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Consumer Business Economic update

Volume 6 • June 2014

Welcome to the sixth 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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Macroeconomic outlook

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Observations from this issue

- Growth of the Canadian economy slowed down slightly in Q1 2014, with real GDP growth of 1.2%.
- Consumer confidence improved, despite most macroeconomic indicators declining or remaining the same.
- Same store sales growth rates were slightly lower compared to the same quarter in the previous year.
- The THL sector saw growth in the Hotel and Food Service sub-sectors, but posted a decline in Travel.
- The CPG sector experienced growth in Health and Personal Care Products, while Food and Beverage and Household Supplies declined.

Metric	Signal
Real GDP growth dropped in Q1 2014, but the overall 2014 forecast remains at 2.3%.	
Consumer prices are expected to increase by 1.7% in 2014.	
Unemployment rate remained the same at 7.0%.	
Consumer confidence increased from January to March 2014.	
Consumer expenditure decreased by 0.3% from Q4 2013 to Q1 2014.	
Housing starts dropped in Q1 2014 compared to Q4 2013.	

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

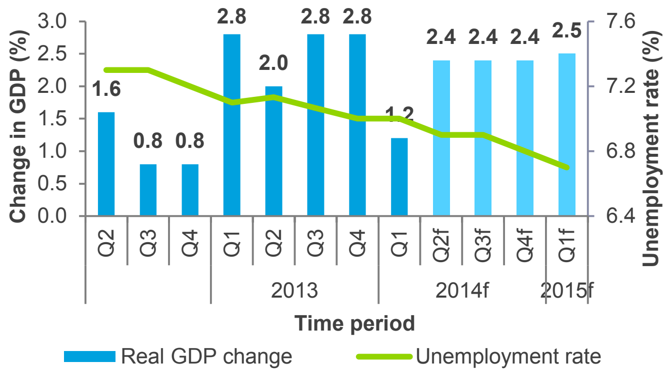
Canadian banks economic outlook

Macroeconomic indicator	Q1 2014[2]	2014 Forecast[3]	Revision trend
Real GDP Growth (period-to-period, annualized)	1.2%	2.3%	–
CPI Growth (year-to-year)	1.3%	1.7%	▲
Unemployment Rate (period avg.)	7.0%	6.9%	–
Housing starts (annualized, 000s)	175	178	▼
USDCAD exchange rate (end of period)[4]	1.11	1.11	▲

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

Real gross domestic product and unemployment rate[5]

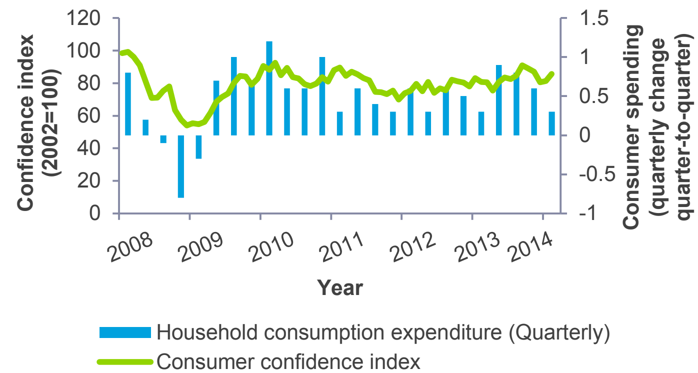
(Quarter-to-quarter, seasonally adjusted, annualized)



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

Consumer confidence and household consumption

(Seasonally adjusted)



Source: Conference Board of Canada, Statistics Canada

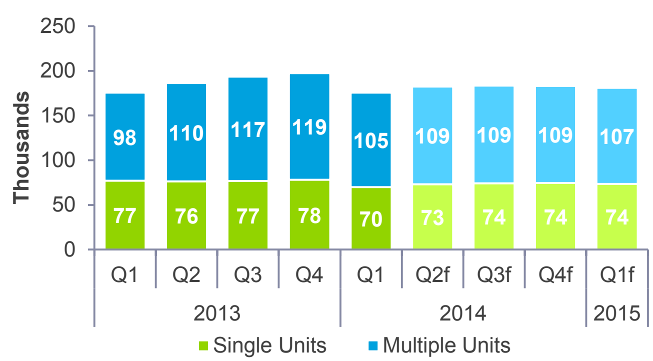
Consumer price index[6]

(Year-to-year, seasonally adjusted, 2011 basket)

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

Canadian housing starts outlook[7]

(Annualized, seasonally adjusted)



Source: CMHC

Analyst sentiment

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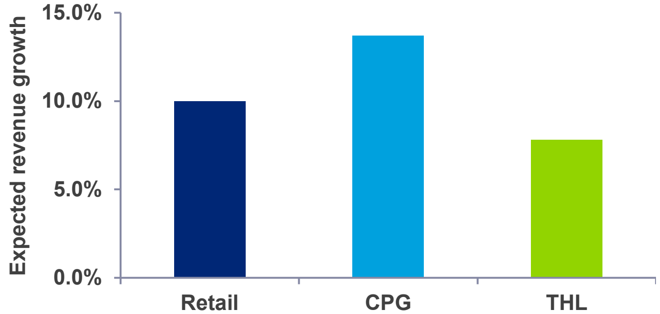
Expected revenue growth[8]

Q3 2014 estimated revenue growth vs. Q3 2013 actual revenue of five largest TSX listed companies by sector

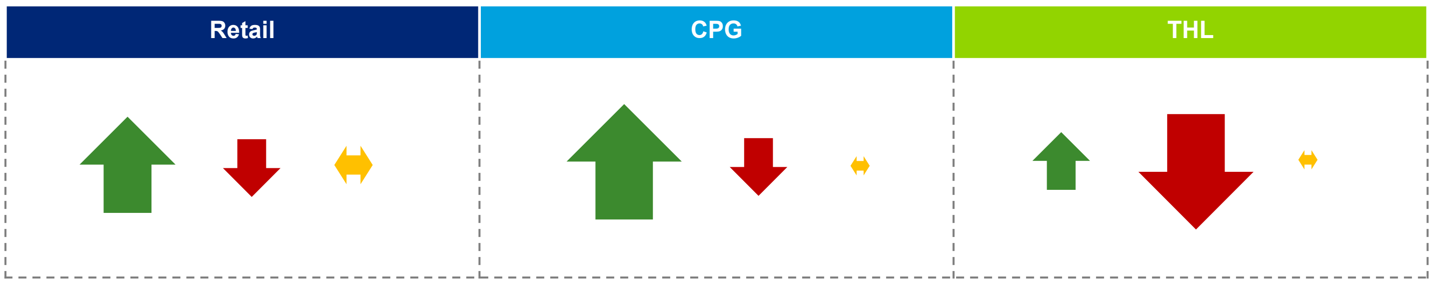


Source: Capital IQ (as of June 5, 2014)

- Despite weak same store sales growth, analysts expect the largest retailers to report increasing revenues in Q3 2014.
- Despite a majority of analysts revising revenue estimates downward, THL companies are expecting another quarter of healthy revenue growth in Q3 2014.
- Revenue growth is expected to be positive for the largest CPG companies as most analysts have revised revenue estimates upwards.

Revision trends[9]

FY14 revenue estimate revisions between March 5, 2014 and June 5, 2014 of the five largest TSX listed companies by sector



Notes: The size of arrows are relative to the number of analysts that have revised their revenue growth estimates up, down or held it constant.

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Retail

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Sector signals

Retail sales growth held steady at 3.9%.

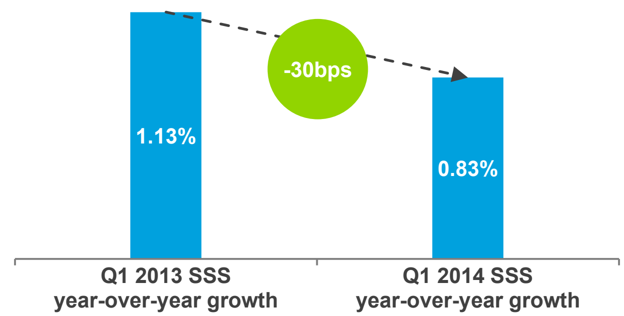
Same store sales growth decreased across the largest retailers.

Retail trends

- Retail sales growth was led by health and personal care stores and general merchandise stores.
- Furniture and home furnishings stores continue to struggle along with electronics and appliance stores, miscellaneous stores and building material stores.
- Same store sales growth are slowing across Canada's ten largest retailers versus a year ago.

Same store sales growth of Canada's largest retailers

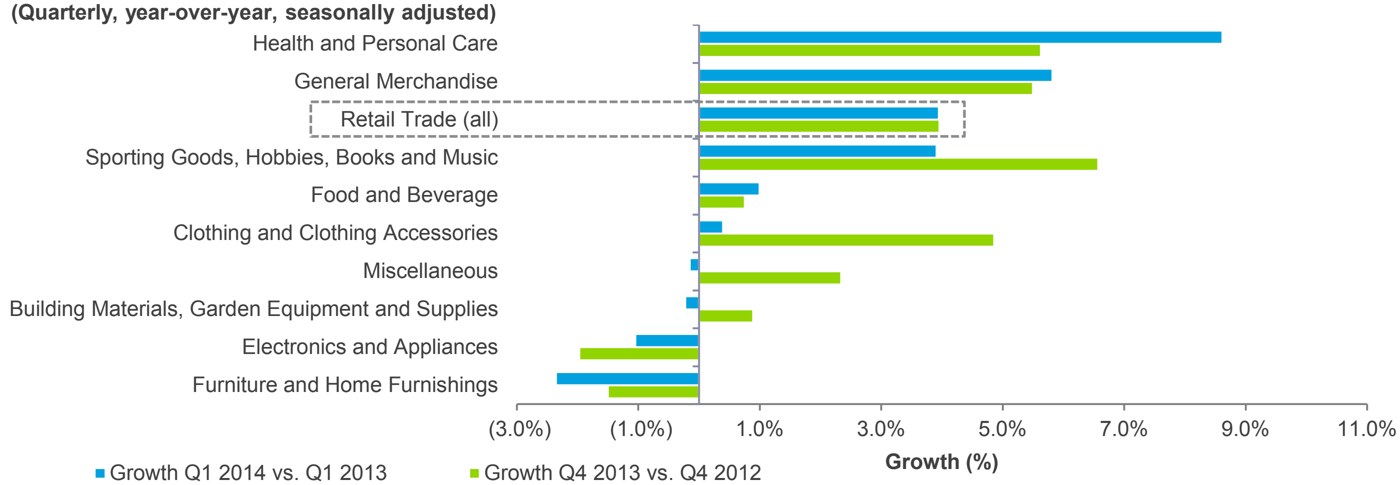
(Most recently reported fiscal quarter versus one year ago)



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

Retail sales growth by store category[10]

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



Source: Statistics Canada

Travel, hospitality and leisure

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Sector signals

Hotel performance metrics improved in Q1 2014, compared to Q1 2013.

Inbound visitors in Q1 2014 were lower than Q1 2013.

Food service sales posted a moderate increase from Q4 2013 to Q1 2014.

Travel, hospitality and leisure trends

- Hotels performed well in Q1 2014 with gains in occupancy, ADR and RevPAR.
- Inbound visitors decreased in Q1 2014 vs. Q1 2013, driven by a decline in tourists from the United States.
- Overall food services sales grew by 0.2% from Q4 2013 to Q1 2014.

Canadian hotel performance metrics

Metric	Q1 2013	Q1 2014	Change
Occupancy (%)	54.8	56.1	2.4% ▲
ADR	$126.4	$129.3	2.3% ▲
RevPAR	$69.3	$72.6	4.8% ▲

Source: STR Global

Inbound visitors to Canada (overnight visits)

(Thousands)

Metric	Q1 2013	Q1 2014	Change
United States	1,669	1,572	-5.8% ▼
Overseas	678	685	1.0% ▲
Total Inbound	2,347	2,257	-3.8% ▼

Source: Statistics Canada

Food services sales by type

(Seasonally adjusted, CAD millions)

Metric	Q4 2013	Q1 2014	Change
Full-service restaurants	6,000	5,985	-0.3% ▼
Limited-service eating places	6,146	6,177	0.5% ▲
Special food services	1,167	1,172	0.4% ▲
Drinking places	566	570	0.7% ▲
Total sales	13,879	13,904	0.2% ▲

Source: Statistics Canada

Consumer packaged goods

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Sector signals

Finished food product prices increased marginally for most covered products in Q1 2014.

Total CPG sales growth continued at a rate above 2% in Q1 2014.

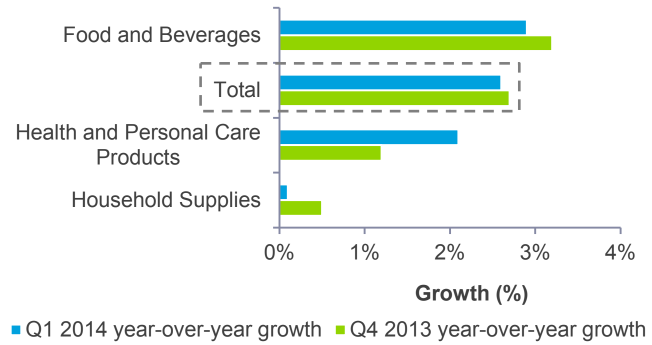
Raw material prices, on average, increased marginally in Q1 2014.

CPG trends

- Overall finished food prices increased for 9 out of the 11 covered categories, while, Seafood and Coffee and Tea experienced declines.
- CPG sales growth declined slightly for Food and Beverage and Household Supplies, while there was an increase in Health and Personal Care Products.
- Input prices increased most for Fruit, Pork, Beef and Coffee Beans, while Grains, Wheat and Poultry experienced the greatest declines.

Sales growth by CPG category

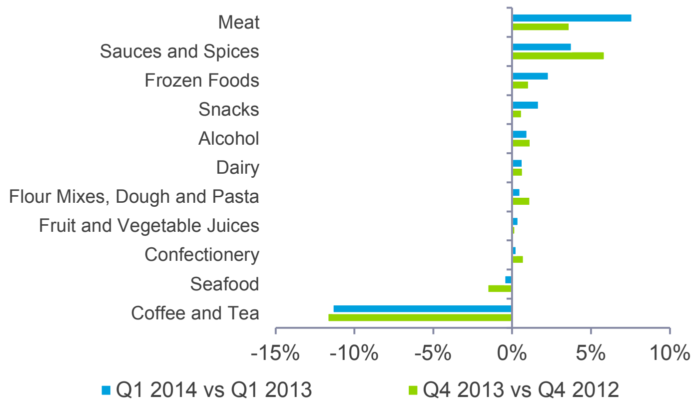
(Quarterly, year-over-year)



Source: Statistics Canada

Growth of finished food product prices

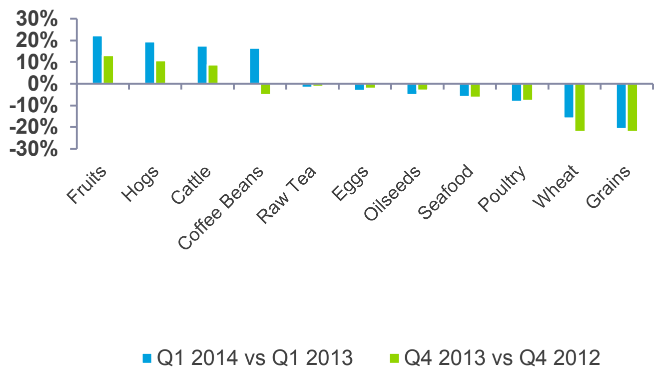
(Quarterly, year-over-year)



Source: Statistics Canada

Growth of raw material prices

(Quarterly, year-over-year)



Source: Statistics Canada

Consumer “buzz”

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Search engine trends

Shopping searches

- Classified ads website Kijiji and Netflix, the U.S. provider of on-demand Internet streaming media, remained on top of shopping searches with "kijiji" and "netflix" holding the top two spots.
- The successful release and public reception of *The Lego Movie* resulted in the rising search of “lego movie”.
- A “selfie” taken at the Oscars in March 2014 with a Samsung Galaxy may have contributed to the rising searches of “selfie” and “samsung s5”.

Travel searches

- Travel searches are still dominated by flight-related searches with “air canada“, “westjet” and “flights” taking the top three spots.
- The missing Malaysian Airlines flight MH370 led to “flight 370”, “malaysia airlines” and “malaysian airlines” dominating the rising search list.

Food and Drink

- The keyword searches of “recipes" and “recette" indicate that Canadians continue to use the Internet to assist with cooking at home.
- The “Winterlicious” annual prix fixe festival in Toronto which began on January 31 gave rise to the search of “winterlicious”.
- 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 2014

(Quarterly, period-to-period)

Rank	Food & drink	Travel	Shopping
1	recipes	air canada	kijiji
2	pizza pizza	westjet	netflix
3	pizza	flights	walmart
4	recette	hotels	ebay
5	cake	expedia	canadian tire
6	restaurants	voyage	costco
7	sushi	map	amazon
Rising*	winterlicious	flight 370	lego movie
Rising*	cabane a sucre	malaysia airlines	samsung s5
Rising*	frozen	malaysian airlines	selfie

*Rising denotes search activity that has increased in Q1 2014 relative to Q4 2013.
Source: Google Trends

Consumer "buzz" (Continued)

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Social media trends

Twitter

- WestJet retained its top spot as the most popular Twitter brand likely owing to its daily tweets, frequently posted flight deals and updates as well as its willingness to answer customer queries.
- Halo Health's frequent value-added health tweets are helping it become one of Canada's most popular brands on Twitter among Canadians.

YouTube

- NCIXcom retained 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.
- Tanger Outlets has been trending on Facebook recently which can be partially due to its posting of fashion images, videos and regular promotions.

Most popular brands on Twitter among Canadians

Rank	Brand	Total followers (000s)
1	Westjet	331
2	Halo Health	291
3	Telehop	276
4	Magmic	246
5	Image Optometry	226
6	Footware & Apparel	211
7	Air Canada	205
Trending*	Infinity Hockey	14
Trending*	Pampers	13
Trending*	Olive Garden	10

Most popular brands on Canadian YouTube channels

Rank	Brand	Total/recent uploaded video views (000s)
1	NCIXcom	60,144
2	WestJet	45,511
3	McDonald's Canada	23,969
4	ASUS North America	22,317
5	BMW Canada	14,599
6	Mazda Canada	13,657
7	TELUS	8,617
Trending*	Nissan Canada	2,355
Trending*	Kia Canada	2,218
Trending*	Expedia Canada	2,107

*Based on video views over past month

Source: Socialbakers.com (as of June 2, 2014)

Most liked brands on Facebook in Canada

Rank	Brand	Canadian likes (000s)	Total likes (000s)
1	Tim Hortons	1,949	2,454
2	Subway Canada	1,353	1,426
3	Target Canada	1,178	1,239
4	Skittles	1,126	26,073
5	Canadian Tire	1,037	1,084
6	iTunes	1,027	31,863
7	AIR MILES Canada	1,012	1,043
Trending*	Ubisoft	156	
Trending*	Tanger Outlets	63	
Trending*	Live in Canada	56	

*Based on new page 'Likes' in past month

Publication notices

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Publication disclaimer

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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 2014 data sources: Real GDP Growth, Unemployment Rate and Consumer Prices are from Statistics Canada. USDCAD exchange rate is based on the March 31, 2014 noon USDCAD exchange rate reported by the Bank of Canada.
3. 2014 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 Q1 2014 is from Statistics Canada. Q2 2014 onward is the average of the forecasts by the following Canadian Banks: Scotiabank, TD, CIBC, BMO, and RBC. Unemployment rate until Q1 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 Q1 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 for each sector exclude companies having recently completed large 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 March 5, 2014 and June 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.

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.

Contacts

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