



Consumer Business Economic update

Volume 13 • April 2016

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Welcome to the thirteenth 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 a 0.8% real GDP growth rate in Q4 2015.
- Consumer confidence has increased in Q4 2015 compared to Q3 2015.
- Same store sales year-over-year growth increased by 11 bps from Q4 2014 to Q4 2015.
- This quarter, electronics and appliance stores continued to experience a year-over-year decline.
- The majority of key indicators in travel and leisure continue to be positive for this quarter, with hospitality as an exception.

Metric

Real GDP growth rate has decelerated significantly in Q4 2015, from 2.4% in Q3 to 0.8%.

Consumer prices forecast for 2016 has decreased marginally from 2.0% (at Q3 2015) to 1.8% (at Q4 2015).

Unemployment rate outlook for 2016 has increased slightly from 6.9% (at Q3 2015) to 7.2% (at Q4 2015).

Consumer confidence improved in Q4 2015 compared to the previous quarter.

Consumer expenditure growth has decelerated to 0.2% in Q4 2015 from 0.5% in Q3 2015.

Housing starts outlook increased to 187,000 for 2016.

Signal



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

Canadian banks economic outlook

Macroeconomic indicator	Q4 2015 ²	2016 Forecast ³	Revision trend
Real GDP Growth (period-to-period, annualized)	0.8%	1.5%	▼
CPI Growth (year-to-year)	0.2%	1.8%	▼
Unemployment Rate (period avg. %)	7.0%	7.2%	▲
Housing starts (annualized, 000s) ⁷	185	187	▲
USDCAD exchange rate (end of period) ⁴	1.38	1.38	▲

Note: Revision trends indicate the direction of change in the 2016 forecast in the previous quarter.



Macroeconomic outlook (Continued)



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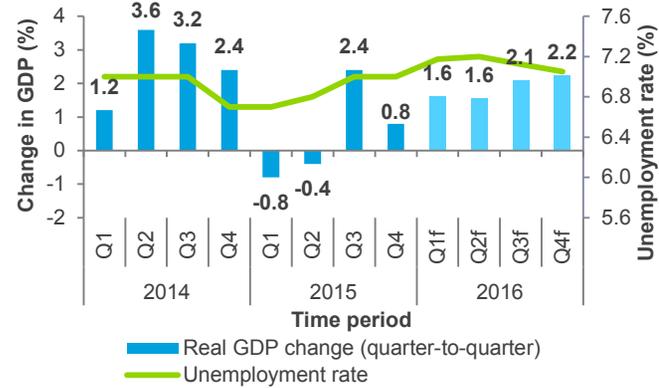
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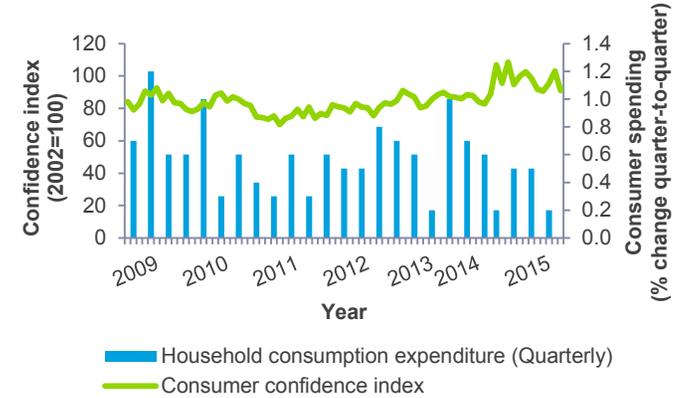
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Real gross domestic product and unemployment rate⁵
(Seasonally adjusted, annualized)



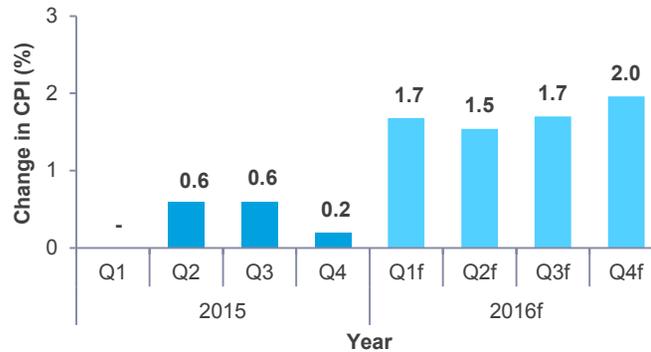
Source: Statistics Canada, Scotiabank, TD, CIBC, BMO, RBC, Deloitte analysis

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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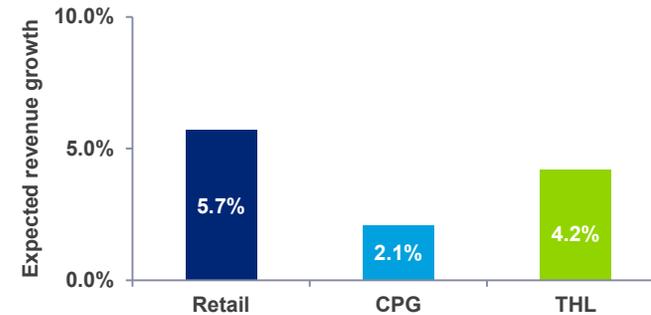
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Expected revenue growth⁸

Q2 2016 estimated revenue growth vs. Q2 2015 of five largest TSX-listed companies by sector



Source: Capital IQ (as of March 15, 2016)

- Expected revenue growth in Q2 2016 is strongest for large Canadian retail companies out of the three sectors.
- CPG is expected to have moderate revenue growth of 2.1% with majority of the analysts revising their estimates down for FY16.
- Revenue growth estimates for large Canadian retailers has increased to 5.7% compared to Q3 2015 level of 4.5%.

Revision trends⁹

FY16 revenue estimate revisions for the five largest TSX-listed companies by sector, between Jan 15, 2016 to Mar 15, 2016



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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Retail sales year-over-year growth of 2.60% in Q4 2015 was higher compared to Q3 2015 of 2.00%. ●

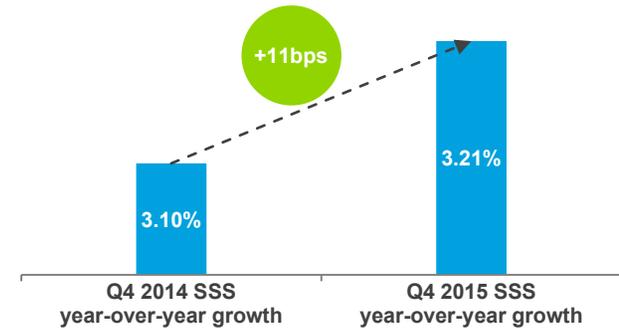
Same store sales continued to show growth across the largest retailers. ●

Retail trends

- Retail sales growth was primarily led by clothing and clothing accessories stores, furniture and home furnishings stores.
- Compared to the previous quarter, sporting goods, hobby, book and music stores had a large increase in growth rate.
- Electronics and appliance stores continue to experience a fall in sales.
- Same store sales growth increased year over year across the largest Canadian retailers.

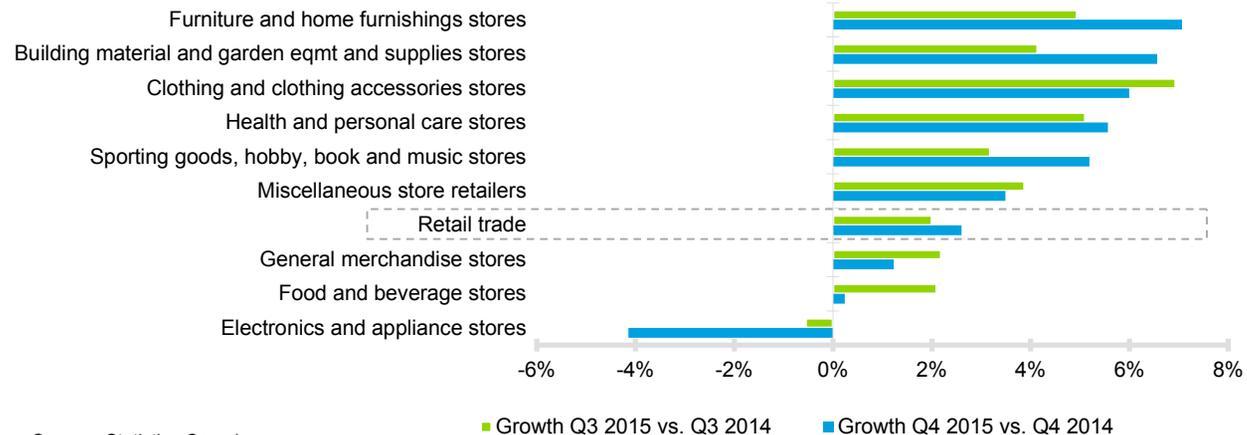
Same store sales growth of Canada’s largest retailers

(Most recently reported fiscal quarter versus one year ago)



Source: Capital IQ, Company reports (as of Mar 2016)

Retail sales growth by store category¹⁰ (Quarterly, year-over-year, seasonally adjusted)



Source: Statistics Canada



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Hotel performance metrics mostly diminished in Q4 2015 compared to Q4 2014 except for a marginal increase in ADR. ●

Inbound visitors to Canada increased from Q4 2014 to Q4 2015, strongly driven by US visitors. ●

Food services sales increased from Q4 2014 to Q4 2015, except for in drinking places. ●

Travel, hospitality and leisure trends

- Hotel performance worsened from Q4 2014 to Q4 2015 in terms of Occupancy and RevPAR but improved marginally in ADR.
- Inbound visitors to Canada from Overseas and the United States increased from Q4 2014 to Q4 2015.
- Continuing the trend from the last 3 quarters, food services sales grew across all categories except for drinking places.

ADR: Average Daily Rate

RevPAR: Revenue per Available Room

Inbound visitors to Canada (overnight visits) (Thousands)

Metric	Q4 2014	Q4 2015	Change
United States	1,310	1,460	11.5% ▲
Overseas	936	973	4.0% ▲
Total Inbound	2,246	2,433	8.3% ▲

Source: Statistics Canada

Canadian hotel performance metrics

Metric	Q4 2014	Q4 2015	Change
Occupancy (%)	59	57	(3.4%) ▼
ADR	\$134.4	\$138.0	2.7% ▲
RevPAR	\$79.3	\$78.8	(0.6)% ▼

Source: Ontario Ministry of Tourism, Culture and Sport

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

Metric	Q4 2014	Q4 2015	Change
Full-service restaurants	6,383	6,584	3.1% ▲
Limited-service eating places	6,491	6,859	5.7% ▲
Special food services	1,233	1,281	3.9% ▲
Drinking places (Alcoholic Beverages)	561	549	(2.1)% ▼
Total sales	14,668	15,273	4.1% ▲

Source: Statistics Canada



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Finished food product prices increased for all of the covered products. ●

Total CPG sales showed a decline in year-over-year growth in Q4 2015 compared to Q3 2015. ●

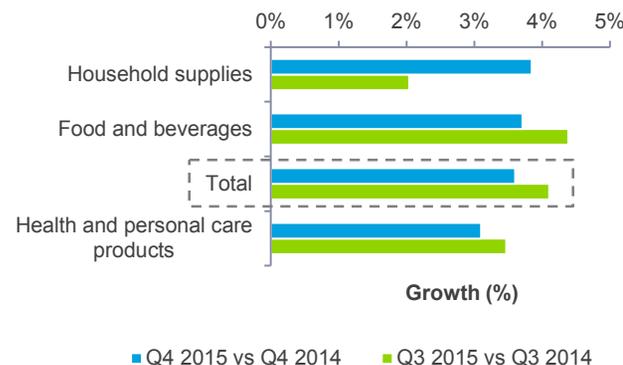
Raw material prices increased in 5 out of 11 categories in Q4 2015, and decreased in the remaining 6 categories. ●

CPG trends

- Finished food product prices experienced positive growth across all categories in Q4 2015.
- Input prices of seafood grew significantly in Q4 2015, while the price of hogs continues to decline sharply as experienced in last three quarters.
- CPG sales experienced a lower year-over-year growth in most categories in Q4 2015 compared to the growth experienced in Q3 2015.

Sales growth by CPG category

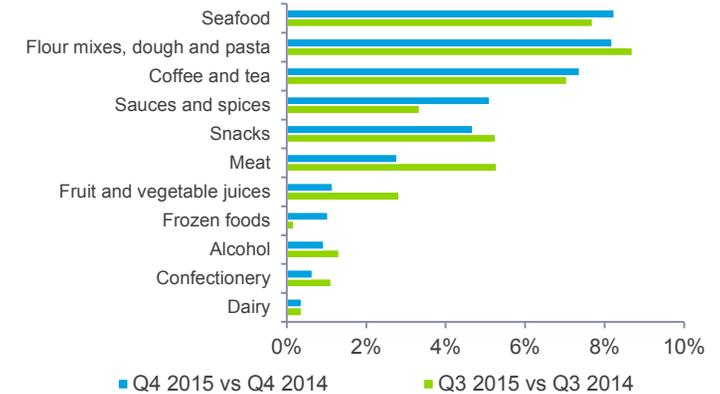
(Quarterly, year-over-year)



Source: Statistics Canada

Growth of finished food product prices

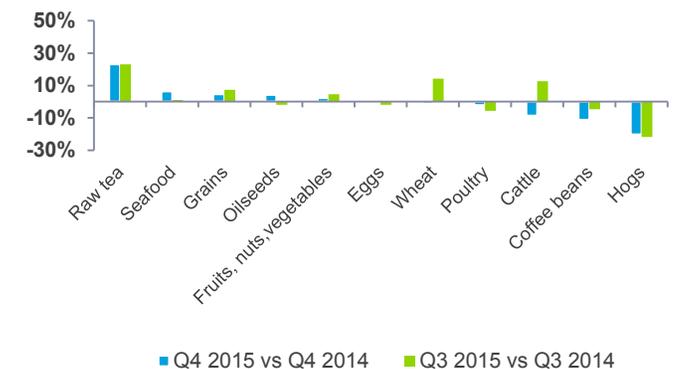
(Quarterly, year-over-year)



Source: Statistics Canada

Growth of raw material prices

(Quarterly, year-over-year)



Source: Statistics Canada





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Search engine trends

Shopping searches

- Kijiji, a free Canadian local classifieds site has continued to retain its position (as in the previous three quarters) as the top online search in the Shopping category by Canadians in Q4 2015. The second and third positions on the list in Q4 2015 were “walmart”, the American multinational retail corporation that operates a chain of discount department stores and “netflix”, the American provider of on-demand Internet streaming media.
- The rising search terms include “black friday canada” and “black friday”, reflecting the occurrence of the day following Thanksgiving Day in the United States (the fourth Thursday of November), regarded as the beginning of the Christmas shopping season in the US.

Travel searches

- Travel searches continue to be dominated by vacation-related searches with “air canada”, “flights” and “westjet” taking the top three spots.
- Rising search terms include “selloffvacations”, the cheap travel and tour website in Canada, provides cheap flights, deals and discount vacations; “sunwing”, a Canadian low-cost airline that also provides vacations deals; and “dubai”, a city in the UAE.

Food and drink searches

- The top search item in this category continues to be “pizza pizza” reflecting the popularity of Pizza Pizza Limited, a franchised Canadian pizza fast-food restaurant headquartered in Toronto.
- The rising search terms include “christmas cookies” and “turkey stuffing”, reflecting the popularity food related search queries associated with Christmas Day and Thanksgiving Day.

Top online searches by Canadians in Q4 2015

(Quarterly, period-to-period)

Rank	Food & drink	Travel	Shopping
1	pizza pizza	air canada	kijiji
2	pizza	flights	walmart
3	recipes	westjet	netflix
4	restaurant	flight	black
5	recette	hotels	best buy
6	food	expedia	canadian tire
7	restaurants	weather	costco
Rising*	christmas cookies	selloffvacations	black friday canada
	turkey stuffing	sunwing	black friday
	shortbread cookies	dubai	black friday 2015

*Rising denotes search activity that has increased in Q4 2015 relative to Q3 2015.

Source: Google Trends





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Social media trends

Twitter

- “Panache Management” continues to hold the top spot as the most popular Twitter brand, likely owing to its image as a top model search agency.
- “WestJet” remained in 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

- “WestJet” the Canadian airline, continued to be on the top position due to its commitment towards reaching consumers through social media advertising.
- “PushedToInsanity” is new to the top 7 ranking list and provides its audience with free templates for creative software including Cinema 4D, After Effects, and Sony Vegas.

Facebook

- “Tim Hortons” maintained a large lead as the most liked Canadian brand on Facebook.
- The top 7 brands continue to hold the same positions as Q3 2015.

Most popular brands on Twitter among Canadians

Rank	Brand	Total followers (000s)
1	Panache Management	714
2	WestJet	595
3	Tim Hortons	552
4	Air Canada	360
5	Olive Garden	317
6	Starbucks Canada	312
7	LUSH Cosmetics	286
	Tim Hortons	552
Trending*	RentSeeker.ca	190
	Buy Online Direct	166

*Based on new followers in past month

Most popular brands on Canadian YouTube channels

Rank	Brand	Total/recent uploaded video views (000s)
1	WestJet	78,769
2	McDonalds Canada	42,508
3	ASUS North America	41,361
4	Kijiji Canada	40,289
5	TD	39,105
6	PushedToInsanity	29,021
7	BMW Canada	25,979
	Expedia	23,127
Trending*	Kijiji Canada	40,289
	Hyundai Canada	10,218

*Based on video views over past month
Source: Socialbakers.com (as of Mar 14, 2016)

Most liked brands on Facebook in Canada

Rank	Brand	Canadian likes (000s)	Total likes (000s)
1	Tim Hortons	2,078	2,856
2	Subway Canada	1,305	1,381
3	Canadian Tire	1,144	1,213
4	Skittles	1,055	24,140
5	AIR MILES Canada	1,034	1,082
6	iTunes(Global)	982	31,234
7	iTunes(Canada)	980	983
	Tim Hortons	2,078	2,856
Trending*	Subway Canada	1,305	1,381
	Canadian Tire	1,144	1,213

*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. Q4 2015 data sources: Real GDP Growth, Unemployment Rate and Consumer Prices are from Statistics Canada. USDCAD exchange rate is based on the December 31, 2015 noon USDCAD exchange rate reported by the Bank of Canada.
3. Q1 - Q4 2016 forecasts are based on the average of reported figures by the following Canadian banks: Scotiabank, TD, CIBC, BMO and RBC.
4. USDCAD Exchange Rate means 1 USD = XXXX CAD.
5. Real GDP data up to Q4 2015 is from Statistics Canada. Q1 2016 onward is the average of the forecasts by the following Canadian Banks: Scotiabank, TD, CIBC, BMO and RBC. Unemployment rate until Q4 2015 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 Q4 2015) 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 based on their latest available housing market outlook report. 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 Q2-2016 between Jan 15, 2016 and Mar 15, 2016.
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.

Note: Figures from Statistics Canada may differ from previous issues as they are often revised retroactively. Brands covered by socialbakers.com may differ from previous issues as social media accounts are often re-classified into different categories.



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