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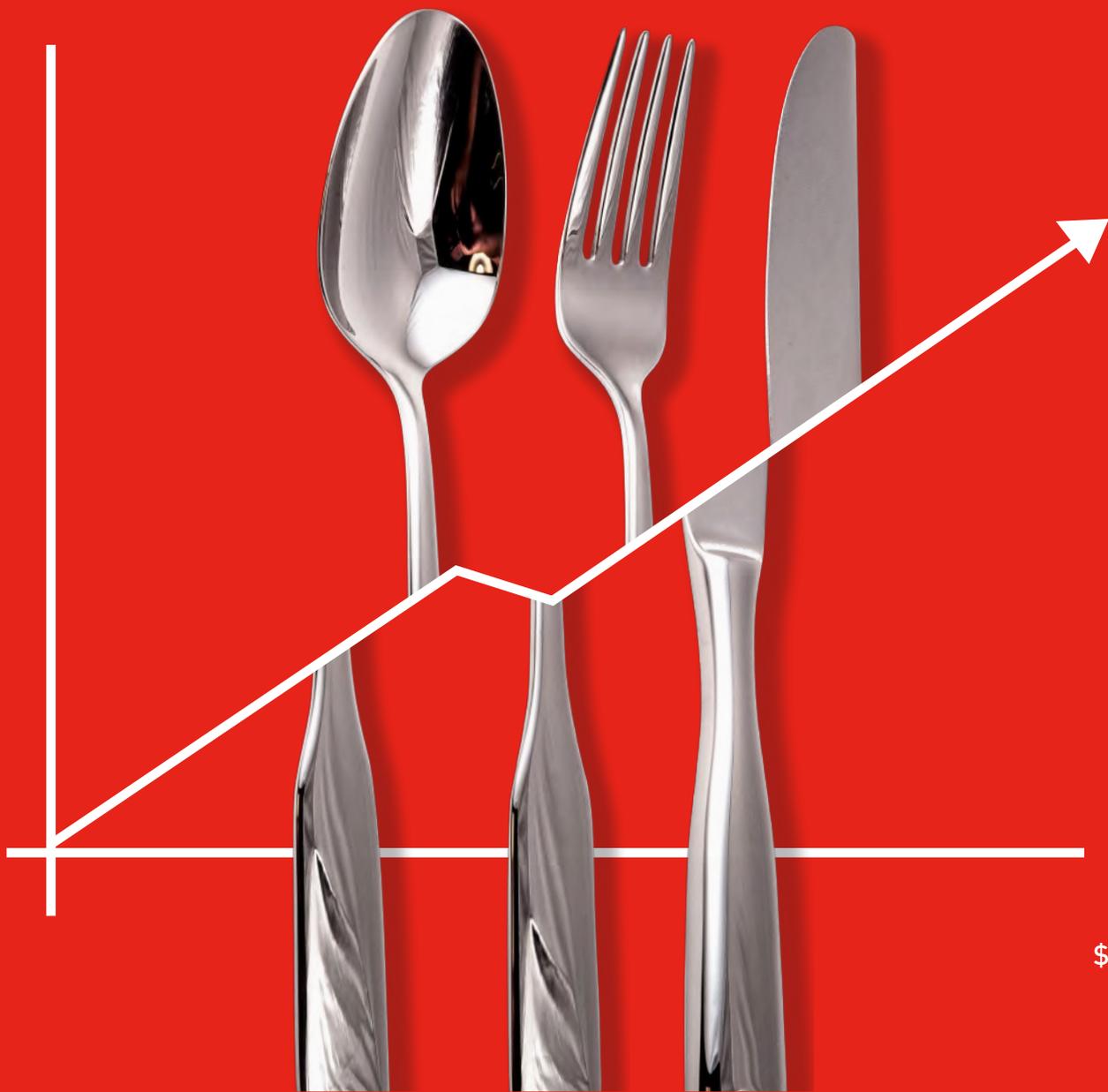
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Foodservice Industry Forecast

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REFERENCE PERIOD: 2017-2021



Foodservice Industry Forecast: 2017-2021

Sneak Peak

Highlights

Commercial foodservice sales in Canada will expand by a solid 4.9% in 2017, following a healthy 6.2% increase in 2016.

Strong consumer demand, a rebound in consumer confidence and an increase in tourism spending are resulting in higher foodservice sales.

In 2018, foodservice sales are forecast to moderate to 4.3% growth due to high household debt levels.

Between 2017 and 2021, commercial foodservice sales will grow by an average of 3.9% per year. Adjusted for menu inflation, real sales will grow by 1.2%. This is on par with overall population growth.

By 2021, commercial foodservice sales will grow to \$78 billion.

At the provincial level, British Columbia, Ontario and Quebec will boast the strongest foodservice sales growth in 2017 and 2018.

Canada's economy is firing on all cylinders in 2017 and is expected to lead the G7 countries with real GDP growth of 2.6%. The outlook for 2017 is a significant upgrade from last year's forecast, which called for 2.1% growth. Economic activity is being propelled by strong consumer spending and a bustling housing market.

As a result, commercial foodservice sales are projected to grow by a solid 4.9% in 2017. Combined with the non-commercial foodservice industry, total industry revenues will surpass the \$84-billion mark.

Due to robust demand in British Columbia, Ontario and Quebec, full-service restaurants will lead all segments with a 5.5% increase in sales in 2017.

Sales at quick-service restaurants are projected to climb by a solid 5.3% in 2017 following several years of robust gains.

Caterer revenues will struggle for the second consecutive year due to lower spending at remote camps.

The boost in the drinking place sector in 2016 was short-lived as sales will slip by 0.9% in 2017.

Although continued strength in the economy and high consumer confidence will keep consumers spending, high household debt levels will lead to a moderation in foodservice sales. Commercial foodservice sales are forecast to expand by 4.3% in 2018. This is a pace that is more in line with long run average growth.

Over the long term, foodservice sales will grow by an average of 3.9% per year. Once adjusted for menu inflation, real sales will grow by 1.2% per year. This is on par with overall population growth.

At the provincial level, rising housing valuations and healthy economic activity will boost foodservice sales in British Columbia and Ontario in 2017 and 2018.

With the lowest unemployment rate in a generation, strong consumer demand will support healthy foodservice sales growth in Quebec.

Manitoba will boast one of the fastest-growing economies over the next few years, which will lead to solid foodservice sales growth.

An aging population and slower economic activity will lead to modest foodservice sales growth in Atlantic Canada over the long term.

A new 6% meal tax in Saskatchewan that was implemented in April will restrain foodservice sales in 2017. Sales are forecast to improve in 2018 due to stronger economic growth.

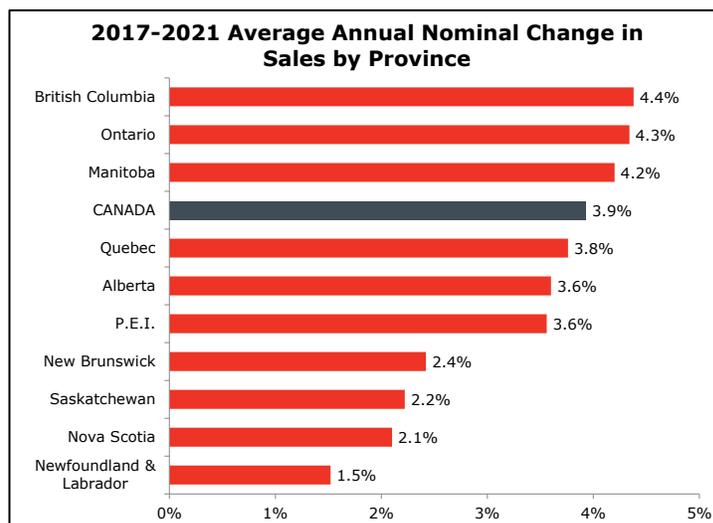
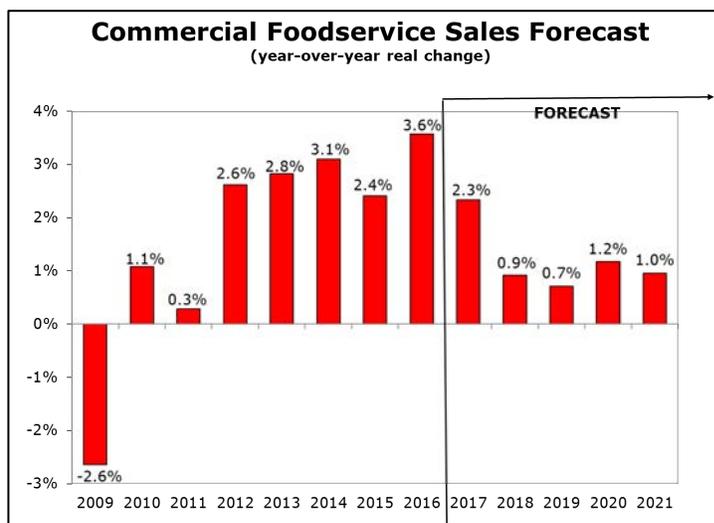
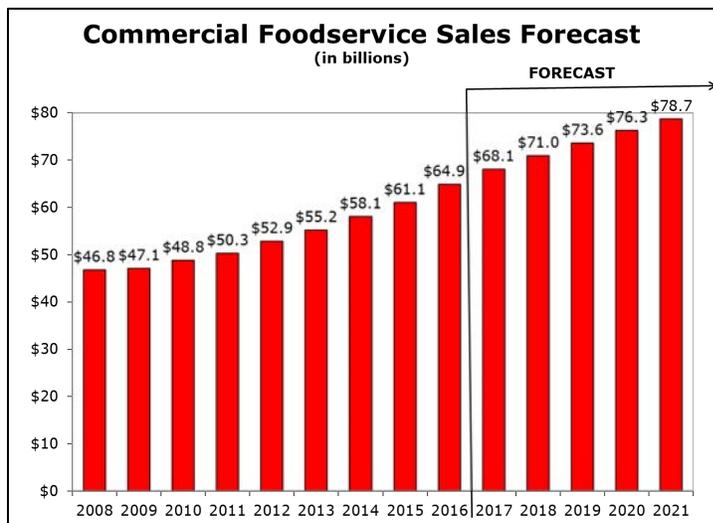
Following two years of weak gains due to the recession, Alberta's foodservice industry will grow by a modest 2.9% in 2017. Improved economic growth, however, will lead to stronger sales in the long term.

Menu prices are forecast to rise by 2.5% in 2017 compared to 2.6% in 2016. Although food prices have moderated in 2017, rising labour costs will push up menu prices. In anticipation of the \$15 minimum wage in Ontario, some foodservice operators will raise their menu prices -- starting in the second half of 2017 and throughout 2018. Menu prices are expected to climb by 3.3% in 2018, with Ontario's menu inflation projected to be 3.6%. Menu prices in Ontario may increase by more or less, depending on how much operators respond to the minimum wage increase by cutting labour costs.

As consumers look for convenience and value, quick-service restaurants will boast strong sales growth in 2017 with healthy gains across most of the country.

Spending at full-service restaurants remain upbeat. Healthy spending by tourists, combined with improved sales at independent restaurants, will propel sales in 2017.

Although restaurants will enjoy solid gains, caterer revenues will post lacklustre growth due to weak demand in Ontario and the Prairie provinces. Drinking place sales will moderate following robust gains in 2016.



Source: Restaurants Canada and Statistics Canada