



Consumer Business Economic update

Volume 7 • September 2014

Introduction

Macroeconomic outlook

Analyst sentiment

Retail

Travel, hospitality and leisure

Consumer packaged goods

Consumer “buzz”

Welcome to the seventh 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.



Adam Brown
Partner, Financial Advisory
Consumer Business Practice Leader





Introduction

Macroeconomic outlook

Analyst sentiment

Retail

Travel, hospitality and leisure

Consumer packaged goods

Consumer “buzz”

Observations from this issue

- Growth of the Canadian economy improved in Q2 2014, with real GDP growth of 3.2%.
- Consumer confidence declined slightly in Q2 2014, despite most macroeconomic indicators increasing or remaining the same.
- Same store sales growth rates were slightly higher in Q2 2014 compared to Q2 2013.
- The THL sector saw strong growth across the hotel, travel and food service industries.
- The CPG sector experienced growth in Food and Beverages, and Health and Personal Care Products, while Household Supplies declined.

Metric

Real GDP has improved in Q2 2014 and is projected to grow at 2.6% in 2015.

Consumer prices are expected to increase by 1.9% in 2015.

Unemployment rate remained the same at 7.0%

Consumer confidence peaked in April 2014, but declined throughout the remainder of Q2 2014

Consumer expenditure increased by 0.9% from Q1 2014 to Q2 2014.

Housing starts increased in Q2 2014 compared to Q1 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	Q2 2014 ²	2015 Forecast ³	Revision trend
Real GDP Growth (period-to-period, annualized)	3.2%	2.6%	▲
CPI Growth (year-to-year)	2.2%	1.9%	—
Unemployment Rate (period avg.)	7.0%	6.7%	▲
Housing starts (annualized, 000s)	196	176	▲
USDCAD exchange rate (end of period) ⁴	1.07	1.08	▲

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



Macroeconomic outlook (Continued)



Contact information

Volume 7 • September 2014

Introduction

Macroeconomic outlook

Analyst sentiment

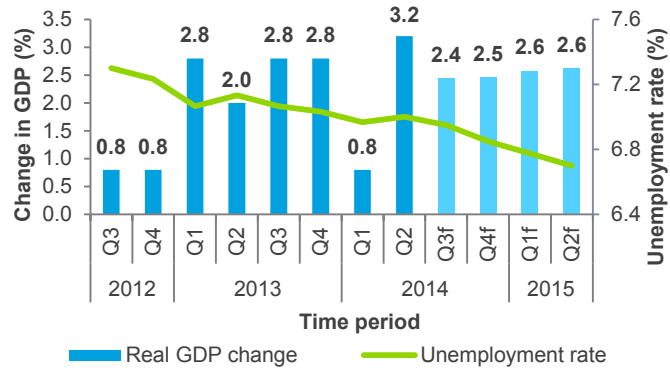
Retail

Travel, hospitality and leisure

Consumer packaged goods

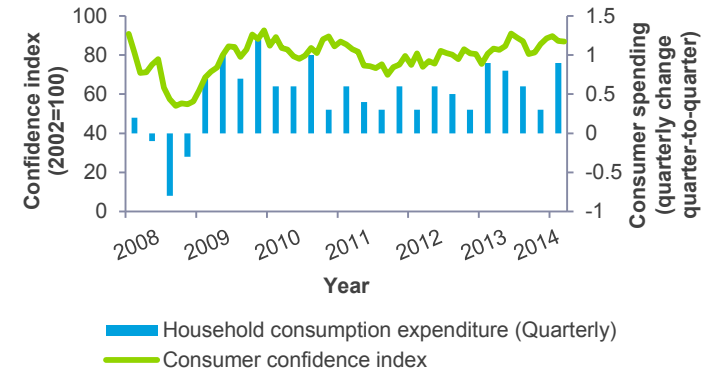
Consumer “buzz”

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



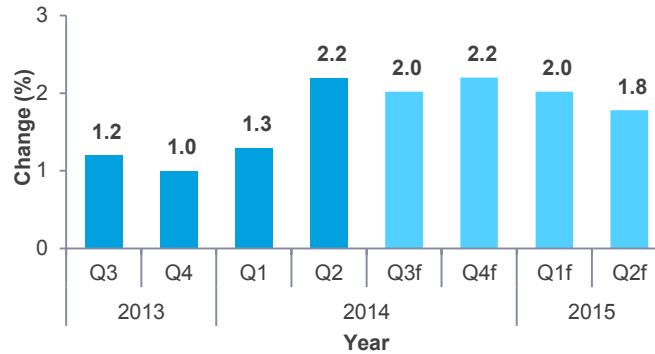
Source: Statistics Canada, Scotiabank, TD, CIBC, BMO, RBC, Deloitte analysis

Consumer confidence and household consumption
(Seasonally adjusted)



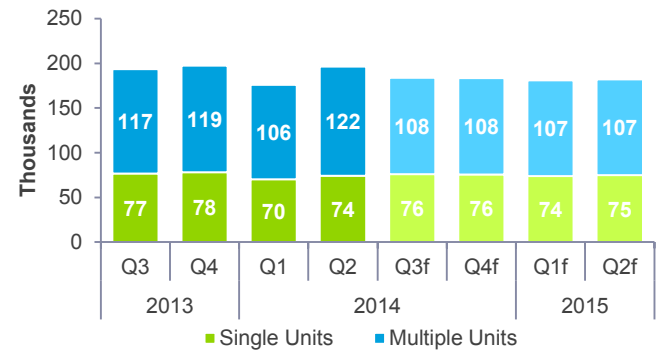
Source: Conference Board of Canada, Statistics Canada

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

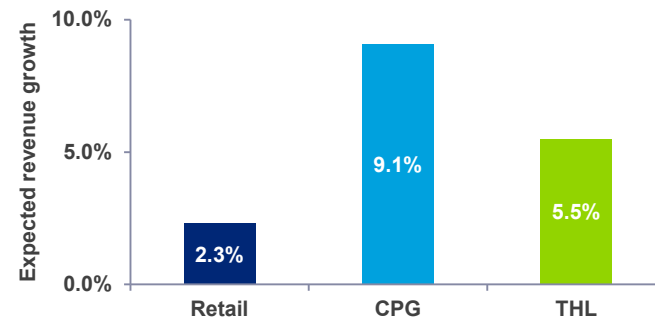
Travel, hospitality and leisure

Consumer packaged goods

Consumer “buzz”

Expected revenue growth⁸

Q4 2014 estimated revenue growth vs. Q4 2013 actual revenue of five largest TSX-listed companies by sector

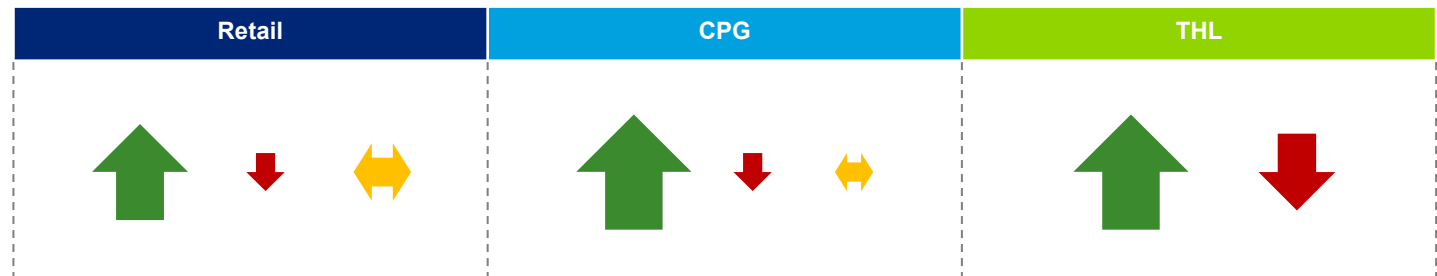


Source: Capital IQ (as of September 5, 2014)

- Analysts expect the largest retailers to report moderate revenue growth in Q4 2014, complementing the slight increase in same store sales growth.
- Analysts expect CPG companies to report healthy revenue growth in Q4 2014, with most of the analysts upgrading their estimates.
- Revenue growth is expected to be positive for THL companies, with more than half of analysts revising revenue estimates upwards.

Revision trends⁹

FY14 revenue estimate revisions for the five largest TSX-listed companies by sector, between June 5, 2014 and September 5, 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.



Introduction

Macroeconomic outlook

Analyst sentiment

Retail

Travel, hospitality and leisure

Consumer packaged goods

Consumer “buzz”

Sector signals

Retail sales growth increased by 5.2% in Q2 2014 compared with same quarter last year ●

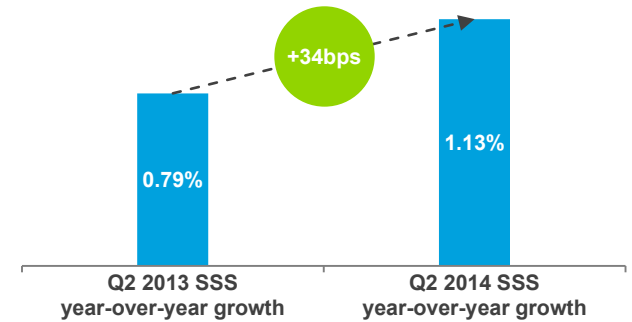
Same store sales growth increased across the largest retailers. ●

Retail trends

- Retail sales growth was led by Health and Personal Care stores and General Merchandise stores.
- Electronic, Appliance and Miscellaneous stores continue to struggle.
- Furniture and Home Furnishings and Building Materials stores have improved with positive growth.
- Same store sales growth is increasing across Canada’s 10 largest retailers versus a year ago.

Same store sales growth of Canada’s largest retailers

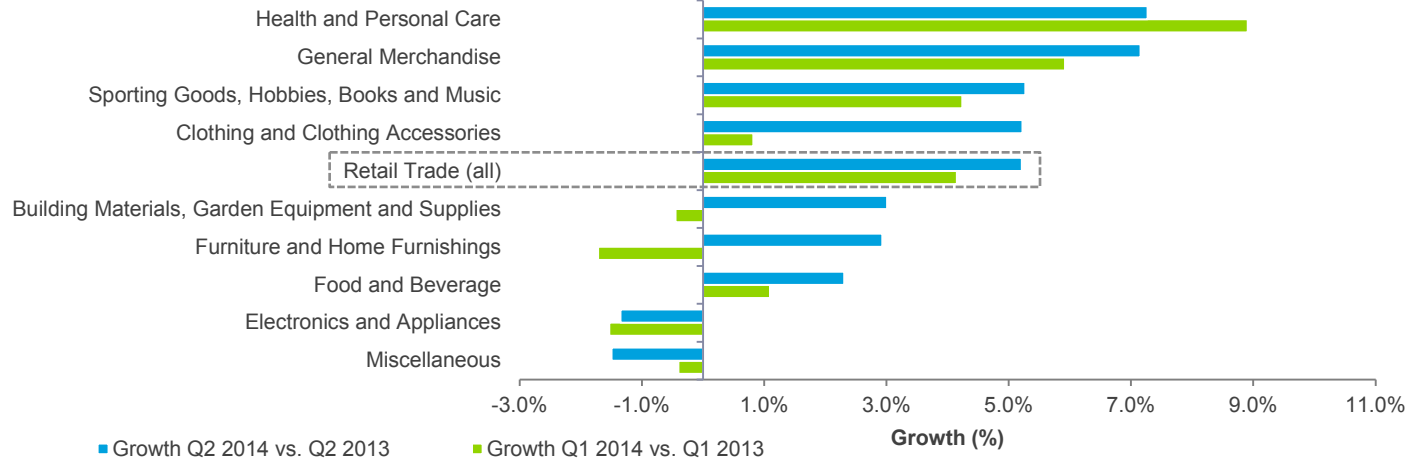
(Most recently reported fiscal quarter versus one year ago)



Source: Capital IQ, Company reports (as of Sept 5, 2014)

Retail sales growth by store category¹⁰

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



Source: Statistics Canada



Introduction

Macroeconomic outlook

Analyst sentiment

Retail

Travel, hospitality and leisure

Consumer packaged goods

Consumer “buzz”

Sector signals

Hotel performance metrics improved in Q2 2014, compared to Q2 2013. ●

Inbound visitors in Q2 2014 were higher than Q2 2013. ●

Food service sales posted a moderate increase from Q1 2014 to Q2 2014. ●

Travel, hospitality and leisure trends

- Hotels performed well in Q2 2014 with gains in occupancy, ADR and RevPAR.
- Inbound visitors from the United States and overseas increased substantially in Q2 2014 vs. Q2 2013, led by a rise in overseas visitors.
- Food services sales grew across all categories, representing a total increase of 2.3% from Q1 2014 to Q2 2014.

ADR: Average Daily Rate
RevPAR: Revenue per Available Room

Inbound visitors to Canada (overnight visits) (Thousands)

Metric	Q2 2013	Q2 2014	Change
United States	3,201	3,294	2.9% ▲
Overseas	1,226	1,352	10.2% ▲
Total Inbound	4,428	4,646	4.9% ▲

Source: Statistics Canada

Canadian hotel performance metrics

Metric	Q2 2013	Q2 2014	Change
Occupancy (%)	65.2	67.4	3.4% ▲
ADR	\$132.8	\$137.0	3.2% ▲
RevPAR	\$86.7	\$92.8	7.0% ▲

Source: STR Global

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

Metric	Q1 2014	Q2 2014	Change
Full-service restaurants	6,032	6,161	2.1% ▲
Limited-service eating places	6,201	6,329	2.1% ▲
Special food services	1,180	1,227	4.0% ▲
Drinking places	571	584	2.3% ▲
Total sales	13,984	14,301	2.3% ▲

Source: Statistics Canada



Consumer packaged goods



Contact information

Volume 7 • September 2014

Introduction

Macroeconomic outlook

Analyst sentiment

Retail

Travel, hospitality and leisure

Consumer packaged goods

Consumer “buzz”

Sector signals

Finished food product prices increased marginally for most covered products in Q2 2014. ●

Total CPG sales growth continued at a rate above 2% in Q2 2014. ●

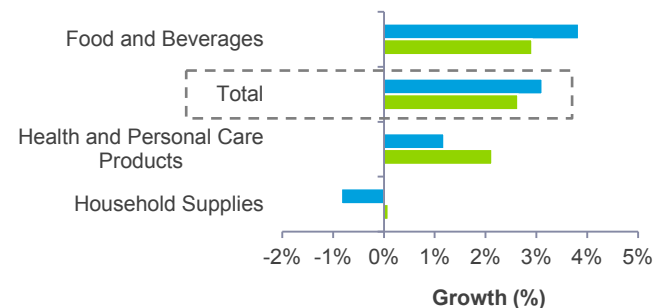
Raw material prices increased overall in Q2 2014. ●

CPG trends

- Overall finished food prices increased for nine out of the 11 covered categories, while Confectionery and Coffee and Tea experienced declines.
- CPG sales growth increased slightly for Food and Beverages, while there was a decline in Health and Personal Care Products and Household Supplies.
- Input prices increased most for Hogs, Coffee beans and Cattle, while Grains and Seafood experienced the greatest declines.

Sales growth by CPG category

(Quarterly, year-over-year)

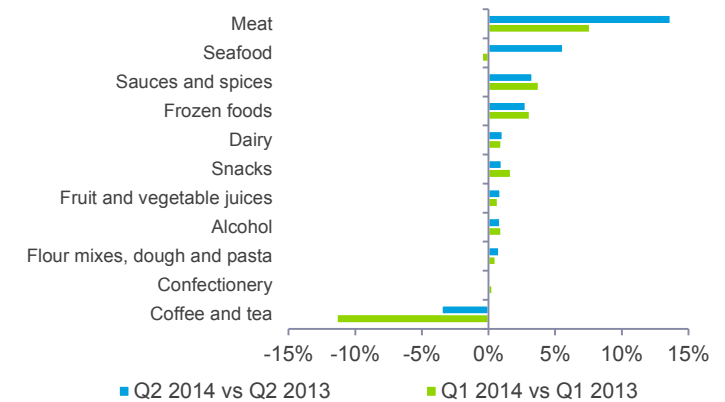


■ Q2 2014 year-over-year growth ■ Q1 2014 year-over-year growth

Source: Statistics Canada

Growth of finished food product prices

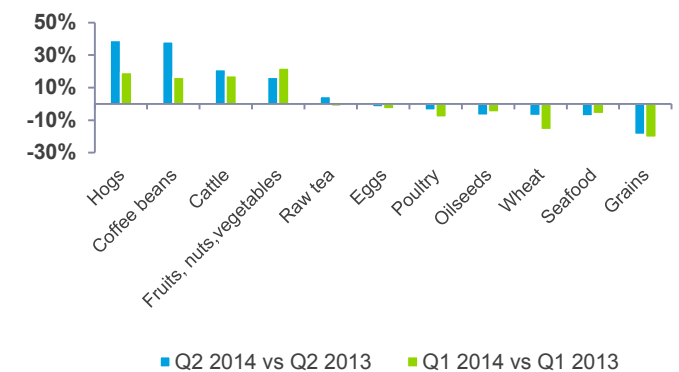
(Quarterly, year-over-year)



Source: Statistics Canada

Growth of raw material prices

(Quarterly, year-over-year)



Source: Statistics Canada





Introduction

Macroeconomic outlook

Analyst sentiment

Retail

Travel, hospitality and leisure

Consumer packaged goods

Consumer “buzz”

Search engine trends

Shopping searches

- Classified ads website Kijiji and Canadian retailer Canadian Tire were the top shopping searches with the keywords "kijiji" and "canadian tire" holding the top two spots. Netflix, which held the second spot in Q1 2014, now ranks third.
- The occurrence of Mother's Day and Father's Day in May & June respectively, resulted in the rising search of "father's day" and "mother's day."
- Birkenstock brand of footwear from Germany resulted in the rising search of "birkenstock."

Travel searches

- Travel searches continue to be dominated by flight-related searches with "air canada", "flights" and "westjet" taking the top three spots.
- The rising search list was dominated by the FIFA World Cup host nation "brazil", and the theme parks "la ronde" and "wonderland".

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 "sangria", "potato salad" and "pasta salad" reflect drink and food items commonly consumed during the summer months.

Top online searches by Canadians in Q2 2014

(Quarterly, period-to-period)

Rank	Food & drink	Travel	Shopping
1	pizza pizza	air canada	kijiji
2	pizza	flights	canadian tire
3	recipes	westjet	netflix
4	restaurants	flight	walmart
5	recette	hotels	ebay
6	food	expedia	costco
7	sushi	transit	amazon
	sangria	la ronde	father's day
Rising*	potato salad	brazil	mother's day
	pasta salad	wonderland	birkenstock

*Rising denotes search activity that has increased in Q2 2014 relative to Q1 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” held the top spot as the most popular Twitter brand, likely owing to its ongoing model hunt competition.
- “WestJet” holds a strong 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” is the leading Canadian brand on Facebook which can be attributed to its engaging approach and regular posting of updates, customer photos and videos.
- “Life Made Delicious - General Mills Canada” has been trending due to the Facebook brand page’s offering of recipes, tips and exclusive perks from General Mills Canada’s product lines.

Most popular brands on Twitter among Canadians

Rank	Brand	Total followers (000s)
1	Panache Management	441
2	WestJet	362
3	Halo Health	292
4	Telehop	270
5	Air Canada	230
6	Coke Zero	193
7	Olive Garden	173
	CIBC	17
Trending*	WestJet	9
	Subway Canada	8

Most popular brands on Canadian YouTube channels

Rank	Brand	Total/recent uploaded video views (000s)
1	NCIXcom	68,828
2	WestJet	47,211
3	ASUS North America	30,861
4	McDonald’s Canada	24,958
5	Kijiji Canada	20,978
6	BMW Canada	20,787
7	Mazda Canada	16,459
	TDCanada	5096
Trending*	NCIXcom	3200
	Expedia Canada	2906

*Based on video views over past month
Source: Socialbakers.com (as of Sept 4, 2014)

Most liked brands on Facebook in Canada

Rank	Brand	Canadian likes (000s)	Total likes (000s)
1	Tim Hortons	1,984	2,498
2	Subway Canada	1,358	1,433
3	Target Canada	1,236	1,300
4	Skittles	1,140	26,356
5	Canadian Tire	1,089	1,140
6	iTunes	1,038	32,458
7	AIR MILES Canada	1,025	1,057
	Groupon	368	
Trending*	Ubisoft	183	
	Life Made Delicious - General Mills Canada	59	

*Based on new page ‘Likes’ in past month





Introduction

Macroeconomic outlook

Analyst sentiment

Retail

Travel, hospitality and leisure

Consumer packaged goods

Consumer “buzz”

Publication disclaimer

This publication contains general information only and Deloitte is not, by means of this publication, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor. Deloitte, its affiliates, and related entities shall not be responsible for any loss sustained by any person who relies on this publication.

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. Q2 2014 data sources: Real GDP Growth, Unemployment Rate and Consumer Prices are from Statistics Canada. USDCAD exchange rate is based on the June 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.
4. USDCAD Exchange Rate means 1 USD = XXXX CAD.
5. Real GDP data up to Q2 2014 is from Statistics Canada. Q3 2014 onward is the average of the forecasts by the following Canadian Banks: Scotiabank, TD, CIBC, BMO and RBC. Unemployment rate until Q2 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 Q2 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 FY14 between June 5, 2014 and September 5, 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.



Contacts



Volume 7 • September 2014

Introduction

Macroeconomic outlook

Analyst sentiment

Retail

Travel, hospitality and leisure

Consumer packaged goods

Consumer “buzz”

Contacts

To discuss this update or how Deloitte can assist your organization, contact our Financial Advisory Consumer Business team.

Ryan Brain

National Consumer Business Leader
rbrain@deloitte.ca

Brent Houlden

National Retail Sector Leader
boulden@deloitte.ca

Lorrie King

National THL Sector Leader
lorking@deloitte.ca

Adam Brown

Financial Advisory, Consumer Business Practice Leader
adbrown@deloitte.ca

Jim Kilpatrick

National Consumer Products and Food Sector Leader
jimkilpatrick@deloitte.ca

Joanna Gibbons

Financial Advisory, Food and Beverage Leader
joannagibbons@deloitte.ca

Deloitte, one of Canada's leading professional services firms, provides audit, tax, consulting, and financial advisory services. Deloitte LLP, an Ontario limited liability partnership, is the Canadian member firm of Deloitte Touche Tohmatsu Limited.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

© Deloitte LLP and affiliated entities.