



Consumer Business Economic update

Volume 8 • January 2015

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Welcome to the eighth edition of Deloitte’s Consumer Business Economic Update, powered by our Financial Advisory practice. This update offers a snapshot of key Canadian Consumer Business economic and performance indicators across the Retail, Consumer Packaged Goods (CPG) and Travel, Hospitality and Leisure (THL) sectors. The update also aggregates analyst sentiment, and online search engine and social media trends.



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Observations from this issue

- The Canadian economy experienced slightly slower GDP growth in Q3 2014, although growth remained strong at 2.8%.
- Consumer confidence increased slightly in Q3 2014.
- Same store sales growth rates were dramatically higher in Q3 2014 compared to Q3 2013.
- The THL sector saw strong growth across all sub-sectors.
- The CPG sector experienced increased growth rates across all major categories.

Metric

- Real GDP growth rates stayed strong** in Q3 2014 as the overall 2015 forecast remains at 2.6%.
- Consumer prices** are expected to increase by 2.0% in 2015.
- The unemployment rate** is expected to remain around current levels in 2015.
- Consumer confidence** remains elevated as we head into the all-important holiday season.
- Consumer expenditure growth decreased** to 0.7% in Q3 2014 from 1.1% in Q2 2014.
- Housing starts remained around the same levels** in Q3 2014 compared to Q2 2014.

Signal



Source: Scotiabank, TD, CIBC, BMO, RBC, Bank of Canada
Note: Relevant metrics have been seasonally adjusted.¹

Canadian banks economic outlook

Macroeconomic indicator	Q3 2014 ²	2015 Forecast ³	Revision trend
Real GDP Growth (period-to-period, annualized)	2.8%	2.6%	—
CPI Growth (year-to-year)	2.0%	2.0%	▲
Unemployment Rate (period avg.)	6.9%	6.7%	—
Housing starts (annualized, 000s)	196	183	▲
USDCAD exchange rate (end of period) ⁴	1.12	1.09	—

Note: Revision trends indicate the direction of change from the 2015 forecast in the previous quarter.



Macroeconomic outlook (Continued)



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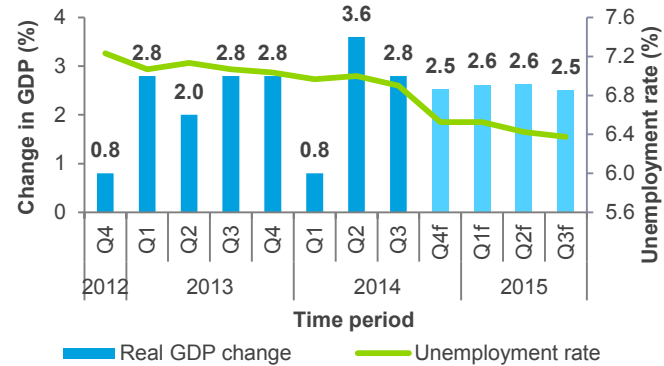
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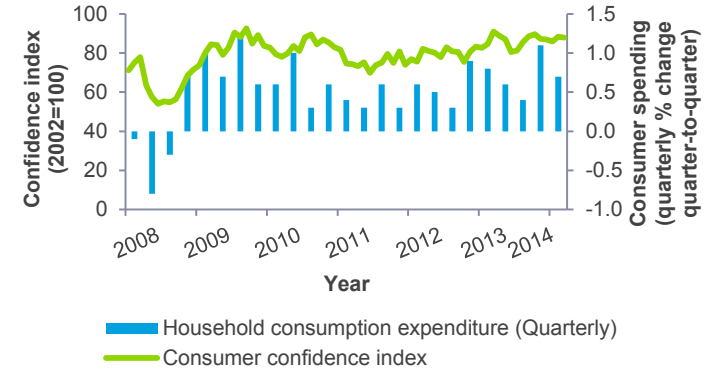
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Real gross domestic product and unemployment rate⁵
(Quarter-to-quarter, seasonally adjusted, annualized)



Source: Statistics Canada, Scotiabank, TD, CIBC, BMO, RBC, Deloitte analysis

Consumer confidence and household consumption
(Seasonally adjusted)



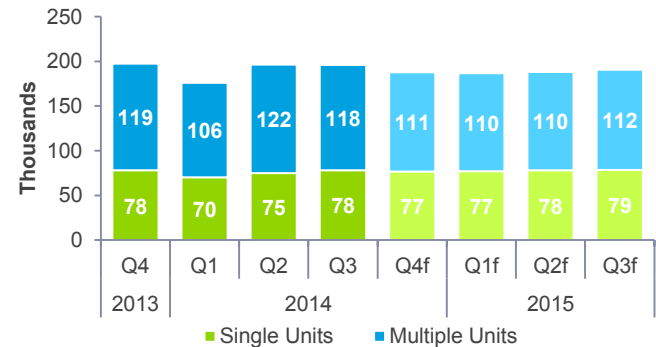
Source: Conference Board of Canada, Statistics Canada

Consumer price index⁶
(Year-to-year, seasonally adjusted, 2011 basket)



Source: Statistics Canada, Scotiabank, TD, CIBC, BMO, RBC

Canadian housing starts outlook⁷
(Annualized, seasonally adjusted)



Source: CMHC



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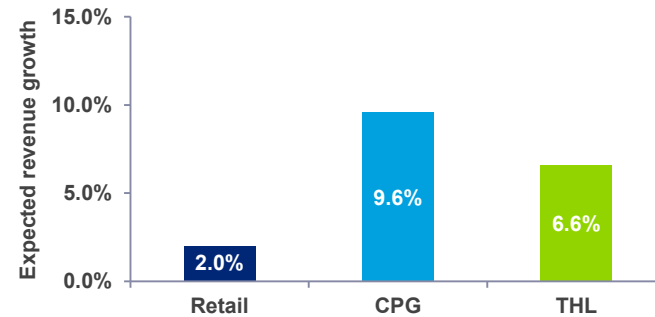
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Expected revenue growth⁸

Q1 2015 estimated revenue growth vs. Q1 2014 of five largest TSX-listed companies by sector

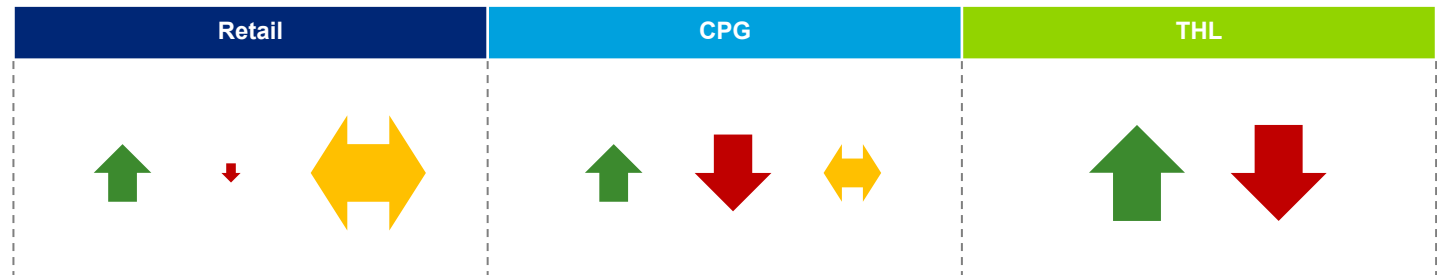


Source: Capital IQ (as of December 2, 2014)

- Analysts expect all of the largest retailers to report increases in revenues in Q1 2015.
- Large Canadian CPG companies are expected to report the strongest revenue growth in Q1 2015 out of the three sectors.
- Revenue growth for retailers is expected to be the lowest, but still positive.

Revision trends⁹

FY15 revenue estimate revisions for the five largest TSX-listed companies by sector, between September 2, 2014 and December 2, 2014



Notes: The size of arrows are relative to the number of analysts that have revised their revenue growth estimates up, down or held them constant.

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Sector signals

Retail sales growth slightly declined to 4.8% in Q3 2014 compared with the same quarter last year. ●

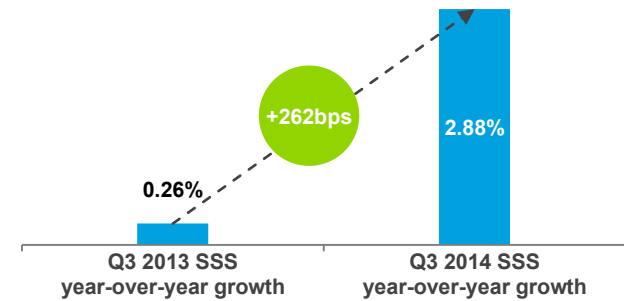
Same store sales growth dramatically improved across the largest retailers. ●

Retail trends

- Retail sales growth was led by furniture and home furnishing, general merchandise, and health and personal care stores.
- Electronics and appliance store sales achieved positive quarterly growth, reversing several quarters of decline.
- Miscellaneous store retailers continue to struggle.
- Same store sales growth rapidly increased across Canada’s 10 largest retailers versus a year ago.

Same store sales growth of Canada’s largest retailers

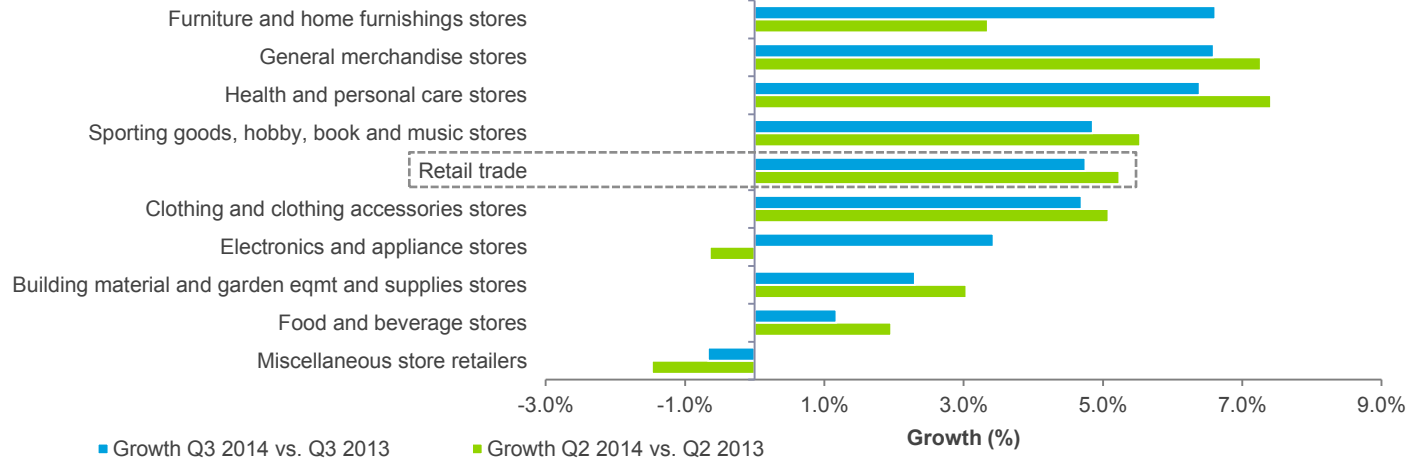
(Most recently reported fiscal quarter versus one year ago)



Source: Capital IQ, Company reports (as of December 2, 2014)

Retail sales growth by store category¹⁰

(Quarterly, year-over-year, seasonally adjusted)



Source: Statistics Canada



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Hotel performance metrics improved in Q3 2014, compared to Q3 2013. ●

Inbound visitors to Canada in Q3 2014 were substantially higher than Q3 2013. ●

Food services sales posted a moderate increase from Q2 2014 to Q3 2014. ●

Travel, hospitality and leisure trends

- Hotels performed well in Q3 2014 with gains in occupancy, ADR and RevPAR.
- Inbound visitors from overseas increased substantially in Q3 2014 vs. Q3 2013.
- Food services sales grew across all categories, except for drinking places, which recorded a decrease of 0.9%.

ADR: Average Daily Rate
RevPAR: Revenue per Available Room

Inbound visitors to Canada (overnight visits) (Thousands)

Metric	Q3 2013	Q3 2014	Change
United States	4,925	4,964	0.8% ▲
Overseas	1,826	2,040	11.7% ▲
Total Inbound	6,751	7,004	3.7% ▲

Source: Statistics Canada

Canadian hotel performance metrics

Metric	Q3 2013	Q3 2014	Change
Occupancy (%)	74.2	76.5	3.1% ▲
ADR	\$139.9	\$145.8	4.2% ▲
RevPAR	\$103.9	\$111.6	7.4% ▲

Source: STR Global

Food services sales by type (Seasonally adjusted, CAD millions)

Metric	Q2 2014	Q3 2014	Change
Full-service restaurants	6,197	6,314	1.9% ▲
Limited-service eating places	6,340	6,455	1.8% ▲
Special food services	1,225	1,258	2.6% ▲
Drinking places	582	577	(0.9)% ▼
Total sales	14,344	14,603	1.8% ▲

Source: Statistics Canada



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Finished food product prices increased marginally for most covered products in Q3 2014. ●

Total CPG sales growth continued at a rate of 4% in Q3 2014. ●

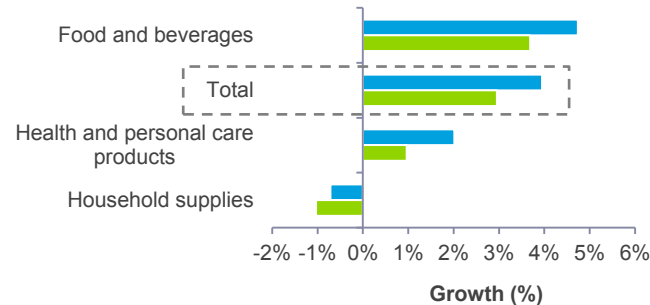
Raw material prices increased only for a few products in Q3 2014. ●

CPG trends

- Overall finished food prices increased for nine out of the 11 covered categories, with confectionery and coffee and tea experiencing a decline.
- Similar to last quarter, input prices increased significantly for cattle, coffee beans and hogs.
- Sales growth accelerated across all major CPG categories in Q3 2014.

Sales growth by CPG category

(Quarterly, year-over-year)

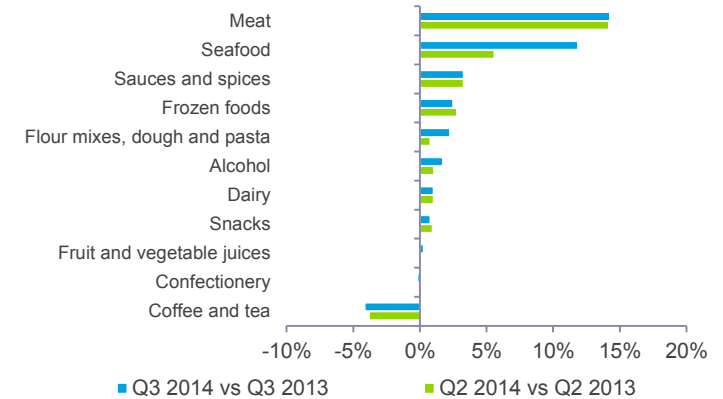


■ Q3 2014 year-over-year growth ■ Q2 2014 year-over-year growth

Source: Statistics Canada

Growth of finished food product prices

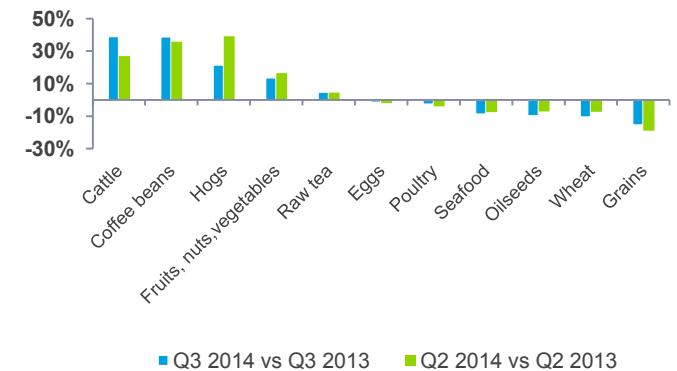
(Quarterly, year-over-year)



Source: Statistics Canada

Growth of raw material prices

(Quarterly, year-over-year)



Source: Statistics Canada



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Search engine trends

Shopping searches

- Classified ads website Kijiji and on-demand internet streaming media provider Netflix were the top shopping searches with the keywords “kijiji” and “netflix” topping the list. Canadian Tire, which held the second spot in Q2 2014, now ranks fourth.
- The top rising search term “halloween costumes” shows that Canadians are already planning their Halloween shopping before October, while the search term “canada goose” shows that Canadians are also looking for winter outerwear during the summer months.

Travel searches

- Travel searches continue to be dominated by vacation-related searches with “hotel”, “air canada” and “flights” taking the top three spots.
- The rising search list highlights popular tourist attractions, including the 17-day summer fair organized by the Pacific National Exhibition (“pne”) in Vancouver in August, Granby Zoo, a popular zoo in Quebec, and Wonderland, a theme park outside of Toronto.

Food and drink searches

- The top keyword searches of “pizza pizza” and “pizza” indicate Canadians continue to look online for pizza restaurants or to order online.
- The rising search term “summerlicious” reflect Canadians’ interest in this popular 2-week restaurant festival.

Top online searches by Canadians in Q3 2014

(Quarterly, period-to-period)

Rank	Food & drink	Travel	Shopping
1	pizza pizza	hotel	kijiji
2	pizza	air canada	netflix
3	recipes	flights	walmart
4	restaurant	westjet	canadian tire
5	recette	hotels	ebay
6	restaurants	beach	costco
7	sushi	expedia	amazon
Rising*	zucchini bread	pne	halloween costumes
	zucchini recipes	granby zoo	canada goose
	summerlicious	wonderland tickets	boots and hearts

*Rising denotes search activity that has increased in Q3 2014 relative to Q2 2014.

Source: Google Trends



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Social media trends

Twitter

- “Panache Management” held the top spot as the most popular Twitter brand, likely owing to its image as a top model search agency.
- “WestJet” remained in the second spot as the most popular Twitter brand, likely owing to its daily tweets, frequently posted flight deals and updates, as well as its openness to answering customer questions.

YouTube

- “NCIXcom” retains its top position due to its wide range of useful videos including tutorials, reviews, interviews and daily technology news updates.

Facebook

- “Tim Hortons” maintained a wide lead as the most liked Canadian brand on Facebook.
- Overall, the number of likes for each top brand stayed relatively static since last quarter.

Most popular brands on Twitter among Canadians

Rank	Brand	Total followers (000s)
1	Panache Management	479
2	WestJet	403
3	Halo Health	290
4	Telehop	264
5	Air Canada	251
6	Coke Zero	210
7	Olive Garden	203
	Coke Zero	210
Trending*	WestJet	403
	Olive Garden	203

Most popular brands on Canadian YouTube channels

Rank	Brand	Total/recent uploaded video views (000s)
1	NCIXcom	77,858
2	WestJet	48,279
3	ASUS North America	31,956
4	McDonalds Canada	28,089
5	BMW Canada	21,847
6	Kijiji Canada	21,016
7	TD Canada	19,251
	Nissan Canada	18,431
Trending*	Ford Canada	9,599
	RBC	5,392

*Based on video views over past month
Source: Socialbakers.com (as of Dec 1, 2014)

Most liked brands on Facebook in Canada

Rank	Brand	Canadian likes (000s)	Total likes (000s)
1	Tim Hortons	1,999	2,523
2	Subway Canada	1,367	1,442
3	Target Canada	1,294	1,363
4	Canadian Tire	1,108	1,161
5	Air Miles Canada	1,044	1,079
6	iTunes	1,018	1,023
7	Walmart Canada	903	960
	Ubisoft	164	
Trending*	Playboy	64	
	Marmot	29	

*Based on new page ‘Likes’ in past month





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Publication notes:

1. Real GDP, consumer prices, unemployment rate, consumer expenditure and housing starts have been seasonally adjusted. Consumer confidence is not seasonally adjusted, since the Conference Board of Canada states there is insufficient evidence to conclude that seasonality is present in their consumer confidence index.
2. Q3 2014 data sources: Real GDP Growth, Unemployment Rate and Consumer Prices are from Statistics Canada. USDCAD exchange rate is based on the Sept 30, 2014 noon USDCAD exchange rate reported by the Bank of Canada.
3. 2015 forecasts are based on the average of reported figures by the following Canadian banks: Scotiabank, TD, CIBC, BMO and RBC. Forecast GDP growth is based on the average of the period-to-period, annualized forecasted GDP growth for periods in 2014 and 2015.
4. USDCAD Exchange Rate means 1 USD = XXXX CAD.
5. Real GDP data up to Q3 2014 is from Statistics Canada. Q4 2014 onward is the average of the forecasts by the following Canadian Banks: Scotiabank, TD, CIBC, BMO and RBC. Unemployment rate until Q3 2014 is from Statistics Canada. Unemployment forecasts are based on the annual forecast from Canadian Banks: Scotiabank, TD, CIBC, BMO and RBC. Annualized GDP rates represent the quarter over quarter growth rates multiplied by four.
6. Historical CPI data (data until Q3 2014) is from Statistics Canada. Forecasted data is an average of Canadian bank forecasts from Scotiabank, TD, CIBC, BMO and RBC.
7. Actuals and forecasts are from CMHC. Quarterly levels are seasonally adjusted at annual rates. Previously reported figures may differ in subsequent issues as CMHC often revises previously stated and forecasted figures.
8. Revenue growth estimates and revision trends for each sector excludes companies that have recently completed large mergers or acquisitions or for which there is no analyst coverage.
9. Revision trends indicate the number of analysts that have increased or decreased revenue estimates for FY15 between October 2, 2014 and December 2, 2014.
10. From Statistics Canada Monthly Survey of Large Retailers. Household supplies are defined as household cleaning supplies, chemicals and paper products. Health and personal care products include personal care, health and beauty products (non-electric) and home health care sick room equipment and supplies, cosmetics and fragrances and other toiletries and personal care products. Health and personal care product sales do not necessarily relate to sales at health and personal care stores, which include pharmacies and drug stores, cosmetics, beauty supplies and perfume stores, optical goods stores and other health and personal care stores.





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