

**RESEARCH**

# Quarterly Forecast

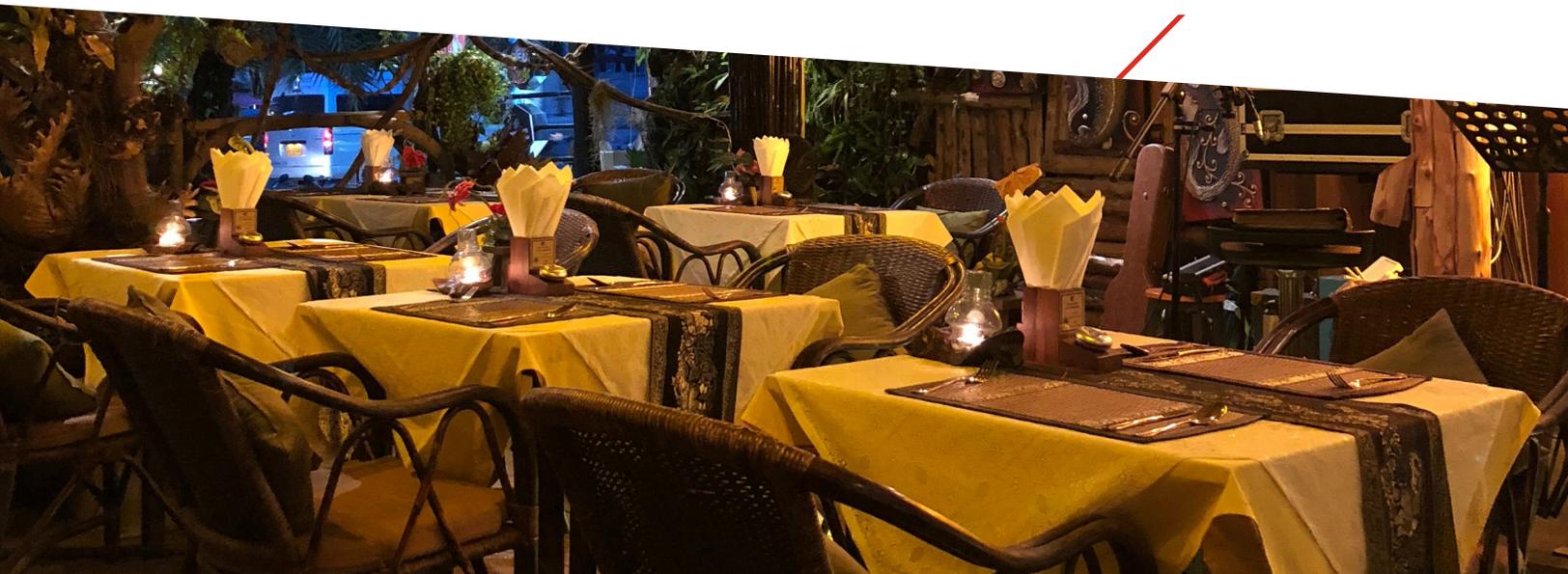
**Q2 2021**





## Highlights

- Annual commercial foodservice sales are now expected to increase to \$63.9 billion in 2021. This is an upward revision from our previous forecast that called for sales of \$61.1 billion. Still, sales will remain 17% below pre-pandemic levels due to the weak first half of 2021.
- The outlook for 2022 is even more encouraging as overall foodservice sales in Canada are forecast to grow to nearly \$80 billion compared to the previous forecast of \$75.9 billion. As a result, foodservice sales expected to be 3.8% above pre-pandemic levels.
- The upward adjustment in the forecast reflects several favourable developments, including the recent surge in vaccinations in Canada, combined with stronger-than-expected growth in consumer spending.
- By the fourth quarter of 2021, quick-service restaurants are forecast to return to pre-COVID levels.
- Full-service restaurants are now expected to return to pre-pandemic levels in the second quarter of 2022.
- By the end of 2022, real per capita foodservice spending at quick- and full-service restaurants are expected to reach 97% of pre-pandemic levels, while caterers will be at 94% of pre-pandemic levels. Drinking places, however, are expected to be at only 85% of pre-pandemic levels by the end of 2022, due to unit closures and consumer hesitancy to return to bars, taverns and nightclubs.
- Menu prices are forecast to rise by 2.9% in 2021, followed by a 3.7% increase in 2022.



A number of favourable developments have led to an upward adjustment in Restaurants Canada's foodservice Quarterly Forecast.

The outlook for total commercial foodservice sales for 2021 was revised up to \$63.9 billion from the previous forecast of \$61.1 billion. While the outlook for the first half of 2021 is in line with previous expectations, the outlook for the second half of the year is more hopeful.

Meanwhile, the outlook for 2022 is even more encouraging as overall foodservice sales in Canada are forecast to grow to nearly \$80 billion compared to the previous forecast of \$75.9 billion.

The change in outlook is the result of a number of factors:

**1. The vaccination rollout has picked up substantially since the release of our last Quarterly Forecast.**

At the time of writing, nearly 80% of Canadians 12 year of age and older have received at least one dose. After a slow start, Canada has among the highest vaccination rates in the world when it comes to first doses.

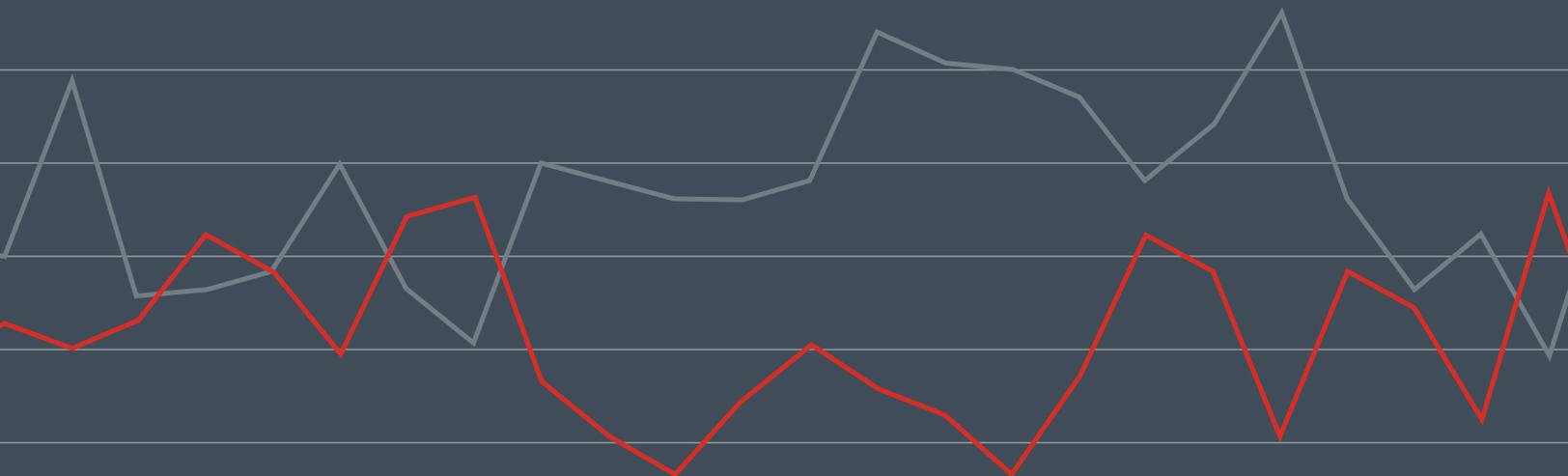
**2. The economic outlook has improved significantly.** The Conference Board of Canada has raised its forecast for real GDP in 2021 from 5.8% to 6.7%. Retail sales are now forecast to climb by 11.2% in 2021, compared to the previous forecast of 6.3%. The unemployment rate is now forecast to fall to 6.3% by the fourth quarter of 2021 (the previous forecast was 7.0%).

**3. Restaurant sales are booming in the United States.** The strong reopening of restaurants in the United States is a good indication of the pent-up demand for restaurants by consumers. In fact, April 2021 sales at full- and quick-service restaurants in the United States are already above April 2019 levels.

Indeed, new incoming data by the Bank of Canada is showing household spending is stronger than expected. In the Bank's previous communications, strong consumer spending was considered an "upside risk", and that consumers would be conservative in their spending and precautionary savings would persist for some time.

While these are all positive developments that will lead to stronger commercial foodservice sales in Canada, Restaurants Canada remains cautious when it comes to the timing of the recovery. Some aspects of foodservice sales will continue to be restrained, including weak foodservice spending by international visitors (which accounted for 4% of foodservice sales in 2019) and business travel and meals. These are expected to improve significantly throughout 2022.

Lastly, there still remains uncertainty about the virus itself. This forecast assumes that there will not be a fourth wave and that containment measures will continually ease over the remainder of 2021. However, a surge in the delta variant (or other variants) could put a halt on the reopening of the economy.



## Commercial Foodservice Segments

Given the upgraded forecast, total commercial foodservice sales are projected to return to pre-pandemic levels in Q1 2022 (the previous Quarterly Forecast had the industry returning to pre-pandemic levels in Q4 2022). The speed of the recovery, however, will vary.

Quick-service restaurants are forecast to be the first to return to pre-pandemic levels in Q4 of 2021. Annual commercial foodservice sales are forecast to grow by 11.1%, up to \$34.4 billion in 2021, and by another 9.9%, up to \$35.6 billion in 2022.

Foodservice sales at full-service restaurants are predicted to rebound to pre-pandemic levels in Q2 2022 due to pent-up domestic household spending. A boost in the number of international visitors and business dining will lead to a robust increase in full-service restaurant sales in 2022.

The reopening of classrooms and a rebound in foodservice revenues in health care facilities will help boost annual caterer revenues by nearly 50% in 2022, up to \$6.4 billion.

In contrast, drinking places will be the only segment in 2022 where annual sales will not have returned to pre-pandemic levels in 2022, due to apprehensive consumers and a decline in the number of establishments.

Overall, menu prices are projected to increase by 2.9% in 2021 and 3.7% in 2022. Given the current situation, foodservice operators are equally mixed in terms of absorbing the cost increase and passing the increase on in higher menu prices.

## Another View of Commercial Foodservice Sales

Commercial foodservice sales are forecast to grow to nearly \$80 billion in 2022, representing a 3.8 % increase over 2019 levels. While this is one way to view the performance of the foodservice industry, it doesn't tell a complete story. After all, Canada's population will have increased by more than 900,000 (+2.4%) between 2019 and 2022, while menu prices are projected to increase by 7.5%. While the overall size of the industry will have increased in 2022, after adjusting for population and inflation, real per capita commercial foodservice sales will remain below pre-pandemic levels for the next few years.

By the end of 2022, real per capita foodservice spending at quick- and full-service restaurants are expected to reach 97% of pre-pandemic levels, while caterers will be at 94% of pre-pandemic levels. Drinking places, however, are expected to be at only 85% of pre-pandemic levels by the end of 2022, due to unit closures and consumer hesitancy to return to bars, taverns and nightclubs. Even before the pandemic, real per capita sales at drinking places had steadily declined by 50% between 2001 and 2019.



(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     |
|--------------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| <b>Quick-service Restaurants</b>     | \$7,487.0  | \$8,655.5  | \$9,054.6  | \$8,537.8  | \$7,056.7  | \$6,308.8  | \$8,252.8  | \$7,565.0  | \$6,956.2  | \$8,188.7  | \$8,761.8  | \$8,525.4  | \$7,772.3  | \$9,042.6  | \$9,622.5  | \$9,207.0  |
| year-over-year change                | 4.6%       | 4.9%       | 4.0%       | 4.2%       | -5.7%      | -27.1%     | -8.9%      | -11.4%     | -1.4%      | 29.8%      | 6.2%       | 12.7%      | 11.7%      | 10.4%      | 9.8%       | 8.0%       |
| change in sales relative to 2019     |            |            |            |            |            |            |            |            | -7%        | -5%        | -3%        | 0%         | 4%         | 4%         | 6%         | 8%         |
| <b>Full-service Restaurants</b>      | \$7,586.2  | \$8,718.9  | \$9,325.1  | \$8,659.5  | \$6,551.5  | \$3,291.7  | \$6,666.7  | \$4,989.7  | \$4,514.7  | \$4,976.3  | \$8,025.5  | \$8,085.6  | \$7,487.4  | \$8,893.5  | \$9,705.3  | \$9,151.9  |
| year-over-year change                | 5.3%       | 5.3%       | 4.3%       | 4.5%       | -13.6%     | -62.2%     | -28.5%     | -42.4%     | -31.1%     | 51.2%      | 20.4%      | 62.0%      | 65.8%      | 78.7%      | 20.9%      | 13.2%      |
| change in sales relative to 2019     |            |            |            |            |            |            |            |            | -40%       | -43%       | -14%       | -7%        | -1%        | 2%         | 4%         | 6%         |
| <b>Caterers</b>                      | \$1,394.1  | \$1,577.8  | \$1,600.3  | \$1,734.8  | \$1,287.0  | \$520.2    | \$695.3    | \$775.1    | \$730.3    | \$890.5    | \$1,191.5  | \$1,500.1  | \$1,380.4  | \$1,592.6  | \$1,651.1  | \$1,842.1  |
| year-over-year change                | 5.9%       | 6.1%       | 6.0%       | 6.1%       | -7.7%      | -67.0%     | -56.6%     | -55.3%     | -43.3%     | 71.2%      | 71.4%      | 93.5%      | 89.0%      | 78.9%      | 38.6%      | 22.8%      |
| change in sales relative to 2019     |            |            |            |            |            |            |            |            | -48%       | -44%       | -26%       | -14%       | -1%        | 1%         | 3%         | 6%         |
| <b>Drinking Places</b>               | \$623.5    | \$695.2    | \$714.9    | \$660.7    | \$491.8    | \$187.0    | \$439.5    | \$285.0    | \$223.1    | \$270.7    | \$524.0    | \$560.4    | \$592.8    | \$674.0    | \$703.0    | \$664.1    |
| year-over-year change                | -1.0%      | -1.7%      | -4.3%      | -5.2%      | -21.1%     | -73.1%     | -38.5%     | -56.9%     | -54.6%     | 44.8%      | 19.2%      | 96.6%      | 165.7%     | 149.0%     | 34.2%      | 18.5%      |
| change in sales relative to 2019     |            |            |            |            |            |            |            |            | -64%       | -61%       | -27%       | -15%       | -5%        | -3%        | -2%        | 1%         |
| <b>Total Sales</b>                   | \$17,090.8 | \$19,647.3 | \$20,694.8 | \$19,592.8 | \$15,386.9 | \$10,307.7 | \$16,054.2 | \$13,614.8 | \$12,424.3 | \$14,326.2 | \$18,502.8 | \$18,671.4 | \$17,232.8 | \$20,202.8 | \$21,682.0 | \$20,865.1 |
| year-over-year change                | 4.8%       | 4.9%       | 4.0%       | 4.1%       | -10.0%     | -47.5%     | -22.4%     | -30.5%     | -19.3%     | 39.0%      | 15.3%      | 37.1%      | 38.7%      | 41.0%      | 17.2%      | 11.7%      |
| change in sales relative to 2019     |            |            |            |            |            |            |            |            | -27%       | -27%       | -11%       | -5%        | 1%         | 3%         | 5%         | 6%         |
| <b>CPI-FAFH</b>                      | 1.345      | 1.363      | 1.367      | 1.365      | 1.369      | 1.363      | 1.370      | 1.375      | 1.389      | 1.403      | 1.416      | 1.428      | 1.443      | 1.458      | 1.467      | 1.479      |
| year-over-year change                | -10.6%     | -10.4%     | -10.7%     | -11.3%     | 1.8%       | 0.0%       | 0.3%       | 0.8%       | 1.4%       | 2.9%       | 3.3%       | 3.8%       | 3.9%       | 3.9%       | 3.6%       | 3.6%       |
| <b>Real Sales</b>                    | \$12,706.9 | \$14,414.8 | \$15,142.6 | \$14,357.2 | \$11,236.8 | \$7,560.6  | \$11,715.5 | \$9,899.3  | \$8,944.8  | \$10,212.1 | \$13,071.1 | \$13,078.9 | \$11,940.9 | \$13,860.5 | \$14,784.7 | \$14,107.7 |
| year-over-year change                | 17.2%      | 17.1%      | 16.5%      | 17.4%      | -11.6%     | -47.5%     | -22.6%     | -31.0%     | -20.4%     | 35.1%      | 11.6%      | 32.1%      | 33.5%      | 35.7%      | 13.1%      | 7.9%       |
| <b>Real GDP<sup>2</sup></b>          | 0.4%       | 4.3%       | 1.8%       | 0.4%       | -7.9%      | -38.0%     | 41.7%      | 9.3%       | 5.6%       | 5.5%       | 6.5%       | 6.9%       | 3.8%       | 3.4%       | 2.4%       | 0.6%       |
| <b>Pers. Disp. Income</b>            | 2.6%       | 4.0%       | 4.5%       | 4.2%       | 5.5%       | 17.4%      | 10.3%      | 8.1%       | 9.1%       | -4.6%      | -0.3%      | -0.6%      | -2.7%      | -0.8%      | 0.9%       | 2.7%       |
| <b>Retail Sales</b>                  | 1.6%       | 1.2%       | 1.1%       | 0.9%       | -1.6%      | -14.8%     | 3.6%       | 6.0%       | 10.6%      | 28.9%      | 5.4%       | 3.2%       | 1.0%       | -1.0%      | -0.6%      | 0.0%       |
| <b>Unemployment Rate<sup>3</sup></b> | 5.9%       | 5.6%       | 5.7%       | 5.7%       | 6.4%       | 13.1%      | 10.1%      | 8.8%       | 8.4%       | 8.0%       | 7.0%       | 6.3%       | 6.1%       | 6.0%       | 6.0%       | 6.0%       |
| <b>Inflation<sup>3</sup></b>         | 1.6%       | 2.1%       | 1.9%       | 2.1%       | 1.8%       | 0.0%       | 0.3%       | 0.8%       | 1.4%       | 3.6%       | 3.9%       | 4.1%       | 3.6%       | 2.4%       | 2.2%       | 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.

|                                      | (sales in millions of dollars) |            |            |            | Relative to 2019 |              |
|--------------------------------------|--------------------------------|------------|------------|------------|------------------|--------------|
|                                      | 2019                           | 2020       | 2021       | 2022       | 2021             | 2022         |
| <b>Quick-service Restaurants</b>     | \$33,734.8                     | \$29,183.3 | \$32,432.2 | \$35,644.4 |                  |              |
| year-over-year change                | 4.4%                           | -13.5%     | 11.1%      | 9.9%       |                  |              |
| change in sales relative to 2019     |                                |            |            |            | <b>-3.9%</b>     | <b>5.7%</b>  |
| <b>Full-service Restaurants</b>      | \$34,289.7                     | \$21,499.5 | \$25,602.0 | \$35,238.1 |                  |              |
| year-over-year change                | 4.8%                           | -37.3%     | 19.1%      | 37.6%      |                  |              |
| change in sales relative to 2019     |                                |            |            |            | <b>-25.3%</b>    | <b>2.8%</b>  |
| <b>Caterers</b>                      | \$6,306.9                      | \$3,277.6  | \$4,312.3  | \$6,466.2  |                  |              |
| year-over-year change                | 6.0%                           | -48.0%     | 31.6%      | 49.9%      |                  |              |
| change in sales relative to 2019     |                                |            |            |            | <b>-31.6%</b>    | <b>2.5%</b>  |
| <b>Drinking Places</b>               | \$2,694.3                      | \$1,403.2  | \$1,578.2  | \$2,633.9  |                  |              |
| year-over-year change                | -3.1%                          | -47.9%     | 12.5%      | 66.9%      |                  |              |
| change in sales relative to 2019     |                                |            |            |            | <b>-41.4%</b>    | <b>-2.2%</b> |
| <b>Total Sales</b>                   | \$77,025.7                     | \$55,363.6 | \$63,924.8 | \$79,982.6 |                  |              |
| year-over-year change                | 4.4%                           | -28.1%     | 15.5%      | 25.1%      |                  |              |
| change in sales relative to 2019     |                                |            |            |            | <b>-17.0%</b>    | <b>3.8%</b>  |
| <b>CPI-FAFH</b>                      | 1.360                          | 1.370      | 1.409      | 1.462      |                  |              |
|                                      | -10.8%                         | 0.7%       | 2.9%       | 3.7%       |                  |              |
| <b>Real Sales</b>                    | \$56,643.5                     | 40,423.7   | \$45,376.8 | \$54,724.0 |                  |              |
|                                      | 17.1%                          | -28.6%     | 12.3%      | 20.6%      |                  |              |
| <b>Real GDP<sup>2</sup></b>          | 1.9%                           | -5.3%      | 6.7%       | 4.4%       |                  |              |
| <b>Pers. Disp. Income</b>            | 3.8%                           | 10.4%      | 0.7%       | 0.0%       |                  |              |
| <b>Retail Sales</b>                  | 1.2%                           | -1.7%      | 11.2%      | -0.1%      |                  |              |
| <b>Unemployment Rate<sup>3</sup></b> | 5.7%                           | 9.6%       | 7.4%       | 6.0%       |                  |              |
| <b>Inflation<sup>3</sup></b>         | 1.9%                           | 0.7%       | 3.3%       | 2.6%       |                  |              |

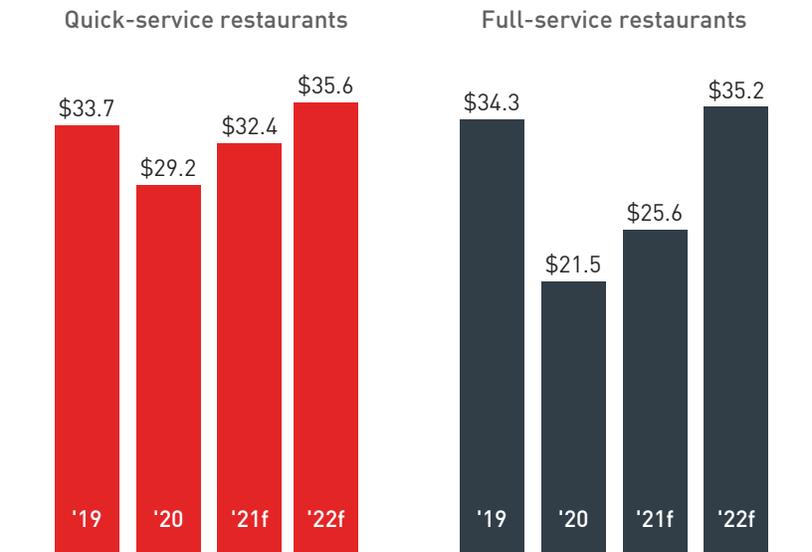
Source: Restaurants Canada, Statistics Canada and Conference Board of Canada

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.

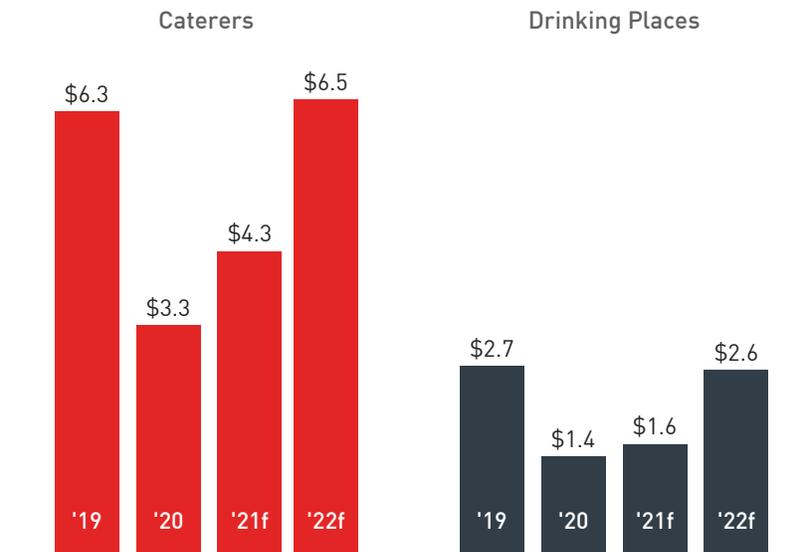
3. Refers to actual value.

Annual Foodservice Sales Forecast - Canada (in billions)



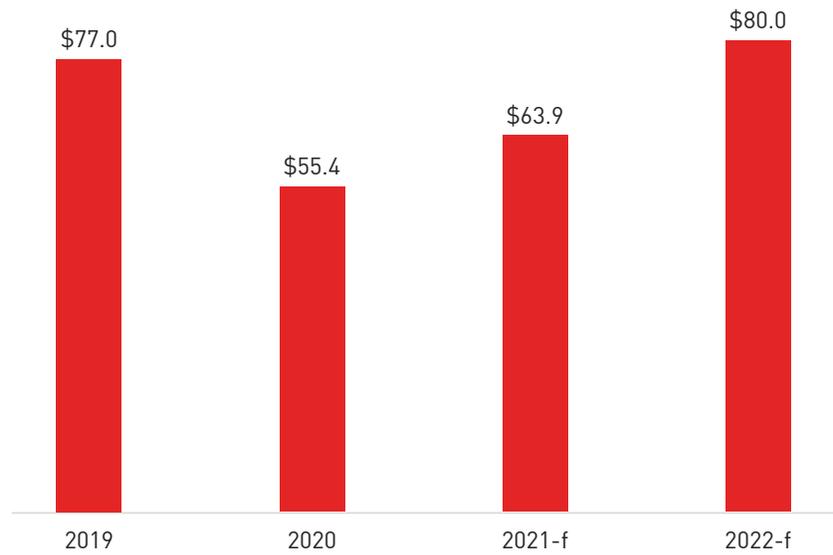
Source: Restaurants Canada and Statistics Canada

Annual Foodservice Sales Forecast - Canada (in billions)



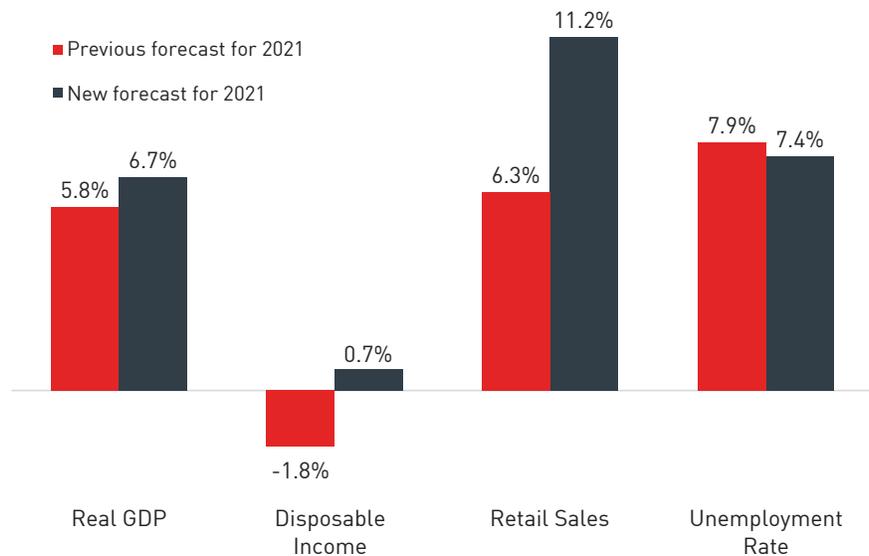
Source: Restaurants Canada and Statistics Canada

**Total Commercial  
Foodservice Sales  
Forecast - Canada  
(in billions)**



Source: Conference Board of 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

## For further information

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