



Consumer Business Economic update

Volume 10 • June 2015

Introduction

Macroeconomic outlook

Analyst sentiment

Retail

Travel, hospitality and leisure

Consumer packaged goods

Consumer “buzz”

Welcome to the tenth 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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Introduction

Macroeconomic outlook

Analyst sentiment

Retail

Travel, hospitality and leisure

Consumer packaged goods

Consumer “buzz”

Observations from this issue

- The Canadian economy experienced a -0.4% real GDP growth rate in Q1 2015, which is in contrast to the strong sales in retail store categories and consumer confidence.
- Since the recession, consumer confidence reached an all-time high of 108.5 in March 2015.
- Same store sales year-over-year growth increased by almost 2.8 percentage points from Q1 2015 and Q1 2014.
- This is the first CB Economic Update where all tracked store categories grew in retail sales for the current and past quarter.
- The majority of key indicators in travel, hospitality and leisure were positive for this quarter.

Metric

Real GDP growth rate has declined in Q1 2015 but the overall 2015 forecast remains positive at 1.9%.

Consumer prices are expected to increase by 1.3% in 2015.

Unemployment rate outlook remains stable at 6.7% and is unchanged in Q1 2015 compared to the previous quarter.

Consumer confidence has rapidly improved in Q1 2015 compared to the previous quarter.

Consumer expenditure growth has decreased to 0.1% in Q1 2015 from 0.5% in Q4 2014.

Housing starts declined in Q1 2015 compared to Q4 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	Q1 2015 ²	2015 Forecast ³	Revision trend
Real GDP Growth (period-to-period, annualized)	-0.4%	1.9%	▼
CPI Growth (year-to-year)	1.0%	1.3%	▲
Unemployment Rate (period avg. %)	6.7%	6.7%	—
Housing starts (annualized, 000s)	177	182	—
USDCAD exchange rate (end of period) ⁴	1.24	1.16	▼

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



Macroeconomic outlook (Continued)



Contact information

Volume 10 • June 2015

Introduction

Macroeconomic outlook

Analyst sentiment

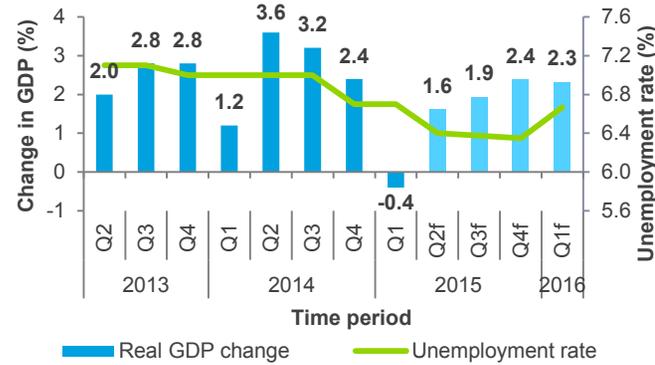
Retail

Travel, hospitality and leisure

Consumer packaged goods

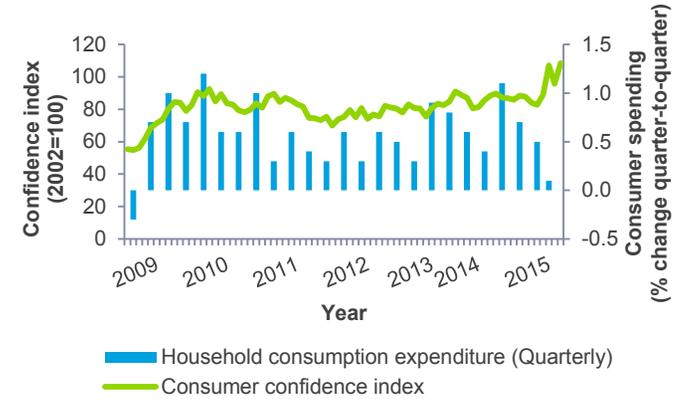
Consumer “buzz”

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





Introduction

Macroeconomic outlook

Analyst sentiment

Retail

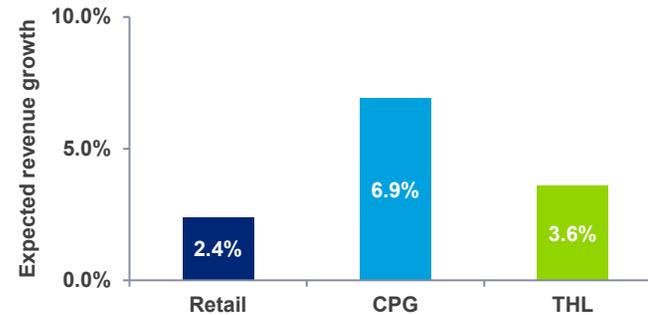
Travel, hospitality and leisure

Consumer packaged goods

Consumer “buzz”

Expected revenue growth⁸

Q3 2015 estimated revenue growth vs. Q3 2014 of five largest TSX-listed companies by sector

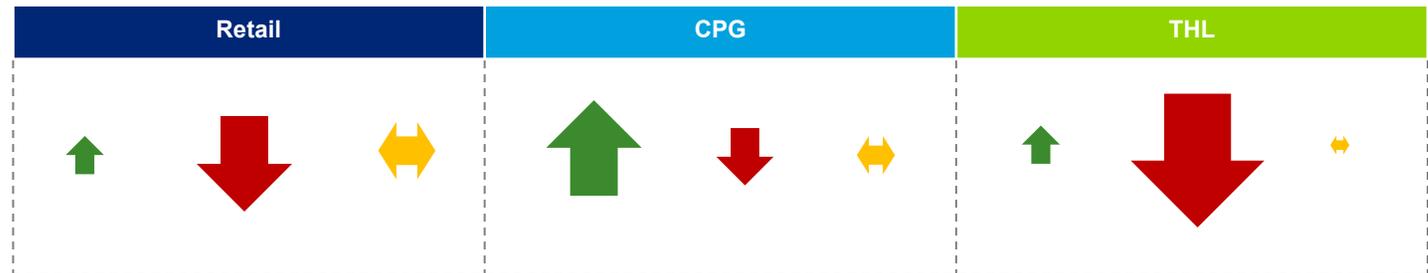


Source: Capital IQ (as of May 27, 2015)

- Expected revenue growth in Q3 2015 is strongest for large Canadian CPG companies out of the three sectors.
- Revenue growth estimates for large Canadian retailers has greatly declined from that of Q2 2015 by 9 percentage points.
- THL is expected to have moderate revenue growth while the majority of the analysts continue to revise their estimates down for FY15.

Revision trends⁹

FY15 revenue estimate revisions for the five largest TSX-listed companies by sector, between Mar 27, 2015 and May 27, 2015



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.



Introduction

Macroeconomic outlook

Analyst sentiment

Retail

Travel, hospitality and leisure

Consumer packaged goods

Consumer “buzz”

Sector signals

Retail sales year-over-year growth of 2.4% in Q1 2015 was lower compared to Q4 2014 (4.4%). ●

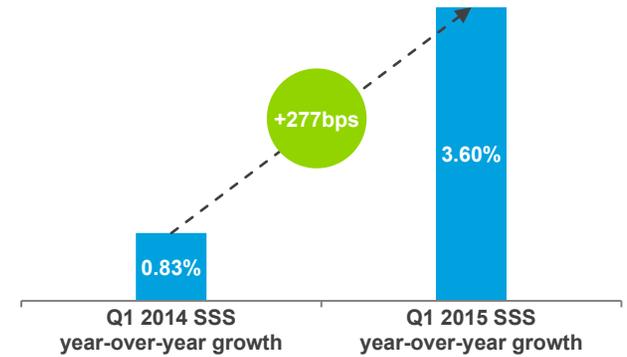
Same store sales continued to show growth across the largest retailers. ●

Retail trends

- This is the first CB Economic Update where all tracked store categories grew in retail sales for the current and past quarter.
- Retail sales growth was led by building material and garden equipment as well as clothing and clothing accessory stores.
- Same store sales growth showed a strong increase versus a year ago across the largest Canadian retailers.

Same store sales growth of Canada’s largest retailers

(Most recently reported fiscal quarter versus one year ago)

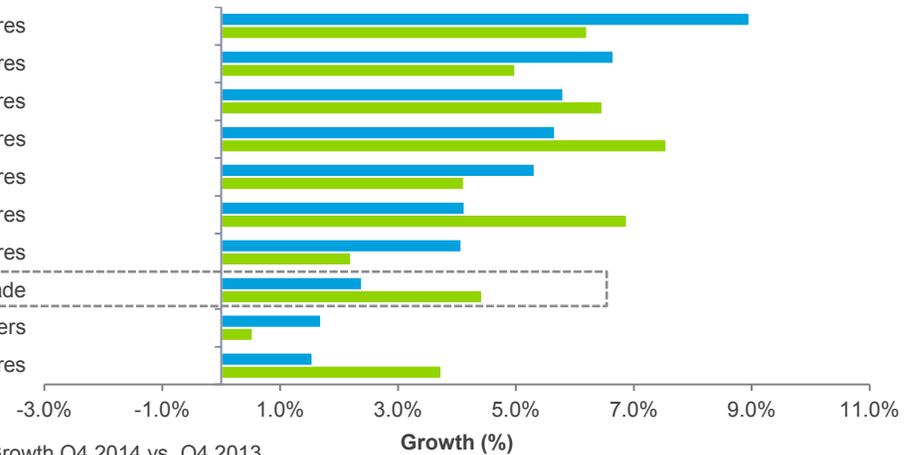


Source: Capital IQ, Company reports (as of May 2015)

Retail sales growth by store category¹⁰

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

- Building material and garden eqmt and supplies stores
- Clothing and clothing accessories stores
- General merchandise stores
- Furniture and home furnishings stores
- Electronics and appliance stores
- Sporting goods, hobby, book and music stores
- Food and beverage stores
- Retail trade
- Miscellaneous store retailers
- Health and personal care stores



■ Growth Q1 2015 vs. Q1 2014 ■ Growth Q4 2014 vs. Q4 2013

Source: Statistics Canada

Introduction

Macroeconomic outlook

Analyst sentiment

Retail

Travel, hospitality and leisure

Consumer packaged goods

Consumer “buzz”

Sector signals

Hotel performance metrics largely improved in Q1 2015 compared to Q1 2014 except for a marginal decrease in occupancy rates. ●

Inbound visitors to Canada increased from Q1 2014 to Q1 2015, driven by overseas visitors. ●

Food services sales increased from Q1 2014 to Q1 2015. ●

Travel, hospitality and leisure trends

- Hotel performance improved in Q1 2015 in terms of ADR and RevPAR compared to Q1 2014, while occupancy decreased.
- Inbound visitors to Canada from Overseas and the United States increased from Q1 2014 to Q1 2015.
- 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	Q1 2014	Q1 2015	Change
United States	1,546	1,575	1.9% ▲
Overseas	685	743	8.5% ▲
Total Inbound	2,231	2,318	3.9% ▲

Source: Statistics Canada

Canadian hotel performance metrics

Metric	Q1 2014	Q1 2015	Change
Occupancy (%)	55.9	55.7	-0.4% ▼
ADR	\$129.2	\$132.5	2.6% ▲
RevPAR	\$72.3	\$73.9	2.2% ▲

Source: STR Global

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

Metric	Q1 2014	Q1 2015	Change
Full-service restaurants	6,080	6,310	3.8% ▲
Limited-service eating places	6,150	6,553	6.6% ▲
Special food services	1,175	1,232	4.9% ▲
Drinking places	574	546	-4.9% ▼
Total sales	13,979	14,641	4.7% ▲

Source: Statistics Canada

Consumer packaged goods



Contact information

Volume 10 • June 2015

Introduction

Macroeconomic outlook

Analyst sentiment

Retail

Travel, hospitality and leisure

Consumer packaged goods

Consumer “buzz”

Sector signals

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

Total CPG sales continued to grow positively at a rate of 4.7% in Q1 2015. ●

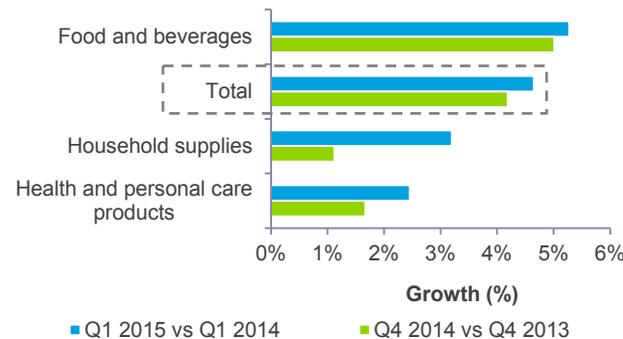
Raw material prices increased for 7 of 11 categories in Q1 2015. ●

CPG trends

- Finished food prices experienced positive growth across all categories in Q1 2015, however the growth rate of confectionary and frozen foods was minimal.
- Input prices of cattle continued to grow significantly in Q1 2015, while the price of hogs sharply declined.
- Sales growth continued to accelerate across all major CPG categories.

Sales growth by CPG category

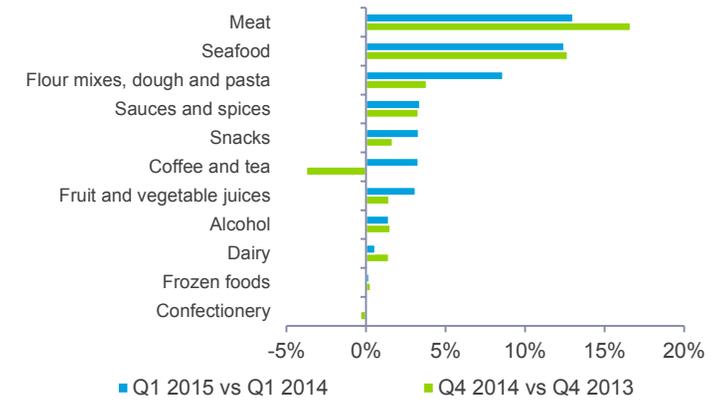
(Quarterly, year-over-year)



Source: Statistics Canada

Growth of finished food product prices

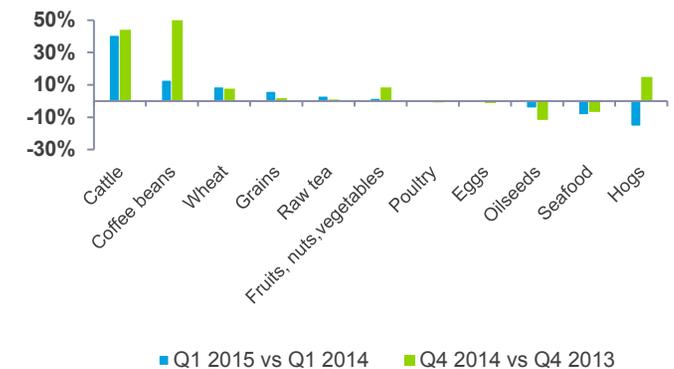
(Quarterly, year-over-year)



Source: Statistics Canada

Growth of raw material prices

(Quarterly, year-over-year)



Source: Statistics Canada



Introduction

Macroeconomic outlook

Analyst sentiment

Retail

Travel, hospitality and leisure

Consumer packaged goods

Consumer “buzz”

Search engine trends

Shopping searches

- Kijiji, a free Canadian local classifieds site has retained its position as the top online search in the Shopping category by Canadians in Q1 2015. Ranking second and third on the list were Netflix, the American provider of on-demand Internet streaming media and Walmart, the American multinational retail corporation that operates a chain of discount department stores.
- The rising search terms include “mumford and sons”, “skechers” and “sandals”, reflecting the rising interest that Canadians have shown in these companies or products.

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 “halifax airport” in Nova Scotia, “Myrtle Beach” located in South Carolina and ‘hotels’

Food and drink searches

- The top search item in this category was “pizza pizza” reflecting the popularity of Pizza Pizza Limited, a franchised Canadian pizza fast-food restaurant headquartered in Toronto.
- The rising search term “winterlicious” represents a food festival held each year in Toronto in February where major restaurants across the city offer dinners at a discount.
- The rising search term “cabane a sucre” or “sugar shacks” reflect growing interest in the seasonal establishment associated with production of maple syrup and other winter activities such as sleigh-riding, music and dance, typically in Quebec.

Top online searches by Canadians in Q1 2015

(Quarterly, period-to-period)

Rank	Food & drink	Travel	Shopping
1	pizza pizza	air canada	kijiji
2	pizza	flights	netflix
3	recipes	westjet	walmart
4	restaurant	expedia	ebay
5	recette	transit	canadian tire
6	cake	sunwing	costco
7	sushi	tripadvisor	amazon
Rising*	truffle butter	halifax airport	mumford and sons
	winterlicious	myrtle beach	skechers
	cabane a sucre	hotels	sandals

*Rising denotes search activity that has increased in Q1 2015 relative to Q4 2014.

Source: Google Trends



Introduction

Macroeconomic outlook

Analyst sentiment

Retail

Travel, hospitality and leisure

Consumer packaged goods

Consumer “buzz”

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

- “NCIX Tech Tips” was the most popular brand on Canadian YouTube channels due to its wide range of useful videos including tutorials, reviews, interviews and daily technology news updates.
- “WestJet” the Canadian airline retains its ranking at the second position due to its commitment towards reaching consumers through social media advertising.

Facebook

- “Tim Hortons” maintained a large lead as the most liked Canadian brand on Facebook
- “Canadian Tire” has overtaken “Skittles” and “Target Canada” (compared to Q4 2014) and is now the third most liked brand on Facebook in Canada.
- “Oreo” has made its way to the top 7 list in Q1 2015.

Most popular brands on Twitter among Canadians

Rank	Brand	Total followers (000s)
1	Panache Management	571
2	WestJet	493
3	Air Canada	296
4	The Social Tabloid	290
5	Telehop	256
6	Olive Garden	249
7	Coke Zero	235
	WestJet	493
Trending*	Starbucks Canada	221
	Joe Fresh	88

Most popular brands on Canadian YouTube channels

Rank	Brand	Total/recent uploaded video views (000s)
1	NCIX Tech Tips	101,750
2	WestJet	66,777
3	McDonalds Canada	35,331
4	ASUS North America	34,161
5	PalsDoGaming	31,717
6	Nissan Canada	31,499
7	TD	28,505
	PalsDoGaming	31,717
Trending*	NCIX Tech Tips	5,978
	Teleflora	4,378

*Based on video views over past month
Source: Socialbakers.com (as of May 27, 2015)

Most liked brands on Facebook in Canada

Rank	Brand	Canadian likes (000s)	Total likes (000s)
1	Tim Hortons	1,934	2,438
2	Subway Canada	1,311	1,380
3	Canadian Tire	1,104	1,157
4	Skittles	1,054	24,253
5	AIR MILES Canada	1,038	1,072
6	iTunes	979	980
7	Oreo	943	40,135
	Groupon	122	
Trending*	Budweiser	93	
	Live in Canada	51	

*Based on new page ‘Likes’ in past month





Introduction

Macroeconomic outlook

Analyst sentiment

Retail

Travel, hospitality and leisure

Consumer packaged goods

Consumer “buzz”

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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. Q1 2015 data sources: Real GDP Growth, Unemployment Rate and Consumer Prices are from Statistics Canada. USDCAD exchange rate is based on the Mar 31, 2015 noon USDCAD exchange rate reported by the Bank of Canada.
3. 2015 and Q1 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 Q1 2015 is from Statistics Canada. Q2 2015 onward is the average of the forecasts by the following Canadian Banks: Scotiabank, TD, CIBC, BMO and RBC. Unemployment rate until Q1 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 Q1 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. 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 March 27, 2015 and May 27, 2015.
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.





Introduction

Macroeconomic outlook

Analyst sentiment

Retail

Travel, hospitality and leisure

Consumer packaged goods

Consumer “buzz”

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