

Quarterly Forecast

Q3 2022





Executive Summary

- The combination of a stronger than expected rebound in consumer spending in the summer, combined with higher menu prices led to an upward revision in our forecast for 2022. Annual commercial foodservice sales in Canada are now forecast to grow to \$82.6 billion, an increase from Restaurants Canada's previous forecast of \$79.5 billion.
- Compared to pre-pandemic levels, nominal sales are forecast to increase 7.3% versus 2019, however once adjusted for menu inflation, real sales are still 4.4% below pre-pandemic levels. Restaurants Canada's previous forecast called for real sales to remain 8% below 2019 levels.
- Sales within the quick-service restaurant category are planned to hit \$37.9 billion in 2022, representing a 12.5% increase over 2019 in nominal terms, but once adjusted for menu inflation essentially remain flat.
- Although full-service restaurants reported better than expected sales, up 5.7% in 2022 compared to 2019, when adjusted for menu inflation, real sales remain 6% below pre-pandemic levels.
- Caterers are expected to lead the industry with a staggering 55.4% increase in 2022 sales compared to 2021, but annual revenues are still forecast to remain 2.7% below pre-pandemic levels.
- Sales at drinking places are forecast to grow to \$2.3 billion in 2022, but remain nearly 14% below 2019 levels.
- Assuming a mild economic slowdown, annual commercial foodservice sales in Canada could increase by 5.7% in 2023 to \$87.4 billion. While this represents a 13.4% increase compared to 2019, once adjusted for menu inflation, real sales will remain unchanged at 4% below pre-pandemic levels.



Strong Summer Sales Leads to Revised Upward Forecast of 2022 Commercial Foodservice Sales

Due to a stronger than expected rebound in consumer spending in Q2 and Q3 of 2022, annual commercial foodservice sales in Canada are now forecast to grow to \$82.6 billion, an increase from Restaurants Canada's previous forecast of \$79.5 billion. This growth, driven by sustained consumer demand and higher menu prices, is expected to continue into Q4, boosting foodservice sales to \$21.4 billion, a revision from the initial estimate of \$20.4 billion.

As a result of the increased consumer activity, commercial foodservice sales in 2022 are projected to grow by a healthy 26.2% over 2021, with all segments - QSR (quick-service restaurants), full-service restaurants, caterers and drinking establishments - reporting double-digit gains. Compared to pre-pandemic levels, nominal sales are forecast to increase 7.3% versus 2019, **however once adjusted for menu inflation, real sales are still 4.4% below pre-pandemic levels.** Restaurants Canada's previous forecast called for real sales to remain 8% below 2019 levels.

Sales within the quick-service restaurant category are planned to hit \$37.9 billion in 2022, representing a 12.5% increase over 2019 in nominal terms, but once adjusted for menu inflation essentially remain flat. Although full-service restaurants reported better than expected sales, up 5.7% in 2022 compared to 2019, when adjusted for menu inflation, real sales remain 6% below pre-pandemic levels.

In contrast, the 2022 annual outlook for sales at both caterers and drinking establishments remains below pre-pandemic levels. While caterers lead the industry with a staggering 55.4% increase in 2022 sales compared to 2021, annual revenues are still forecast to remain 2.7% below pre-pandemic levels. This trend continues within the drinking establishments category as the 2022 sales forecast of \$2.3 billion remains nearly 14% below 2019 levels.

Economic Slowdown in 2023 will Drive Restraint in Food Service Spending

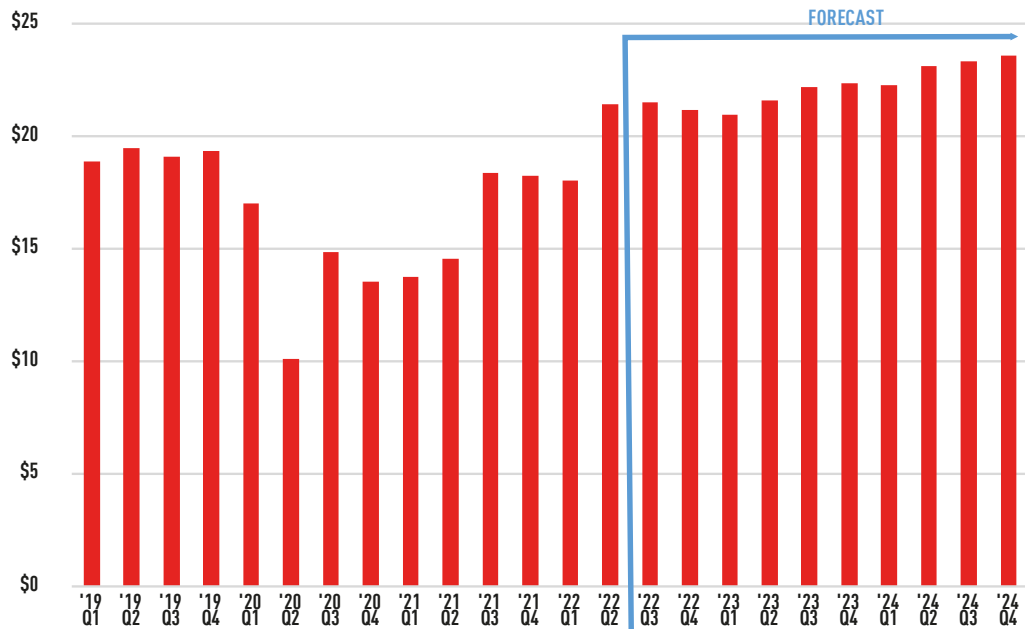
While Canada boasted the strongest real GDP growth of all G7 countries in the first half of 2022, inflation rates hovering at a four decade high and the Bank of Canada's aggressive moves to raise interest rates will considerably slow economic growth in 2023. Canada's economy is forecast to grow by a nominal 1.2% in 2023, followed by two years of robust gains, however the big unknown is whether this will be an economic slowdown or a tangible recession.

Although the big six banks are all proposing varying scenarios, RBC (Royal Bank of Canada) and BMO (Bank of Montreal) are predicting a mild recession, while TD (Toronto Dominion) and CIBC (Canadian Imperial Bank of Commerce) anticipate a mild slowdown. Furthermore, there is no general consensus between the banks on when the crux of the economy downturn will hit, with some banks estimating Q1 2023, while others expect the worst of the slowdown to occur in Q2 2023. There is however, a general consensus that economic activity will be much slower in the first half of 2023 compared to the first half of 2022.

Based on the above predictions, Restaurant's Canada expects commercial sales in all food service segments to slow in the first half of 2023. Once adjusted for seasonality and inflation, sales at full-service restaurants are forecast to stall in the first half of 2023 before picking up momentum in the second half of 2023. (As evident in the bottom chart on page 7). A similar downturn will be felt by drinking establishments, however the decrease in sales is expected to carry over into the third quarter. On the contrary, the anticipated 2023 economic slowdown will have less of an impact on quick-service restaurants and caterers.

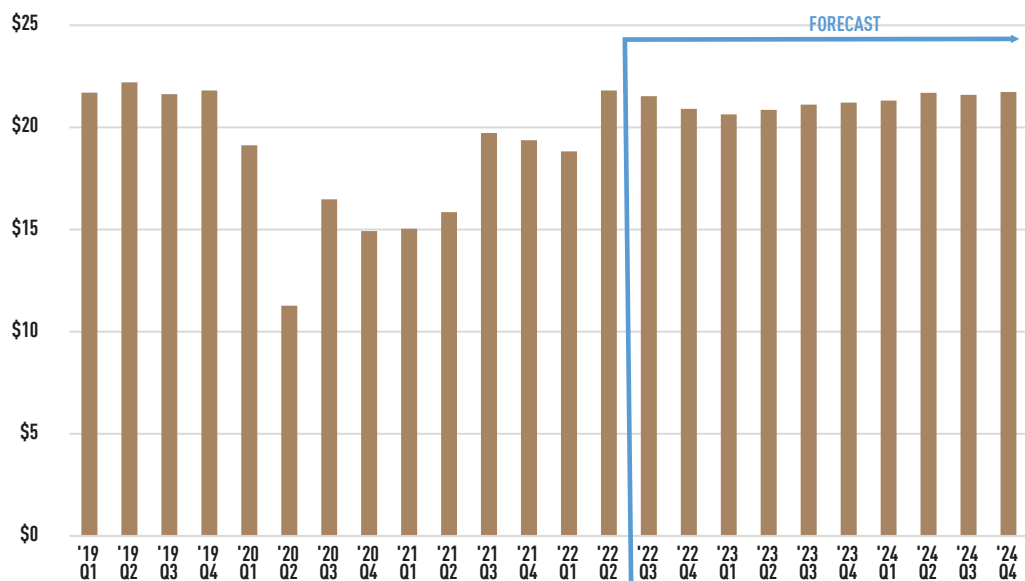
If we were to assume a mild economic slowdown, annual commercial foodservice sales could increase by 5.7% in 2023 to \$87.4 billion. While this represents a 13.4% increase compared to 2019, once adjusted for menu inflation, real sales will remain unchanged at 4% below pre-pandemic levels. Undoubtedly, a greater-than-expected economic downturn would certainly lead to lower foodservice sales. Restaurants Canada will continue to monitor economic viewpoints and financial institution positions and will adjust and revise our forecast as necessary to reflect the latest and most accurate economic outlook for the food service industry.

Quarterly Commercial Foodservice Sales (seasonally adjusted, in billions of dollars)



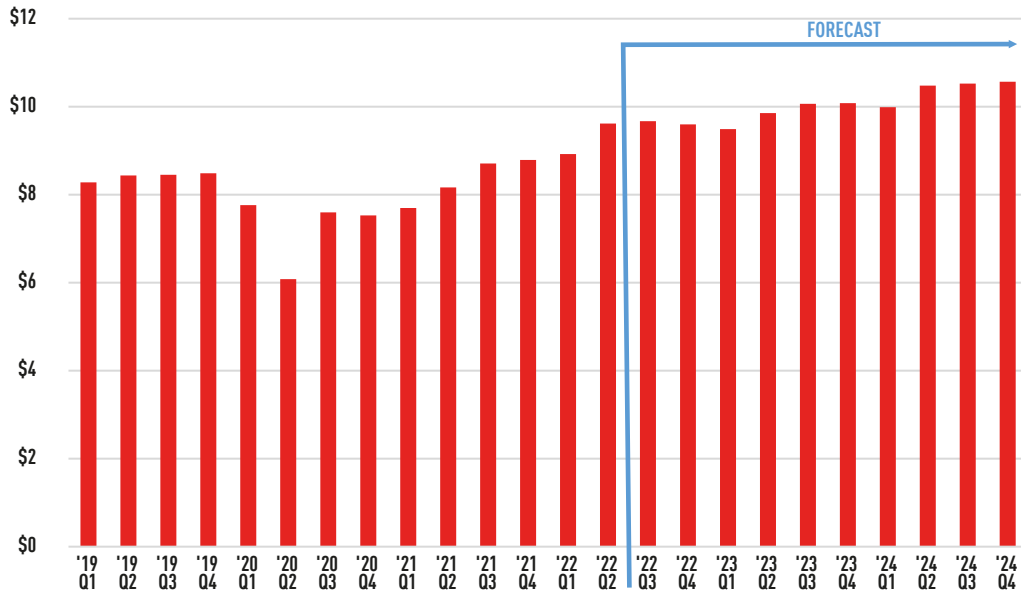
Source: Restaurants Canada and Statistics Canada

Inflation-Adjusted Quarterly Commercial Foodservice Sales (seasonally adjusted, in billions of dollars)



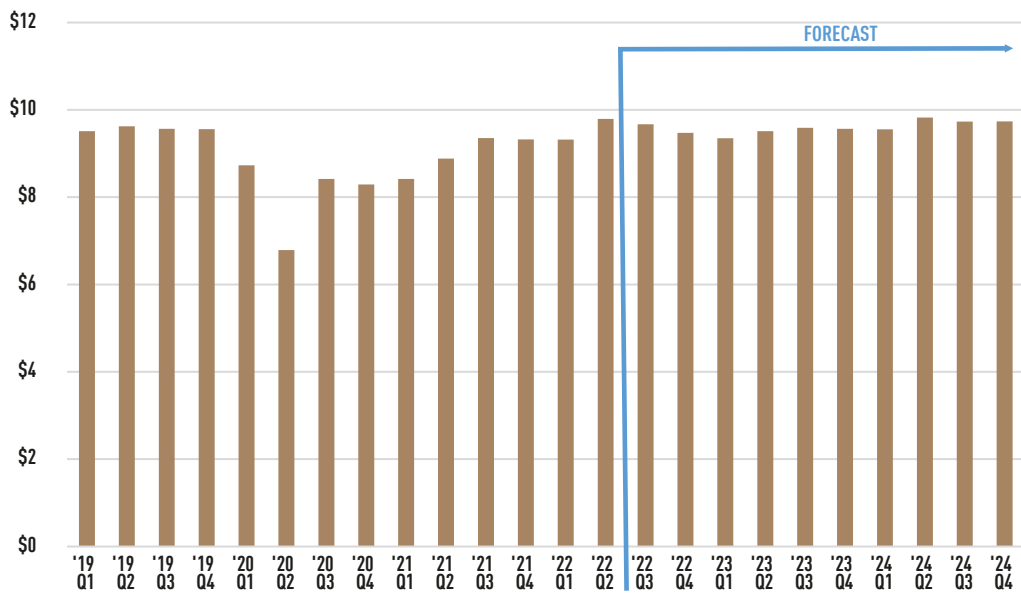
Source: Restaurants Canada and Statistics Canada

Quarterly Quick-service Restaurant Sales (seasonally adjusted, in billions of dollars)



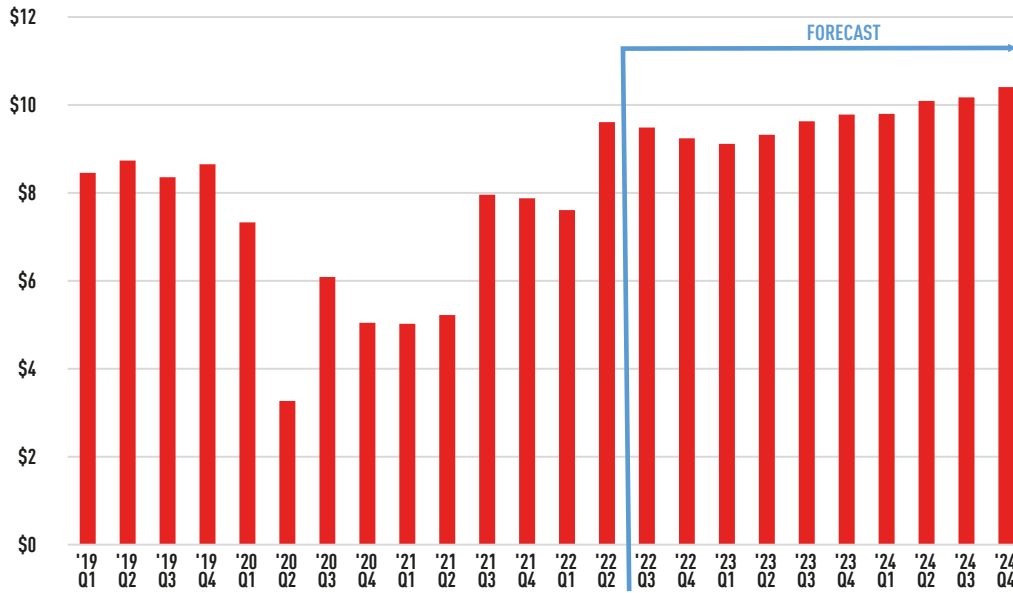
Source: Restaurants Canada and Statistics Canada

Inflation-Adjusted Quarterly Quick-service Restaurant Sales (seasonally adjusted, in billions of dollars)



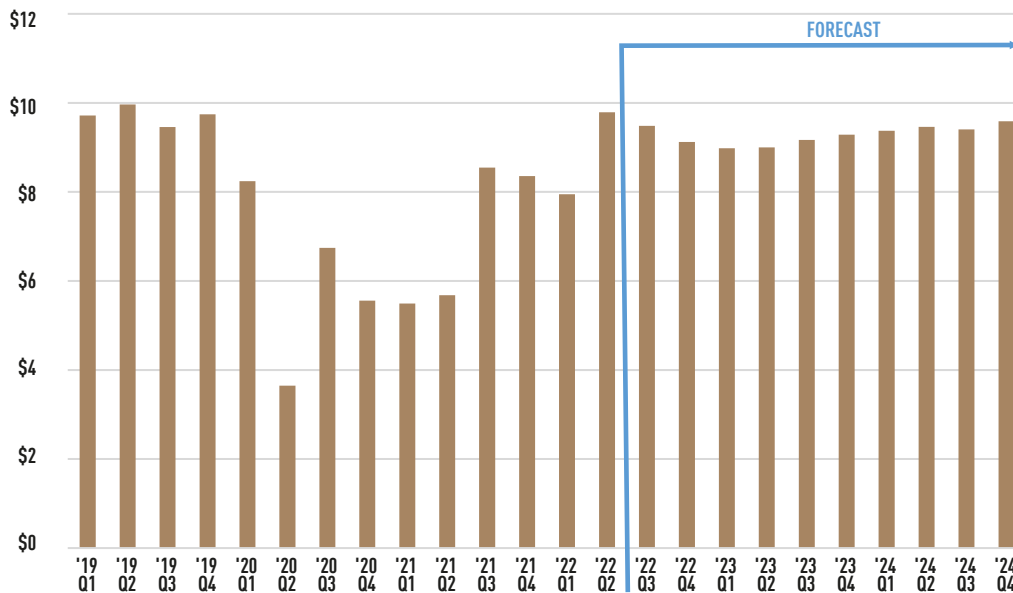
Source: Restaurants Canada and Statistics Canada

Quarterly Full-service Restaurant Sales (seasonally adjusted, in billions of dollars)



Source: Restaurants Canada and Statistics Canada

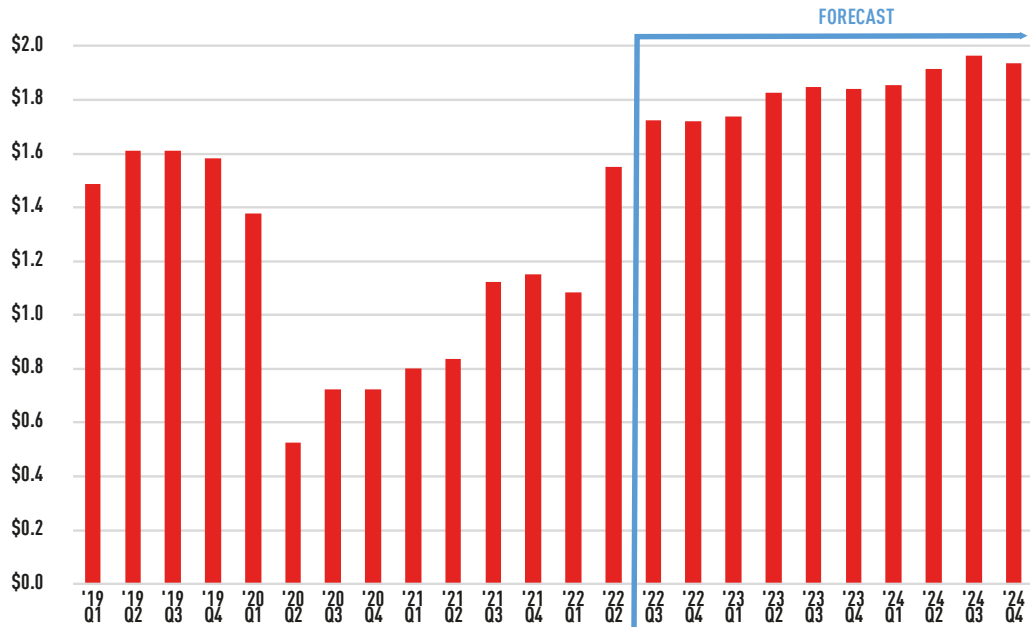
Inflation-Adjusted Quarterly Full-service Restaurant Sales (seasonally adjusted, in billions of dollars)



Source: Restaurants Canada and Statistics Canada

Quarterly Caterer Revenues

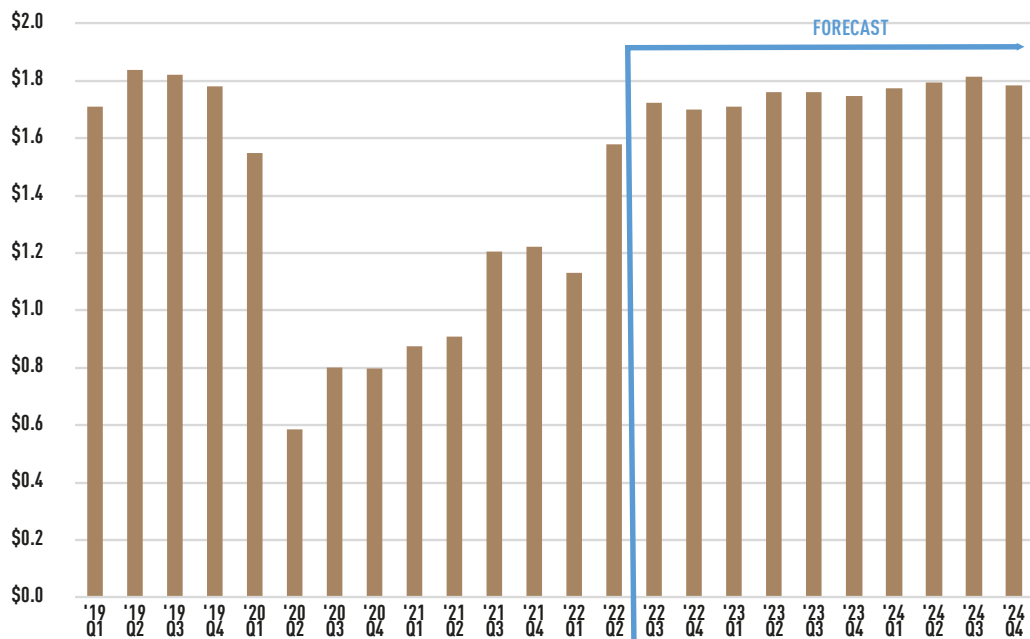
(seasonally adjusted, in billions of dollars)



Source: Restaurants Canada and Statistics Canada

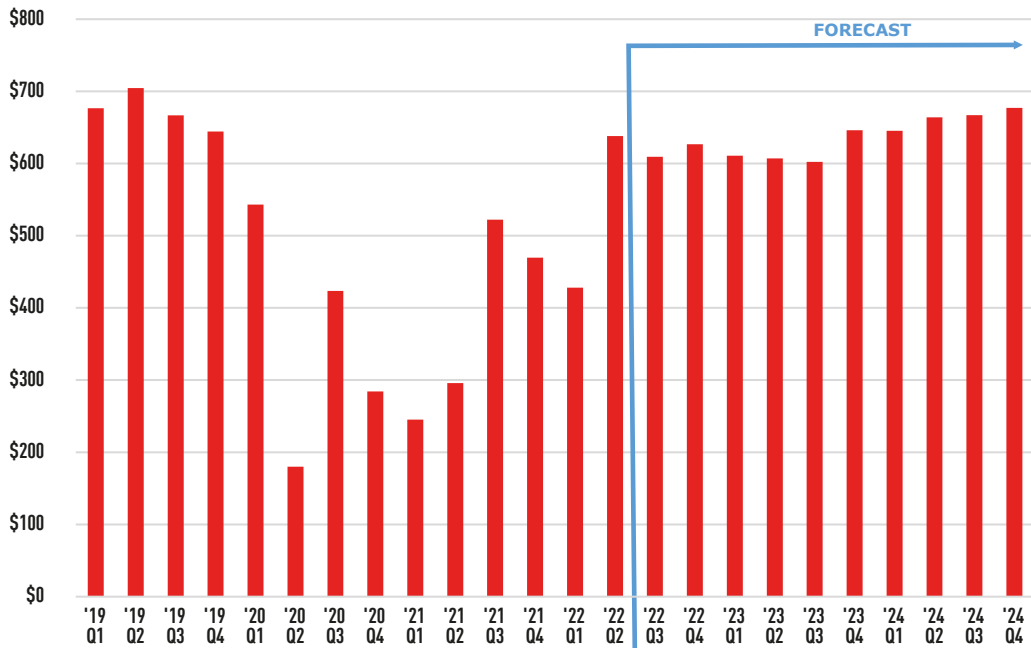
Inflation-Adjusted Quarterly Caterer Revenues

(seasonally adjusted, in billions of dollars)



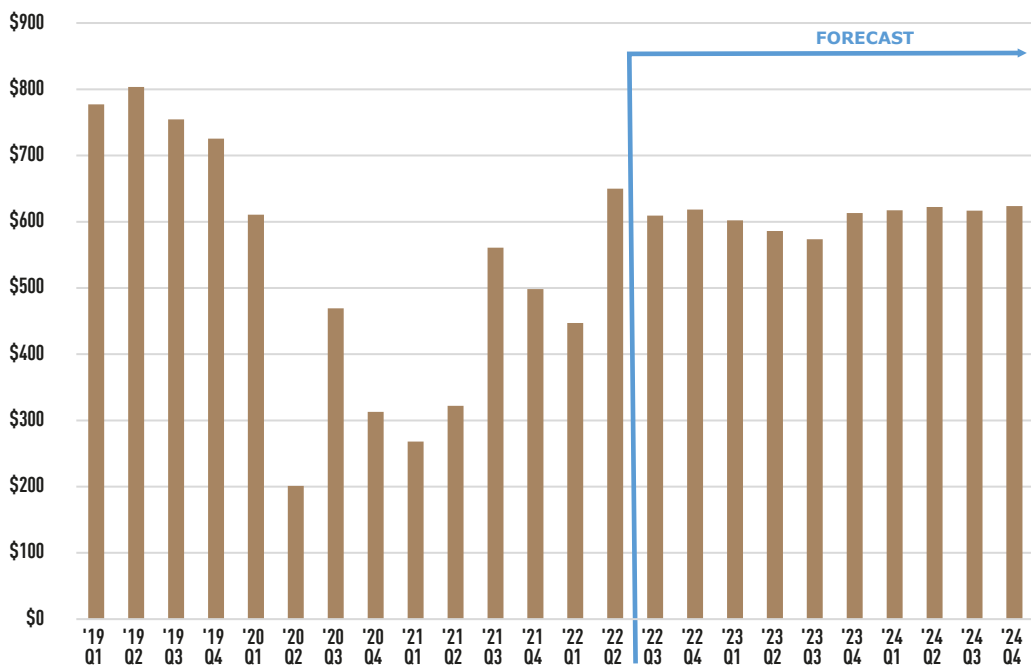
Source: Restaurants Canada and Statistics Canada

Quarterly Drinking Place Sales (seasonally adjusted, in billions of dollars)



Source: Restaurants Canada and Statistics Canada

Inflation-Adjusted Quarterly Drinking Place Sales (seasonally adjusted, in billions of dollars)



Source: Restaurants Canada and Statistics Canada

Commercial Foodservice Sales Forecast

(sales in millions of dollars)

| | 2021.1 | 2021.2 | 2021.3 | 2021.4 | 2022.1 | 2022.2 | 2022.3 | 2022.4 | 2023.1 | 2023.2 | 2023.3 | 2023.3 | 2023.4 |
|--------------------------------------|----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|--------------------|
| Quick-service Restaurants | \$6,959.6 -0.8% | \$8,374.9 34.3% | \$9,331.5 14.6% | \$8,841.1 16.7% | \$8,068.3 15.9% | \$9,865.4 17.8% | \$10,360.0 11.0% | \$9,654.2 9.2% | \$8,579.0 6.3% | \$10,109.4 2.5% | \$10,785.4 4.1% | \$10,785.4 4.1% | \$10,141.3 5.0% |
| Full-service Restaurants | \$4,505.8 -31.5% | \$5,211.8 59.8% | \$8,878.2 30.7% | \$7,884.0 56.1% | \$6,825.5 51.5% | \$9,593.1 84.1% | \$10,582.5 19.2% | \$9,249.8 17.3% | \$8,175.0 19.8% | \$9,304.2 -3.0% | \$10,740.5 1.5% | \$10,740.5 1.5% | \$9,792.3 5.9% |
| Caterers | \$750.2 -41.8% | \$818.3 59.4% | \$1,116.0 55.4% | \$1,262.6 58.9% | \$1,015.5 35.4% | \$1,517.1 85.4% | \$1,713.4 53.5% | \$1,889.1 49.6% | \$1,626.4 60.2% | \$1,786.7 17.8% | \$1,837.4 7.2% | \$1,837.4 7.2% | \$2,019.1 6.9% |
| Drinking Places | \$225.9 -54.9% | \$292.0 64.4% | \$559.9 23.3% | \$481.6 65.3% | \$394.4 74.6% | \$629.8 115.7% | \$653.4 16.7% | \$642.6 33.4% | \$563.0 42.7% | \$599.1 -4.9% | \$645.9 -1.2% | \$645.9 -1.2% | \$662.6 3.1% |
| Total Sales | \$12,441.6 -19.1% | \$14,697.0 44.2% | \$19,885.6 23.5% | \$18,469.4 34.7% | \$16,303.7 31.0% | \$21,605.4 47.0% | \$23,309.3 17.2% | \$21,435.8 16.1% | \$18,943.5 16.2% | \$21,799.4 0.9% | \$24,009.2 3.0% | \$24,009.2 3.0% | \$22,615.3 5.5% |
| CPI-FAFH | 1.627 2.8% | 1.635 2.6% | 1.657 3.2% | 1.677 3.8% | 1.704 4.7% | 1.747 6.8% | 1.779 7.4% | 1.803 7.5% | 1.806 6.0% | 1.843 5.5% | 1.868 5.0% | 1.868 5.0% | 1.875 4.0% |
| Real Sales | \$7,646.9 -21.3% | \$8,987.1 40.5% | \$12,003.4 19.7% | \$11,013.3 29.8% | \$9,569.8 25.1% | \$12,367.1 37.6% | \$13,100.0 9.1% | \$11,890.4 8.0% | \$10,489.8 9.6% | \$11,827.7 -4.4% | \$12,850.8 -1.9% | \$12,850.8 -1.9% | \$12,062.2 1.4% |
| Real GDP² | 4.4% | -3.1% | 5.3% | 6.6% | 3.1% | 3.3% | -0.9% | 0.6% | 0.5% | 2.0% | 2.4% | 2.4% | 2.9% |
| Pers. Disp. Income | 7.9% | -1.9% | 3.5% | 3.2% | 5.4% | 4.8% | 4.5% | 7.0% | 3.1% | 3.1% | 4.1% | 4.1% | 3.8% |
| Retail Sales | 11.0% | 26.2% | 6.3% | 6.4% | 8.5% | 11.7% | 9.0% | 6.9% | 3.3% | 0.3% | 0.7% | 0.7% | 1.7% |
| Unemployment Rate³ | 8.4% | 7.9% | 7.2% | 6.3% | 5.8% | 5.1% | 5.3% | 5.7% | 5.8% | 5.7% | 5.6% | 5.6% | 5.6% |
| Inflation³ | 1.4% | 3.3% | 4.1% | 4.7% | 5.8% | 7.5% | 7.5% | 7.3% | 6.0% | 3.6% | 3.0% | 3.0% | 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.

Commercial Foodservice Sales Forecast

(sales in millions of dollars)

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|--------------------------------------|--------------------|----------------------|---------------------|---------------------|--------------------|--------------------|
| Quick-service Restaurants | \$33,734.8 4.4% | \$28,971.0 -14.1% | \$33,507.2 15.7% | \$37,947.9 13.3% | \$39,615.2 4.4% | \$41,690.1 5.2% |
| Full-service Restaurants | \$34,289.7 4.8% | \$21,677.9 -36.8% | \$26,479.8 22.2% | \$36,251.0 36.9% | \$38,012.1 4.9% | \$40,627.8 6.9% |
| Caterers | \$6,306.9 6.0% | \$3,315.6 -47.4% | \$3,947.1 19.0% | \$6,135.2 55.4% | \$7,269.6 18.5% | \$7,686.9 5.7% |
| Drinking Places | \$2,694.3 -3.1% | \$1,423.5 -47.2% | \$1,559.4 9.5% | \$2,320.2 48.8% | \$2,470.6 6.5% | \$2,659.4 7.6% |
| Total Sales | \$77,025.7 4.4% | \$55,388.1 -28.1% | \$65,493.4 18.2% | \$82,654.2 26.2% | \$87,367.4 5.7% | \$92,664.2 6.1% |
| CPI-FAFH | 1.565 2.7% | 1.599 2.2% | 1.649 3.1% | 1.758 6.6% | 1.848 5.1% | 1.903 3.0% |
| Real Sales | 49,207.2 1.7% | 34,633.8 -29.6% | 39,717.1 14.7% | 47,010.9 18.4% | 47,275.7 0.6% | 48,681.5 3.0% |
| Real GDP² | 1.9% | -5.2% | 4.5% | 3.0% | 1.2% | 2.7% |
| Pers. Disp. Income | 4.8% | 8.9% | 3.0% | 5.4% | 3.5% | 3.4% |
| Retail Sales | 1.4% | -1.3% | 11.8% | 9.0% | 1.5% | 3.7% |
| Unemployment Rate³ | 5.7% | 9.6% | 7.4% | 5.5% | 5.7% | 5.5% |
| Inflation³ | 1.9% | 0.7% | 3.4% | 7.0% | 3.8% | 2.2% |

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.

Commercial Foodservice Sales Forecast

(growth compared to 2019)

| | | 2020 | 2021 | 2022 | 2023 | 2024 |
|---------------------------|---------|--------|--------|--------|-------|-------|
| Quick-service Restaurants | Nominal | -14.1% | -0.7% | 12.5% | 17.4% | 23.6% |
| | Real | -16% | -6% | 0% | -1% | 2% |
| Full-service Restaurants | Nominal | -36.8% | -22.8% | 5.7% | 10.9% | 18.5% |
| | Real | -38% | -27% | -6% | -6% | -3% |
| Caterers | Nominal | -47.4% | -37.4% | -2.7% | 15.3% | 21.9% |
| | Real | -49% | -41% | -13% | -2% | 0% |
| Drinking Places | Nominal | -47.2% | -42.1% | -13.9% | -8.3% | -1.3% |
| | Real | -48% | -45% | -23% | -22% | -19% |
| Total Sales | Nominal | -28.1% | -15.0% | 7.3% | 13.4% | 20.3% |
| | Real | -30% | -19% | -4% | -4% | -1% |

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.

For further information

Restaurants Canada
1155 Queen Street West,
Toronto, Ontario M6J 1J4
Tel: (416) 923-8416 or 1-800-387-5649
Fax: (416) 923-1450
E-mail: members@restaurantscanada.org
Website: restaurantscanada.org

Thank you to our corporate sponsors

Platinum



Gold



Silver



