

RESEARCH

Quarterly Forecast

Q1 2021





Highlights

- Annual foodservice sales in 2021 are forecast to be \$61.1 billion. While this represents a 10.4% increase over the \$55.4 billion in sales of 2020, sales will remain 20.6% below 2019 levels.
- By the fourth quarter of 2021, quick-service restaurants are forecast to nearly return to pre-COVID levels, down just 2% compared to Q4 2019.
- Following a 37.3% year-over-year decline in 2020, full-service restaurants are forecast to show a modest improvement in 2021 with a 10.8% increase in sales to \$23.8 billion. This still represents a \$10 billion decline relative to 2019.
- Compared to 2019 levels, full-service restaurant sales are forecast to be down by 40% in Q2 2021. Pent-up demand and fewer restrictions, however, will result in a 14% decline by the fourth quarter of 2021.
- Revenues at caterers and drinking places are forecast to improve in the second half of 2021 as the economy reopens and containment measures are lowered. Still, annual drinking place sales in 2021 will remain 44.7% below 2019 levels, while caterer revenues will remain 38.4% below 2019 levels.
- In 2022, annual commercial foodservice sales are forecast to grow by an additional 24.2% up to \$75.9 billion. This will be just 1.4% below 2019 levels (\$77 billion).



What a difference a few months can make.

When we issued our last Quarterly Forecast report earlier this year, the main assumption at the time was the second wave would subside early in 2021 and the number of cases would steadily decrease with the vaccination rollout. This would lead to a steady improvement in foodservice sales starting in Q2 2021.

The rise of the variants, however, and a slower-than-expected vaccination rollout, have led to a devastating third wave. As a result, another round of strict lockdown measures have been implemented across several regions in Canada.

Thus, Restaurants Canada has revised its outlook for the first half of 2021. While there was little change to the Q1 2021 projection (since we still do not have the March 2021 data), the biggest adjustment to our outlook is for Q2 2021.

In our initial forecast, we were expecting commercial foodservice sales in Canada to be nearly \$12.5 billion in Q1 2021, which is 27% below Q1 2019 levels. In that forecast, quick-service restaurant sales were anticipated to be down by 8% compared to Q1 2019 levels, while sales at full-service restaurants would down by 39%. By comparison, caterers and drinking places were originally expected to see declines of just over 50% compared to Q1 2019.

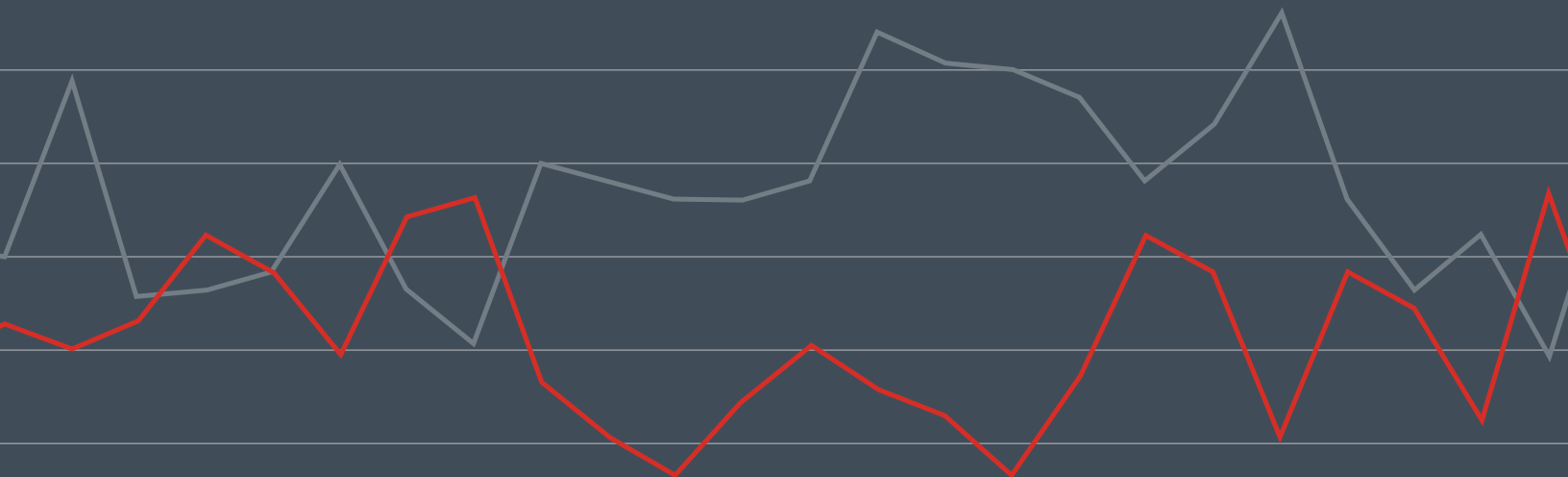
Our new forecast for Q1 2021 revises total sales down to \$11.6 billion, representing a 32% decline relative to Q1 2019. While there is little change to our forecast for quick-service restaurants, we have lowered our outlook for full-service restaurants, which will now have sales 48% below Q1 2019 instead of 39%. This adjustment to the forecast reflects the continued ban of dine-in services in many parts of the country. Currently, we are forecasting revenues at caterers and drinking places could fall by 54% and 70% respectively in Q1 2021 compared to Q1 2019.

The biggest change to our forecast effects the second quarter of 2021. Due to the devastating third wave and subsequent shutdown of on-premise dining/patios in many parts of the country, Restaurants Canada is now forecasting foodservice sales of \$14.4 billion in Q2, down from \$16.5 billion. As a result, quarterly foodservice sales are forecast to remain 27% below Q2 2019 levels instead of 16% below.

Once again, there is little change to our forecast for quick-service restaurants, which are forecast to remain 6% below Q2 2019 levels (our original forecast was 4% below). In contrast, the closure of on-premise dining and the delay in opening patios has lowered our outlook for full-service restaurants to 40% below Q2 2019 levels (original forecast was 23% below).

Drinking places are forecast to be the hardest hit segment as sales are now forecast to be 62% below Q2 2019 levels, while caterer revenues are forecast to be 49% below.

While Restaurants Canada does not have sales forecast by month, the expectation is that April and May will show the weakness we saw in the first quarter of 2021, but that sales will improve in June with the warmer weather, patios reopening and a reduction in stay-at-home restrictions.



2021 Foodservice Sales Forecast

Commercial foodservice sales in Canada will improve significantly in the second half of 2021 due to an expected decline in the number of cases, the reopening of patios and pent-up consumer demand. In Q3, commercial foodservice sales are forecast to grow to nearly \$17.4 billion, representing an 8.3% increase compared to Q3 2020 (but will still remain 16% below Q3 2019 levels). Fourth quarter sales are forecast to be \$17.7 billion – a 30.4% surge compared to Q4 2020 but still 9% below 2019 levels. By Q4 2021, most Canadians will be fully vaccinated, which will reduce the number of containment measures and help boost foodservice sales. Business dining is also expected to improve in Q4.

By the fourth quarter of 2021, quick-service restaurants are forecast to nearly return to pre-COVID levels, down just 2% compared to Q4 2019.

Overall, annual foodservice sales in 2021 are forecast to be \$61.1 billion. While this represents a 10.4% increase over the \$55.4 billion in sales of 2020, sales will remain 20.6% below 2019 levels.

In 2022, annual commercial foodservice sales are forecast to grow by an additional 24.2% up to \$75.9 billion. This will be just 1.4% below 2019 levels (\$77 billion). Over the course of 2022, commercial foodservice sales will steadily improve across all segments. Of note, full-service restaurants are expected to surpass quick-service restaurants in quarterly sales for the first time since Q4 2019.

Forecasting Assumptions

Understandably, there is a tremendous amount of uncertainty when forecasting during a pandemic. The trajectory of the recovery in foodservice sales will vary not only by segment and by province, but also by city and even within cities (downtown core versus suburbs). Foodservice businesses in downtown cores rely more on business and tourism spending than in the suburban and rural areas, and these areas could take the longest to recover. The OECD estimates that international tourism will not return to pre-COVID-19 levels before 2024. Meanwhile, there are estimates that 25% to 30% of the workforce will be working-from-home multiple days a week by the end of 2021. As a result, annual foodservice sales won't return back to pre-COVID levels until 2023.

There are a number of upside and downside risks to the forecast. Greater-than-expected pent-up consumer demand and rebound in tourism and business dining would lead to a faster recovery in foodservice sales. However, a fourth or fifth wave, continued stringent lockdown measures, or weak consumer spending would lead to a slower recovery in foodservice sales.



(sales in millions of dollars)

	2019.1	2019.2	2019.3	2019.4	2020.1	2020.2	2020.3	2020.4	2021.1	2021.2	2021.3	2021.4	2022.1	2022.2	2022.3	2022.4
Quick-service Restaurants	\$7,487.0	\$8,655.5	\$9,054.6	\$8,537.8	\$7,056.7	\$6,308.8	\$8,252.8	\$7,563.6	\$6,819.0	\$8,101.3	\$8,668.8	\$8,357.9	\$7,601.9	\$8,824.7	\$9,273.7	\$8,810.9
year-over-year change	4.6%	4.9%	4.0%	4.2%	-5.7%	-27.1%	-8.9%	-11.4%	-3.4%	28.4%	5.0%	10.5%	11.5%	8.9%	7.0%	5.4%
change in sales relative to 2019									-9%	-6%	-4%	-2%	2%	2%	2%	3%
Full-service Restaurants	\$7,586.2	\$8,718.9	\$9,325.1	\$8,659.5	\$6,551.5	\$3,291.7	\$6,666.7	\$4,989.2	\$3,957.0	\$5,222.1	\$7,211.2	\$7,422.5	\$6,924.4	\$8,316.1	\$9,063.9	\$8,827.0
year-over-year change	5.3%	5.3%	4.3%	4.5%	-13.6%	-62.2%	-28.5%	-42.4%	-39.6%	58.6%	8.2%	48.8%	75.0%	59.2%	25.7%	18.9%
change in sales relative to 2019									-48%	-40%	-23%	-14%	-9%	-5%	-3%	2%
Caterers	\$1,394.1	\$1,577.8	\$1,600.3	\$1,734.8	\$1,287.0	\$520.2	\$695.3	\$775.1	\$637.0	\$806.7	\$997.1	\$1,443.1	\$1,162.8	\$1,447.1	\$1,525.2	\$1,686.5
year-over-year change	5.9%	6.1%	6.0%	6.1%	-7.7%	-67.0%	-56.6%	-55.3%	-50.5%	55.1%	43.4%	86.2%	82.5%	79.4%	53.0%	16.9%
change in sales relative to 2019									-54%	-49%	-38%	-17%	-17%	-8%	-5%	-3%
Drinking Places	\$623.5	\$695.2	\$714.9	\$660.7	\$491.8	\$187.0	\$439.5	\$285.3	\$188.9	\$265.1	\$509.0	\$528.2	\$525.4	\$623.5	\$682.3	\$635.5
year-over-year change	-1.0%	-1.7%	-4.3%	-5.2%	-21.1%	-73.1%	-38.5%	-56.8%	-61.6%	41.8%	15.8%	85.2%	178.1%	135.2%	34.0%	20.3%
change in sales relative to 2019									-70%	-62%	-29%	-20%	-16%	-10%	-5%	-4%
Total Sales	\$17,090.8	\$19,647.3	\$20,694.8	\$19,592.8	\$15,386.9	\$10,307.7	\$16,054.2	\$13,613.1	\$11,601.9	\$14,395.3	\$17,386.0	\$17,751.7	\$16,214.5	\$19,211.4	\$20,545.1	\$19,959.9
year-over-year change	4.8%	4.9%	4.0%	4.1%	-10.0%	-47.5%	-22.4%	-30.5%	-24.6%	39.7%	8.3%	30.4%	39.8%	33.5%	18.2%	12.4%
change in sales relative to 2019									-32%	-27%	-16%	-9%	-5%	-2%	-1%	2%
CPI-FAFH	1.549	1.560	1.572	1.580	1.582	1.593	1.606	1.616	1.627	1.640	1.659	1.677	1.690	1.703	1.719	1.737
	3.0%	2.6%	2.7%	2.6%	2.1%	2.1%	2.1%	2.3%	2.8%	2.9%	3.3%	3.8%	3.9%	3.9%	3.6%	3.6%
Real Sales	\$11,033.4	\$12,594.4	\$13,161.9	\$12,400.5	\$9,726.3	\$6,469.2	\$9,996.4	\$8,425.7	\$7,130.9	\$8,780.1	\$10,479.8	\$10,585.0	\$9,591.8	\$11,277.7	\$11,953.7	\$11,488.1
	1.8%	2.3%	1.2%	1.4%	-11.8%	-48.6%	-24.1%	-32.1%	-26.7%	35.7%	4.8%	25.6%	34.5%	28.4%	14.1%	8.5%
Real GDP²	0.4%	4.3%	1.8%	0.4%	-7.5%	-38.5%	40.6%	9.6%	2.6%	4.0%	8.6%	6.7%	4.7%	0.6%	1.3%	0.4%
Pers. Disp. Income	2.6%	4.0%	4.5%	4.2%	5.6%	16.2%	10.3%	7.7%	3.9%	-7.2%	-1.8%	-1.3%	1.3%	2.1%	1.6%	2.9%
Retail Sales	1.6%	1.2%	1.1%	0.9%	-0.8%	-14.9%	4.2%	5.9%	4.1%	23.2%	0.9%	0.1%	4.5%	3.1%	3.0%	3.2%
Unemployment Rate³	5.9%	5.6%	5.7%	5.7%	6.4%	13.1%	10.1%	8.8%	8.6%	8.2%	7.6%	7.0%	6.6%	6.4%	6.3%	6.2%
Inflation³	1.6%	2.1%	1.9%	2.1%	1.8%	0.0%	0.3%	0.8%	1.6%	2.7%	2.5%	2.6%	2.1%	2.0%	2.0%	2.1%

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.

	2019	2020	2021	2022	Relative to 2019	
					2021	2022
Quick-service Restaurants	\$33,734.8	\$29,181.9	\$31,947.0	\$34,511.2		
year-over-year change	4.4%	-13.5%	9.5%	8.0%		
change in sales relative to 2019					-5.3%	2.3%
Full-service Restaurants	\$34,289.7	\$21,499.0	\$23,812.8	\$33,131.5		
year-over-year change	4.8%	-37.3%	10.8%	39.1%		
change in sales relative to 2019					-30.6%	-3.4%
Caterers	\$6,306.9	\$3,277.5	\$3,883.9	\$5,821.6		
year-over-year change	6.0%	-48.0%	18.5%	49.9%		
change in sales relative to 2019					-38.4%	-7.7%
Drinking Places	\$2,694.3	\$1,403.5	\$1,491.2	\$2,466.5		
year-over-year change	-3.1%	-47.9%	6.2%	65.4%		
change in sales relative to 2019					-44.7%	-8.5%
Total Sales	\$77,025.7	\$55,361.9	\$61,134.9	\$75,930.9		
year-over-year change	4.4%	-28.1%	10.4%	24.2%		
change in sales relative to 2019					-20.6%	-1.4%
CPI-FAFH	1.565	1.599	1.651	1.713		
	2.7%	2.2%	3.2%	3.7%		
Real Sales	\$49,207.2	34,617.4	\$37,036.9	\$44,338.6		
	1.7%	-29.6%	7.0%	19.7%		
Real GDP²	1.9%	-5.4%	5.8%	4.0%		
Pers. Disp. Income	3.8%	10.0%	-1.8%	2.0%		
Retail Sales	1.2%	-1.4%	6.3%	3.4%		
Unemployment Rate³	5.7%	9.6%	7.9%	6.4%		
Inflation³	1.9%	0.7%	2.4%	2.0%		

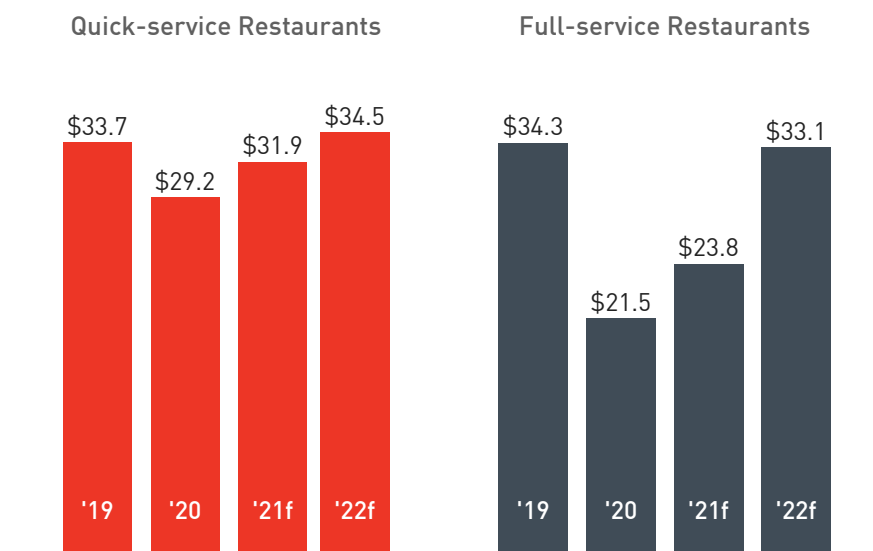
Source: Restaurants Canada, Statistics Canada and Conference Board of Canada

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2. Annualized quarter-over-quarter change.

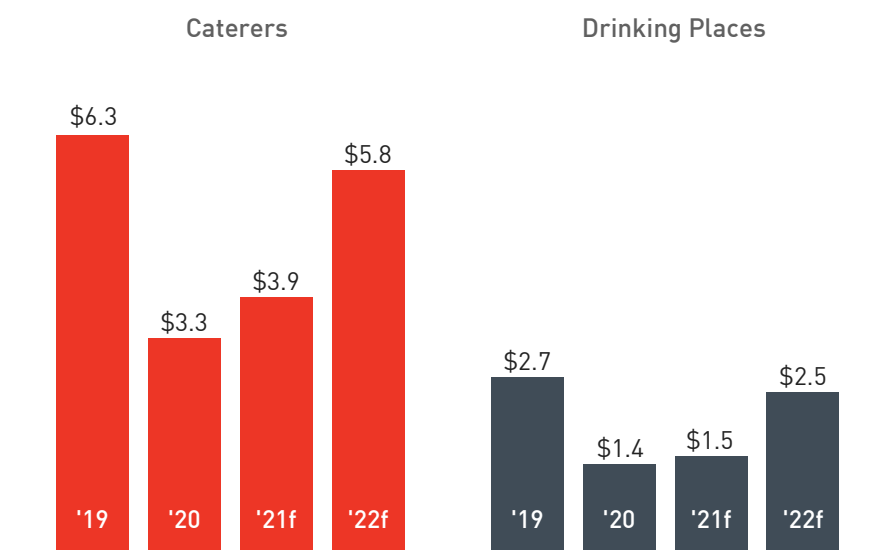
3. Refers to actual value.

Annual Foodservice Sales Forecast - Canada (in billions)



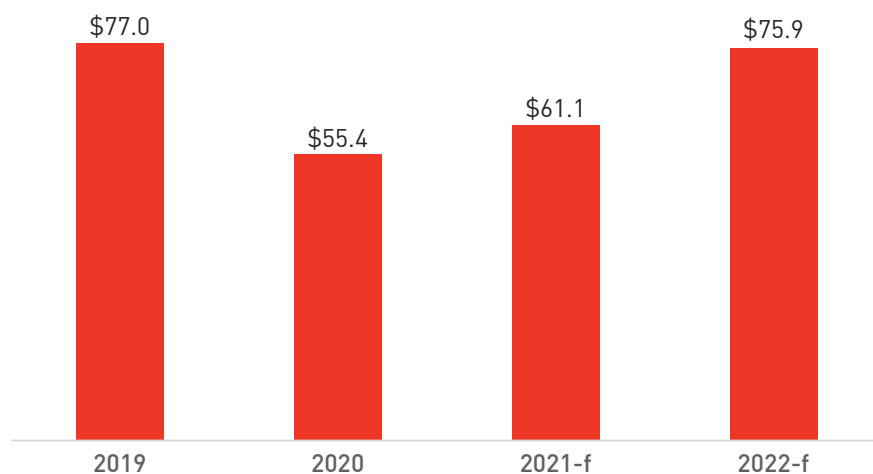
Source: Restaurants Canada and Statistics Canada

Annual Foodservice Sales Forecast - Canada (in billions)



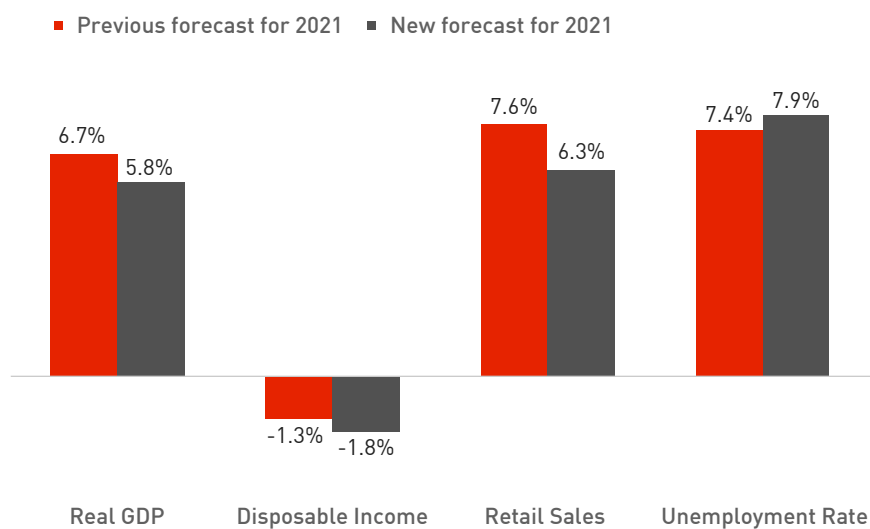
Source: Restaurants Canada and Statistics Canada

Total Commercial Foodservice Sales Forecast - Canada (in billions)



Source: Restaurants Canada and Statistics Canada

Comparison Between Previous & New Economic Indicators Forecast



Source: Conference Board of Canada

About the Restaurants Canada Quarterly Forecast

Restaurants Canada uses an econometric model to forecast commercial foodservice sales by using the Conference Board of Canada's forecasts of consumer spending, disposable income, real GDP, employment and tourism by segment.

About Restaurants Canada

Restaurants Canada is a growing community of 30,000 foodservice businesses, including restaurants, bars, caterers, institutions, and suppliers. We connect our members from coast to coast through services, research, and advocacy for a strong and vibrant restaurant community.

Before the start of the COVID-19 pandemic, Canada's foodservice sector was a \$95 billion industry, directly employing 1.2 million people, providing Canada's number one source of first jobs and serving 22 million customers across the country every day. The industry lost more than 800,000 jobs by April.



**Restaurants
Canada**

The voice of foodservice | La voix des services alimentaires

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