



# Consumer Business Economic update

Volume 11 • October 2015

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**Welcome to the eleventh 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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Consumer Business Practice Leader





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### Observations

- The Canadian economy experienced a decline of -0.4% in real GDP growth rate in Q2 2015.
- Consumer confidence experienced a decline in April, 2015 to 94.7, but recovered through June, 2015 to 102.7.
- Same store sales year-over-year growth increased by 2.8 percentage points from Q2 2014 to Q2 2015.
- Compared to the previous quarter, where all tracked store categories grew in retail sales, this quarter, electronics and appliance stores experienced a year-over-year decline.
- The majority of key indicators in travel, hospitality and leisure continue to be positive for this quarter as well.

### Metric

- **Real GDP growth rate has remained the same** in Q2 2015 at -0.4% and the overall 2015 forecast has been revised down to 1.5%.
- **Consumer prices** growth forecast for 2015 remains the same at 1.3%.
- **Unemployment rate outlook remains stable** at 6.8% in Q2 2015 increasing marginally from 6.7% in Q1 2015.
- **Consumer confidence** declined, but recovered at the end of Q2 2015.
- **Consumer expenditure growth has increased** to 0.6% in Q2 2015 from 0.1% in Q1 2015.
- **Housing starts** is forecasted to be marginally higher in Q2 2015 compared to Q1 2015.

### Signal



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

### Canadian banks economic outlook

| Macroeconomic indicator                           | Q2 2015 <sup>2</sup> | 2015 Forecast <sup>3</sup> | Revision trend |
|---|----------------------|----------------------------|----------------|
| Real GDP Growth (period-to-period, annualized)    | -0.4%                | 1.5%                       | ▼              |
| CPI Growth (year-to-year)                         | 0.9%                 | 1.3%                       | —              |
| Unemployment Rate (period avg. %)                 | 6.8%                 | 6.8%                       | ▲              |
| Housing starts (annualized, 000s) <sup>7</sup>    | 178(F)               | 182                        | —              |
| USDCAD exchange rate (end of period) <sup>4</sup> | 1.26                 | 1.05                       | ▼              |

Note: Revision trends indicate the direction of change from the 2015 forecast in the previous quarter. CMHC had not published Q2 actual results at the time of this volume and 177,000 represents their forecast for Q2.





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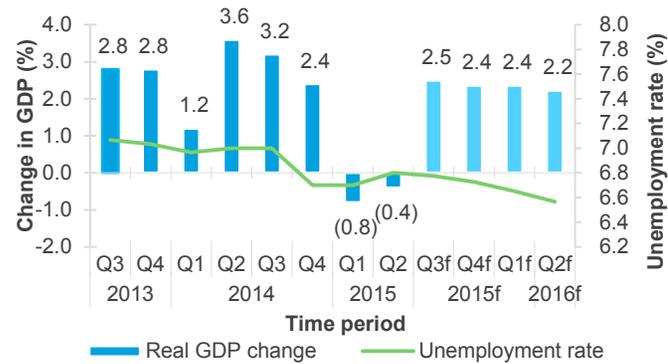
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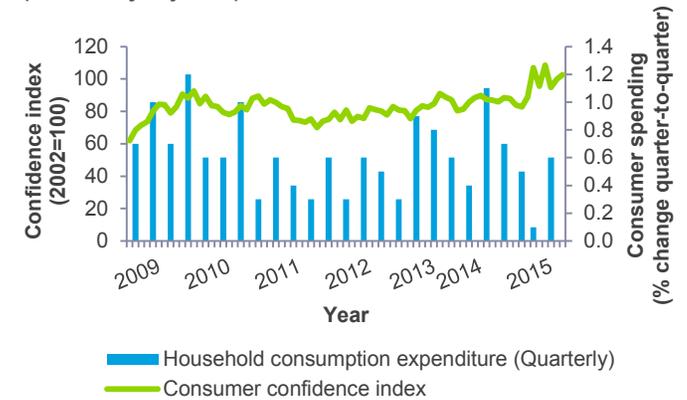
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**Real gross domestic product and unemployment rate<sup>5</sup>**  
(Quarter-to-quarter, seasonally adjusted, annualized)



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

**Consumer confidence and household consumption**  
(Seasonally adjusted)



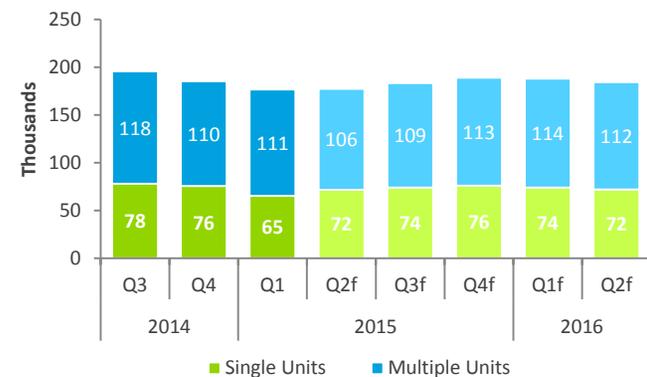
Source: Conference Board of Canada, Statistics Canada

**Consumer price index<sup>6</sup>**  
(Year-to-year, seasonally adjusted, 2011 basket)



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

**Canadian housing starts outlook<sup>7</sup>**  
(Annualized, seasonally adjusted)



Source: CMHC





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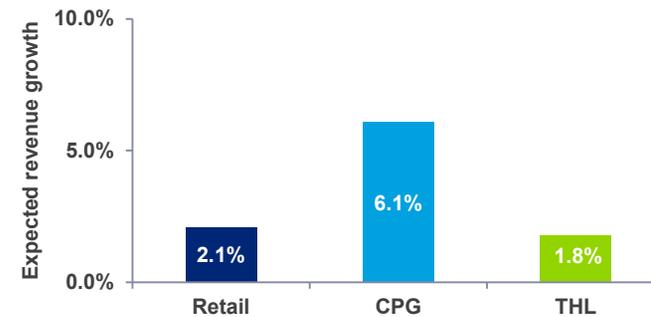
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## Expected revenue growth<sup>8</sup>

Q4 2015 estimated revenue growth vs. Q4 2014 of five largest TSX-listed companies by sector

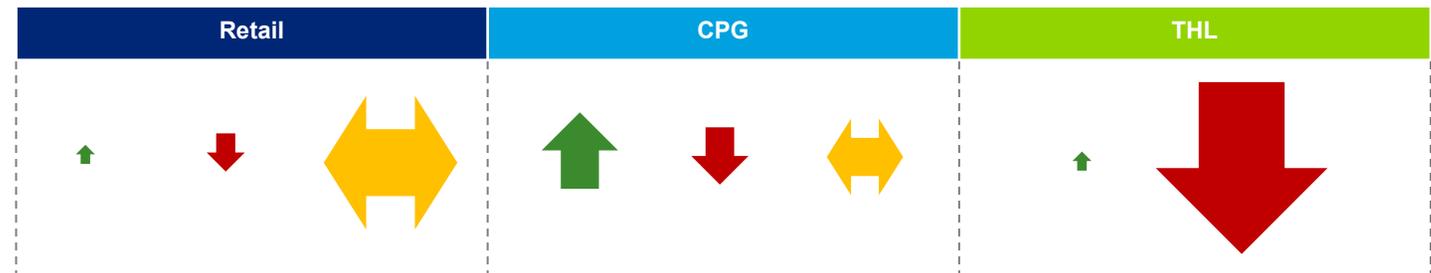


Source: Capital IQ (as of Sept 3, 2015)

- Expected revenue growth in Q4 2015 is strongest for large Canadian CPG companies out of the three sectors.
- Revenue growth estimates for large Canadian retailers remained at a moderate 2.1% expected revenue growth.
- THL is expected to have moderate revenue growth while the majority of the analysts continue to revise their estimates down for FY15.

## Revision trends<sup>9</sup>

FY15 revenue estimate revisions for the five largest TSX-listed companies by sector, between June 3, 2015 and Sept 3, 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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### Sector signals

**Retail sales** year-over-year growth of 2.0% in Q2 2015 was lower compared to Q1 2015 (2.4%).



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

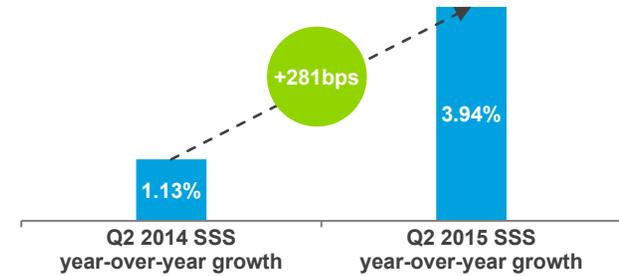


### Retail trends

- Compared to the previous quarter, where all tracked store categories grew in retail sales, this quarter, electronics and appliance stores experienced a negative year-over-year growth.
- Retail sales growth was led by building material and garden equipment, furniture and home furnishings and clothing and accessories 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)

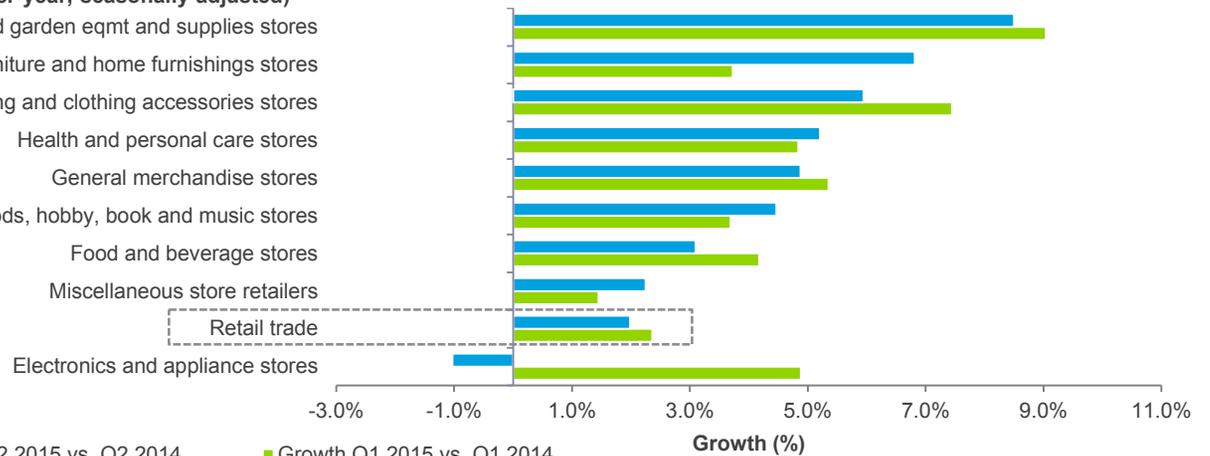


Source: Capital IQ, Company reports (as of Aug 2015)

### Retail sales growth by store category<sup>10</sup>

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

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



■ Growth Q2 2015 vs. Q2 2014    ■ Growth Q1 2015 vs. Q1 2014

Source: Statistics Canada





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### Sector signals

**Hotel performance metrics** improved in Q2 2015 compared to Q2 2014 except for a marginal decline in occupancy rates. ●

**Inbound visitors** to Canada increased from Q2 2014 to Q2 2015, strongly driven by US visitors. ●

**Food services** sales increased from Q2 2014 to Q2 2015. ●

### Travel, hospitality and leisure trends

- Hotel performance improved from Q2 2014 to Q2 2015 in terms of ADR and RevPAR, while occupancy declined.
- Inbound visitors to Canada from Overseas and the United States increased from Q2 2014 to Q2 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               | Q2 2014      | Q2 2015      | Change        |
|----------------------|--------------|--------------|---------------|
| United States        | 3,058        | 3,351        | 9.6% ▲        |
| Overseas             | 1,352        | 1,424        | 5.3% ▲        |
| <b>Total Inbound</b> | <b>4,410</b> | <b>4,775</b> | <b>8.3% ▲</b> |

Source: Statistics Canada

### Canadian hotel performance metrics

| Metric        | Q2 2014 | Q2 2015 | Change  |
|---------------|---------|---------|---------|
| Occupancy (%) | 66.2    | 65.8    | -0.6% ▼ |
| ADR           | \$136.9 | \$143.5 | 4.8% ▲  |
| RevPAR        | \$91.0  | \$94.9  | 4.4% ▲  |

Source: Ontario Ministry of Tourism, Culture and Sport

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

| Metric                        | Q2 2014       | Q2 2015       | Change        |
|-------------------------------|---------------|---------------|---------------|
| Full-service restaurants      | 6,244         | 6,443         | 3.2% ▲        |
| Limited-service eating places | 6,295         | 6,680         | 6.1% ▲        |
| Special food services         | 1,216         | 1,282         | 5.4% ▲        |
| Drinking places               | 584           | 544           | -6.8% ▼       |
| <b>Total sales</b>            | <b>14,339</b> | <b>14,949</b> | <b>4.3% ▲</b> |

Source: Statistics Canada



# Consumer packaged goods



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## Sector signals

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

**Total CPG sales** moderate year-over-year growth in Q2 2015 compared to Q1 2015. ●

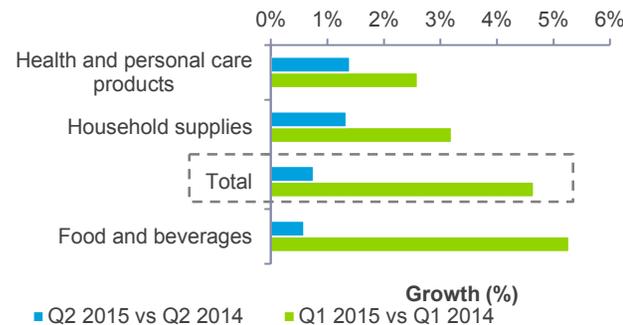
**Raw material prices** increased in 5 categories in Q2 2015, and decreased in the remaining 6 categories. ●

## CPG trends

- Finished food product prices experienced positive growth across all categories in Q2 2015 with the exception of frozen foods which declined by 2.2%
- Input prices of cattle continued to grow significantly in Q2 2015, while the price of hogs sharply declined.
- CPG Sales experienced lower growth across all categories in Q2 2015 compared to the growth experienced in Q1 2015.

## Sales growth by CPG category

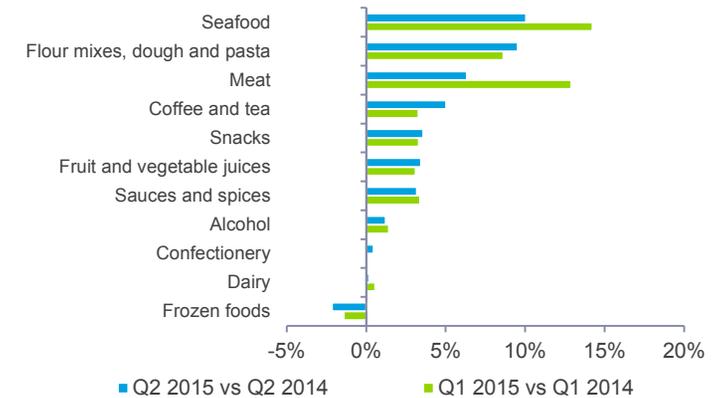
(Quarterly, year-over-year)



Source: Statistics Canada

## Growth of finished food product prices

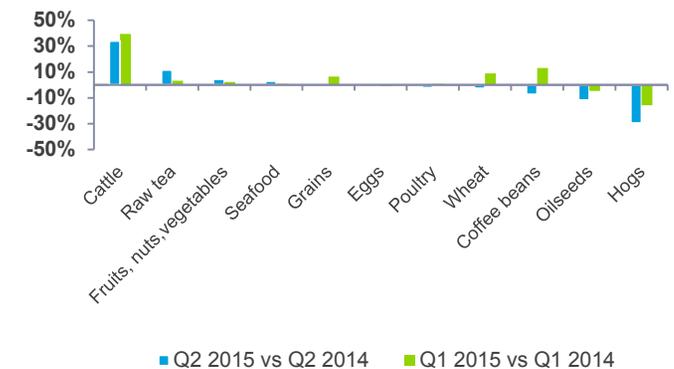
(Quarterly, year-over-year)



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 retained its position as the top online search in the Shopping category by Canadians in Q2 2015.
- As in Q1 2015, the second and third positions on the list in Q2 2015 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 “fathers day” and “mothers day”, reflecting the occurrence of these events in June and May 2015 respectively.

### 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 “la ronde”, an amusement park in Montreal that reopened for the season in May 2015. Other rising search terms include “canada wonderland” and “toronto zoo”.

### 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 “gelato” and “pasta salad” may reflect Canadians’ food preferences during the warmer spring and summer seasons.

## Top online searches by Canadians in Q2 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   | hotels            | canadian tire |
| 5       | recette      | beach             | costco        |
| 6       | food         | expedia           | ebay          |
| 7       | cake         | niagara falls     | amazon        |
| Rising* | gelato       | la ronde          | fathers day   |
|         | pasta salad  | canada wonderland | mothers day   |
|         | beer store   | toronto zoo       | birkenstock   |

\*Rising denotes search activity that has increased in Q2 2015 relative to Q1 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, took the top spot this quarter due to its commitment for creating a wide range of value-added video content on its YouTube channel.

#### Facebook

- “Tim Hortons” maintained a large lead as the most liked Canadian brand on Facebook and continues to grow in popularity as it is also the top trending brand.
- “Subway Canada” and “Canadian Tire” remain as the second and third most liked brands on Facebook in Q2 2015.
- “J.P. Wiser’s”, a Canadian whisky company, is a trending brand on Facebook due to its engaging posts and contests.

### Most popular brands on Twitter among Canadians

| Rank      | Brand                  | Total followers (000s) |
|-----------|------------------------|------------------------|
| 1         | Panache Management     | 639                    |
| 2         | WestJet                | 524                    |
| 3         | Tim Hortons            | 345                    |
| 4         | Air Canada             | 320                    |
| 5         | The Social Tabloid     | 290                    |
| 6         | Olive Garden           | 275                    |
| 7         | Triniti Communications | 267                    |
|           | Fractal Designs        | 54                     |
| Trending* | Tim Hortons            | 345                    |
|           | Sport Chek             | 34                     |

### Most popular brands on Canadian YouTube channels

| Rank      | Brand              | Total/recent uploaded video views (000s) |
|-----------|--------------------|--|
| 1         | WestJet            | 68,508                                   |
| 2         | ASUS North America | 36,835                                   |
| 3         | TD                 | 36,655                                   |
| 4         | McDonald’s Canada  | 35,658                                   |
| 5         | Kijiji Canada      | 29,604                                   |
| 6         | Mazda Canada       | 25,208                                   |
| 7         | BMW Canada         | 24,411                                   |
|           | Mazda Canada       | 25,208                                   |
| Trending* | RBC                | 17,739                                   |
|           | MaybellineNYCanada | 2,394                                    |

\*Based on video views over past month  
Source: Socialbakers.com (as of Aug 25, 2015)

### Most liked brands on Facebook in Canada

| Rank      | Brand            | Canadian likes (000s) | Total likes (000s) |
|-----------|------------------|-----------------------|--------------------|
| 1         | Tim Hortons      | 1,955                 | 2,471              |
| 2         | Subway Canada    | 1,309                 | 1,377              |
| 3         | Canadian Tire    | 1,121                 | 1,175              |
| 4         | Skittles         | 1,059                 | 24,280             |
| 5         | AIR MILES Canada | 1,040                 | 1,074              |
| 6         | iTunes           | 976                   | 979                |
| 7         | Oreo             | 946                   | 40,780             |
|           | Tim Hortons      | 1,955                 | 2,471              |
| Trending* | Amazon.ca        | 154                   | 171                |
|           | J.P. Wiser’s     | 98                    | 134                |

\*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. Q2 2015 data sources: Real GDP Growth, Unemployment Rate and Consumer Prices are from Statistics Canada. USDCAD exchange rate is based on the July 31, 2015 noon USDCAD exchange rate reported by the Bank of Canada.
3. Q3 – Q4 2015 and Q1 – Q2 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 Q2 2015 is from Statistics Canada. Q3 2015 onward is the average of the forecasts by the following Canadian Banks: Scotiabank, TD, CIBC, BMO and RBC. Unemployment rate until Q2 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 Q2 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. As at time of publication, CMHC had not yet published the F15 Q3 report or F15 Q2 actuals so there are no change to these figures since volume 10.
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 June 3, 2015 and Sept 3, 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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