revenue generated by food and non-alcoholic beverages compared to alcoholic beverages.

Plus, demographic changes are impacting sales. Millennials and Generation Z consumers (the oldest are just now reaching the legal drinking age) are going out to drink at dedicated drinking places less often than their boomer and Gen X predecessors. Rising alcohol prices may also be part of the reason fewer people are going out. Between 2010 and 2019, alcohol prices at drinking places soared by 19%, compared to 12% at retail outlets.

Given the steady decline in units and changing consumer attitudes about health, total drinking place sales are forecast to slow to an average of just 1.6% growth between 2019 and 2023. Adjusted for menu prices, real sales are forecast to decline by an average of 0.7% per year, making Drinking Places the only commercial segment expected to post lower real sales.

Drinking Place Sales

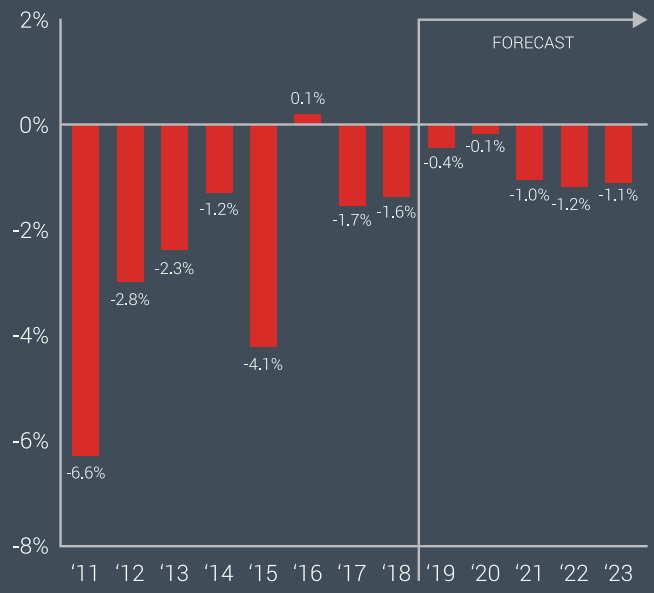
Year-Over-Year Nominal Change



Source: Statistics Canada

Drinking Place Sales

Year-Over-Year Real Change



Source: Statistics Canada and Restaurants Canada

Disruptors: The Signs That Tell You Where You Need to Go

Disruption is that rare thing you can actually rely on in foodservice. In the past ten years, we've witnessed:

- The rise of fast-casual, and breakfast as we've never seen breakfast before.
- Marketing turned on its ear by social media.
- The long-anticipated Home Meal Replacement business model morph overnight into something unexpected.
- Third-party delivery applications changing how people eat and making a bit of a mess of operations along the way.

What can you do about it?

Value Seeking – Millennials don't have the income or net worth their boomer parents had at that age. Try giving younger guests eating occasions that fit their budget. Breakfast is a fine way to dine out for less; ask anyone in BC, where brunch has always been an important daypart.

Have a look at your footprint and do some math. Is there a seat for everyone all the time and then some? If so, your model is probably too big and too expensive to build and needs a rethink. Restaurants make their best money when they are on a line-up. (Yes, millennials line up.) You can learn from the guy with a line on a Wednesday when you can shoot a cannon through the place next door.

Smartphones – Delivery apps have changed the way foodservice runs in more ways than perhaps are good for the industry. Give guests compelling reasons to dine in for the 'full experience'. Look at your economic formula on delivery; the call and the bike rider/driver cost money – in many cases, much more than the incremental cost of service for which the customer pays. If your model needs a significant beverage component and a healthy menu mix to make money, blasting your cheapest food items out the door may not be the best way to grow your business.

So Much for TV Ads – The dramatic change in how people get their entertainment has, in many ways, levelled the playing field for independents and smaller chains. Anyone on any budget can access food news and recommendations through social media and online reviews. TV, radio, and outdoor still have their place, but many consumers turn first to online resources. If your target customer is a millennial, you need to reach them where they are. FYI, they aren't on Facebook; that's for old folks.

- Hugh Johnston
Strategic and Financial Architect,
Hugh Johnston Strategy

Newfoundland & Labrador

Following three years of virtually no growth, commercial foodservice sales in Newfoundland and Labrador are projected to grow by a modest 2.4% in 2019 to $873 million.

The rebound is partially driven by improved economic conditions, and solid tourist spending is providing a boost to local industry. Quick-service restaurants are leading the way with the strongest gains following flat sales in 2018. In contrast, sales at full-service restaurants will moderate, resulting in flat sales in 2019.

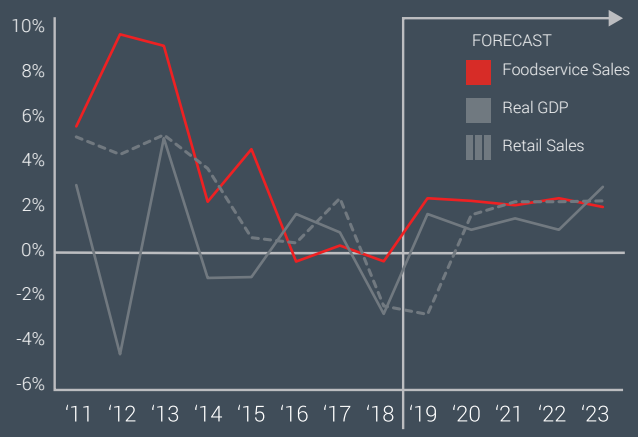
Increased commodity production and non-residential investment will boost the province's real GDP by 1.7% in 2019, the strongest expansion since 2016. Despite the improved economic performance, the province's labour market continues to struggle following the completion of several major construction projects and a downturn in the energy sector.

Overall employment is forecast to grow by 2,000 jobs (+0.9%), but even with this increase, employment will remain 15,000 jobs below its peak back in 2013. As a result of modest job growth, Newfoundland and Labrador is the only province where retail sales are forecast to decline (-2.7%) in 2019.

Down the road, softer real GDP growth and lower employment will restrain commercial foodservice sales growth to 2.3% in 2020. This rate is slightly above the 1.7% growth forecast for retail sales.

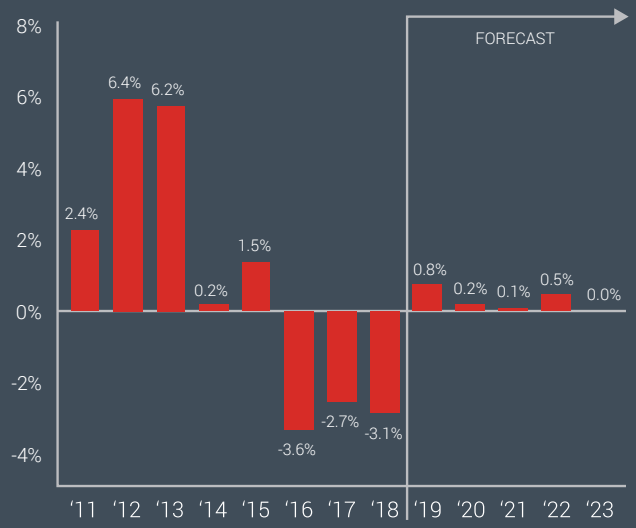
Over the long term, Newfoundland is forecast to have the weakest growth in commercial foodservice sales. In addition to muted economic activity, Newfoundland is projected to be the only province to see a decline in its population between 2019 and 2043. As a result, commercial foodservice sales in Newfoundland will grow by an average of 2.2% per year to 2023. However, a sharper decline in population would result in weaker foodservice sales, while stronger-than-expected economic growth would result in a healthy boost to foodservice spending.

Newfoundland & Labrador
Year-Over-Year Nominal Change



Source: Statistics Canada

Newfoundland & Labrador
Year-Over-Year Real Change



Source: Statistics Canada and Restaurants Canada

Prince Edward Island

In retrospect, the 2000s were a lost decade for Prince Edward Island's foodservice industry. Remarkably, nominal commercial foodservice sales were lower in 2009 than they were in 2000.

During that time, there were significant unit closures as the total number of foodservice establishments on the Island tumbled by 23% to a decade low of 317 units.

Between 2014 and 2019, commercial foodservice sales soared by an astonishing 42%, evidently having no place to go but up, a pace equalled only by British Columbia. Meanwhile, the number of locations in the province rebounded by 10% to 415. The dramatic turnaround in PEI is due to stronger economic growth and a significant increase in population. Prince Edward Island will once again lead the country with a 2.2% increase in population in 2019.

All of these factors translated into vigorous growth for commercial foodservice; sales are forecast to soar by an industry-leading 9.5% in 2019. Double-digit gains are leading growth at full-service restaurants and a surge in demand at quick-service restaurants.

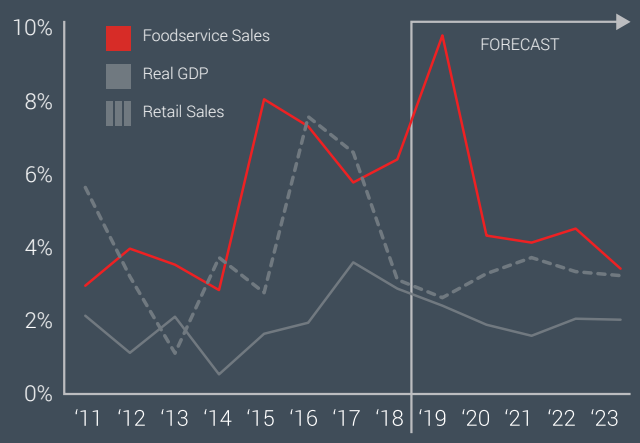
With real GDP expected to grow by 2.2% in 2019, Prince Edward Island will boast the second-fastest growing economy in the country. Manufacturing shipments and exports, along with a booming housing market, are leading the province's economic activity.

In 2020, foodservice sales are forecast to grow by an additional 4.1%. This growth will be supported by income tax relief, with an increase in the basic personal exemption and the low-income threshold.

A weaker-than-expected global economy or a recession may restrain tourism in the near term, but solid domestic spending will help prop up foodservice demand.

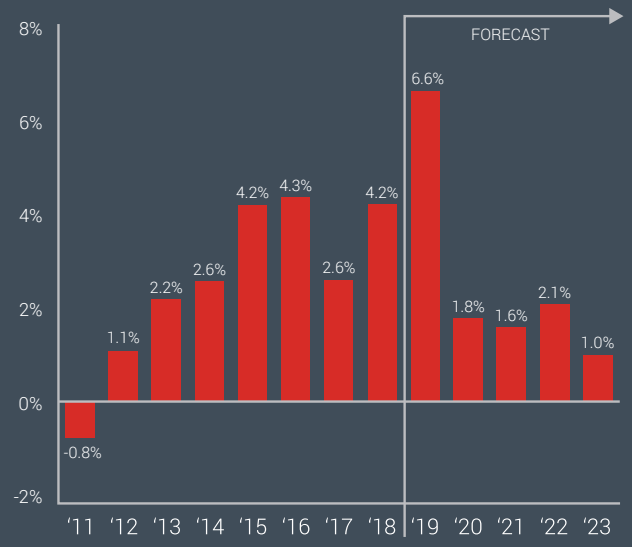
Over the next five years, Prince Edward Island will enjoy the fastest foodservice sales growth with average annual growth of 5.0%. Adjusted for menu inflation of 2.3%, real sales are forecast to grow by an average of 2.6% per year.

Prince Edward Island
Year-Over-Year Nominal Change



Source: Statistics Canada

Prince Edward Island
Year-Over-Year Real Change



Source: Statistics Canada and Restaurants Canada

Nova Scotia

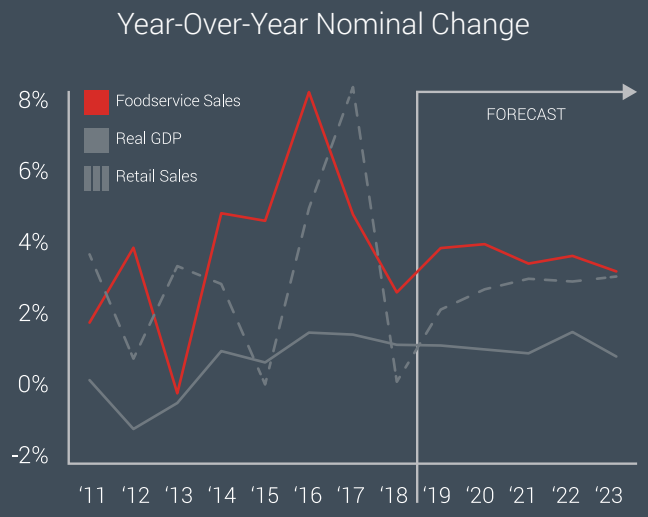
Solid population growth, spurred on by federal immigration targets, will help boost economic growth in Nova Scotia by a healthy 1.2% for 2019.

As a result, job creation will climb by 2.0% in 2019. In turn, this hike will push the unemployment rate down to 7.1%, the lowest unemployment rate Nova Scotia has seen in a generation. Strong home sales growth, large-scale shipbuilding in Halifax, and infrastructure spending on highway construction projects will all help support solid economic activity in 2019 and 2020.

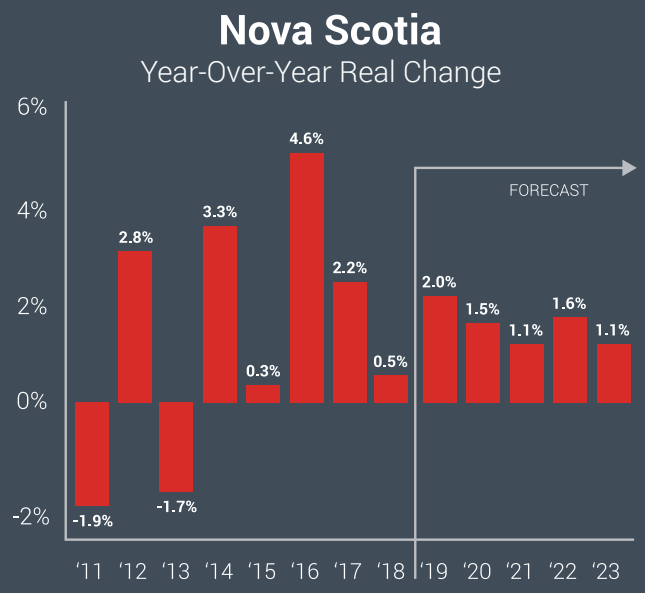
Given these sturdy economic underpinnings, commercial foodservice sales in Nova Scotia are forecast to improve to 3.7% growth in 2019. That's a nice uptick from 2018's modest 2.6%. Fuelling growth in 2019 are lively gains at quick-service restaurants and a rebound in caterer revenues. Full-service restaurants, however, will struggle for the second consecutive year despite an increase in total units.

Looking ahead to 2020, commercial foodservice sales are forecast to grow by an additional 3.8%. Support for this growth will come from a 1.1% expansion in real GDP and a 2.6% increase in retail sales. This sunny outlook for 2020, however, is clouded by economic uncertainty. A weaker-than-expected global economy, or a recession, would temporarily lead to lower exports and restrain international visitors. Such a turn-of-events will result in softer-than-expected foodservice sales growth.

Over the next five years, commercial foodservice sales growth is forecast to grow an average of 3.5% per year. While foodservice sales will benefit from an increase in the population, sales will be restrained somewhat by below-average economic and retail sales growth.



Source: Statistics Canada



Source: Statistics Canada and Restaurants Canada

New Brunswick

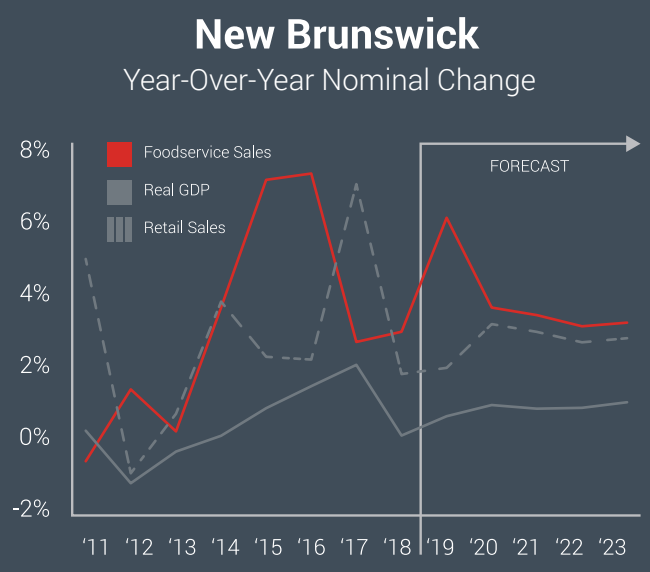
Following two consecutive years of subpar growth, foodservice sales are forecast to rebound in 2019 with a 5.9% surge in commercial foodservice sales.

All segments will participate in propelling overall spending, with drinking places and full-service restaurants leading the way. The healthy gains across all foodservice categories are occurring despite a decline in the number of restaurants, caterers and drinking places. As a result, New Brunswick boasts the strongest restaurant average unit volume growth, up 7% in the first six months of 2019 over the same period in 2018.

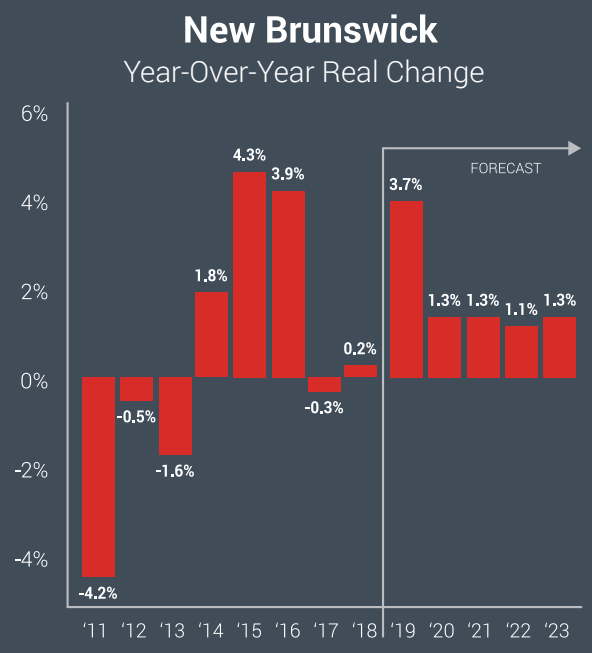
The rich gains in the foodservice industry are in sharp contrast to an economy showing very little growth. Indeed, New Brunswick will trail the rest of Canada with real GDP growth of just 0.6% in 2019. This result stems from lacklustre business investment and a weak manufacturing sector. Exports have also struggled. All of this has restrained job creation, which will grow by a paltry 0.9% in 2019.

Looking to 2020, rising home sales and a growing population will boost retail sales by 3.1%. As a result, foodservice sales will post an increase of 3.5% following a year of welcome gains.

Over the long term, New Brunswick will see continued population growth, bolstered by international migration. This growth will help support average annual foodservice sales growth of 3.8% per year over the next five years, on par with the forecasted national average.



Source: Statistics Canada



Source: Statistics Canada and Restaurants Canada

Quebec

Following average annual foodservice sales growth of 7.1% per year between 2016 and 2018, spending is projected to moderate to a more sustainable pace of 4.3% for 2019.

Overall commercial foodservice sales in the province are forecast to advance to a record $14.2 billion in 2019. While drinking places will boast another year of strong gains, spending slowed at restaurants and caterers in the first seven months of 2019. Some of the slowdowns are attributable to inclement weather in the first half of the year, but additionally, consumer spending is dissipating following an extended period of significant growth.

Quebec's economy is projected to lead the country with real GDP growth of 2.5% in 2019, with a booming housing market and meaningful gains in the service industries as the primary drivers of economic activity. As a result, total employment for all industries in Quebec will grow by a robust 1.8% in 2019, supporting a 2.2% increase in retail sales.

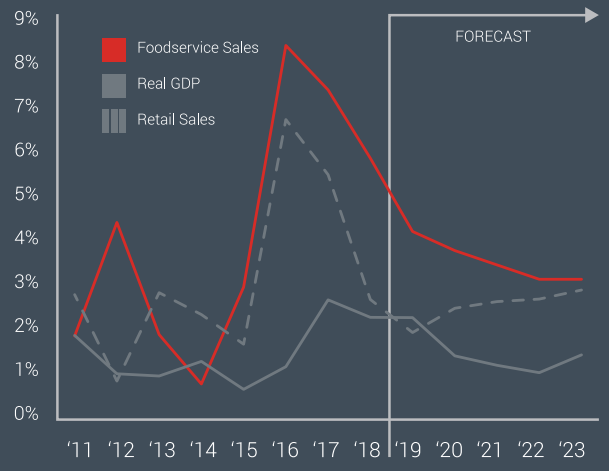
An active labour market has lowered Quebec's unemployment rate to its lowest level in a generation, reaching 4.8% in September 2019. Meanwhile, the youth unemployment rate has tumbled to below 10%. This combination of factors led to significant labour shortages for the foodservice industry, hindering expansion plans for some operators. In the second quarter of 2019, there were 13,400 job vacancies in Quebec's foodservice industry, a 20% jump over Q2 2018.

Softer economic growth in the United States and the Eurozone will restrain real GDP growth to 1.7% growth in 2020, while job creation is predicted to slow to 0.8% growth. As a result, foodservice sales are forecast to moderate to 3.9% in 2020.

Over the five-year forecast, Quebec will post average annual foodservice sales growth of 3.7% per year, a pace that is on par with the national average. Despite solid foodservice sales growth in 2019 and 2020, an aging population will restrain foodservice spending in 2022 and 2023.

Quebec

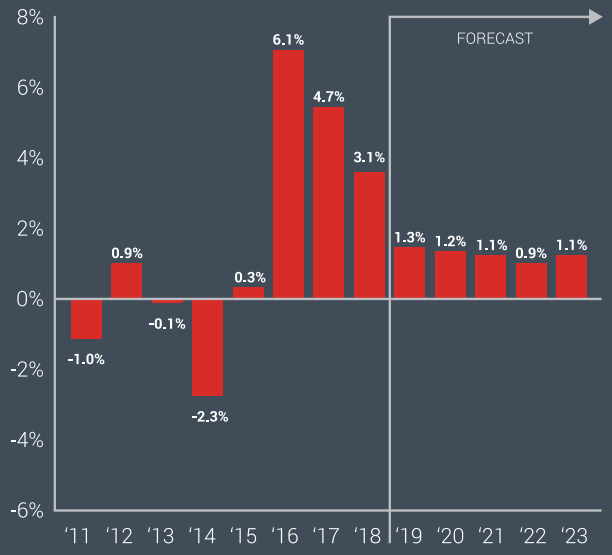
Year-Over-Year Nominal Change



Source: Statistics Canada

Quebec

Year-Over-Year Real Change



Source: Statistics Canada and Restaurants Canada

Ontario

Despite a sound labour market and strong population growth, commercial foodservice sales in Ontario are forecast to moderate to 3.4% growth in 2019.

A moderation in foodservice spending was not unexpected, given the vibrant gains over the past five years, when foodservice sales averaged 6.4% annual growth. Still, this is a noticeable slowdown from the 4.6% foodservice sales growth forecast for 2019 in last year's Foodservice Industry Forecast.

While inclement weather is partially responsible for the slower-than-expected demand in the first half of 2019, additionally, we see that consumer confidence weakened and the wealth-effect from rising housing prices, especially in the crucial Greater Toronto Area, slowed considerably. As a result, restaurants and caterers will post slower sales growth in 2019 than in 2018.

Although total foodservice sales are forecast to grow, real average unit volumes (adjusted for menu inflation and unit growth) will decline for the second consecutive year. In the first six months of 2019, real average unit volumes slipped by 0.8%, a sign of how challenging it is for foodservice operators even in a healthy economy.

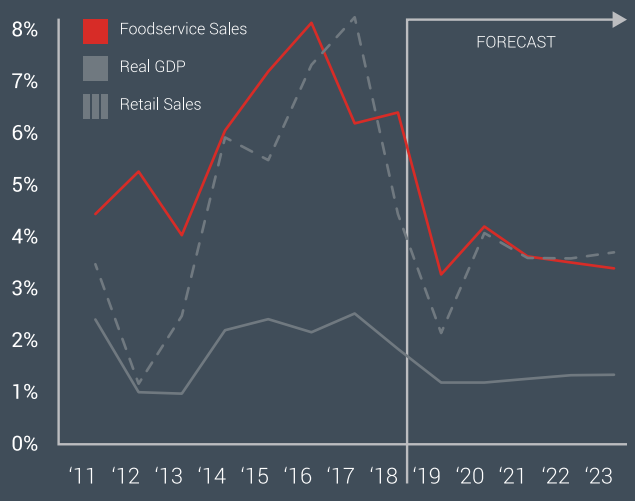
The slowdown in foodservice spending is not isolated to just the foodservice industry. Overall retail spending is projected to grow by only 2.4% in 2019, following average annual retail sales growth of 6.0% per year over the previous five years.

A rebound in consumer sentiment will boost retail sales by 4.1% in 2020, thanks to robust job growth in recent years, combined with solid economic activity. As a result, commercial foodservice sales are forecast to improve to 4.2% growth in 2020. This will make Ontario's foodservice industry growth second-fastest among the provinces in 2020.

Between 2019 and 2023, Ontario will benefit from a growing population and a healthy housing market. As a result, foodservice sales will grow by an average of 3.7% annually over the next five years.

Ontario

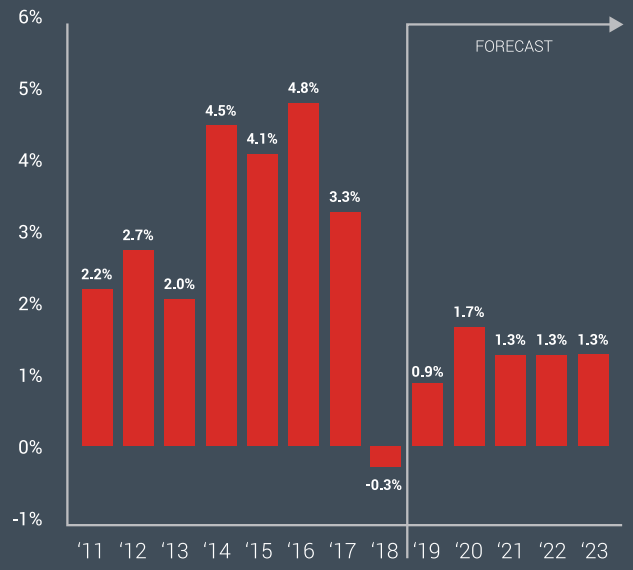
Year-Over-Year Nominal Change



Source: Statistics Canada

Ontario

Year-Over-Year Real Change



Source: Statistics Canada and Restaurants Canada

Manitoba

After a strong first quarter, commercial foodservice sales in Manitoba slowed sharply in the second quarter of 2019.

Modest job creation in the first half of the year, combined with lower non-residential investment due to the completion of several major construction projects are largely to blame for putting the brakes on foodservice. Despite strong growth in exports to the United States, trade restrictions have led to a sharp decline in exports to China.

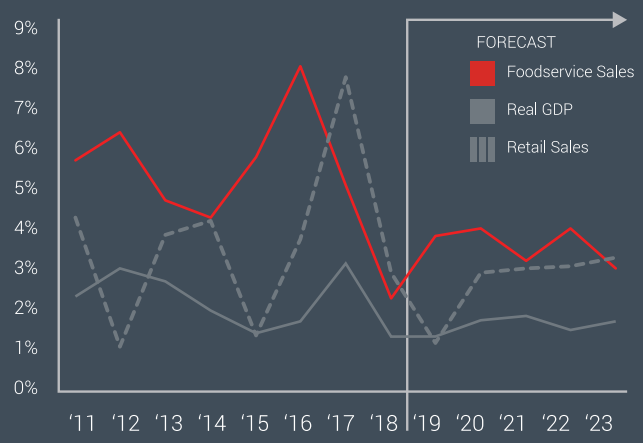
In light of these factors, commercial foodservice sales in Manitoba are forecast to grow by 3.8% in 2019, as healthy gains at restaurants offset modest revenue growth by caterers and a sharp decline in drinking place sales. Retail sales have experienced similar challenges, with spending projected to grow by a lacklustre 1.1% in 2019. Provincially, this is the second-weakest rate of growth in the country.

Looking ahead to 2020, Manitoba's economy is forecast to rebound with a 1.7% increase in GDP. Exports are expected to improve thanks to the New West Partnership, which will promote interprovincial trade. After solid gains in 2019, home sales are anticipated to strengthen again, thanks to low mortgage rates. This continued growth will help consumer spending rebound in 2020. As a result, commercial foodservice sales are forecast to grow by an additional 4.0% in 2020.

Manitoba will average 3.6% annual growth over the next five years, just below the national average. Although many global economic headwinds are pushing back in the near term, Manitoba's foodservice industry will continue to expand at a healthy pace thanks to solid macroeconomic fundamentals.

Manitoba

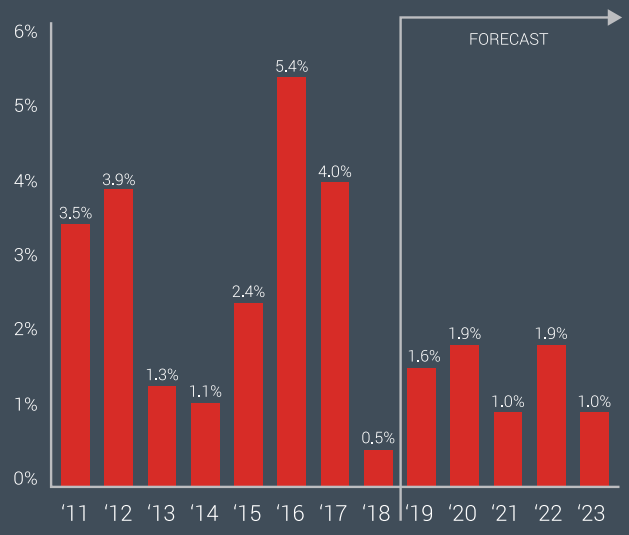
Year-Over-Year Nominal Change



Source: Statistics Canada

Manitoba

Year-Over-Year Real Change



Source: Statistics Canada and Restaurants Canada

Saskatchewan

Saskatchewan's economy is forecast to expand by a slim 0.7% in 2019 — tied with Alberta for the second-weakest growth in the country.

The slowdown is concentrated in the natural resources sector, where commodity production has struggled to regain a foothold. Lower uranium production, weak oil output, slumping agriculture prices, and trade uncertainty have weighed down exports.

Despite these economic challenges, Saskatchewan's labour market is forecast to rebound in 2019, following four lean years of little change. Total employment in Saskatchewan is expected to grow by 1.6% in 2019, the sharpest annual increase in the province since 2013. As a result, total retail spending is forecast to rebound with 2.1% growth in 2019, after contracting by 0.3% in 2018.

Commercial foodservice sales are therefore forecast to grow by a modest 2.1% in 2019. Although quick-service restaurants are expected to post solid gains, spending at full-service restaurants remains weak. Due to a struggling natural resource industry, caterer revenues are forecast to decline for the third consecutive year.

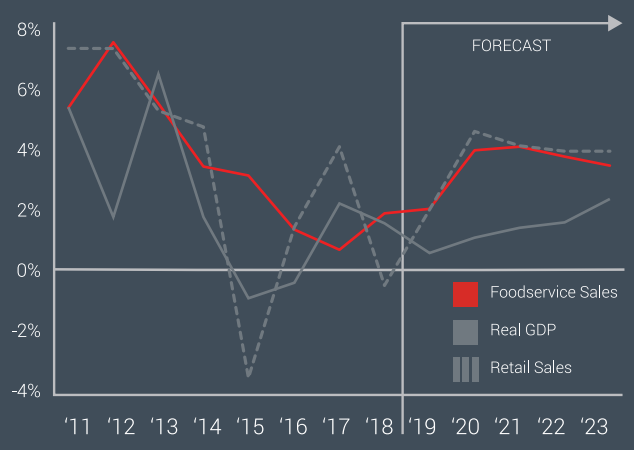
In 2020, an improvement in exports and rising home sales will boost Saskatchewan's real GDP by 1.2%. Pent-up consumer demand will tie Saskatchewan with Alberta for the lead in retail sales growth in 2020, climbing a healthy 4.6%. As a result, foodservice spending is forecast to advance by an additional 4.0%, surpassing the $2-billion mark.

It's been feast or famine for Saskatchewan's foodservice industry. Between 2006 and 2013, Saskatchewan boasted the fastest-growing foodservice industry in the country, with sales averaging 7.0% growth per year. Since then, Saskatchewan's foodservice industry has underperformed relative to the national average due to weak commodity prices and the introduction of the 6% meal tax in April 2017.

Between 2019 and 2023, Saskatchewan's foodservice industry is forecast to grow by an average of 3.5% growth per year. While a stronger pace than the previous five years, it's still not a return to the heady days of the late 2000s.

Saskatchewan

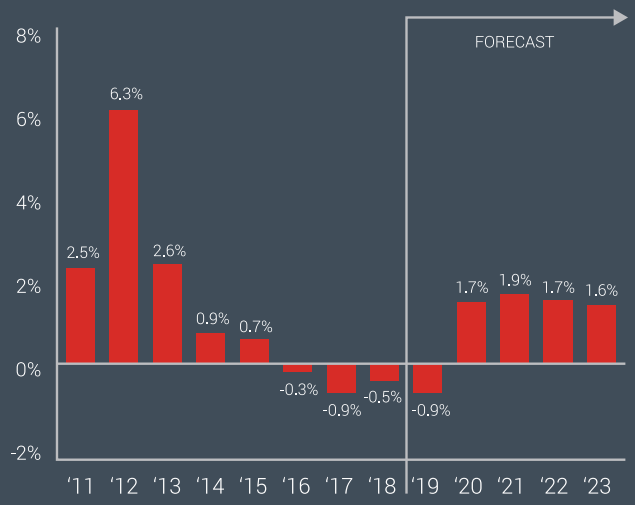
Year-Over-Year Nominal Change



Source: Statistics Canada

Saskatchewan

Year-Over-Year Real Change



Source: Statistics Canada and Restaurants Canada

Alberta

Commercial foodservice sales in Alberta are forecast to grow by a modest 2.1% in 2019, following a less than impressive 1.5% increase in 2018.

Despite the weak overall growth, there are encouraging signs that Alberta's foodservice industry is turning a corner.

Caterers are expected to generate double-digit gains after posting lower revenues in three of the past four years. Full-service restaurants will also post a modest rebound in sales after disappointing growth in 2018. In contrast, quick-service restaurants are expected to see relatively flat sales, while drinking places sales will decline for the second consecutive year.

The weak performance in the foodservice industry reflects a general malaise in Alberta's economy. The province's real GDP will show minute growth of just 0.7% in 2019 due to mandatory cuts in oil production. Uncertainty around oil pipeline proposals will also restrain capital spending. As a result, employment is forecast to grow by just 0.5% in 2019, and a moderately improved 0.9% in 2020.

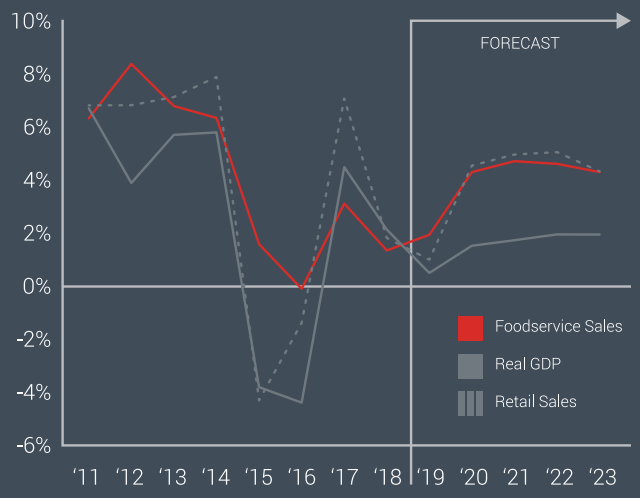
In 2020, newly unleashed demand for foodservice is forecast to boost sales by 4.4%. This pace is on par with the Conference Board of Canada's forecast for 4.6% retail sales growth. The increase in consumer spending will be supported by stronger economic activity, as real GDP is anticipated to expand by a healthy 1.7%. Alberta's population is also on the rebound, which will help boost consumer demand.

Between 2020 and 2023, commercial foodservice sales in Alberta are forecast to grow by an average of 4.6% per year, the strongest growth figures in the country over that period. In addition to rising incomes and a strong economy, the foodservice industry will benefit from flourishing population growth.

Statistics Canada is forecasting that Alberta will lead the country in population growth over the next 25 years as the province's population jumps from 4.3 million citizens in 2018 to anywhere between 6 million to 7.3 million by 2043.

Alberta

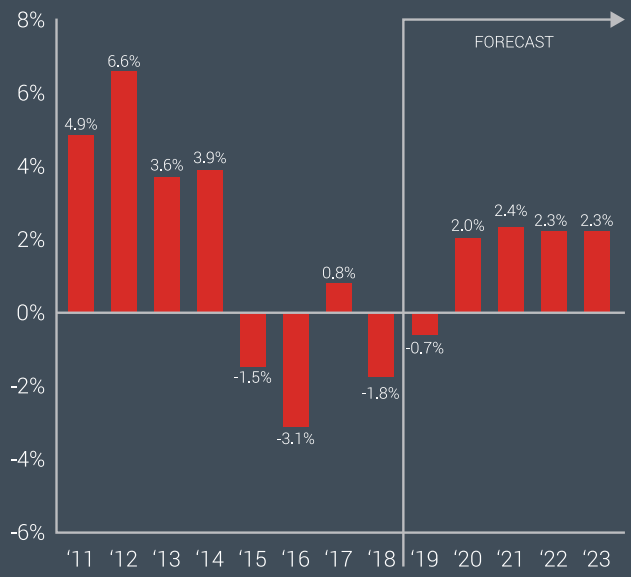
Year-Over-Year Nominal Change



Source: Statistics Canada

Alberta

Year-Over-Year Real Change



Source: Statistics Canada and Restaurants Canada

British Columbia

Between 2014 and 2018, British Columbia boasted an industry-leading 8.0% average annual foodservice sales growth rate.

Following this vibrant growth, last year's Foodservice Industry Forecast called for foodservice sales to moderate at a more sustainable pace in the coming years. Indeed, if British Columbia's foodservice industry keeps tracking as expected, foodservice sales are projected to grow by a respectable but greatly reduced 4.2% in 2019. All segments will see a slowdown in spending, but full- and quick-service restaurants will lead overall foodservice sales growth.

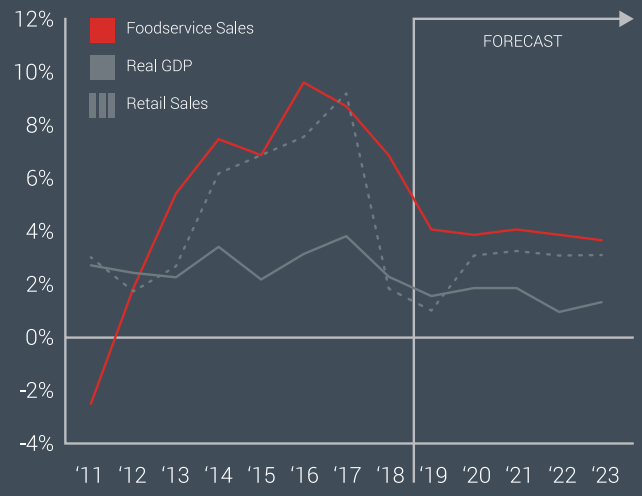
Despite the moderation in spending, British Columbia's foodservice industry continues to be driven by strong macroeconomic fundamentals. The province's economy is forecast to grow by 1.7% in 2019, thanks to non-residential construction and growth in high-tech services. Together, these factors have supported strong job creation (B.C. is forecast to lead the country with a 2.8% jump in employment) and wage growth.

The vibrant job market, however, pushed down the unemployment rate to an average of 4.7% in 2019. As a result, British Columbia has the highest vacancy rate for foodservice jobs in the country at 7.5%.

In 2020, a growing population, a strong economy, and rising household income will boost foodservice sales by an additional 4.0%. While a stronger-than-expected economy would lift foodservice sales, persistent global trade tensions could restrain exports, which would limit foodservice spending.

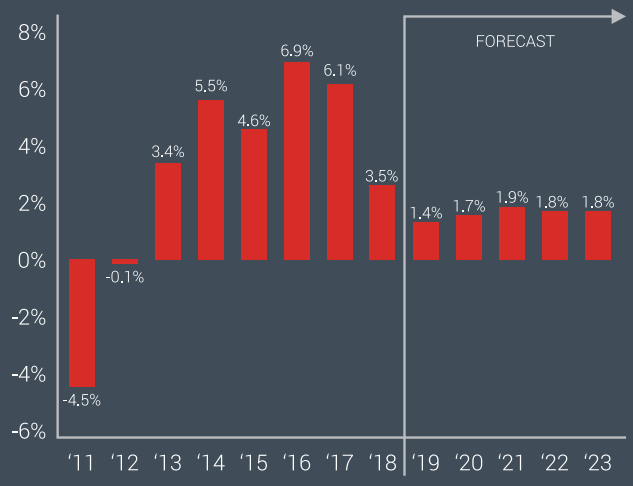
Over the next five years, British Columbia's foodservice industry is forecast to grow by a comfortable 4.0% per year as the province benefits from above-average economic and retail sales growth. As a result, British Columbia will remain one of the fastest-growing provinces in terms of foodservice spending.

British Columbia
Year-Over-Year Nominal Change



Source: Statistics Canada

British Columbia
Year-Over-Year Real Change



Source: Statistics Canada and Restaurants Canada

OK, Boomer: Is it Time to Move On from an Aging Demographic?

It may feel like Baby Boomers have always been and will always be the driving force behind the economy. But, as we know, nothing lasts forever. Here are some signs the boomers aren't booming so much anymore:

- The oldest is around 73, the peak year Boomer is 58, and the tail end Boomer is no spring chicken either.
- If they're not on a last push to save to retire, they're already out of the workforce or working reduced hours.
- Working women and time-starved lifestyles drove growth in foodservice before 2000. Today's boomers find themselves with lots of time on their hands.

Boomers aren't the dominant force they once were, and if they're your core guest, you'll have to adjust.

What can you do about it?

Evolution Demands you Evolve: Successful businesses re-invent themselves over time. With the boomer ride pretty much over, learn what appeals to younger guests and do more of it. Go see what other restaurants are doing, such as shared plates and family-style meals, and borrow with pride those things that will help you remake yourself to be relevant for a younger generation. But, don't forget, these more youthful customers are "broke" compared to their parents, so act accordingly.

Be a Follower: If your lease is coming up and you're in a gentrified trade area, it may be time to move on and open somewhere else. Malls and plazas with diminished relevance can die a slow and painful death, losing their traffic-driving power. Don't be afraid to sell out if you have to while the cash is still coming in the door. Open somewhere where you're not only relevant, but the population is growing.

Maximize your Opportunity: If your market is boomers and you have to stay put, it's time to get better at meeting the needs of older guests. Yesterday's tactics, like the 4:30 pm Early Bird Special, likely won't work. Turning down the background noise and making the environment welcoming for groups of older people to get together regularly, will. Find out what boomers, who now have time to cook, can't or don't know how to make at home. Look for opportunities to be 'their place' to see their friends and order the same thing every time, and love it every time.

- Hugh Johnston
Strategic and Financial Architect,
Hugh Johnston Strategy

Economic Summary

Based on historical trends, slower economic and disposable income growth coincides with a moderation in foodservice sales.

Following solid economic activity in 2017, and a slowdown in 2018, Canada's real GDP is forecast to continue its deceleration to 1.5% growth in 2019. Although we're enjoying the second-strongest growth among the G7 countries, Canada's economy is not completely sheltered from the effects of financial headwinds, both external and domestic.

From an external perspective, global trade tensions are weighing on Canada's export industries. The ongoing trade dispute between the United States and China has led to a Chinese moratorium of certain agricultural products. Lower commodity prices due to a weak global economy have also hindered exports in the natural resources industries.

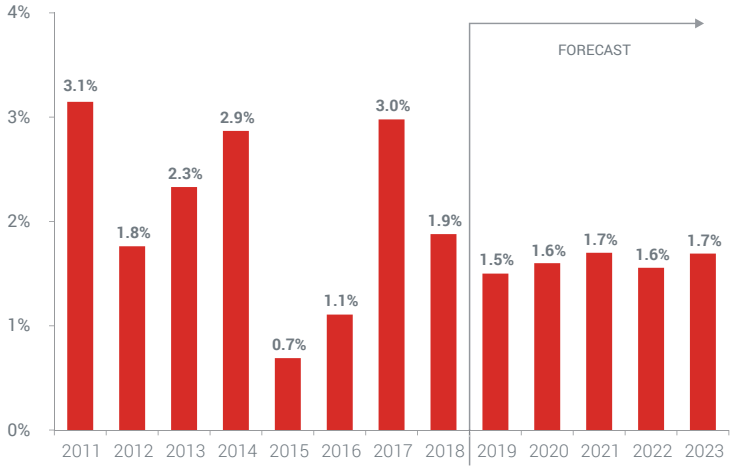
Global economic uncertainty and continued doubts around the new CUSMA free trade agreement have led to weaker-than-expected business investment in Canada.

Domestically, strained household finances remain a significant challenge to healthy consumer spending. Retail sales are forecast to grow by 1.9% in 2019, the weakest annual increase since 2009. With household debt at a record $2.2-trillion, consumers are worried about their financial security, particularly given growing concerns of an impending recession. A recent study by BDO Canada Ltd found that 53% of Canadian households live from paycheque to paycheque. The survey also found that one-third of Canadians have no retirement savings. These financial pressures have led many households to cut back on discretionary spending.

Despite these challenges, Canada's labour market remains strong. In 2019, employment is forecast to increase by a robust 381,000 jobs, representing a 2.0% year-over-year increase. Most of those jobs are in full-time employment. As a result, Canada's unemployment rate is expected to slip to an average of 5.6% in 2019.

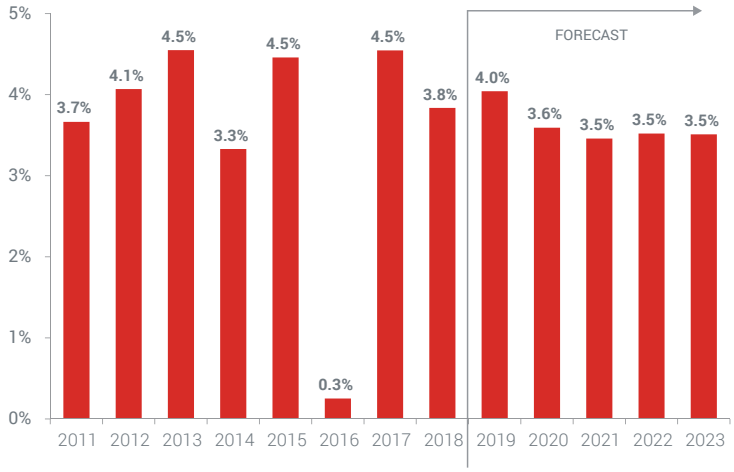
With strong labour market growth and low unemployment rates, several provinces are experiencing significant labour shortages. In fact, the foodservice industry accounts for one in 10 job vacancies in Canada.

Real GDP Growth - Canada
(Year-Over-Year Real Change)



Source: Statistics Canada and Restaurants Canada

Disposable Income Growth - Canada
(Year-Over-Year Real Change)



Source: Statistics Canada and Restaurants Canada

At the provincial level, Alberta and Saskatchewan will lead the country with a 4.6% rebound in retail sales in 2020 following several years of sluggish gains.

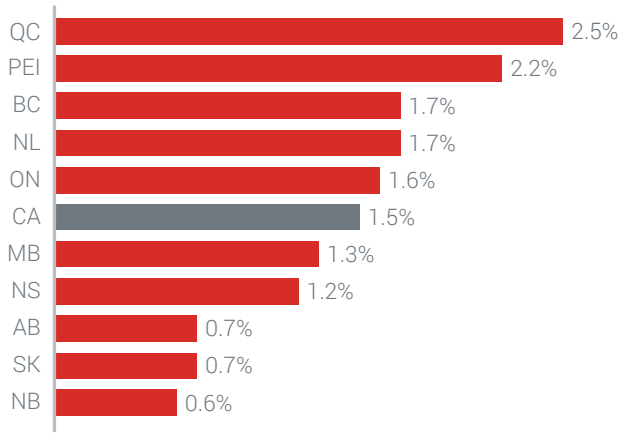
A strong labour market and growing population will boost retail sales in Ontario by 4.1% in 2020, compared to a 2.4% increase in 2019.

In 2020, British Columbia will boast the most robust provincial economy due to increased non-residential construction investment and a rebound in home sales. These boons will allow British Columbia to again post the lowest unemployment rate in the country, coming in at 4.7%.

Contrastingly, sluggish economic growth and demographic challenges will rein in economic activity and retail spending in Nova Scotia and Newfoundland & Labrador in 2020.

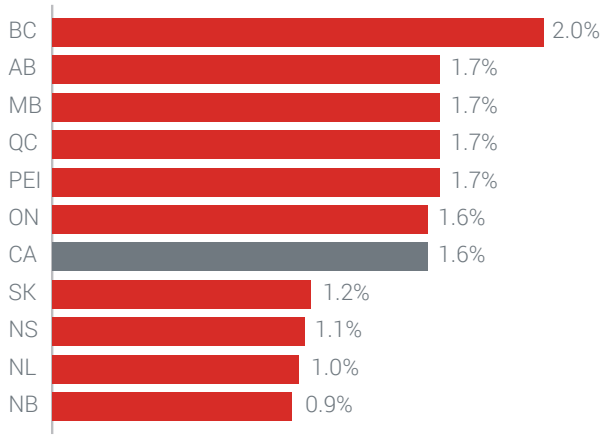
Looking ahead, there are many downside and upside risks to the economic outlook. Worsening global trade tensions or a global recession would lead to lower economic activity and weaker-than-expected consumer spending in Canada. However, a resolution to the trade tensions would boost business confidence, resulting in stronger economic growth, higher exports and a stronger-than-expected increase in consumer spending.

2019 Real GDP Growth by Province



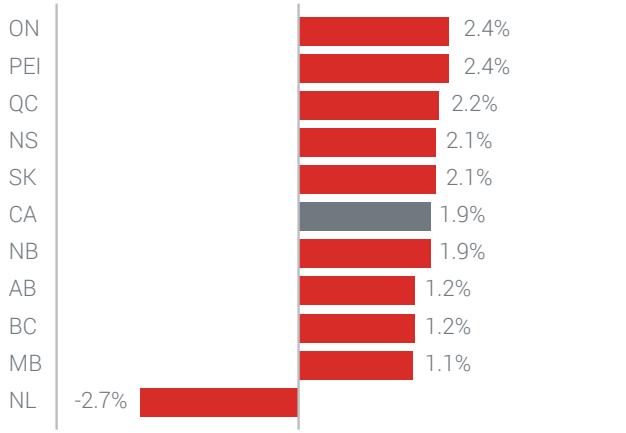
Source: TD Economics

2020 Real GDP Growth by Province



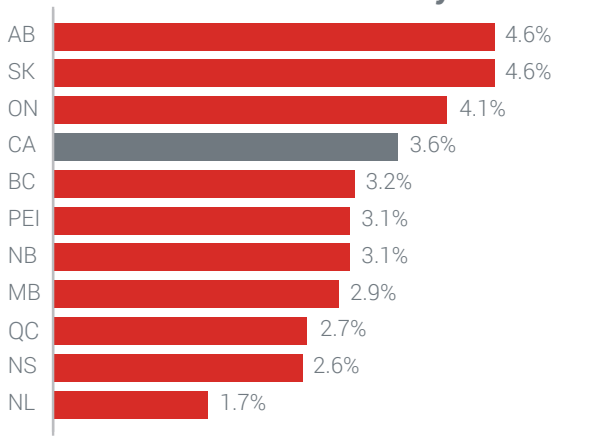
Source: TD Economics

2019 Retail Sales Growth by Province



Source: Conference Board of Canada

2020 Retail Sales Growth by Province



Source: Conference Board of Canada

Commercial Foodservice Sales

Canada

Millions of dollars

	2014	2015	2016	2017	2018	2019f	2020f	2021f	2022f	2023f	Average
Quick-service Restaurants	$25,216.3	$26,955.2	$28,854.3	$30,490.7	$31,989.7	$33,173.3	$34,566.6	$35,949.3	$37,351.3	$38,770.7	
% change	4.9%	6.9%	7.0%	5.7%	4.9%	3.7%	4.2%	4.0%	3.9%	3.8%	*3.9%*
Full-service Restaurants	$25,231.2	$26,325.8	$28,229.7	$30,186.1	$31,828.7	$32,942.7	$34,260.4	$35,528.0	$36,807.0	$38,132.2	
	5.4%	4.3%	7.2%	6.9%	5.4%	3.5%	4.0%	3.7%	3.6%	3.6%	*3.7%*
Caterers	$4,823.3	$4,990.3	$5,132.1	$5,350.4	$5,645.1	$5,882.2	$6,111.6	$6,362.2	$6,604.0	$6,815.3	
	5.5%	3.5%	2.8%	4.3%	5.5%	4.2%	3.9%	4.1%	3.8%	3.2%	*3.8%*
Drinking Places	$2,366.0	$2,331.0	$2,394.2	$2,413.7	$2,475.9	$2,530,4	$2,588.6	$2,622.2	$2,651.1	$2,680.2	
	0.8%	-1.5%	2.7%	0.8%	2.6%	2.2%	2.3%	1.3%	1.1%	1.1%	*1.6%*
Total Sales	$57,636.8	$60,602.4	$64,610.2	$68,440.9	$71,939.4	$74,528.6	$77,527.2	$80,461.7	$83,413.4	$86,398.3	
	5.0%	5.1%	6.6%	5.9%	5.1%	3.6%	4.0%	3.8%	3.7%	3.6%	*3.7%*
CPI-FAFH	1.352	1.389	1.425	1.462	1.524	1.564	1.601	1.638	1.676	1.713	
	2.0%	2.8%	2.6%	2.6%	4.2%	2.6%	2.4%	2.3%	2.3%	2.2%	*2.4%*
Real Sales (in 2002$)	$42,633.4	$43,622.4	$45.340.5	$46,811.6	$47,204.3	$47,664.0	$48,419.7	$49,122.6	$49,779.7	$50,451.1	
	3.0%	2.3%	3.9%	3.2%	0.8%	1.0%	1.6%	1.5%	1.3%	1.3%	*1.3%*
Retail Food Store Sales*	$117,986.4	$123,060.7	$128,150.7	$133,240.0	$136.970.8	$142,175.7	$147,009.7	$151,861.0	$157,024.3	$162,049.0	
	4.7%	4.3%	4.1%	4.0%	2.8%	3.8%	3.4%	3.3%	3.4%	3.2%	*3.4%*
Foodservice Share of Food Dollar**	37.9%	38.1%	38.6%	39.1%	39.6%	39.6%	39.7%	39.8%	39.8%	39.9%	*39.8%*
Real Per Capita Foodservice Sales (in 2018$)	$1,833	$1,862	$1,914	$1,952	$1,941	$1,933	$1,942	$1,949	$1,954	$1,958	*$1,947*

SOURCE: Restaurants Canada, Statistics Canada and Conference Board of Canada, TD Economics

p - preliminary; 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 3.5% for non-commercial foodservice sales.

Commercial Foodservice Sales

by Province

Millions of dollars

	2014	2015	2016	2017	2018	2019f	2020f	2021f	2022f	2023f	Average
CANADA	$57,636.8	$60,602.4	$64,610.2	$68,440.9	$71,939.4	$74,528.6	$77,527.2	$80,461.7	$83,413.4	$86,398.3	
% change	5.0%	5.1%	6.6%	5.9%	5.1%	3.6%	4.0%	3.8%	3.7%	3.6%	*3.7%*
Newfoundland & Labrador	$819.0	$856.4	$853.1	$855.9	$852.7	$873.2	$893.3	$912.0	$933.9	$952.6	
	2.2%	4.6%	-0.4%	0.3%	-0.4%	2.4%	2.3%	2.1%	2.4%	2.0%	*2.2%*
P.E.I.	$210.9	$227.3	$243.3	$256.8	$272.6	$298.5	$310.7	$322.8	$336.7	$347.5	
	2.6%	7.8%	7.1%	5.5%	6.2%	9.5%	4.1%	3.9%	4.3%	3.2%	*5.0%*
Nova Scotia	$1,381.5	$1,442.3	$1,553.3	$1,624.2	$1,665.8	$1,727.5	$1,793.1	$1,852.3	$1,917.1	$1,976.6	
	4.6%	4.4%	7.7%	4.6%	2.6%	3.7%	3.8%	3.3%	3.5%	3.1%	*3.5%*
New Brunswick	$1,012.7	$1,082.7	$1,159.4	$1,189.3	$1,223.3	$1,295.5	$1,340.8	$1,385.0	$1,426.6	$1,470.8	
	3.5%	6.9%	7.1%	2.6%	2.9%	5.9%	3.5%	3.3%	3.0%	3.1%	*3.8%*
Atlantic Region	$3,424.1	$3,608.7	$3,809.1	$3,926.3	$4,014.4	$4,194.6	$4,337.9	$4,472.2	$4,614.4	$4,747.5	
	3.6%	5.4%	5.6%	3.1%	2.2%	4.5%	3.4%	3.1%	3.2%	2.9%	*3.4%*
Quebec	$10,721.4	$11,057.8	$11,964.0	$12,833.0	$13,581.8	$14,165.8	$14,718.3	$15,248.2	$15,751.3	$16,271.1	
	1.1%	3.1%	8.2%	7.3%	5.8%	4.3%	3.9%	3.6%	3.3%	3.3%	*3.7%*
Ontario	$22,263.3	$23,772.1	$25,576.3	$27,089.0	$28,740.6	$29,717.8	$30,965.9	$32,111.7	$33,267.7	$34,432.1	
	5.8%	6.8%	7.6%	5.9%	6.1%	3.4%	4.2%	3.7%	3.6%	3.5%	*3.7%*
Manitoba	$1,694.8	$1,792.7	$1,937.2	$2,035.5	$2,081.2	$2,160.3	$2,246.7	$2,318.6	$2,411.4	$2,483.7	
	4.3%	5.8%	8.1%	5.1%	2.2%	3.8%	4.0%	3.2%	4.0%	3.0%	*3.6%*
Saskatchewan	$1,763.9	$1,819.9	$1,846.2	$1,861.0	$1,897.7	$1,937.6	$2,015.1	$2,097.7	$2,177.4	$2,253.6	
	3.5%	3.2%	1.4%	0.8%	2.0%	2.1%	4.0%	4.1%	3.8%	3.5%	*3.5%*
Alberta	$8,737.2	$8,890.5	$8,901.1	$9,190.1	$9,330.7	$9,526.6	$9,945.8	$10,423.2	$10,913.1	$11,393.3	
	6.4%	1.8%	0.1%	3.2%	1.5%	2.1%	4.4%	4.8%	4.7%	4.4%	*4.1%*
British Columbia	$8,875.8	$9,496.5	$10,420.0	$11,339.8	$12,131.6	$12,641.1	$13,146.8	$13,698.9	$14,246.9	$14,788.3	
	7.6%	7.0%	9.7%	8.8%	7.0%	4.2%	4.0%	4.2%	4.0%	3.8%	*4.0%*

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

Inflation for Food Away from Home (or Menu Inflation)

by Province

Millions of dollars

	2014	2015	2016	2017	2018	2019f	2020f	2021f	2022f	2023f	Average
CANADA	1.352	1.389	1.425	1.462	1.524	1.564	1.601	1.638	1.676	1.713	
% change	2.0%	2.8%	2.6%	2.6%	4.2%	2.6%	2.4%	2.3%	2.3%	2.2%	*2.4%*
Newfoundland & Labrador	1.428	1.471	1.520	1.568	1.611	1.637	1.671	1.705	1.737	1.772	
	2.1%	3.0%	3.3%	3.1%	2.8%	1.6%	2.1%	2.0%	1.9%	2.0%	*1.9%*
P.E.I.	1.314	1.360	1.395	1.435	1.462	1.501	1.536	1.571	1.606	1.641	
	0.1%	3.4%	2.6%	2.9%	1.9%	2.7%	2.3%	2.3%	2.2%	2.2%	*2.3%*
Nova Scotia	1.403	1.460	1.503	1.537	1.569	1.596	1.632	1.668	1.700	1.734	
	1.3%	4.1%	3.0%	2.3%	2.1%	1.7%	2.3%	2.2%	1.9%	2.0%	*2.0%*
New Brunswick	1.379	1.413	1.455	1.497	1.536	1.568	1.603	1.635	1.666	1.696	
	1.7%	2.5%	3.0%	2.9%	2.6%	2.1%	2.2%	2.0%	1.9%	1.8%	*2.0%*
Atlantic Region	1.395	1.441	1.485	1.524	1.560	1.589	1.625	1.659	1.691	1.724	
	1.5%	3.3%	3.0%	2.7%	2.4%	1.9%	2.1%	2.2%	1.9%	2.0%	*2.0%*
Quebec	1.392	1.431	1.460	1.496	1.536	1.582	1.625	1.666	1.706	1.743	
	3.5%	2.8%	2.0%	2.5%	2.7%	3.0%	2.7%	2.5%	2.4%	2.2%	*2.6%*
Ontario	1.331	1.366	1.402	1.438	1.531	1.569	1.608	1.647	1.684	1.722	
	1.3%	2.6%	2.7%	2.6%	6.4%	2.5%	2.5%	2.4%	2.3%	2.2%	*2.4%*
Manitoba	1.407	1.453	1.490	1.506	1.532	1.566	1.599	1.634	1.668	1.702	
	3.1%	3.3%	2.6%	1.0%	1.7%	2.2%	2.1%	2.2%	2.1%	2.0%	*2.1%*
Saskatchewan	1.399	1.434	1.458	1.483	1.520	1.566	1.602	1.637	1.671	1.703	
	2.6%	2.5%	1.7%	1.7%	2.5%	3.0%	2.3%	2.2%	2.1%	1.9%	*2.3%*
Alberta	1.356	1.401	1.447	1.483	1.534	1.577	1.614	1.651	1.689	1.725	
	2.3%	3.3%	3.3%	2.5%	3.4%	2.8%	2.4%	2.3%	2.3%	2.1%	*2.4%*
British Columbia	1.314	1.344	1.379	1.414	1.461	1.502	1.537	1.572	1.606	1.638	
	2.0%	2.3%	2.6%	2.5%	3.4%	2.8%	2.3%	2.3%	2.1%	2.0%	*2.3%*

SOURCE: Restaurants Canada, Statistics Canada and Conference Board of Canada
* Inflation rates exclude the impact of changes in the Harmonized Sales Tax.

Real Commercial Foodservice Sales (Adjusted for Inflation)

by Province

Millions of dollars

	2014	2015	2016	2017	2018	2019f	2020f	2021f	2022f	2023f	Average
CANADA	$42,633.4	$43,622.4	$45,340.5	$46,818.5	$47,209.5	$47,664.0	$48,419.7	$49,122.6	$49,779.7	$50,451.1	
% change	3.0%	2.3%	3.9%	3.3%	0.8%	1.0%	1.6%	1.5%	1.3%	1.3%	*1.3%*
Newfoundland & Labrador	$573.5	$582.1	$561.3	$546.0	$529.2	$533.4	$534.4	$534.9	$537.6	$537.6	
	0.2%	1.5%	-3.6%	-2.7%	-3.1%	0.8%	0.2%	0.1%	0.5%	0.0%	*0.3%*
P.E.I.	$160.5	$167.2	$174.4	$178.9	$186.5	$198.8	$202.3	$205.5	$209.7	$211.7	
	2.6%	4.2%	4.3%	2.6%	4.2%	6.6%	1.8%	1.6%	2.1%	1.0%	*2.6%*
Nova Scotia	$984.7	$987.9	$1,033.4	$1,056.5	$1,061.7	$1,082.6	$1,098.5	$1,110.3	$1,127.7	$1,139.9	
	3.3%	0.3%	4.6%	2.2%	0.5%	2.0%	1.5%	1.1%	1.6%	1.1%	*1.4%*
New Brunswick	$734.6	$766.5	$796.8	$794.3	$796.3	$826.0	$836.5	$847.1	$856.3	$867.2	
	1.8%	4.3%	3.9%	-0.3%	0.2%	3.7%	1.3%	1.3%	1.1%	1.3%	*1.7%*
Atlantic Region	$2,454.9	$2503.9	$2,565.7	$2,575.7	$2,573.0	$2,639.0	$2,669.6	$2,695.5	$2,728.7	$2,753.7	
	2.1%	2.0%	2.5%	0.4%	-0.1%	2.6%	1.2%	1.0%	1.2%	0.9%	*1.4%*
Quebec	$7,703.1	$7,725.5	$8,193.1	$8,575.8	$8,840.4	$8,952.0	$9,056.6	$9,153.8	$9,234.2	$9,333.6	
	2.3%	0.3%	6.1%	4.7%	3.1%	1.3%	1.2%	1.1%	0.9%	1.1%	*1.1%*
Ontario	$16,724.6	$17,405.9	$18,238.4	$18,833.6	$18,778.6	$18,943.5	$19,257.6	$19,502.1	$19,750.0	$20,001.2	
	4.5%	4.1%	4.8%	3.3%	-0.3%	0.9%	1.7%	1.3%	1.3%	1.3%	*1.3%*
Manitoba	$1,204.6	$1,233.6	$1,299.9	$1,351.8	$1,358.4	$1,379.7	$1,405.4	$1,419.1	$1,445.5	$1,459.7	
	1.1%	2.4%	5.4%	4.0%	0.5%	1.6%	1.9%	1.0%	1.9%	1.0%	*1.4%*
Saskatchewan	$1,260.8	$1,269.5	$1,266.2	$1,255.0	$1,248.5	$1,237.6	$1,258.2	$1,281.6	$1,302.9	$1,323.4	
	0.9%	0.7%	-0.3%	-0.9%	-0.5%	-0.9%	1.7%	1.9%	1.7%	1.6%	*1.2%*
Alberta	$6,442.9	$6,345.5	$6151.8	$6,198.4	$6,084.2	$6,042.8	$6,160.8	$6,311.4	$6,459.5	$6,605.0	
	3.9%	-1.5%	-3.1%	0.8%	-1.8%	-0.7%	2.0%	2.4%	2.3%	2.3%	*1.7%*
British Columbia	$6,756.4	$7,066.4	$7,557.0	$8,021.3	$8,301.9	$8,415.0	$8,554.8	$8.713.7	$8,872.4	$9,028,9	
	5.5%	4.6%	6.9%	6.1%	3.5%	1.4%	1.7%	1.9%	1.8%	1.8%	*1.7%*

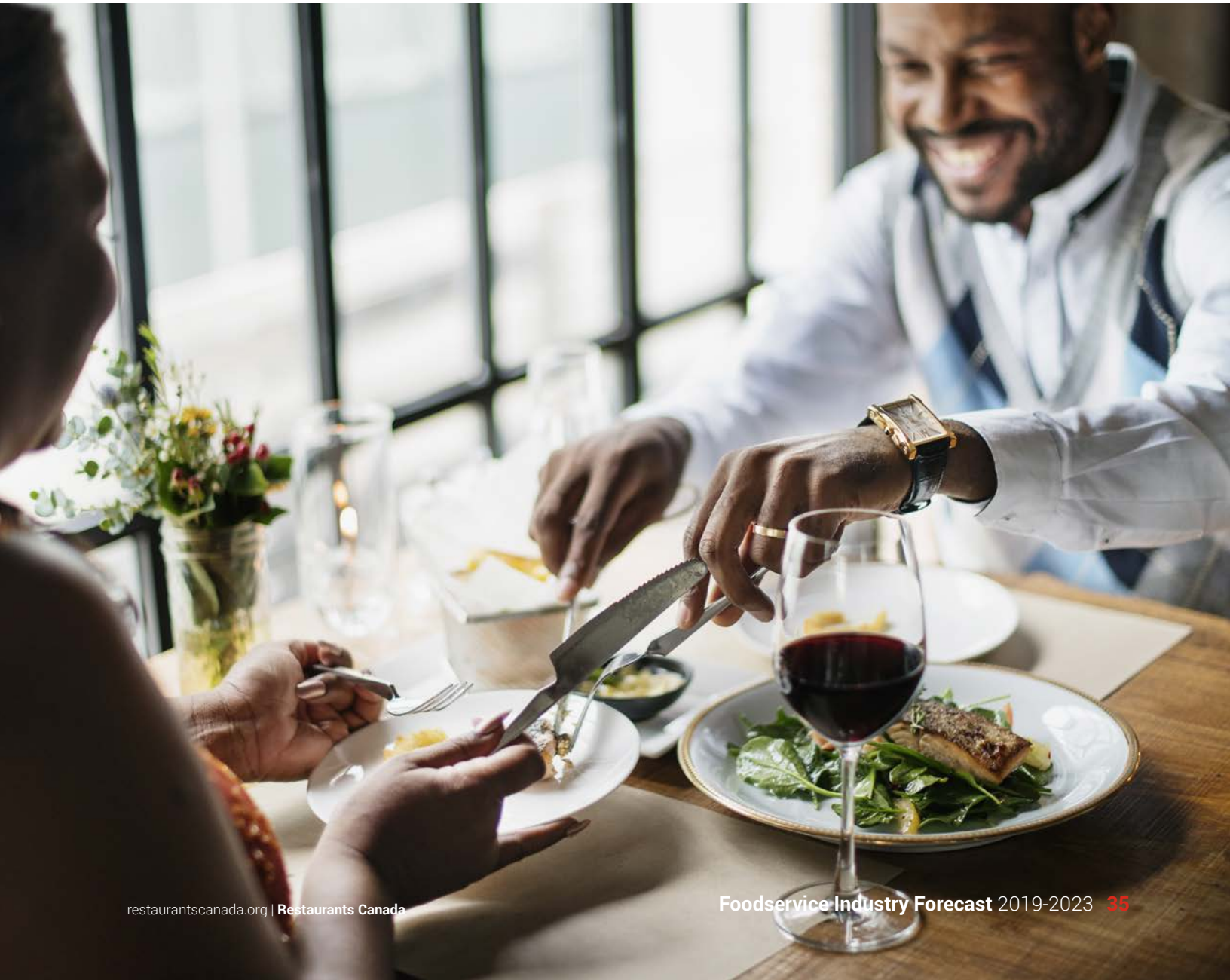
SOURCE: Restaurants Canada, Statistics Canada and Conference Board of Canada

Economic Forecasts (Year-Over-Year Growth)

Canada

	2014	2015	2016	2017	2018	2019f	2020f	2021f	2022f	2023f	Average
Real GDP	2.9%	0.7%	1.1%	3.0%	1.9%	1.5%	1.6%	1.7%	1.6%	1.7%	*1.6%*
Disposable Income	3.3%	4.5%	0.3%	4.5%	3.8%	4.0%	3.6%	3.5%	3.5%	3.5%	*3.6%*
Employment	0.6%	0.9%	0.7%	1.9%	1.3%	2.1%	1.1%	1.0%	1.0%	1.0%	*1.2%*
Unemployment Rate*	6.9%	6.9%	7.0%	6.3%	5.8%	5.6%	5.5%	5.5%	5.4%	5.4%	*5.5%*
Exchange Rate (USD per CAD)*	$0.91	$0.78	$0.75	$0.77	$0.77	$0.76	$0.77	$0.78	$0.79	$0.79	*$0.78*
Retail Sales	5.1%	2.6%	5.2%	7.1%	2.9%	1.9%	3.6%	3.6%	3.6%	3.6%	*3.2%*
Consumer Price Index*	1.9%	1.1%	1.4%	1.6%	2.2%	1.9%	2.1%	2.0%	2.0%	2.0%	*2.0%*
Real GDP - United States	2.5%	2.9%	1.6%	2.2%	2.9%	2.6%	2.1%	2.1%	2.2%	2.1%	*2.2%*

SOURCE: TD Economics and Conference Board of Canada
* Refers to actual levels.



Restaurants Canada

The voice of foodservice | La voix des services alimentaires

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