



Consumer Business Economic update

Volume 9 • March 2015

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Welcome to the ninth 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 slower real GDP growth in Q4 2014 at rate of 1.6%.
- Consumer confidence declined in October and November, but made a strong recovery in December 2014.
- Same store sales growth rates increased by almost 2% in Q4 2014 compared to Q4 2013.
- The THL sector saw growth across all sub-sectors.
- The CPG sector experienced increased growth rates across all major categories.

Metric

- Real GDP growth declined** in Q4 2014 but still remained positive at 1.6%
- Consumer prices** are expected to increase by only 0.9% in 2015.
- The unemployment rate** is expected to remain at current levels in 2015.
- Consumer confidence** recovered during the holiday season.
- Consumer expenditure growth decreased** to 0.5% in Q4 2014 from 0.7% in Q3 2014.
- Housing starts declined** in Q4 2014 compared to Q3 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	Q4 2014 ²	2015 Forecast ³	Revision trend
Real GDP Growth (period-to-period, annualized)	1.6%	2.0%	▼
CPI Growth (year-to-year)	1.9%	0.9%	▼
Unemployment Rate (period avg.)	6.7%	6.7%	—
Housing starts (annualized, 000s)	187	182	—
USDCAD exchange rate (end of period) ⁴	1.16	1.31	▲

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



Macroeconomic outlook (Continued)



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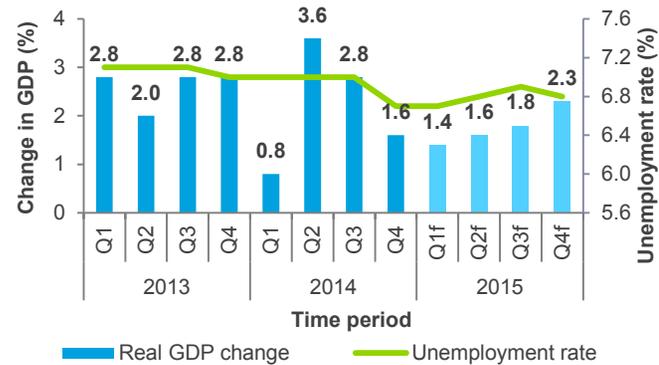
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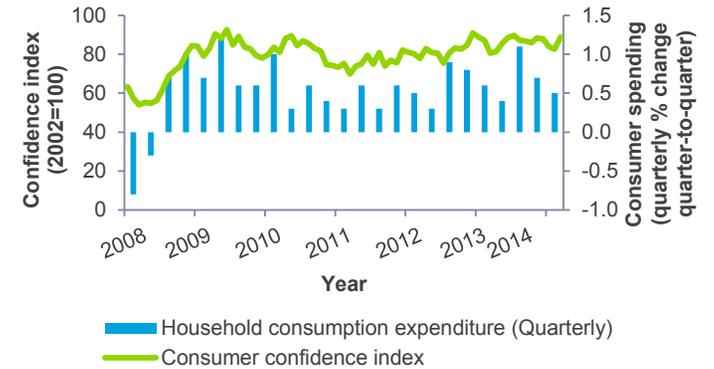
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Real gross domestic product and unemployment rate⁵
(Quarter-to-quarter, seasonally adjusted, annualized)



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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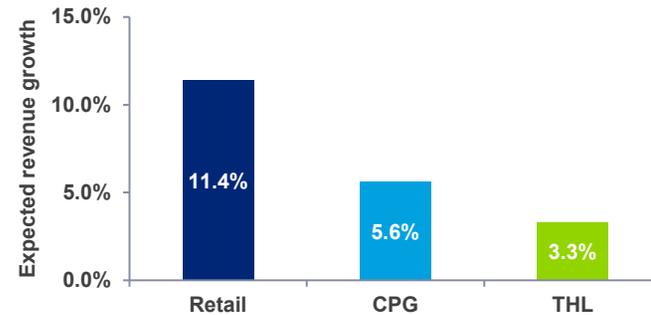
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Expected revenue growth⁸

Q2 2015 estimated revenue growth vs. Q2 2014 of five largest TSX-listed companies by sector



Source: Capital IQ (as of March 8, 2015)

- Large Canadian retail companies are expected to report the strongest revenue growth in Q2 2015 out of the three sectors.
- Analyst estimates for CPG are neutral
- Revenue growth for THL is expected to be the lowest and the majority of analysts are revising their revenue estimates down for FY2015.

Revision trends⁹

FY15 revenue estimate revisions for the five largest TSX-listed companies by sector, between January 8, 2015 and March 8, 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.



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Retail sales growth increased to 4.4% in Q4 2014 compared with the same quarter last year.

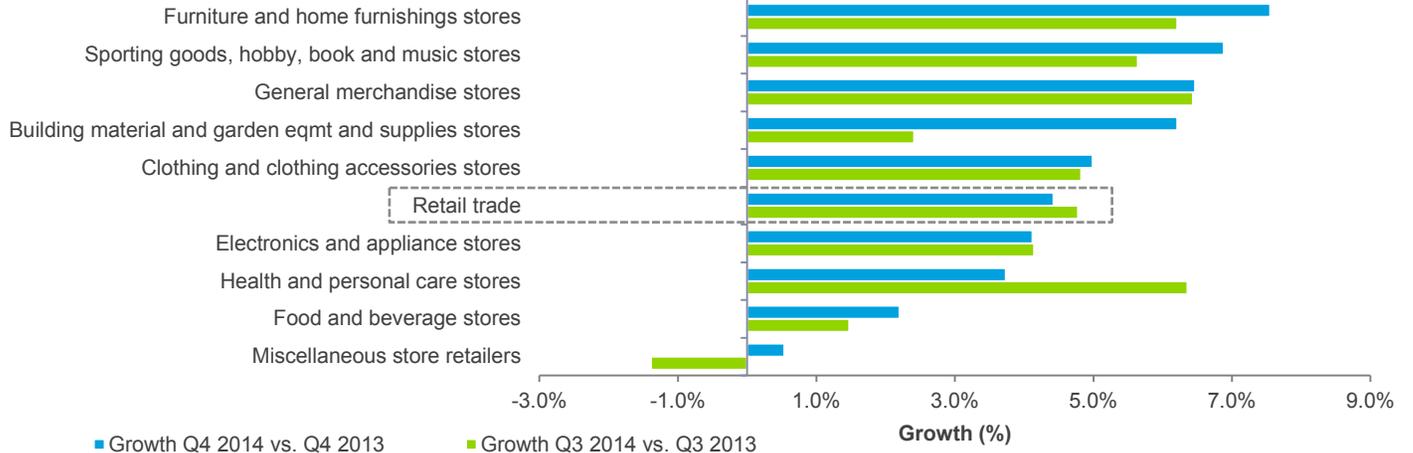
Same store sales continued to show growth across the largest retailers.

Retail trends

- Retail sales growth was led by furniture and home furnishings, sporting goods, hobby, book and music stores and general merchandise stores.
- Compared to the previous quarter, health and personal care stores showed lower year-over-year growth rate in Q4 2014.
- Miscellaneous store retailers showed positive growth after experiencing declines in the previous quarter.
- Same store sales growth continued to increase across Canada’s 10 largest retailers versus a year ago.

Retail sales growth by store category¹⁰

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



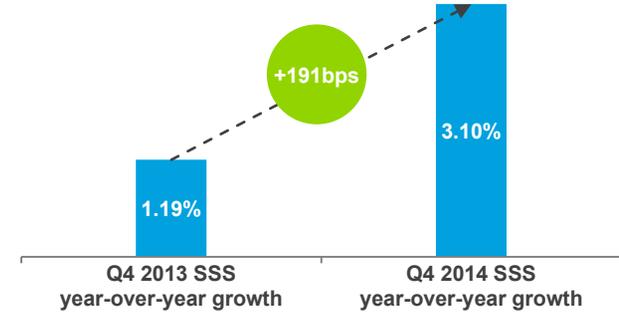
■ Growth Q4 2014 vs. Q4 2013

■ Growth Q3 2014 vs. Q3 2013

Source: Statistics Canada

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 March 3, 2015)



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Sector signals

Hotel performance metrics improved in Q4 2014, compared to Q4 2013. ●

Inbound visitors to Canada in Q4 2014 were substantially higher than Q4 2013. ●

Food services sales posted a small increase from Q3 2014 to Q4 2014. ●

Travel, hospitality and leisure trends

- Hotels performed well in Q4 2014 with gains in occupancy, ADR and RevPAR.
- Inbound visitors from overseas increased substantially in Q4 2014 vs. Q4 2013.
- Food services sales grew across full-service restaurants and limited-service eating places while special food services and drinking places experienced declines.

ADR: Average Daily Rate
RevPAR: Revenue per Available Room

Inbound visitors to Canada (overnight visits) (Thousands)

Metric	Q4 2013	Q4 2014	Change
United States	2,212	2,284	3.2% ▲
Overseas	851	936	10.0% ▲
Total Inbound	3,063	3,220	5.1% ▲

Source: Statistics Canada

Canadian hotel performance metrics

Metric	Q4 2013	Q4 2014	Change
Occupancy (%)	58.6	59.4	1.4% ▲
ADR	\$129.8	\$133.4	2.8% ▲
RevPAR	\$76.1	\$79.4	4.3% ▲

Source: STR Global

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

Metric	Q3 2014	Q4 2014	Change
Full-service restaurants	6,325	6,347	0.3% ▲
Limited-service eating places	6,451	6,551	1.6% ▲
Special food services	1,257	1,239	(1.4%) ▼
Drinking places	576	565	(1.9%) ▼
Total sales	14,610	14,702	0.6% ▲

Source: Statistics Canada



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Finished food product prices increased for almost all covered products in Q4 2014. ●

Total CPG sales growth continued at a rate of 4.3% in Q4 2014. ●

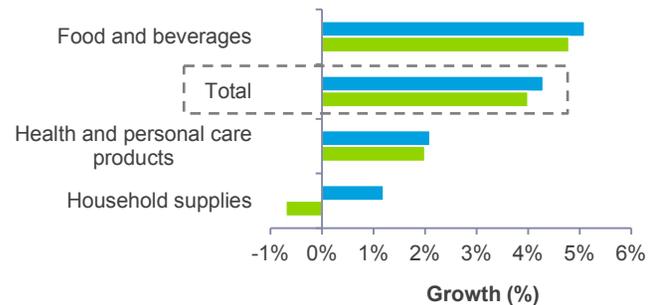
Raw material prices increased overall in Q4 2014. ●

CPG trends

- Similar to last quarter, overall finished food prices increased for 9 out of the 11 covered categories, with confectionery and coffee and tea experiencing a decline.
- Input prices increased for 7 of the 11 products, while all others experienced a decline.
- Sales growth accelerated across all major CPG categories in Q4 2014.

Sales growth by CPG category

(Quarterly, year-over-year)

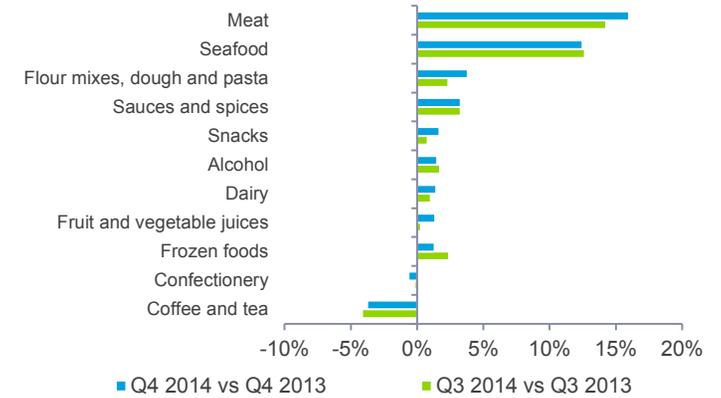


■ Q4 2014 year-over-year growth ■ Q3 2014 year-over-year growth

Source: Statistics Canada

Growth of finished food product prices

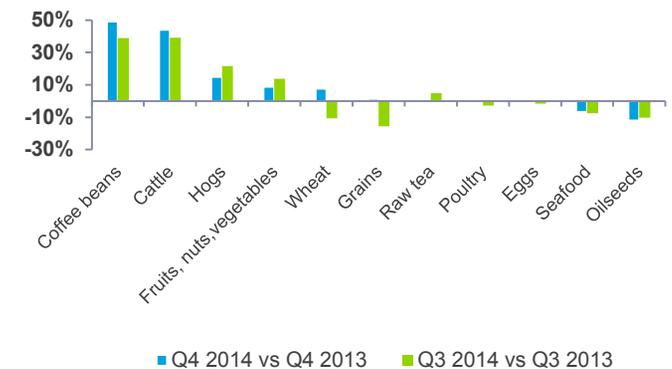
(Quarterly, year-over-year)



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 still retains the top spot with “kijiji” as the top shopping search item in Q4 2014. American multinational retail store Walmart and on-demand internet streaming media provider Netflix were the next two top shopping searches with the keywords “walmart” and “netflix” ranking second and third respectively on the list.
- The occurrence of Black Friday in November 2014 resulted in the top rising search terms “black friday” and “black friday 2014”.
- The search term “canada goose” shows the popularity of the Canada Goose brand for its winter jackets used by many consumers in Canada.

Travel searches

- Travel searches continue to be dominated by vacation-related searches with “air canada”, “flights” and “westjet” taking the top three spots.
- The rising search term “selloffvacations” is a popular website offering affordable vacation packages. The other two rising search terms highlight specific travel destinations. “yosemite” is a national park in California and “cancun” is a city in Mexico.

Food and drink searches

- The top keyword searches of “recipes” and “pizza” indicate Canadians continue to enjoy home cooking, and look to the internet for pizza restaurants or ordering online.
- The rising search terms “christmas cookies”, “shortbread cookies” and “sugar cookies” may suggest Canadians are looking for recipes or places to purchase festive cookies during the holiday season.

Top online searches by Canadians in Q4 2014

(Quarterly, period-to-period)

Rank	Food & drink	Travel	Shopping
1	recipes	air canada	kijiji
2	pizza	flights	walmart
3	pizza pizza	westjet	netflix
4	restaurant	flight	canadian tire
5	chicken	hotels	costco
6	recette	expedia	ebay
7	food	weather	amazon
Rising*	christmas cookies	selloffvacations	black friday
	shortbread cookies	yosemite	black friday 2014
	sugar cookies	cancun	canada goose

*Rising denotes search activity that has increased in Q4 2014 relative to Q3 2014.

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 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.
- “McDonalds Canada” has overtaken ASUS North America this quarter and is now the third most popular Canadian brand on YouTube.

Facebook

- “Tim Hortons” maintained a wide lead as the most liked Canadian brand on Facebook.
- “Skittles” is a new brand which entered the top 7 list in Q4 2014 as compared to the previous quarter.

Most popular brands on Twitter among Canadians

Rank	Brand	Total followers (000s)
1	Panache Management	540
2	WestJet	460
3	The Social Tabloid	290
4	Air Canada	278
5	Telehop	260
6	Olive Garden	228
7	Coke Zero	227
	LUSH Cosmetics	200
Trending*	High on Life	104
	Samsung Canada	33

Most popular brands on Canadian YouTube channels

Rank	Brand	Total/recent uploaded video views (000s)
1	NCIXcom	90,166
2	WestJet	64,820
3	McDonalds Canada	34,412
4	ASUS North America	32,983
5	Nissan Canada	28,781
6	TD Canada	27,525
7	BMW Canada	23,030
	Nissan Canada	28,781
Trending*	Bud Light Canada	13,497
	Visa Canada	5,987

*Based on video views over past month
Source: Socialbakers.com (as of Mar 3, 2015)

Most liked brands on Facebook in Canada

Rank	Brand	Canadian likes (000s)	Total likes (000s)
1	Tim Hortons	2,027	2,557
2	Subway Canada	1,371	1,446
3	Target Canada	1,310	1,382
4	Skittles	1,143	26,578
5	Canadian Tire	1,124	1,179
6	Air Miles Canada	1,051	1,088
7	iTunes	1,045	33,164
	IKEA Canada	349	
Trending*	Ferrero Rocher	340	
	Pantene North America	125	

*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 2014 data sources: Real GDP Growth, Unemployment Rate and Consumer Prices are from Statistics Canada. USDCAD exchange rate is based on the Dec 31, 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.
4. USDCAD Exchange Rate means 1 USD = XXXX CAD.
5. Real GDP data up to Q4 2014 is from Statistics Canada. Q1 2015 onward is the average of the forecasts by the following Canadian Banks: Scotiabank, TD, CIBC, BMO and RBC. Unemployment rate until Q4 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 Q4 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 January 8, 2015 and March 8, 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.





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