

2025 CANADIAN CHAIN RESTAURANT INDUSTRY REVIEW



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Research Partners



1 PREFACE

It is our pleasure to share our annual review of the Canadian Chain Restaurant Industry with you for 2025. As we celebrate our 15th annual Review, alongside our 15th Annual Restaurant Summit in Toronto, we are also proud to officially be part of the National Bank of Canada. Earlier this year National Bank of Canada completed its acquisition of CWB Franchise Finance, strengthening its position in the commercial and franchise lending market across Canada.

We are pleased to bring you this comprehensive analysis and overview on the state of chain foodservice in this country, with the goal of providing insight into key factors affecting our Canadian industry during a period of its most trying and convulsive periods. Our focus continues to be on external influences that have an impact on your business, whether financial, consumer or economic. It has once again been a year of volatile changes all around the globe, but one thing remains the same in Canada: restaurants still occupy an increasingly important place in shaping our overall economy and the nature and makeup of our cities.

This document is a collaborative effort between National Bank of Canada Franchise Finance, fsSTRATEGY and Circana. We want to thank fsSTRATEGY and Circana for their great work compiling and analyzing these results.

Our intention for the Review and Summit is to deliver content and an agenda to a targeted group of like-minded individuals, in hopes of thought-provoking conversations in each respective region. As we celebrate 15 years of the Canadian Restaurant Investment & Leadership Summit, we would like to extend our gratitude to all our sponsor partners that remain committed to the industry and bringing us all together year over year.

Therefore, in conjunction with the Summit, we are pleased to bring you this extensive research report on the state of foodservice in this country. This report strives to provide insights on the key factors affecting our Canadian industry in this current environment.



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INTRODUCTION

fsSTRATEGY Inc., (fsSTRATEGY), Circana (formerly The NPD Group and IRI) are pleased to release this 2025 Canadian Chain Restaurant Industry Review as part of the 2025 Canadian Restaurant Investment and Leadership Summit, the 15th version of this publication.

This report is the culmination of extensive primary and secondary research conducted by fsSTRATEGY and Circana. Sources include:

- Research and data provided by Restaurants Canada.
- C-Suite Survey conducted by fsSTRATEGY in September 2025 (over 90 CEOs, CFOs and COOs in the Canadian chain foodservice market were contacted). Twenty-eight of those contacted participated in the survey.
- Detailed data from Circana's Future of Foodservice.
- Interviews with selected food grower associations, foodservice distributors and landlords.
- Information prepared by Restaurants Canada on the state of money markets and chain restaurant financing.

Secondary research data from other sources such as Statistics Canada, PKF Consulting, TD Economics, the Conference Board of Canada, Human Resources and Skills Development Canada, Canada Ministry of Labour, Ontario Energy Board, Farm Credit Canada and International Monetary Fund.

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FOODSERVICE INDUSTRY PROFILE

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3.1 CANADIAN FOODSERVICE INDUSTRY SALES

The Canadian foodservice industry consists of commercial and non-commercial sectors. Canadian commercial foodservice industry sales represented approximately 3.1% of national gross domestic product in 2023 and 2024. In addition to caterers, commercial foodservice includes full service restaurants (FSR), quick service restaurants (QSR) and drinking places. Each of these three commercial restaurant categories include chain foodservice sales.

Historical Nominal Foodservice Sales by Sector (\$ millions) 2021 to 2025 (preliminary)

	2021		2022		2023		2024		2025-Preliminary	
	Millions of Dollars	Percent Change	Millions of Dollars	Percent Change	Millions of Dollars	Percent Change	Millions of Dollars	Percent Change	Millions of Dollars	Percent Change
Quick service restaurants	\$ 33,582.6	15.7%	\$38,068.4	13.4%	\$42,423.0	11.4%	\$44,686.5	5.3%	\$47,090.6	11.0%
Full service restaurants	26,582.4	21.9%	36,311.4	36.6%	40,712.8	12.1%	42,503.1	4.4%	42,896.5	5.4%
Contract and social caterers	3,948.9	18.1%	5,933.7	50.3%	7,178.7	21.0%	7,696.3	7.2%	7,980.3	11.2%
Drinking places	1,573.6	9.8%	2,341.2	48.8%	2,512.4	7.3%	2,481.3	-1.2%	2,391.0	-4.8%
TOTAL COMMERCIAL	\$ 65,687.4	18.1%	\$ 82,654.8	25.8%	\$ 92,826.9	12.3%	\$ 97,367.2	4.9%	\$100,358.4	8.1%
Accommodation foodservice	\$ 2,640.0	11.1%	\$ 5,814.0	120.2%	\$ 7,982.0	37.3%	\$ 8,349.0	4.6%	\$ 9,411.0	17.9%
Institutional foodservice ¹	5,453.0	3.7%	6,012.1	10.3%	6,422.0	6.8%	6,810.8	6.1%	6,626.0	3.2%
Other foodservice ²	4,957.9	17.5%	6,022.2	31.3%	6,386.8	6.1%	6,714.2	5.1%	7,794.3	22.0%
TOTAL NON-COMMERCIAL	\$13,050.9	8.4%	\$17,848.4	36.8%	\$20,790.8	16.5%	\$21,874.0	5.2%	\$23,831.3	14.6%
TOTAL FOODSERVICE	\$78,738.3	16.4%	\$100,503.1	27.6%	\$113,617.7	13.0%	\$21,874.0	4.9%	\$124,189.7	9.3%
Menu inflation		3.1%		6.7%		6.5%		4.2%		3.2%
REAL GROWTH		13.3%		20.9%		5.1%		0.7%		1.2%

Source: Restaurants Canada, Statistics Canada, fsSTRATEGY Inc. and CBRE Hotels

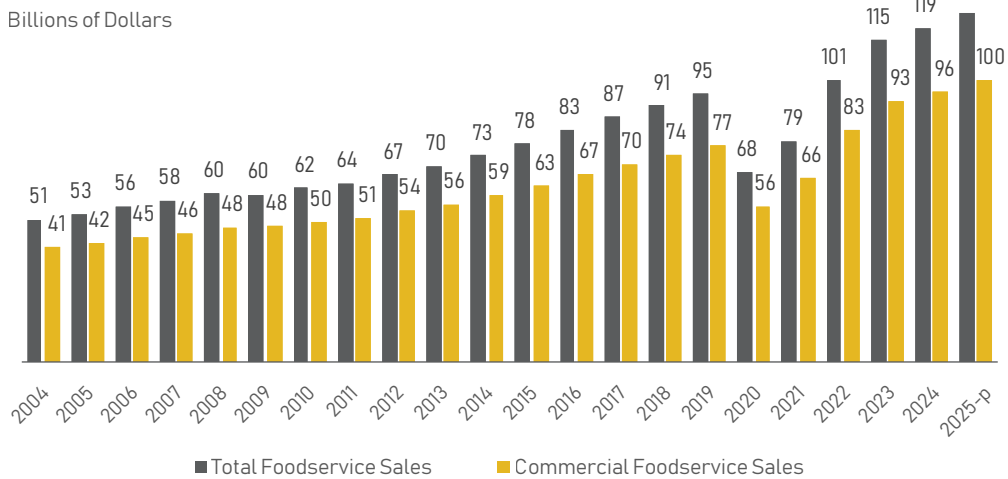
¹Includes self-operated education, transportation, health care, correctional, remote, private and public sector dining and military foodservice. Values shown for 2018 and 2019 differ from those previously published due to revisions to the estimate methodology and data.

²Includes foodservice operated by department stores, convenience stores and other retail establishments, vending, sports and private clubs, movie theatres, stadiums and other seasonal or entertainment operations.

Restaurants Canada forecasts industry sales will reach \$124 billion in 2025. Of that, \$100 billion (81%) will be generated by commercial foodservice. Projected revenue growth, however, is primarily due to menu inflation (3.2%) with real growth projected at 1.2%.

The following exhibit compares commercial and total foodservices sales for the past 20 years.

Historical Foodservice Sales Total versus Commercial – 2004 through 2025 (Forecast)

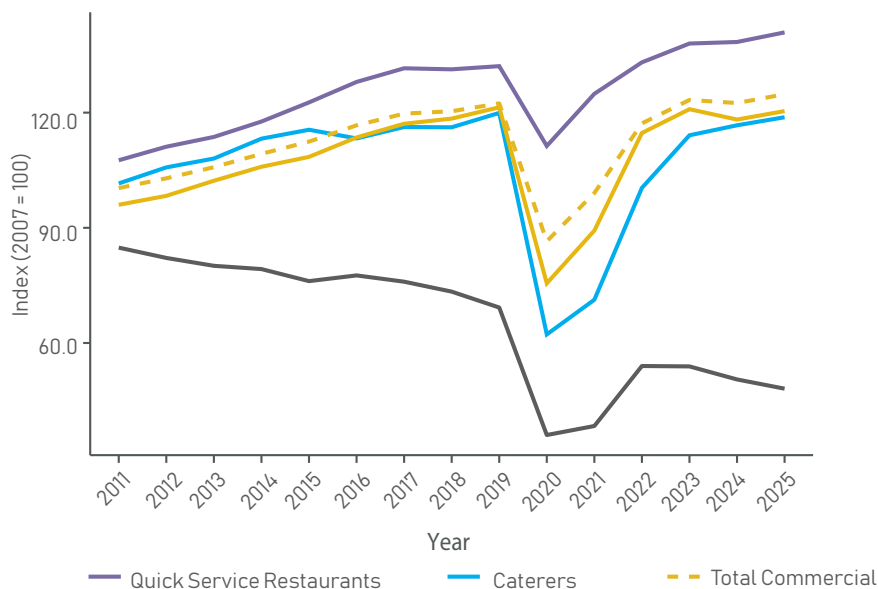


Source: Restaurants Canada, Statistics Canada, fsSTRATEGY Inc. and Pannell Kerr Forster
Non-commercial foodservice sales estimates are not available for 2020, 2021 and 2022
p - preliminary

From 2004 to 2019, foodservice sales realized a compound annual growth rate of approximately 4% before declining by 29% in 2020 due to the COVID-19 pandemic. The foodservice industry has since proven its resilience in its push to recover.

After three years of double-digit recovery growth, nominal commercial foodservice sales growth has slowed to approximately 5%, closer to pre-pandemic rates. Bolstered by menu inflation, nominal sales exceeded 2019 sales in all commercial foodservice segments except drinking places by 2023. As mentioned, most of the forecasted 2025 growth is attributed to menu inflation. Real (inflation adjusted) sales recovery varies by commercial segment.

Real Sales Index by Industry Segment - 2011 through 2025



Source: Restaurants Canada, Statistics Canada

With the exception of drinking places, all commercial restaurant segments in 2025 are projected to surpass or recover to comparable 2019 real sales values. Real sales continue to decline for drinking places.

Before the pandemic, real sales in the QSR and FSR sectors increased consistently between 2011 and 2019. Except for a slight decline in 2016 and flat sales in 2017 to 2018, catering sales also increased consistently in this period. Real sales for drinking places have declined consistently over time and, in 2019 were approximately three-quarters of base year 2007 sales; this decline is possibly due to changing trends and how operators identify as either a restaurant or drinking place.

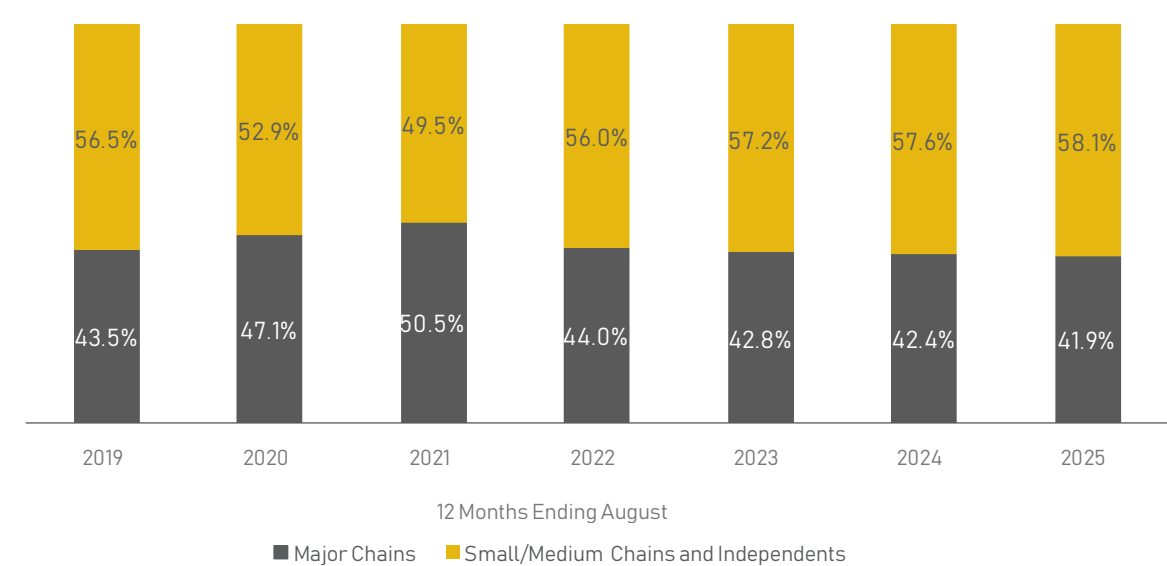
Real growth rates are slowing suggesting that recovery in the sense of catching up to where we should be if the pandemic never occurred may not be the reality. Instead, the industry may have found its new baseline from which to grow and evolve.



3.2 CHAIN VERSUS INDEPENDENT OPERATOR SALES

The following chart compares the share of commercial restaurant sales held by major chains (250 locations or greater) versus small to medium chains (three to 249 locations) and independent restaurants in Canada. Please note the differentiation between commercial restaurants (primarily QSR and FSR) and commercial foodservice (also including other commercial food operations like catering and drinking places) discussed elsewhere in this report.

Market Share of Dollars Spent at Restaurants – Canada



Source: Circana / CREST® 12 months ending August 2025

In 2019, major chains generated approximately 43.5% of commercial restaurant sales dollars. During the pandemic, major chains share of sales increased, peaking at approximately 50.5% in 2021. Other than resiliency of established brands, the increase in share is likely driven by the prominence of QSR concepts in Canada and the fact that QSR’s pandemic-related sales declines were less than FSR segments due to take out and delivery.

As the industry recovers, major chain’s share of sales returned to pre-pandemic levels. In the twelve months ended August 2025, major chains represented 41.9% of commercials foodservice sales, down 1.6% points from their pre-pandemic share.

3.3 PROVINCIAL SALES TRENDS

The table below shows commercial foodservice sales by province from 2014 through 2025-preliminary.

Total Commercial Foodservice Sales by Province 2015 to 2025 Preliminary (p)

	Canada	Newfoundland and Labrador	Prince Edward Island	Nova Scotia	New Brunswick	Quebec	Ontario	Manitoba	Saskatchewan	Alberta	British Columbia
Commercial Foodservice Revenue Dollars (millions)											
2015	62,816	833	237	1,497	1,122	11,525	24,402	1,798	1,878	9,165	10,192
2016	66,863	842	251	1,589	1,186	12,490	26,140	1,972	1,940	9,158	11,123
2017	70,386	833	269	1,665	1,219	13,266	27,638	2,051	1,952	9,440	11,882
2018	73,757	833	288	1,707	1,242	13,975	29,340	2,113	1,938	9,613	12,539
2019	77,026	847	313	1,763	1,275	14,897	30,576	2,183	1,939	9,904	13,147
2020	55,607	690	248	1,376	1,044	10,212	21,106	1,708	1,613	7,542	9,916
2021	65,687	822	319	1,656	1,201	12,420	24,724	1,932	1,892	8,551	11,998
2022	82,655	925	377	1,960	1,378	16,002	32,072	2,336	2,167	10,592	14,660
2023	92,827	1,032	430	2,169	1,533	18,015	36,357	2,573	2,394	12,004	16,111
2024	\$95,974	\$1,060	\$435	\$2,266	\$1,621	\$18,582	\$37,672	\$2,676	\$2,474	\$12,346	\$16,616
2025-p	\$100,358	\$1,119	\$450	\$2,376	\$1,712	\$19,393	\$39,456	\$2,753	\$2,611	\$12,898	\$17,356
Percentage Change Over Previous Year											
2015	6%	5%	8%	5%	8%	4%	7%	6%	4%	2%	8%
2016	6%	1%	6%	6%	6%	8%	7%	10%	3%	-0%	9%
2017	5%	-1%	7%	5%	3%	6%	6%	4%	1%	3%	7%
2018	5%	0%	7%	3%	2%	5%	6%	3%	-1%	2%	6%
2019	4%	2%	9%	3%	3%	7%	4%	3%	0%	3%	5%
2020	-28%	-19%	-21%	-22%	-18%	-31%	-31%	-22%	-17%	-24%	-25%
2021	18%	19%	28%	20%	15%	22%	17%	13%	17%	13%	21%
2022	26%	12%	18%	18%	15%	29%	30%	21%	15%	24%	22%
2023	12%	12%	14%	11%	11%	13%	13%	10%	10%	13%	10%
2024	3%	3%	1%	4%	6%	3%	4%	4%	3%	3%	3%
2025-p	5%	6%	4%	5%	6%	4%	5%	3%	6%	4%	4%

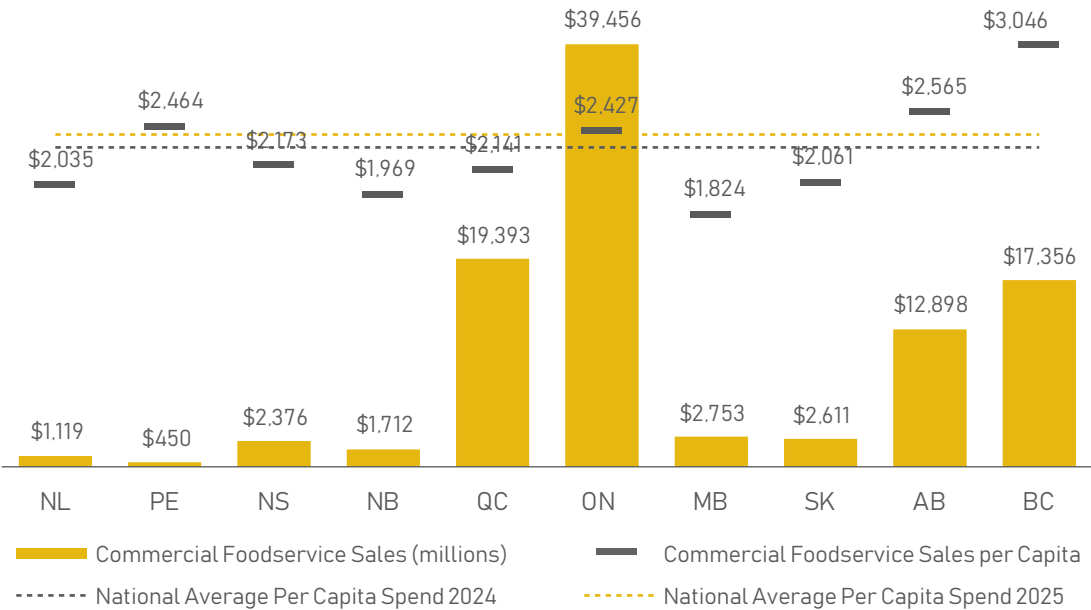
Source: Restaurants Canada, Statistics Canada

All provinces experienced double digit growth in commercial foodservice sales in 2021, 2022 and 2023. The greatest increases, unsurprisingly, generally occurred in the provinces that experienced the greatest sales declines in 2020. In 2025, provinces are projected to experience an average nominal

sales growth of 5%. Growth in Manitoba, PEI, Quebec, Alberta and British Columbia will be slightly less than average (4%) and Newfoundland and Labrador, New Brunswick and Saskatchewan's growth will be slightly greater than the average (6%) in 2025.

The following chart compares total commercial foodservice sales and commercial foodservice sales per capita by province.

Total and Per Capita Commercial Foodservice Sales by Province - 2025



Source: Restaurants Canada, Statistics Canada

Total commercial foodservice sales are largely driven by provincial population. The average spend per capita varies by province. On average, British Columbian residents are expected to spend \$3,046 in 2025, the greatest per capita spend of all provinces, 67% greater than residents in Manitoba who spent \$1,824, the lowest provincial per capita spend. British Columbians have consistently been the top per capita foodservice customers in Canada.

Newfoundland and Labrador is expected to realize the greatest increase in per capita foodservice spend, as a percentage increase in 2025, increasing \$101 or 5.2% to an estimated \$2,035 in 2025 and British Columbia is expected to realize the greatest increase in per capita foodservice spend in dollars, increasing \$129 or 4.4% to an estimated \$3,046 in 2025. Manitoba is expected to have the least change in per capita foodservice spend, increasing 2.3% in 2025 over 2024.

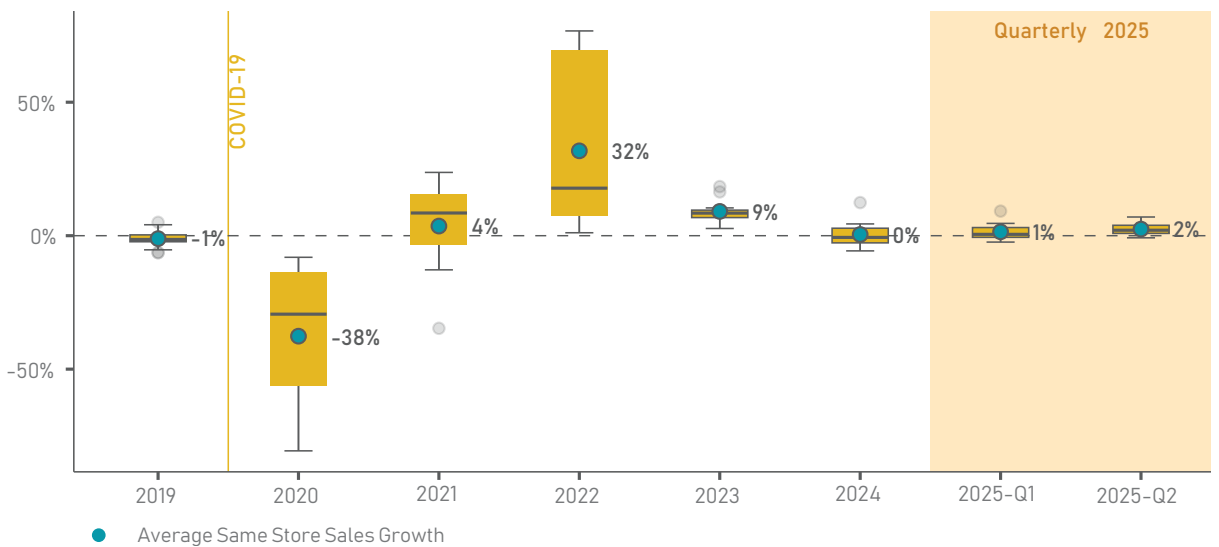
On average, national commercial foodservice sales per capita are expected to increase by \$97 (4.2%) from \$2,320 in 2024 to \$2,417 in 2025.

3.4 SAME STORE SALES GROWTH

The following chart illustrates unweighted Same Store Sales Growth (SSSG) for eight publicly traded Canadian restaurant companies, representing up to 123 brands depending on the year.

The boxplots illustrate the variability of data. The rectangle represents the interquartile range: half of all values exist in this range. The rectangle is divided in two, with the division representing the median (middlemost) value. The whiskers above and below the rectangle represent the greatest and least values.

Same Store Sales Growth



Source: fsSTRATEGY Inc. with data from Brands' annual and quarterly reports

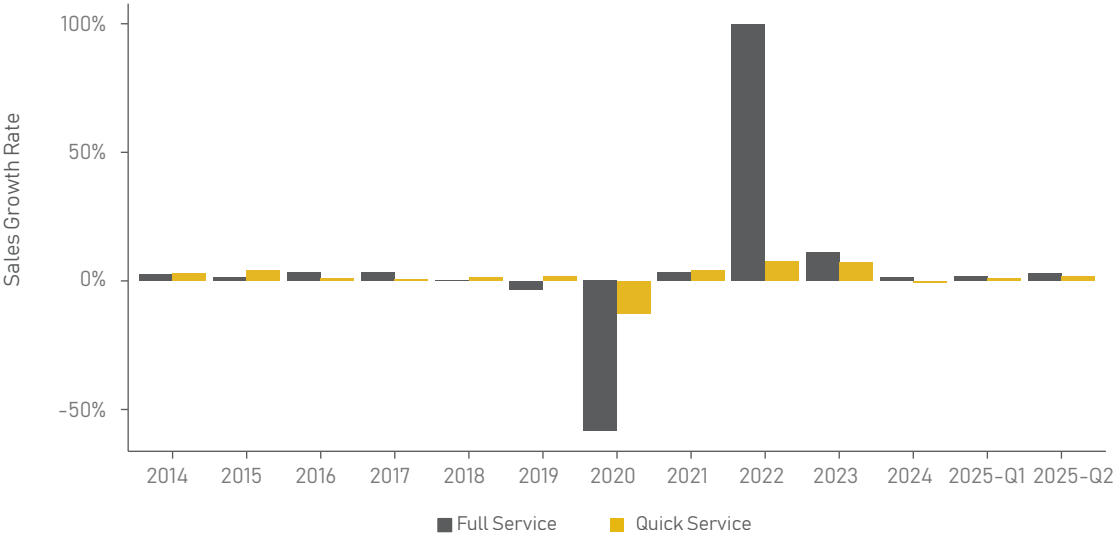
In 2024, SSSG values were flat, on average. Average SSSG increased slightly to 1% in Q1 2025 and further increased to 2% in Q2-2025.

Prior to 2020, average SSSG values were relatively consistent year to year, ranging between -1% and +3% annually. Data was also less variable, with all values typically within three to 11 points of the aggregate average. In 2020, SSSG values ranged from -8% to -81%, a 73-point range. The greatest variance occurred in 2022 with a 76-point range (excluding a 250% SSSG outlier).

Much of the variance may be attributed to differences between primary service styles.

¹ During the COVID-19 pandemic, several companies stopped reporting.

Average Same Store Sales Growth by Primary Service Style



Source: fsSTRATEGY Inc. with data from brands' annual and quarterly reports

As shown, SSSG extremes are far greater for FSR than QSR concepts.

Same store sales index for FSR decreased 58.4% in 2020, although some operators stopped reporting same store sales data during the pandemic. Same store sales for reporting FSR increased 3.5% year-over-year in 2021, 99.9% in 2022. Year-over-year SSSG variance appears to have normalized in Q1 (1.9%) and Q2 (3.0%) 2025.

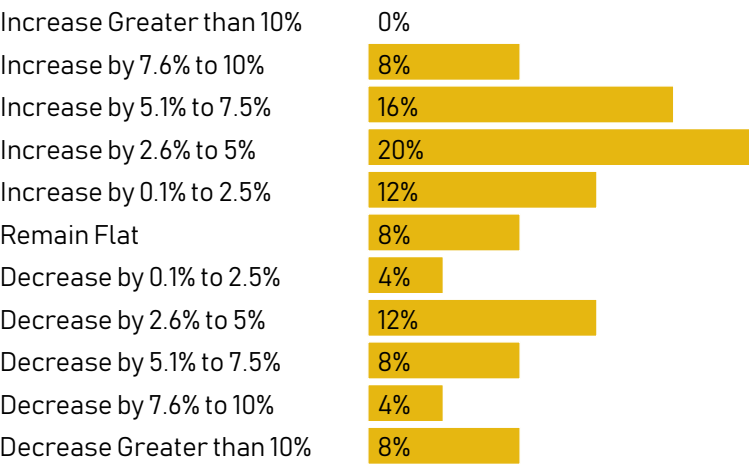
QSR, while still significantly impacted by the pandemic, was somewhat more insulated. Average reported same store QSR sales decreased by 12.8% in 2020 then increased by 4.9% and 7.6% in 2021 and 2022 respectively. Average year-over-year QSR SSSG was 1.1% in Q1 and 1.9% in Q2 of 2025.

3.5 C-SUITE EXPECTATIONS FOR SALES AND TRAFFIC

fsSTRATEGY conducted a survey of Canadian foodservice executives to gain their predictions and insights on the state of the industry. The survey was conducted in September 2025. Responses from the C-Suite Survey have been included at appropriate points throughout this book.

Respondents to the C-Suite Survey were asked to compare how they expected 2025 industry sales to compare to 2024 sales.

In 2025 compared to 2024, Sales are Expected to:



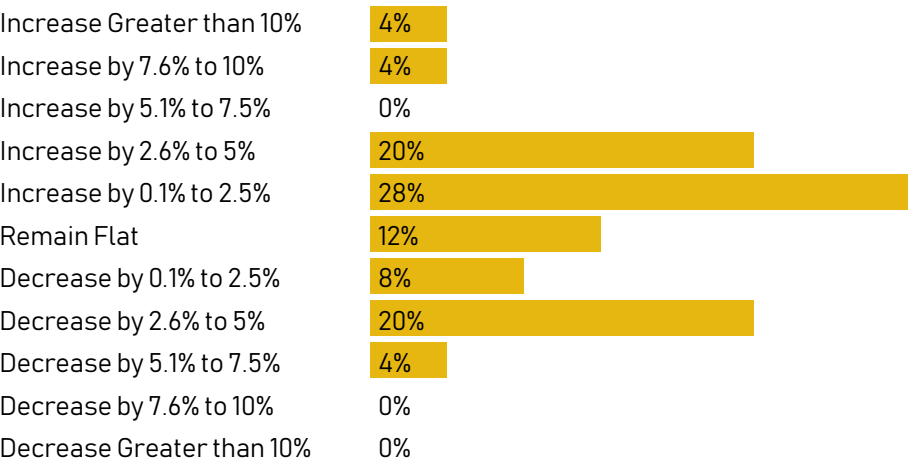
Source: fsSTRATEGY Inc. 2025 C-Suite Survey

Respondents were split with 56% believing foodservice industry sales in 2025 will be greater than 2024 sales and 8% indicated the increase will be between 7.6% and 10%; however, 36% expect sales to decrease with 8% expecting the decrease to be greater than 10.0%. Canadian restaurant chain executives believe that food inflation and labour cost increases are normalizing, so sales growth through price increases will be less than the last few years. By comparison, last year over 52% of respondents expected revenues to increase.



Respondents were asked how they expected industry sales to change in 2026.

In 2026 compared to 2025, Sales are Expected to:

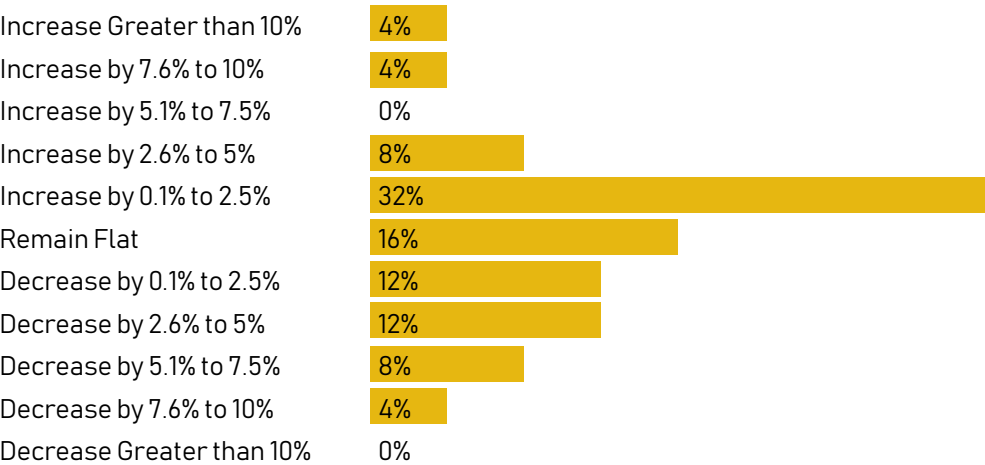


Source: fsSTRATEGY Inc. 2025 C-Suite Survey

Respondents are also split on the sales outlook for 2025, with 56% of respondents expecting sales to increase; noticeably less optimistic compared to the previous year’s results where 74% of respondents expected sales to increase in 2025 relative to 2024. However, 32% of respondents expect sales to decrease in 2025.

Similarly, respondents were asked how they expected industry traffic to change in 2026.

In 2026 Compared to 2025, Traffic Expected to:

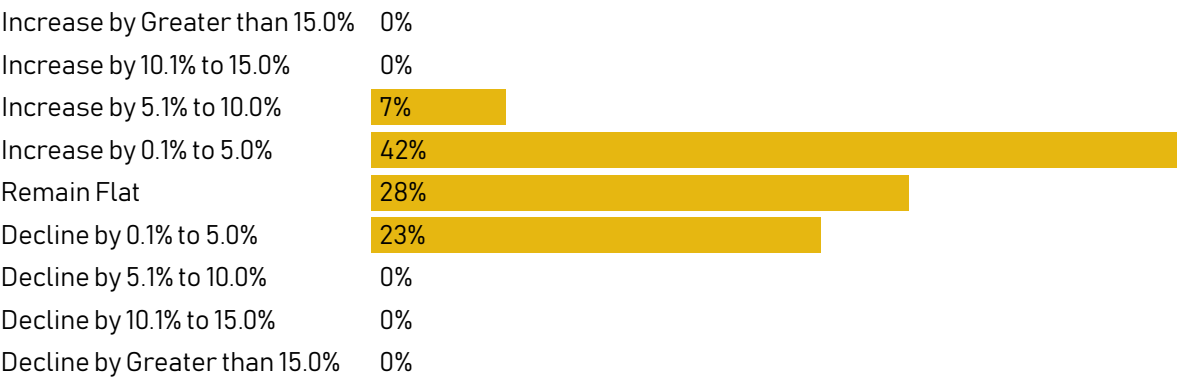


Source: fsSTRATEGY Inc. 2025 C-Suite Survey

Respondents are also split on their expectation regarding traffic, with 48% expecting an increase in traffic and 36% expecting some decline in foodservice traffic in 2026.

As sales are a function of traffic and average check, the implied changes to average check may be examined by comparing responses for sales and traffic changes.

In 2026 Compared to 2025, the Inferred Change to Average Check is:



Source: fsSTRATEGY Inc. 2025 C-Suite Survey

Based on respondents' anticipated changes to sales and traffic, 48% of responses suggest an increase in average check; however, inferred change of average check in 2026 varies between respondents. Fifty-two per cent of respondents implied in their forecast that average check would remain flat or increase by 5.0% or less.

4

TOP-OF-MIND: WHAT CEOs THINK

- 4.1 OPPORTUNITIES
- 4.2 CHALLENGES
- 4.3 BIGGEST CHANGES
- 4.4 BUSINESS STRATEGIES
- 4.5 ORDERING AND DELIVERY METHODS
- 4.6 TECHNOLOGY
- 4.7 SUSTAINABILITY
- 4.8 STAFFING

4.1 OPPORTUNITIES

C-Suite Survey participants were asked to list three opportunities in the foodservice industry for 2026. Responses were grouped into common categories.

Greatest Opportunities for Foodservice in 2026

Opportunity	Percentage of Responses					Change 2026/2025
	2022	2023	2024	2025	2026	
Technology - Online Sales, AI, Mobile Apps, Third-Party Delivery, Virtual Brands	20%	27%	14%	19%	17%	↓
Markets - Millennials, Day Part Growth, Small Markets, Return to Offices, Value Driven	0%	8%	2%	0%	17%	↑
Menu - Innovation, Focused Menus, Menu Engineering	0%	4%	9%	19%	15%	↓
Market Growth/Recovery - Sales, Growth, Increased Traffic, Buy Canadian	18%	8%	12%	21%	11%	↓
Competition - Consolidation, Leveraging Competitor Failures	25%	8%	19%	14%	11%	↓
Labour - Efficiencies, Engagement, Retaining Skilled Labour, Automation, Foreign Worker Program	15%	18%	9%	7%	9%	↑
Cost Efficiencies - Improved Systems	3%	2%	2%	5%	6%	↑
Service - Innovation, Training, Quality, Safety, Training	3%	4%	7%	9%	4%	↓
Marketing - Building Loyalty/Repeat Business, Social Media, Hospitality Focus	0%	8%	2%	5%	4%	↓
Location/Expansion - Real Estate Opportunities, Regional Economies, International, Franchising	10%	8%	5%	2%	4%	↑
The Economy - Oil/Gas Prices, Changing Canadian Dollar, Cost of Goods Sold, Building Costs	0%	2%	16%	16%	2%	↓
Procurement - Bulk Purchasing Initiatives	0%	2%	0%	0%	2%	↑

Source: fsSTRATEGY Inc. 2025 C-Suite Survey

Respondents identified technology as the greatest opportunity for 2025, significantly increased from 2025 results, specifically related to AI applications in restaurants. Markets were identified as a significant opportunity including returning opportunities resulting from return to work policies and developing the value driven market. Menu innovation was identified as an important opportunity, including menu engineering and menu innovation. The economy significantly decreased as an opportunity compared to the previous year will fewer respondents believing the cost of goods and building costs will normalize in the near future.

4.2 CHALLENGES

Survey participants were asked to list three challenges in the foodservice industry for 2026. Responses were grouped into common categories.

Greatest Challenges for Foodservice in 2026

Challenge	2022	2023	2024	2025	2026	Change 2026/ 2025
Operating Costs	30%	23%	30%	25%	23%	↓
Cost of Goods Sold	17%	13%	13%	11%	9%	↓
Labour Costs	5%	1%	10%	8%	9%	↑
Rent	2%	1%	0%	3%	1%	↑
General	0%	6%	0%	0%	4%	↑
The Economy – Recession, Inflation, Consumer Confidence	3%	10%	13%	7%	15%	↑
Government Regulations – Minimum Wages, Environmental, Foreign Worker Program	16%	6%	2%	3%	9%	↑
Consumers – Traffic, Demand, Perception/Trust, Work from Home	2%	3%	15%	13%	8%	↓
Labour Issues – Retention, Less Foreign Workers, Unionization	22%	26%	10%	20%	7%	↓
Sales – Reduced Traffic/Sales, Alcohol	0%	0%	0%	2%	4%	↑
Trade Relationships /Tariffs – Canada/US Relations	0%	0%	0%	0%	4%	↑

Source: fsSTRATEGY Inc. 2025 C-Suite Survey

Operating costs continue to be a top challenge for operators, particularly cost of goods sold and labour costs. Challenges related to the economy, specifically the potential of a recession and low consumer confidence has been reported for 2026. Government regulations, including minimum wages and the Foreign Worker Program, are highly rated as challenges to the industry in 2026.

4.3 BIGGEST CHANGES

4.3.1 Short-Term Changes

C-Suite Survey participants were asked what they thought would be the biggest short-term changes in the foodservice industry.

Respondents' reported short-term challenges include ongoing consolidation, widespread closures and continued pressure on independent operators and legacy brands. Many respondents expect an oversupplied market where excess capacity will force concept closures, particularly among underperforming operations. The competitive environment remains intense, with operators fighting for profitable market share.

Economic factors were identified by several respondents as a short-term challenge. Some respondents expressed cautious optimism regarding an improvement in the general economic outlook, yet most anticipate that persistent inflation, unsustainable construction costs and increasing food prices will continue to pressure margins. Many noted that restaurant pricing has increased faster than consumer tolerance, eroding perceived value and contributing to weakening demand, particularly within quick service and casual dining segments.

Menu streamlining is expected to continue as operators seek operational efficiencies and improved profitability, while a shift toward fewer meat-based menu items is anticipated due to both cost pressures and evolving consumer preferences.

While some emerging brands may gain ground in this environment, the broader sentiment among respondents indicates contraction and restructuring as operators adjust to a demanding economic landscape.

4.3.2 Long-Term Changes

C-Suite Survey participants were asked what they thought would be the biggest long-term changes in the foodservice industry.

Respondents expect AI and technology platforms to become central to operations, with adoption across scheduling, ordering, marketing and service processes becoming standard. Robotics and automation are expected to expand further, including the growth of kiosks, self-service options and technology-enabled efficiencies that reduce the need for labour while maintaining service levels.

Labour availability continues to be reported as a significant long-term threat, driven by demographic shifts and immigration constraints.

Closures and consolidation are also considered a long-term challenge, particularly among underperforming restaurants. Multi-unit consolidation is expected to accelerate as stronger operators expand, while weaker concepts are removed from the market.

Economic conditions were reported as a key challenge. Respondents noted the ongoing risks associated with recessionary pressures. Increasing construction costs are anticipated to slow expansion and limit the opening of new locations.

Consumer preferences are expected to influence long-term change, with an emphasis on experiences that create unique value through spaces, service and menu innovation. Demand for adaptogenic beverages and a reduction in alcohol consumption were cited as notable trends. Survey participants foresee a return to social activity in bars and experiential dining environments, supporting operators with strong food and operational models that can differentiate themselves.

4.4 BUSINESS STRATEGIES

fsSTRATEGY requested C-Suite Survey participants to select their top strategy for managing in today's environment.

Most Common Foodservice Strategies for 2026

Strategy	Percentage of Responses		Change 2026/2025
	2025	2026	
Grow Average Check	17%	21%	↑
Add New Units in Canada	18%	20%	↑
Use of a Third-Party Digital Order and Delivery Service	13%	15%	↑
Close Unprofitable Units	9%	13%	↑
Modify Menus to Reduce Cost of Goods Sold	14%	11%	↓
Add New Units Internationally	15%	9%	↓
Capture Market Share from Competitors	8%	8%	↓
Modify Operations and/or Facilities to Reduce Labour Costs	4%	4%	↓
Other	3%	0%	↓

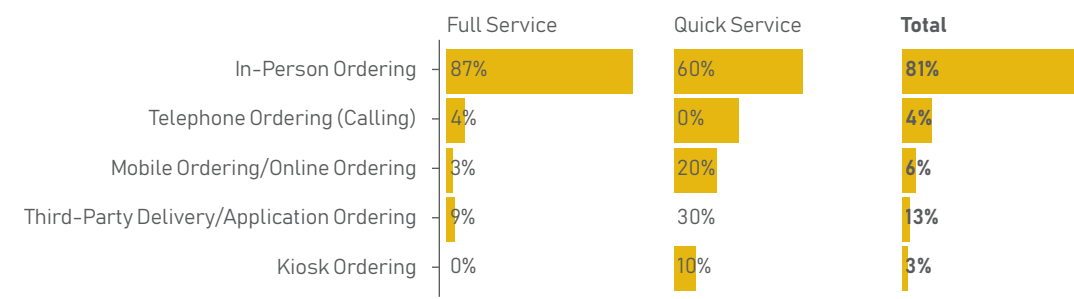
Source: fsSTRATEGY Inc. 2025 C-Suite Survey

Increasing average check and adding new units in Canada were the top strategies identified by respondents, followed by the use of third-party digital order and delivery services and closure of unprofitable units.

4.5 ORDERING AND DELIVERY METHODS

C-Suite Survey participants were asked their approximate sales by ordering method.

Sales by Ordering Method

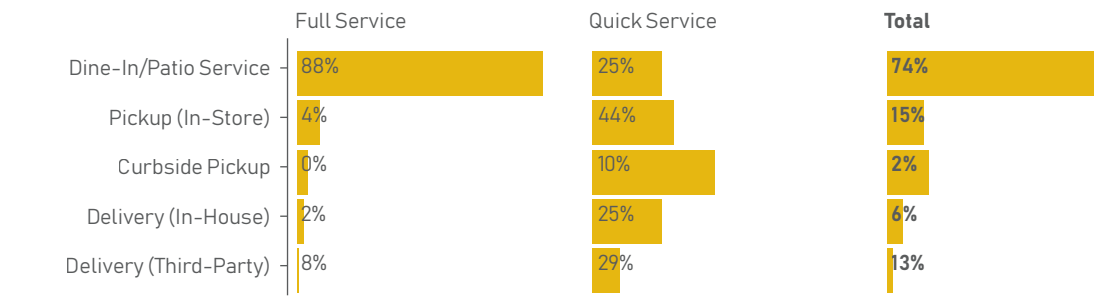


Source: fsSTRATEGY Inc. 2025 C-Suite Survey

In-person ordering remains the most common form of ordering among respondents, followed by third-party delivery and/or application ordering.

Respondents were asked their approximate sales by service method.

Sales by Service Method

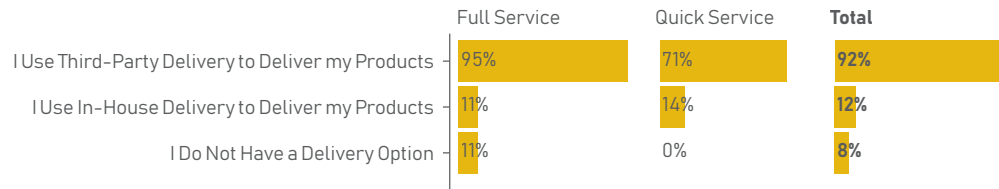


Source: fsSTRATEGY Inc. 2025 C-Suite Survey

Dine-in and patio service is the most common method of service, nearly identical to the previous year's results. In-store pickup accounts for 15% of respondents' sales (comparable to 17% last year). In-house delivery, which accounted for 60% of sales in 2021, account for only 6% in 2025. Curbside pickup was reported to account for 10% of QSR sales, but has not continued in popularity for FSRs post pandemic.

Respondents were asked which delivery methods they used.

Delivery by Method



Source: fsSTRATEGY Inc. 2025 C-Suite Survey

Most respondents (92%) use third-party delivery, compared to 81% in 2024. Only FSR respondents reported not having a delivery option.

Respondents were asked which third-party delivery platforms they used.

Third-Party Delivery Platforms Used



Source: fsSTRATEGY Inc. 2025 C-Suite Survey

Uber Eats is the most commonly used third-party delivery platform among respondents with 40% using this platform followed by DoorDash (27%) and SkipTheDishes (25%).



4.6 TECHNOLOGY

Respondents were asked what new technology was added to their operations in the past 12 months as well as planned investments in technology in the next 12 months.

Several responses included adoption of artificial intelligence across various aspects of their businesses. AI has been introduced in onboarding and operational systems, accounting reconciliations and guest experience applications. Several respondents are testing AI software designed to enhance the customer experience through more personalized and efficient interactions.

POS technology is a key area of investment. Respondents indicated the launch of new or replacement POS platforms, including systems such as Toast and other restaurant-specialized systems. Related upgrades include new reservation systems, integration with loyalty programs and enhanced digital ordering capabilities.

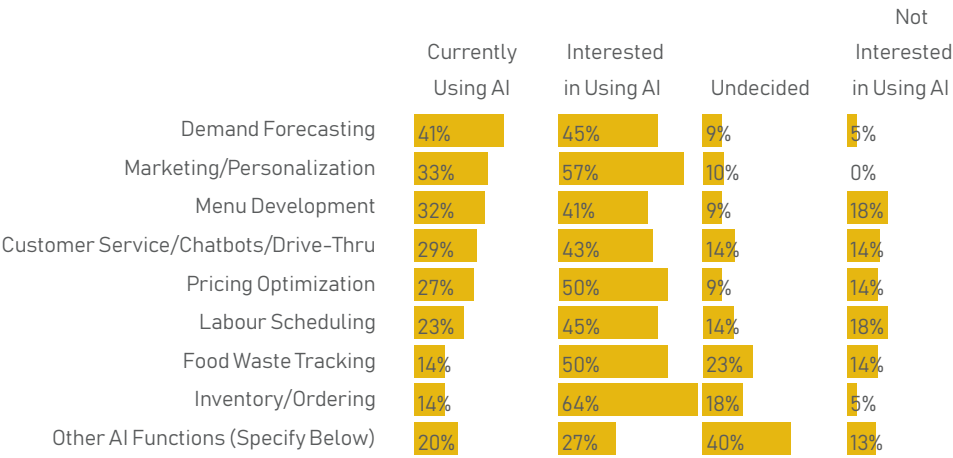
Operational tools such as kitchen display systems, TurboChef ovens and digital tent cards placed on bar or dining tables have been implemented by some respondents to improve order accuracy, speed of service and promotional engagement. Several operators also referenced the launch of proprietary ordering and delivery apps, identifying this strategy as a major technology initiative and ongoing priority.

Planned investment among respondents also included AI, which is expected to continue to dominate planned investments in the coming year. Many respondents are introducing AI-assisted scheduling, demand forecasting and customer recognition systems. Others mentioned plans to implement AI-driven reservation management, search engine optimization and customer rewards programs.

Some organizations have already invested heavily in digital infrastructure and indicated limited plans for further spending, suggesting satisfaction with current platforms such as proprietary apps or integrated systems. Cloud-based services and third-party integrations, including MarginEdge, were identified as areas of near-term focus for several operators.

Respondents were about several AI applications and their current or planned usage.

Artificial Intelligence Function Usage



Source: fsSTRATEGY Inc. 2025 C-Suite Survey

Most respondents reported they were already using or interested in most AI functions listed.

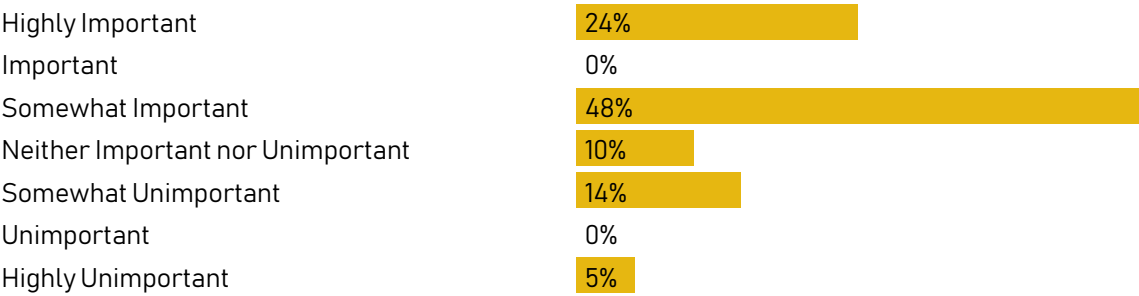
Currently, the most utilized applications for AI among respondents include demand forecasting (41%), marketing/personalization (33%) and menu development (32%). Significant interest was reported for AI applications for inventory/ordering and marketing/personalisation.

Other AI functions reported by respondents included training, software development and administrative functions (accounting, IT, etc.).

4.7 SUSTAINABILITY

fsSTRATEGY asked C-Suite Survey participants to provide their views on sustainable foodservice. Participants were asked rate to the current level of importance of this issue for their chain.

Importance of Environmental Sustainability

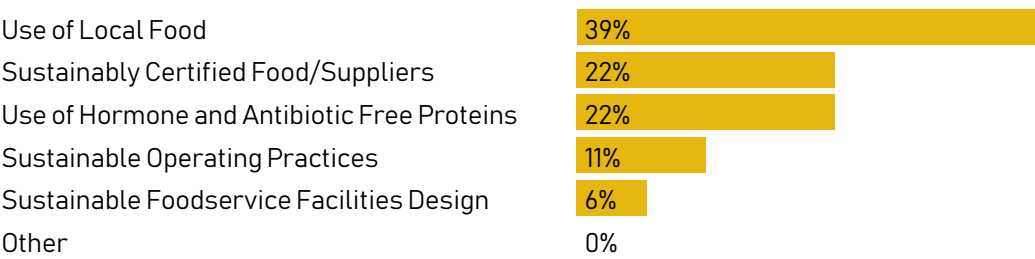


Source: fsSTRATEGY Inc. 2025 C-Suite Survey

Similar to last year, 71% of participants reporting that sustainability was at least somewhat important. The importance of environmental sustainability has not yet returned to its peak importance of 96% reported by respondents in 2016 and some respondents (19%) have reported environmental sustainability is considered at least somewhat unimportant, an increase from 10% reported in 2024.

Respondents were asked about the primary focus in their sustainability plans.

Primary Focus of Sustainability Initiatives



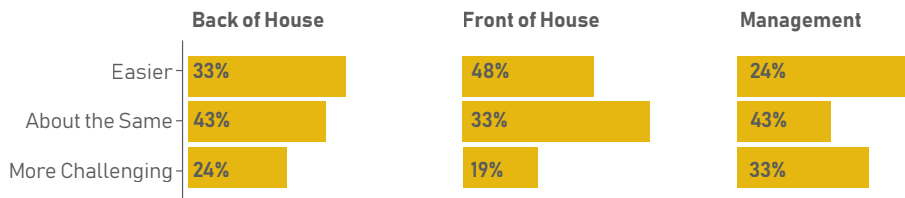
Source: fsSTRATEGY Inc. 2025 C-Suite Survey

The top ranked sustainability initiative in 2025 is local food procurement, which was the third ranked sustainability initiative last year. Participants are also focused on sustainably certified foods and the use of hormone-free proteins among other initiatives.

4.8 STAFFING

fsSTRATEGY asked C-Suite Survey participants how their ability to fill positions has changed in the past 12 months.

Ability to Fill Positions

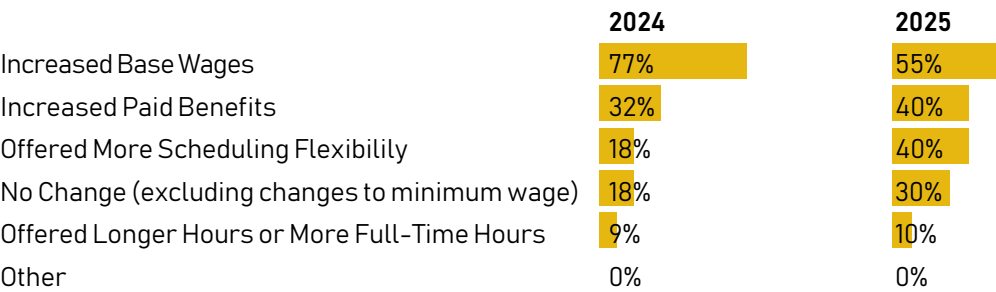


Source: fsSTRATEGY Inc. 2025 C-Suite Survey

Respondents' ability to fill positions is reportedly easier compared to previous years. Management and back of house positions remain the most challenging to fill.

C-Suite Survey participants were asked if their compensation packages have changed in the past 12 months to attract and retain staff, results from 2024 and 2025 are shown below.

Changes to Compensation Packages



Source: fsSTRATEGY Inc. 2025 C-Suite Survey

The most common change to compensation packages in 2025 is increasing base wages (in addition to increases in minimum wage), although this change has decreased compared to changes reported in 2024. All other changes to compensation packages have increased compared to 2024.

5 TRENDS IMPACTING RESTAURANTS

- 5.1 STATE OF THE FOODSERVICE MARKET
- 5.2 DELIVERY AND THE EVOLUTION OF FOODSERVICE
- 5.3 DIGITAL ORDERING
- 5.4 THE RISE OF GEN Z
- 5.5 OUR LIVES AT HOME
- 5.6 SUMMARY

5.1 STATE OF THE FOODSERVICE MARKET

Traffic in the Canadian foodservice market rose 2.3% for the 12 months ending August 2025. Circana's CREST® consumer restaurant behaviour tracking service shows. While this growth is softer than the previous three years, it remains a positive sign amidst the economic uncertainty currently facing the country. In fact, traffic declined in only one month during this period compared to the prior year. (See Chart 1)

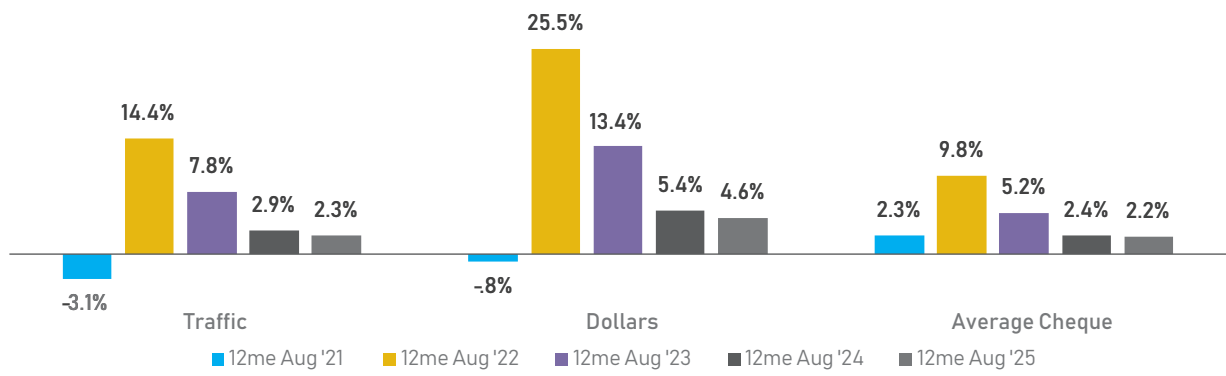
This growth has been broadly distributed across dayparts, service modes (both on- and off-premises) and demographic cohorts. However, one area of concern is full-service restaurants (FSR), which declined year-over-year in several months. Consumers appear to be trading out of or down from FSRs in favour of more affordable options at quick service restaurants (QSR). This trend may be indicative of the economic pressures and low consumer confidence currently affecting Canadian households.

Looking ahead, our forecasting team anticipates that this softness will extend into the QSR segment as well. As a result, traffic growth for the entire commercial foodservice industry is projected to be flat in 2026. This trading-down behaviour is also reflected in the modest eater check growth rate of just over 2%, which continues to lag behind menu inflation. Despite inflation moderating to a more historical level of around 3% this past year, consumers have been consistently reducing their restaurant spending per visit for several years.

Another sign of consumer strain is the rise in promotional activity. The rate of dealing has now surpassed 30%, matching the record levels seen during the pandemic recovery. Then, as now, operators are using deals—whether in the form of coupons, bundled discounts or simple price reductions—to entice hesitant guests. However, the underlying issue today is affordability. These offers provide incremental value for money to consumers still grappling with the lingering effects of high inflation and interest rates from 2023 and 2024.

Interestingly, one factor contributing to the buoyancy in traffic growth is the decline in international travel. Circana's consumer sentiment studies conducted this past summer revealed that 42% of Canadians cancelled travel plans due to the ongoing trade dispute. Instead, many opted to stay home and spend locally on entertainment, staycations and restaurant visits. This shift has provided a welcome boost to domestic restaurant and travel industries, while offering consumers a brief escape from the daily news cycle.

Chart 1: Commercial Foodservice KPIs



Circana, CREST®, Canada, 12 ME August 2025



5.2 DELIVERY AND THE EVOLUTION OF FOODSERVICE

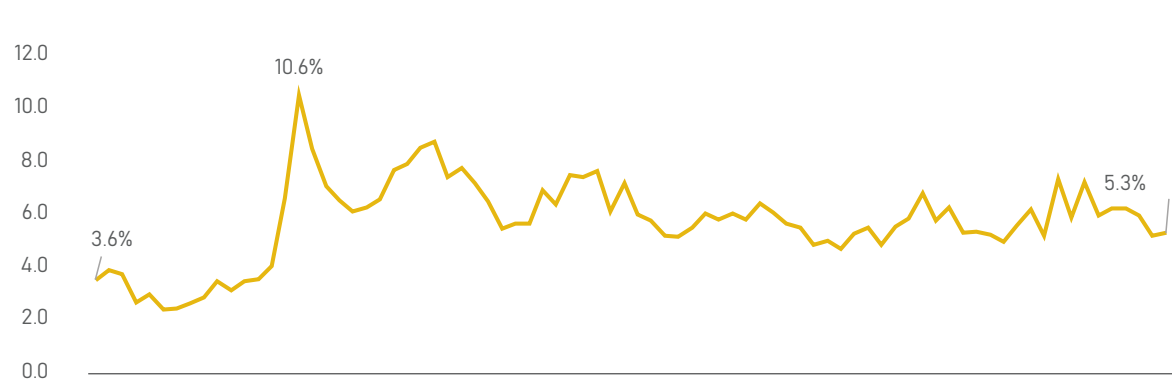
Delivery currently accounts for just 6% of all foodservice meals, a share that has remained steady since 2022 following the peak during the pandemic years. The trajectory of delivery—from its pandemic-era surge to a post-pandemic stabilization—mirrors broader trends in the industry’s evolution since 2019. What sets delivery apart, however, is its interconnectedness with many other standalone industry trends. (See Chart 2). This concept is explored in the paragraphs that follow.

A recent uptick in delivery can be attributed to several factors. Chief among them is the increasingly busy lifestyle of Canadian consumers. With more people returning to office environments, and the resumption of extracurricular activities, families have less time for meal preparation. Perhaps more importantly, delivery offers perceived value for money. Canadians are trading down from FSR to avoid on-premises dining and save money while maintaining their foodservice habits. Delivery emerges as a viable alternative. Despite the added fees, a high rate of promotional offers helps keep prices within reach for time-starved, hungry Canadians.

In the early days of the pandemic, delivery and take-out were most closely associated with QSRs, which are naturally suited to off-premises occasions. However, adversity sparked what may be the most significant evolutionary shift in the past five years: the ability and willingness of FSRs to embrace off-premises service. Today, FSRs rely on delivery for a larger share of their meals than QSRs, 8% compared to 6%, highlighting how the industry has adapted to meet changing consumer needs and habits.

Regardless of where, when or how the meal is sourced, it’s clear that consumers have embraced the convenience of ordering quality restaurant meals delivered to their homes and offices. This is a new habit that shows no signs of fading.

Chart 2: Commercial Foodservice KPIs



5.3 DIGITAL ORDERING

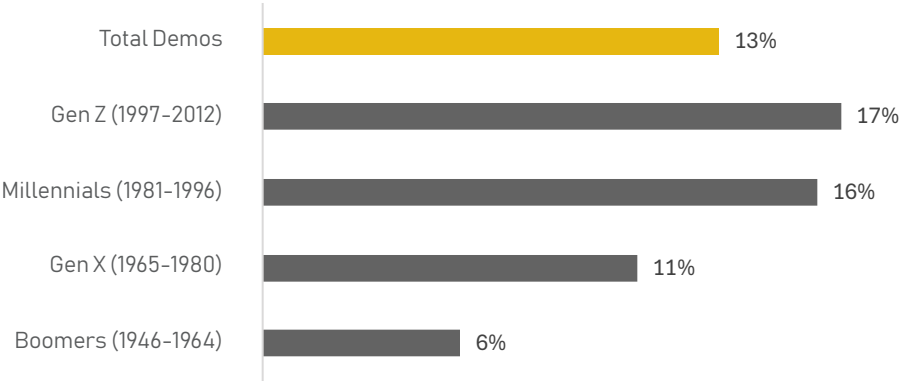
The evolution of digital ordering is directly connected to delivery. Almost 40% of all digital orders involve a delivery, while 85% of delivery orders are processed digitally. Interestingly, the remaining 15% represents nearly half a billion delivery orders placed over the phone.

During the early days of the pandemic, digital ordering was concentrated among the largest brands that already had digital platforms in place. Since then, smaller brands with 20 or more units have caught up and now depend on digital orders for 17% of their traffic volume, compared to 15% among the largest brands with 250+ units.

As with many current trends, there is a definitive link to promotional activity. Nearly one-half of all digital orders involve a deal of some sort. Digital coupons are now just as popular as paper coupons and continue to grow in popularity each year. And where there is digital ordering, there is a loyalty program. Loyalty is another offshoot of the digital ordering movement, represented in 60% of all digital orders. Loyalty programs have gained traction as they offer consumers and brands a way to interact. However, they are also heavily used as a vehicle for delivering deals. This isn't necessarily a drawback, as long as loyalty is measured by frequency of visits rather than brand allegiance.

Digital ordering is most concentrated among younger cohorts. Even so, Gen Zs only use digital devices to order 17% of the time. (See Chart 3) Older cohorts are also increasing their digital ordering habits, opening up new audiences for digital engagement. Naturally, their needs and expectations differ, but that's the beauty of digital platforms. They provide the ability to curate messages based on individual needs, usage patterns, or generational differences.

Chart 3: Delivery Share of Occasions



Circana, CREST®, Canada, 12 ME August 2025

5.4 THE RISE OF GEN Z

Gen Z, born between 1997 and 2012, spans a wide range of life stages, from high school students to early-career professionals. As such, no single marketing message will resonate across this cohort. However, several consistent trends have emerged within this group.

As Gen Z ages into their income-earning years, they are poised to become a driving and defining force in foodservice trends. They currently account for 24% of all foodservice visits, up one percentage point from last year. They are the fastest-growing cohort and second only in size to millennials, who represent 29%.

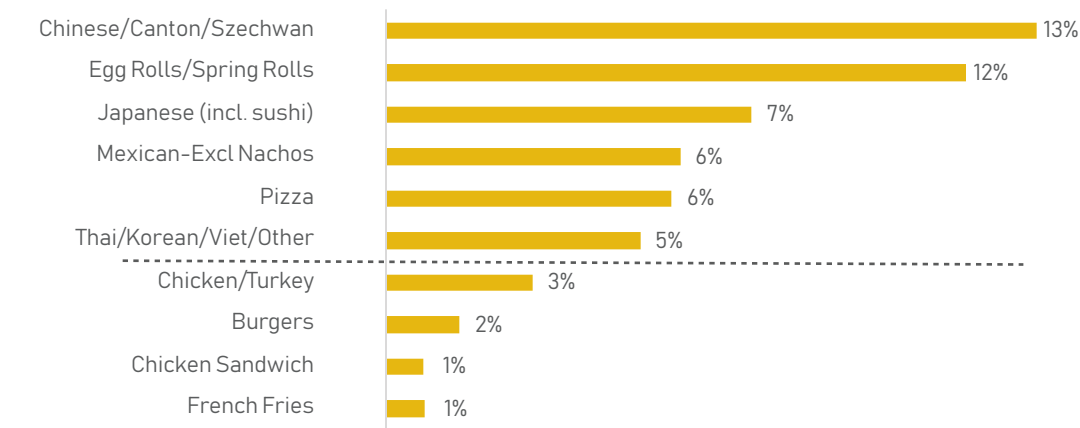
Gen Z is highly engaged with digital technology—not just for ordering, but also for social media recommendations. Circana's 2024 E-commerce study found that 41% of online purchases among Gen Z began on a social media platform, compared to 24% among the general population. YouTube is their preferred site for these recommendations.

Despite this digital connectiveness, connecting with Gen Z is not easy for brands. This generation is less driven by brand loyalty than previous generations and more inclined toward brand trial and exploration. They are also more likely to choose brands that align with their values and reflect positively on their identity.

A significant part of Gen Z's food exploration journey is rooted in their ethnic diversity. Immigration over the past two decades has largely come from Asia, Africa and the Middle East, bringing new cuisines and food traditions. While staples like coffee, burgers and pizza remain popular among most consumers, the diversity and availability of ethnic cuisines is increasingly reshaping the foodservice landscape. (See Chart 4)

One final shift that could reshape foodservice marketing is Gen Z's concept of meals. They are more inclined to snacking dayparts and less likely to adhere to traditional meals. This likely explains their higher use of delivery and their rapid growth in delivery occasions, driven by a desire for instant gratification enabled by digital connectivity.

Chart 4: Percent Change in Servings vs. 2024



Source: Circana, Crest®, 12ME Aug '25



5.5 OUR LIVES AT HOME

For several years, the foodservice industry had no choice but to focus on serving guests at home, as restaurant dining rooms were closed. Although dining rooms have reopened and guests have returned, on-premises dining remains in deficit by about five percentage points of traffic share compared to 2019, representing nearly 300 million visits.

Those missing foodservice visits have largely remained at home, where consumers have been enjoying restaurant meals through delivery, take-out and drive thru. While drive thru has not grown since pre-pandemic times, it's notable that meals consumed in cars have increased. With public transit ridership still below 2019 levels, and traffic seemingly on the rise daily in major urban centers, it appears more people are driving and eating on the go.

Circana's Future of Foodservice report from August 2025 shows two-thirds of workers now work either part-time or full-time from home. As a result, the workday lunch and morning meal at home remain elevated, now representing a combined 38% of all restaurant meals consumed at home. Supper remains the largest and most important occasion for restaurants to reach guests at home, accounting for 40% of these occasions.

Interestingly, restaurant meals consumed in the office have returned to a pre-pandemic level of 11% of the total restaurant visits. Even though office visits are less frequent, workday meal budgets appear to have remained consistent over time.

5.6 SUMMARY

The Canadian foodservice industry is navigating a complex landscape shaped by economic pressures, shifting consumer behaviours and evolving operational models. Despite modest growth in traffic, the market reflects a deeper story of adaptation and resilience. Consumers are increasingly seeking value, trading down from full service to quick service formats, and embracing promotional offers as a buffer against lingering affordability concerns.

Digital platforms have become central to this transformation, not only facilitating delivery and take-out but also reshaping how consumers engage with brands. Loyalty programs, personalized offers and social media influence are converging to create a more dynamic and responsive foodservice experience. Gen Z, with its digital fluency and cultural diversity, is at the forefront of this shift, challenging traditional notions of meals and brand allegiance while driving demand for global cuisines and snackable formats.

The operator landscape, too, is evolving, with a notable rise in ethnic and bakery formats, reflecting both demographic shifts and a broader appetite for culinary exploration.

Together, these trends suggest a foodservice market that is not merely recovering, but reinventing itself—leaner, more digital and more attuned to the needs of a diverse and discerning consumer base.

6

ECONOMIC OUTLOOK

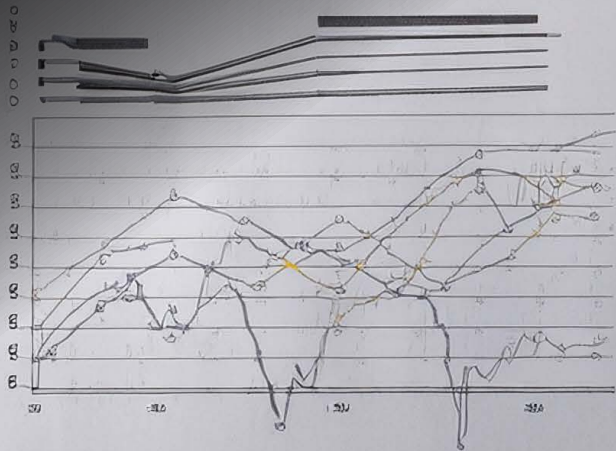
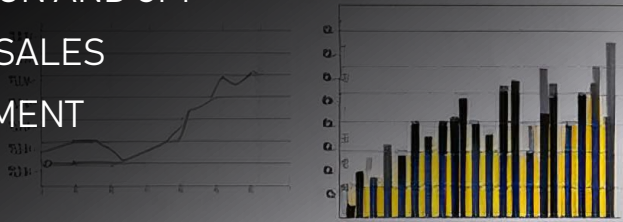
6.1 ECONOMIC OVERVIEW

6.2 LABOUR MARKET

6.3 INFLATION AND CPI

6.4 RETAIL SALES

6.5 INVESTMENT

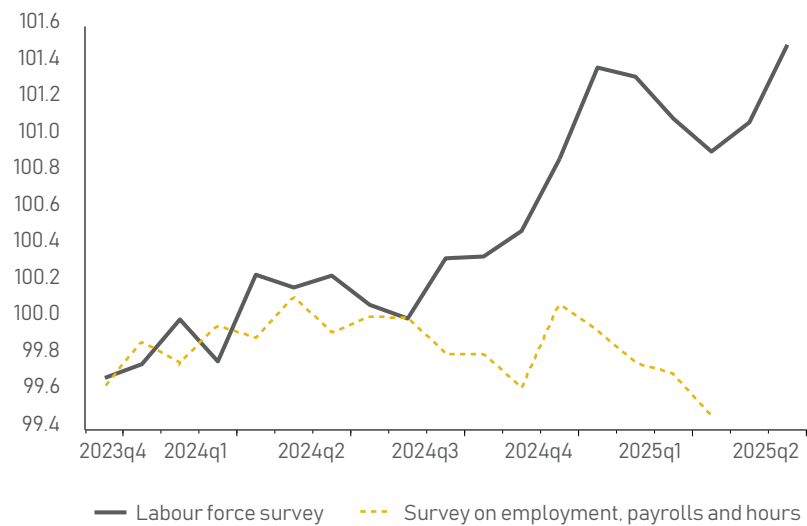


6.1 ECONOMIC OVERVIEW

- Given the data from the Labour Force Survey published on July 11, 2025, it may be tempting to believe that the worst is over. However, in all transparency, we remain skeptical about the sustainability of this upturn in a context of persistent trade uncertainty.
- Unsurprisingly, the difficulties in the manufacturing sector are evident. Weakness in this sector alone would not be too worrying, as it now accounts for only 10% of GDP and the labour market. Unfortunately, however, this does not seem to be the case.
- Household spending has held up so far, but it could come under pressure. Hiring intentions are weak, and uncertainty could prompt households to reduce spending. In addition, despite interest rate cuts by the Bank of Canada, the average change in mortgage payments for borrowers who need to renew their loans is +10% in 2025.
- Developments in the housing market also suggest that rates are probably still too high. Weakness is particularly noticeable in urban centres in Ontario and British Columbia. Developments in the Toronto market are concerning, to say the least.
- Although the Canadian economy was weakened in the first half of the year by uncertainty surrounding tariffs, this has unfortunately not yet translated into lower inflationary pressures. This is the main reason why the Bank of Canada is likely to keep its policy interest rate unchanged in July.
- Nevertheless, we continue to believe that monetary easing will be necessary by the end of the year. With the labour market deteriorating, wages are showing signs of moderation, which bodes well for inflation. In addition, several indicators suggest that the economy could contract further in the third quarter. It sometimes takes time for economic weaknesses to feed through to inflation, and this is likely the case now. This month, we are maintaining our economic growth forecasts at 1.3% for 2025 and 1.1% for 2026.

In light of the Labour Force Survey (LFS) data published on July 11, 2025, it may be tempting to believe that the worst is over. Private employment did indeed rise for the second month in a row in June, reaching a record high after a slump in the previous three months. In all transparency, we remain skeptical about the sustainability of this upturn in a context of ongoing trade uncertainty. First, this would not be the first time that Statistics Canada’s survey has reported strong gains only to see them reversed, as it is known for its volatility. Furthermore, we noted in the last Economic Monthly that the LFS was currently overestimating job gains. Statistics Canada uses a 12-month moving average to estimate the number of non-permanent residents, a population that is currently in sharp decline (link). The trend in private employment according to the Survey of Employment, Payrolls and Hours (SEPH), which is based on business data, has been much more worrying since the third quarter of 2024. Since August last year, the SEPH has shown a 0.5% contraction in private sector employment through April, while the LFS reported a 1% increase. It will therefore be interesting to see whether the SEPH confirms the rebound in private sector employment recorded by the LFS in May and June.

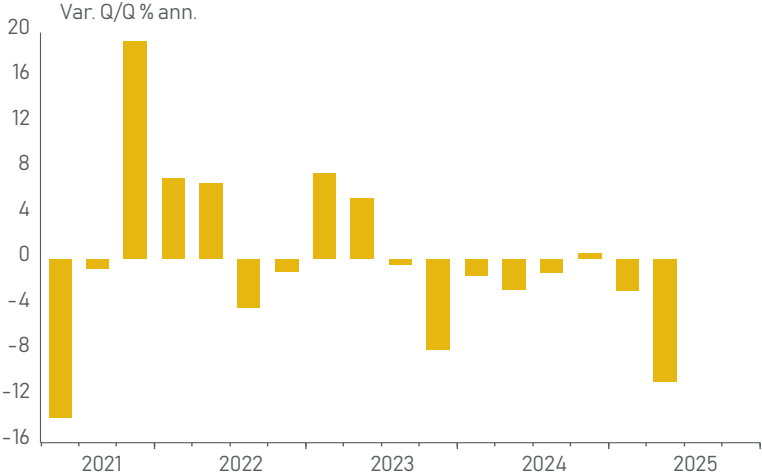
Canada: The LFS is currently overestimating job gains
Private jobs, LFS* vs SEPH** (total excluding education, health, and public administration)



NBC Economics and Strategy (data via Statistics Canada)

In the current context of trade tensions, there is no doubt that the manufacturing sector is the most vulnerable, and this weakness is already very palpable. After two months of data for the second quarter, factory shipments in volume are down 10.7% on an annualized basis, which has not happened since 2021. The sector is therefore on track to record its eighth decline in nine quarters.

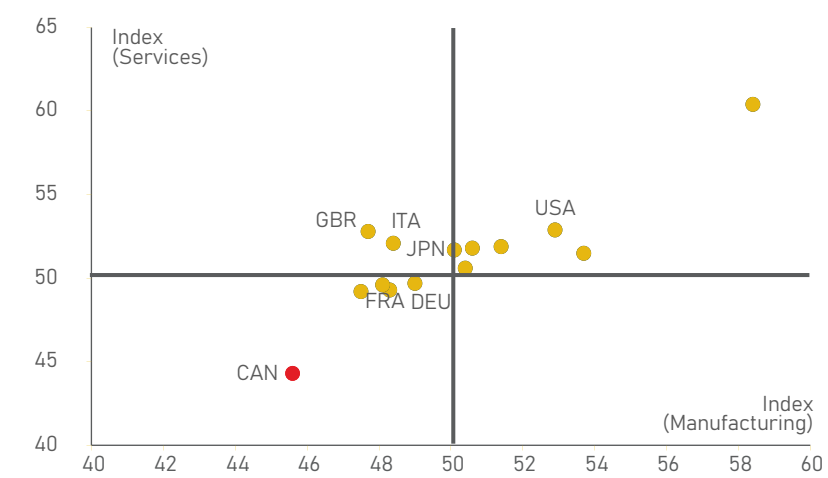
Canada: An 8th contraction in nine quarters, and not the least of them...
Manufacturing shipments in volume (quarterly data), April and May for Q2 2025



NBC Economics and Strategy (data via Statistics Canada)

And the trend does not seem to be improving since May, as Canada’s manufacturing PMI remained in contraction in June, at a level lower than all other countries covered, with the exception of Poland. Weakness in this sector alone would not be too concerning, as it now accounts for only 10% of GDP and the labour market. Unfortunately, this is not the case. Canada’s services PMI is the lowest among the 14 countries covered, also suggesting a decline in activity.

Canada: Tariff uncertainty is not only dragging down the factories
S&P Global Manufacturing and Services PMIs: June 2025

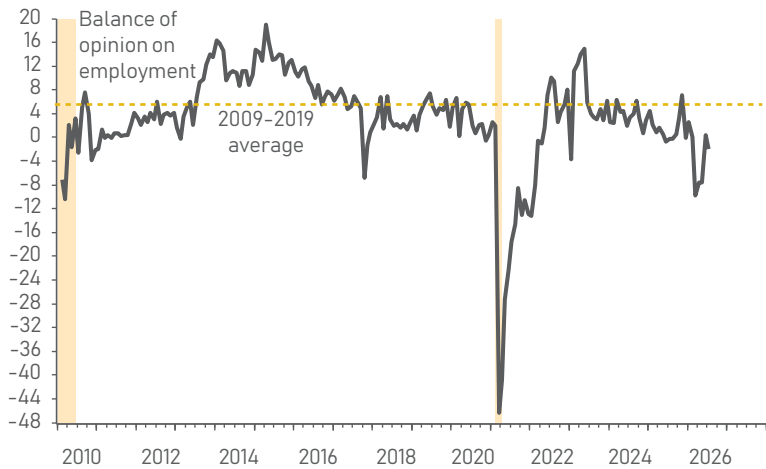


NBC Economics and Strategy (data via Bloomberg)

This widespread weakness in the economy is reflected in business hiring intentions, which do not point to a sustained rebound in employment, as indicated by the LFS. On the SME side, the CFIB's July barometer still indicated that a majority of businesses planned to reduce their workforce in the next three to four months.

Canada: A majority of SME's intending to reduce their workforce

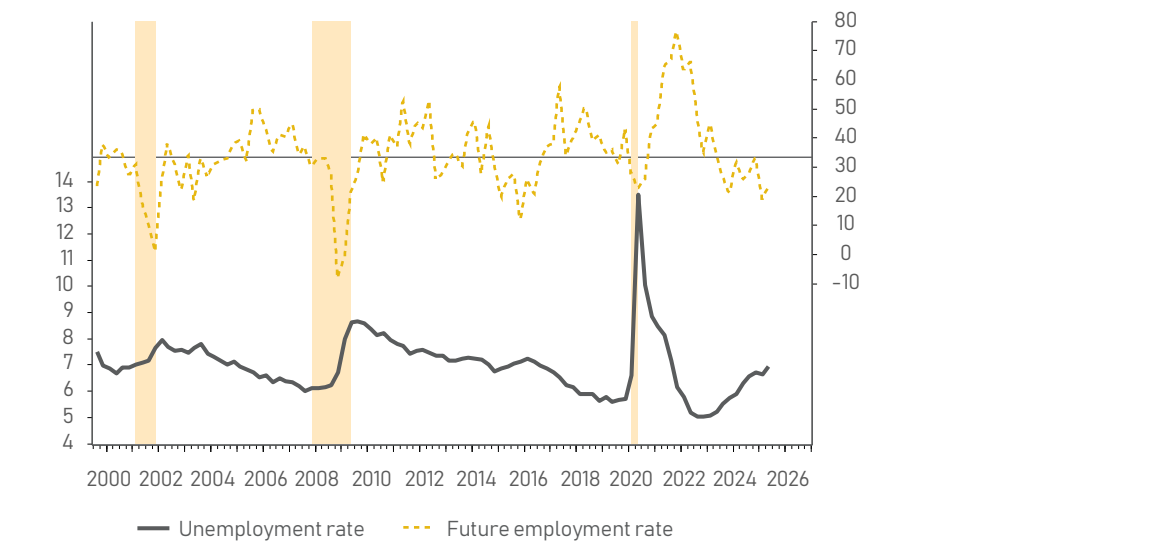
Full-time employment growth over the next 3 months (Higher minus lower share)



NBF Economics and Strategy (data from CFIB)

The picture is similar for large corporations, as revealed by the Bank of Canada's July Business Outlook Survey. The balance of opinions regarding hiring for the next 12 months changed little in the second quarter compared to the previous quarter. Historically, this level of the indicator has usually led to an increase in the unemployment rate.

Canada: Hiring intentions point for further deteriorating labour market
Future employment level in 12 months (% expecting increase minus decrease) and unemployment rate



NBC Economics and Strategy (data via Bank of Canada)

Workers are feeling their employers' concerns, according to the Consumer Expectations Survey. The labour market index remained essentially unchanged from the previous quarter, well below its historical average. Workers' fears are such that the spending index has deteriorated significantly, pointing to weaker consumption in the coming months. Consumption held up until June, according to retail sales, but weakness cannot be ruled out in the coming months.

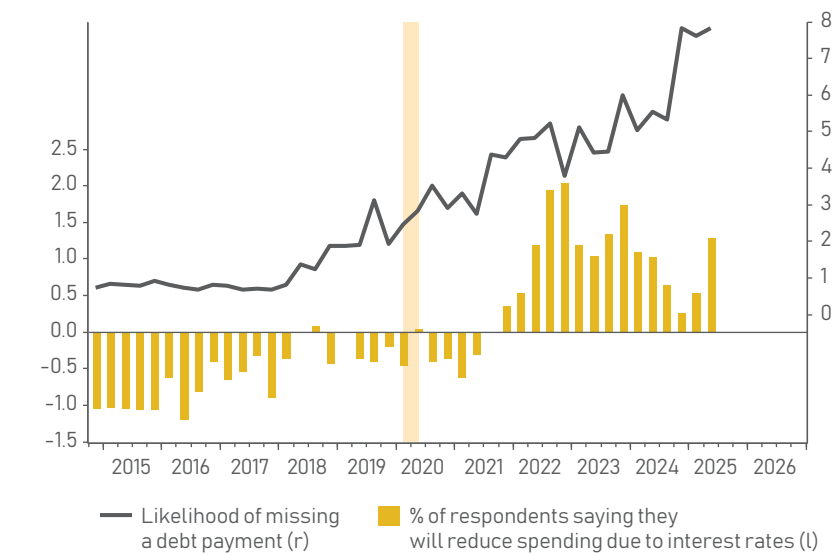
Canada: Consumers show signs of caution
Labor market index and consumer spending index



NBC Economics and Strategy (data via Bank of Canada)

According to the Bank of Canada survey, there are several reasons why consumers are considering cutting back on spending, including economic uncertainty, high housing costs and the high price of many goods and services. But that's not all. Over the past two quarters, the proportion of consumers considering cutting back on spending because of interest rates has increased. At the same time, the likelihood of missing a debt payment has increased significantly compared to the third quarter of last year.

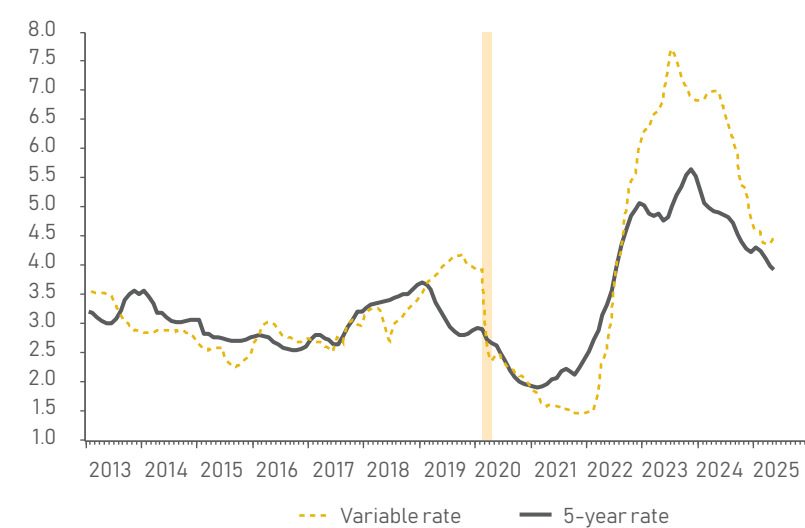
Canada: High interest rates are holding back consumers
Indicator of spending cuts due to interest rates and likelihood of missing a debt payment



NBC Economics and Strategy (data via Bank of Canada)

At first glance, this may seem counterintuitive. Hasn't the Bank of Canada cut interest rates by 150 basis points since last September? Mortgage data shows that variable mortgage rates fell by 150 basis points between September and May, and to a lesser extent, by 60 basis points for 5-year fixed rates. Nevertheless, rates remain well above where they were four or five years ago, which means that some borrowers who are about to renew their loans will see their payments increase.

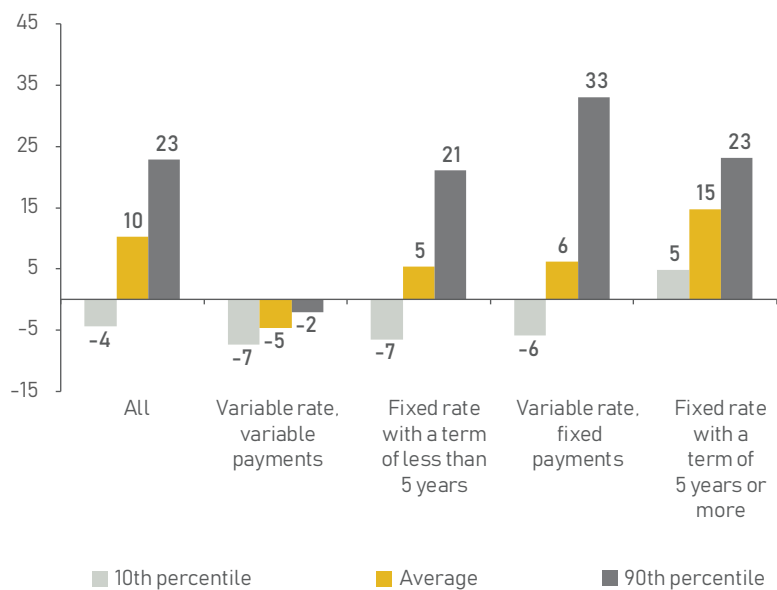
Canada: Interest rates falling but still high
Insured mortgage rates – originations



NBC Economics and Strategy (data via Bank of Canada)

But are mortgage renewals a drag on the economy as a whole? A recent note published by the Bank of Canada sheds some light on this issue (link). We learn, among other things, that no less than 60% of mortgages will need to be renewed in 2025 and 2026, and that, based on rates expectations in April, 60% of borrowers will see their payments increase compared to December 2024. On average, borrowers would see a 10% increase in their monthly payments in 2025 (6% in 2026), mainly due to fixed-rate loans taken out five years ago and more. But the increases are not limited to this segment. We have identified areas of concern for other types of loans, including some variable-rate/fixed-payment loans. No less than 10% of these loans will see increases of more than 33% (+40% in 2026). This does not necessarily mean that a significant wave of defaults is imminent, especially when you consider that wages have risen by 19% over the past five years. However, these data on payment shocks illustrate that interest rates remain restrictive for households in Canada, even though the policy interest rate is now at 2.75%, which is in the middle of the Bank of Canada’s estimated neutral range (2.25% and 3.25%).

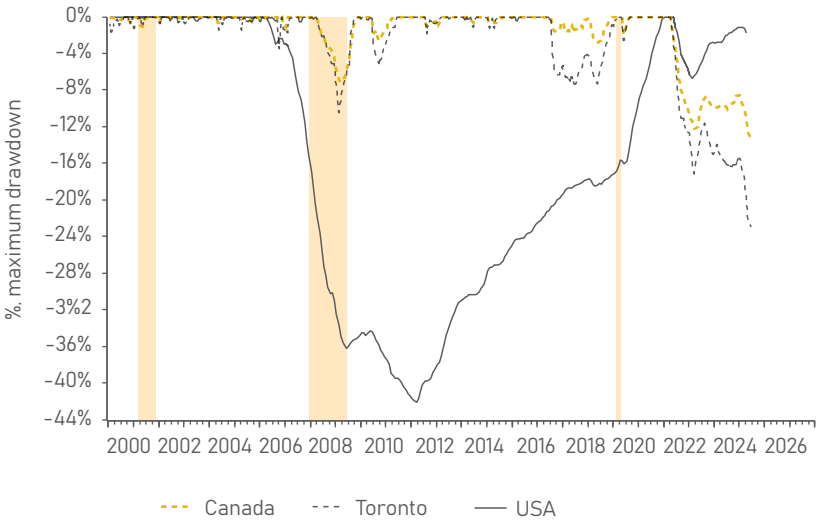
Canada: A perspective on distribution of payment shock in 2025
Change (%) in payments for renewal in 2025 compared to Dec. 2024, by perc. of magnitude of payment change



NBC Economics and Strategy (data via Bank of Canada)

Developments in the real estate market also suggest that rates are probably still too high. At the current pace of sales, the inventory of homes for sale continues to grow nationally. In June, the Teranet/National Bank House Price Index fell for the fifth consecutive month, with weakness particularly noticeable in urban centres in Ontario and British Columbia. The Toronto market is particularly worrying. After stabilizing in 2024, prices are falling again. Since their 2022 peaks, they have declined by 15%. This decline is all the more significant given that the consumer price index and wages rose sharply over this period. In real terms (adjusted for CPI), house prices in Toronto are already 23% below their peak, more than half of the decline recorded in the United States during the housing crisis. Such a loss of wealth has an impact on consumption, which partly explains the stagnation in retail trade since 2022 in the largest city in Canada (20% of Canadian GDP).

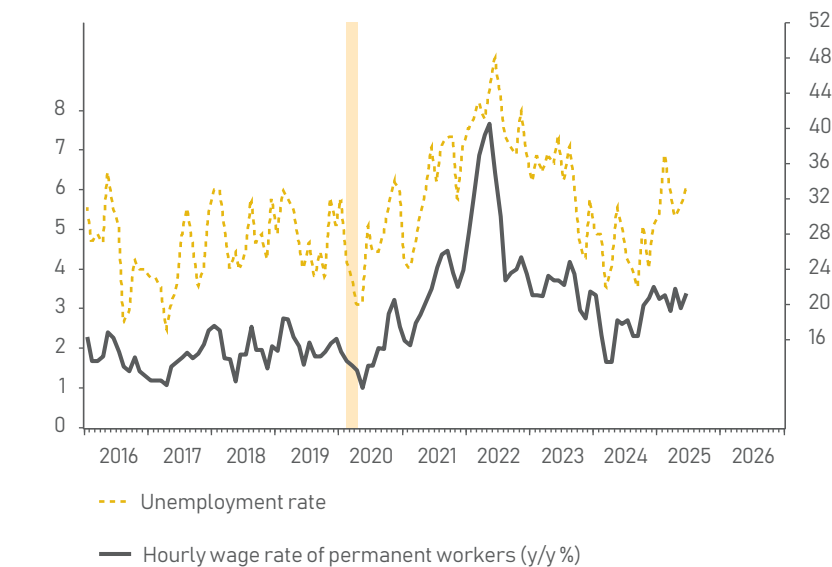
Canada: Interest rates falling but still high
Insured mortgage rates – originations



NBC Economics and Strategy (data via Bank of Canada)

While the Canadian economy was weakened in the first half of the year by tariff uncertainty, as evidenced by the decline in GDP in April and May and the three ticks increase in the unemployment rate between February and June, this has unfortunately not yet translated into lower inflationary pressures. This is the main reason why the Bank of Canada is likely to keep its policy interest rate unchanged in July.

Canada: A large number of components are running above target
Number of categories (n=55) that have increased 2% or more and average core (3-month annualized basis)



NBC Economics and Strategy (data via Bank of Canada)

We continue to believe that monetary easing will be necessary before the end of the year (we still anticipate a 50-basis-point cut). The Canadian labour market is even more in a situation of excess supply, which partly explains the continued slowdown in wage growth. Hourly wages for permanent employees is now growing at its slowest pace in more than three years, which is good news for future inflationary pressures. In addition, several indicators suggest that the economy could contract further in the third quarter, despite government support in the form of tax cuts. It sometimes takes time for economic weaknesses to feed through to inflation, and this is likely the case at present. This month, we are maintaining our economic growth forecasts of 1.3% for 2025 and 1.1% for 2026.

Canada: The surplus of available labour contributes to wage moderation
Unemployment rate and hourly wage of permanent workers



NBC Economics and Strategy (data via Bank of Canada)

Canada Economic Forecast

(Annual % change)*	Q4/Q4							
	2022	2023	2024	2025	2026	2024	2025	2026
Gross domestic product (2012\$)	4.2	1.5	1.6	1.3	1.1	2.3	0.5	1.8
Consumption	5.5	1.8	2.4	2.2	1.1	3.5	0.9	1.4
Residential construction	(10.6)	(8.5)	(0.6)	2.9	1.1	1.6	0.3	1.6
Business investment	6.4	1.0	(2.4)	(0.2)	1.1	1.3	(1.0)	3.1
Government expenditures	2.6	2.6	4.3	2.3	2.2	5.3	1.4	2.4
Exports	4.2	5.0	0.6	(0.7)	0.2	0.2	(2.4)	1.6
Imports	7.5	0.3	0.7	(0.0)	1.1	0.1	(0.4)	1.9
Change in inventories (millions \$)	51,121	25,497	14,284	948	1,948			
Domestic demand	3.3	1.1	2.1	2.1	1.4	3.6	0.8	1.8
Real disposable income	(0.3)	1.6	4.6	2.0	1.2	4.8	0.8	1.3
Employment	4.1	3.0	1.9	1.3	0.3	1.6	0.7	0.5
Unemployment rate	5.3	5.4	6.4	7.0	7.1	6.7	7.3	7.0
Inflation	6.8	3.9	2.4	2.0	2.0	1.9	1.9	2.2
Before-tax profits	17.9	(14.8)	(3.1)	5.2	2.5	(3.0)	0.7	4.5
Current account (bil. \$)	(8.7)	(18.4)	(13.0)	(20.0)	(17.0)			

*or as noted

National Bank of Canada

Financial Forecast**

	Current 7/18/25	Q3 2025	Q4 2025	Q1 2026	Q2 2026	2024	2025	2026
Overnight rate	2.75	2.5	2.25	2.25	2.25	3.25	2.25	2.5
Prime rate	4.75	4.5	4.25	4.25	4.25	5.25	4.25	4.5
3 month T-Bills	2.69	2.4	2.25	2.2	2.2	3.15	2.25	2.5
Treasury yield curve								
2-Year	2.82	2.65	2.45	2.4	2.45	2.94	2.45	2.65
5-Year	3.11	3	2.8	2.7	2.75	2.97	2.8	2.85
10-Year	3.58	3.45	3.35	3.25	3.3	3.24	3.35	3.4
30-Year	3.89	3.75	3.65	3.55	3.55	3.34	3.65	3.6
CAD per USD	1.37	1.38	1.36	1.34	1.34	1.44	1.36	1.33
Oil price (WTI), U.S.\$	69	63	60	62	63	72	60	66

**end of period

National Bank of Canada

Quarterly Pattern Canada

	Q3 2024 actual	Q4 2024 actual	Q1 2025 actual	Q2 2025 forecast	Q3 2025 forecast	Q4 2025 forecast	Q1 2026 forecast	Q2 2026 forecast
Real GDP growth (q/q % chg. saar)	2.4	2.1	2.2	-0.5	-0.3	0.7	1.5	1.9
CPI (y/y % chg.)	2	1.9	2.3	1.8	1.9	1.9	1.7	2.1
CPI ex. food and energy (y/y % chg.)	2.5	2.1	2.5	2.6	2.8	2.9	2.6	2.4
Unemployment rate (%)	6.6	6.7	6.6	6.9	7.1	7.3	7.3	7.2

National Bank of Canada

6.2 LABOUR MARKET

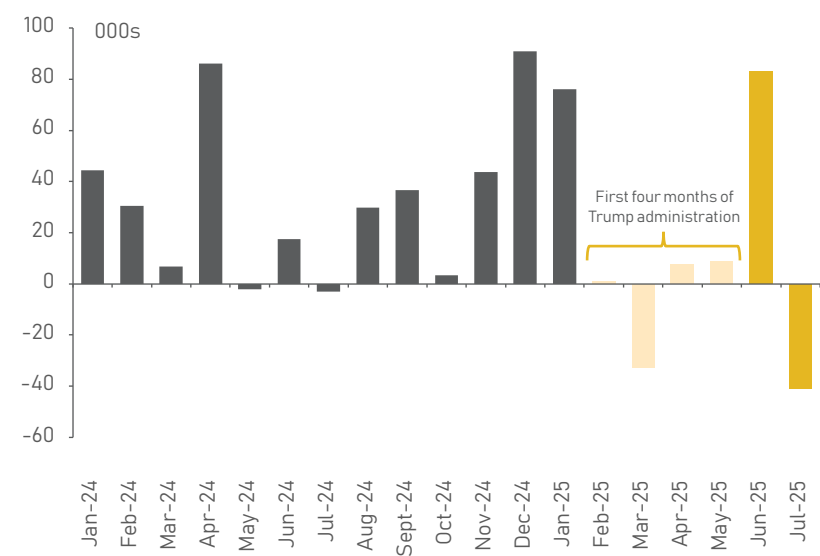
- Canadian employment fell 40.8K in July, well below the consensus calling for a 10K increase. The participation rate also fell by 2 ticks to 65.2%, which together resulted in an unchanged unemployment rate (6.9%), below the consensus estimate of 7.0%. However, the employment rate did decline two ticks to its lowest level since July 2021.
- Net employment losses were driven by the full-time employment change of -51.0K in July, while part-time employment provided a partial offset, increasing by 10.3K in the month.
- Meanwhile, the number of jobs in the private sector declined by 39K (0.3%). The number of public sector employees and self-employed workers were both little changed in July.
- Hiring declines were driven by the information, culture and recreation (-29K), construction (-22K), and business/building and support services (-19K) sectors. The two main industries leading the partial offset were transportation/warehousing and educational services, which saw employment increase 26K and 22K in the month of July, respectively. In all, 10 of 16 reported industries recorded a negative employment change in July.
- Regionally, employment declines were most pronounced in Alberta (-17K), British Columbia (-16K) and Quebec (-15K). Employment was little changed elsewhere (+/- 5K). Alberta's unemployment rate rose 1%-pt while the Quebec unemployment rate fell 0.8%-pts on a large drop in participation.
- Hours worked were down slightly (-0.2%) in the month, and little changed compared with 12 months earlier (+0.3%).
- Wages were up 3.3% on a year-over-year basis in July, compared to 3.2% in June.

A month ago, we were left scratching our heads after an extremely impressive and unexpected 83K jobs were added in June. Ultimately, it was right to be skeptical of this strength as job growth turned sharply negative in July with 41K jobs lost, representing the biggest downside surprise since March 2022. While the weakness was not sufficient to lead to a higher unemployment rate, that was due to a two-tick drop in the participation rate. Looking through participation, the employment rate fell two ticks to its lowest level since July 2021.

Recent jobs data have clearly been noisy but the punchline is: Canada's labour market is soft. Since Trump took office, employment has risen only ~5K/month and YTD, job growth hasn't been this slow since 2016 (excluding 2020). Moreover, as we highlighted recently, the LFS may even be overstating job growth given how it controls for non-permanent residents (see our earlier Hot Chart). If you're looking for reasons to be optimistic about future employment, you won't find much. Job vacancies continued to fall through May, and July's Business Outlook Survey suggests Canadian firms are not going to be materially increasing headcounts over the next year. That leaves more unemployed Canadians fighting for fewer jobs. Labour market slack is hardly a recent story, and ongoing weakness has left the share of workers unemployed for 27 weeks or longer at its highest level since 1998 (ex. 2020-21).

When it comes to the Bank of Canada, the central bank retained an easing bias in July, acknowledging rate cuts may be in store if price pressures can be contained. While these data don't directly speak to inflation, a softer labour market should help limit price increases going forward. Of course, a weakening labour market generally makes remaining sidelined uncomfortable. While employment is one of the four indicators guiding monetary policy, it's the next two CPI reports that should have the most impact on the September decision. We think today's data warrant higher September rate cut odds but if the next CPI report comes out soft, we should see the meeting's easing probability rise above 50%.

Canada: Job growth falls sharply after outlier gains in June
Monthly change in employment



NBC Economics and Strategy (data via Statistics Canada)

Canada: Long-term unemployment continues to tick up
Long-term unemployment share of total unemployment



NBC Economics and Strategy (data via Statistics Canada) | Note: Long-term unemployed is those who have continuously searched for employment for 27 weeks or more

	Jul-25 %	Jun-25 %	1-Month Change (pp)	1-Month Trend	1-year change (pp)
Unemployment Rate	6.9	6.9	0.0	↑	0.5
Participation Rate	65.2	65.4	-0.2	↓	-0.1
Employment Rate	60.7	60.9	-0.2	↓	-0.4
	1-Month Change				
	Current Level*	Jul-25		Jun-25	1-year change*
Employment	21,020	-40.8	↓	83.0	307.5
Total Hours Worked, %	-	-0.2	↓	0.5	0.3
Average Hourly Wage NSA, %	-	0.44	↑	-0.01	3.5
Provinces					
Ontario	8,217	-2.8	↓	21.2	45.1
Quebec	4,637	-15	↓	23.4	104.3
British Columbia	2,953	-16.3	↓	5.0	39.7
Alberta	2,577	-16.8	↓	30	64.4
Manitoba	741	2.1	↑	8.5	20.3
Saskatchewan	623	3.5	↑	2.8	16.0
Nova Scotia	525	1.8	↑	-3.4	10.5
New Brunswick	408	0.9	↑	-1.2	6.0
Newfoundland and Labrador	246	1.1	↑	-3.5	0.1
Prince Edward Island	93	0.9	↑	0.2	1.4
Employment Type					
Full-Time	17,156	-51		-51	177.8
Part-Time	3,865	10.3	↑	10.3	129.8
Public Sector	4,556	4	↑	4	65.1
Private Sector	13,739	-39	↓	-39	181.0
Self Employed	2,726	-5.8	↓	-5.8	61.4

*Thousands unless otherwise stated

NBC Economics and Strategy (data via Statistics Canada)

	Current Level (000s)	1-Month Change (000s)		
		Jul-25		Jun-25
Industries				
High-Paid	11,398	-23.6	↓	41.7
Low-Paid	9,622	-17.3	↓	41.3
Goods-producing sector	4,166	-29.0	↓	10.1
Agriculture	213	-10.8	↓	-6.0
Forestry, fishing, mining, quarrying, O&G	336	-1.4	↓	-0.4
Utilities	159	-0.5	↓	-1.7
Construction	1,619	-21.6	↓	7.6
Manufacturing	1,839	5.3	↓	10.5
Services-producing sector	16,855	-11.9	↓	73.1
Trade	3,016	-2.5	↓	33.6
Transportation and warehousing	1,094	26.1	↑	-3.4
Finance, insurance, real estate and leasing	1,501	-6	↓	4.8
Professional, scientific and technical svc.	2,027	3.3	↑	11.9
Business, building and other support svc.	673	-19.2	↓	1.2
Educational services	1,632	22.4		2
Health care and social assistance	2,881	-16.5	↓	16.7
Information, culture and recreation	844	-29.2	↓	5.8
Accommodation and food services	1,168	6.4	↑	8.1
Other services	776	6.6	↑	-8.5
Public administration	1,244	-3.3	↓	0.8
Age				
15 to 24	93	-33.7	↓	8.8
25 to 54	525	-16.3	↓	90.6
55 and over	408	9.1	↑	-16.2

NBC Economics and Strategy (data via Statistics Canada)

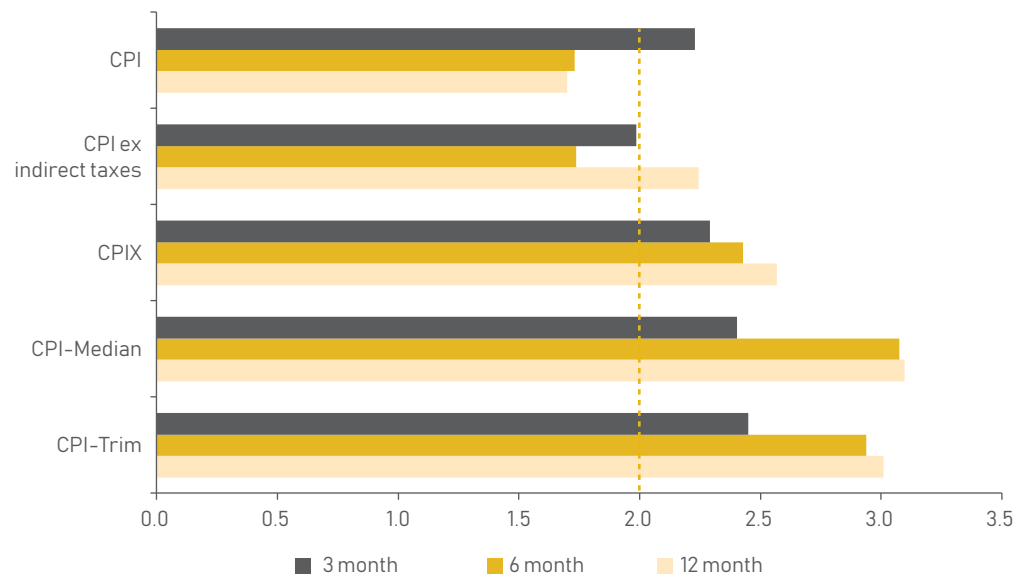
6.3 INFLATION AND CPI

- Canadian employment fell 40.8K in July, well below the consensus calling for a 10K increase. The participation rate also fell by 2 ticks to 65.2%, which together resulted in an unchanged unemployment rate (6.9%), below the consensus estimate of 7.0%. However, the employment rate did decline two ticks to its lowest level since July 2021.
- Net employment losses were driven by the full-time employment change of -51.0K in July, while part-time employment provided a partial offset, increasing by 10.3K in the month.
- Meanwhile, the number of jobs in the private sector declined by 39K (0.3%). The number of public sector employees and self-employed workers were both little changed in July.
- Hiring declines were driven by the information, culture and recreation (-29K), construction (-22K), and business/building and support services (-19K) sectors. The two main industries leading the partial offset were transportation/warehousing and educational services, which saw employment increase 26K and 22K in the month of July, respectively. In all, 10 of 16 reported industries recorded a negative employment change in July.
- Regionally, employment declines were most pronounced in Alberta (-17K), British Columbia (-16K) and Quebec (-15K). Employment was little changed elsewhere (+/- 5K). Alberta's unemployment rate rose 1%-pt while the Quebec unemployment rate fell 0.8%-pts on a large drop in participation.
- Hours worked were down slightly (-0.2%) in the month, and little changed compared with 12 months earlier (+0.3%).
- Wages were up 3.3% on a year-over-year basis in July, compared to 3.2% in June.

Inflation was slightly weaker than expected in July, with the modest monthly increase causing the 12-month measure to fall by more than economists had anticipated. Core measures were also weaker than forecasted, with the trimmed CPI falling unexpectedly by one-tenth of a percentage point over the month. The recent momentum of core measures was another encouraging feature of the report, with both the trimmed CPI and the median CPI rising by 2.4% on an annualized basis over the past three months (see top chart). The sharp decline in gasoline prices (-16.1% year on year) certainly contributed to lower 12-month headline inflation, a phenomenon largely due to the abolition of the carbon tax in April. However, even excluding the effect of indirect taxes, inflationary pressures eased in July. This slowdown occurred despite the first acceleration in the shelter inflation (from 2.9% to 3.0%) since February 2024. Specifically, rents increased by 5.1% year-on-year, up from 4.7% the previous month. We are not overly worried about this. Knowing that market prices are reflected in CPI data with a significant time lag and bearing in mind the decline in asking prices observed in several major cities across the country in recent months, we are confident that inflation in this segment will decline going forward. Another factor likely to drive shelter inflation down in the coming months is the moderation in mortgage interest costs. Inflation in this segment was already at a post-pandemic low in July and should continue to ease in the next few months (see bottom chart). The intensification of price pressure in the food category was slightly more concerning, with Statistics Canada attributing it to “unfavourable weather conditions in growing regions” leading to higher prices for commodities such as cocoa and coffee beans. Regarding how today’s report may influence monetary policy, we believe that, while the Bank of Canada will likely view it as mildly positive, it is unlikely to be a game-changer. As such, we believe that the Bank of Canada will only be confident enough to cut policy rates again this year if the unemployment rate continues to rise, which is our baseline scenario.

Canada: Core inflation momentum has decelerated

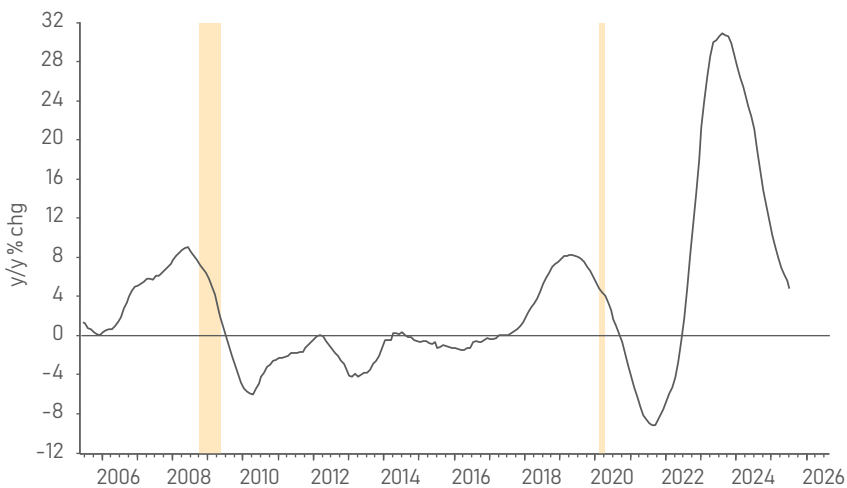
Annualized change in selected inflation measures



NBC Economics and Strategy (data via Statistics Canada)

Canada: Mortgage interest costs inflation continued to ease in July

Consumer Price Index, mortgage interest costs component



NBC Economics and Strategy (data via Statistics Canada)

	Year over year					3-m annualized change, seasonally adj.				1-m change, seasonally adj.			
	20-year average	12 months ago	Jul-25	Jun-25	1-month trend	12 months ago	Jul-25	Jun-25	1-month trend	12 months ago	Jul-25	Jun-25	1-month trend
Headline	2.2	2.5	1.7	1.9	↑	2.5	2.2	0.7	↓	0.31	0.12	0.18	↑
Food	3.1	2.7	3.3	2.9	↓	5.2	4.0	4.0	↑	0.11	0.41	0.36	↓
Shelter	2.7	5.7	3.0	2.9	↓	3.8	2.2	0.6	↓	0.22	0.32	0.21	↓
Household operations, furnishings and equip.	1.4	-0.1	1.4	1.5	↑	3.1	3.7	4.0	↑	0.38	0.30	0.08	↓
Clothing and footwear	-0.1	-2.7	0.8	2.0	↑	-2.5	3.0	3.9	↑	0.21	-0.74	0.74	↑
Transportation	2.2	2.0	-1.5	-0.6	↑	-0.2	0.2	-5.0	↓	0.53	-0.18	0.12	↑
Health and personal care	2.0	2.9	2.8	2.7	↓	3.0	5.9	4.0	↓	0.07	0.26	0.39	↑
Recreation, education and reading	1.2	-0.2	0.9	1.6	↑	-0.6	-1.2	0.6	↑	-0.16	-0.31	0.08	↑
Alcoholic beverages and tobacco products	2.6	2.7	1.9	1.9	↓	1.9	1.0	1.2	↑	0.00	0.05	0.05	↑
CPI-median	2.3	2.6	3.1	3.0	↓	2.5	2.4	3.4	↑	0.09	0.18	0.23	↑
CPI-trimmed	2.2	2.7	3.0	3.0	↑	2.9	2.4	3.4	↑	0.14	0.19	0.23	↑
All-items excluding food	2.0	2.5	1.3	1.7	↑	2.3	2.6	0.8	↓	0.26	0.00	0.19	↑
All-items excluding food and energy	2.0	2.7	2.5	2.6	↑	2.7	2.1	3.2	↑	0.20	0.06	0.19	↑
All-items ex. 8 most volatile and indirect taxes	2.1	1.7	2.6	2.7	↑	2.1	2.3	3.9	↑	0.13	0.06	0.32	↑
All-items excluding MIC	2.1	1.8	1.5	1.7	↑	-	-	-	-	-	-	-	-
Energy	2.0	0.4	-10.4	-9.5	↑	-	-	-	-	-	-	-	-
Electricity	2.5	-0.8	1.8	1.7	↓	-	-	-	-	-	-	-	-
Natural gas	0.0	-5.7	-7.3	-14.1	↓	-	-	-	-	-	-	-	-
Fuel oil and other fuels	3.7	3.5	-1.3	-6.1	↓	-	-	-	-	-	-	-	-
Gasoline	2.0	1.9	-16.1	-13.4	↑	-	-	-	-	-	-	-	-
Fuel, parts and accessories for recreational vehicles	2.6	1.2	-13.8	-11.4	↑	-	-	-	-	-	-	-	-

NBC Economics and Strategy (data vis Statistics Canada)

	Year-over-year percentage change												
	All prices			All items excluding food and energy		Goods		Goods excluding food and energy*		Services		Services excluding food and shelter*	
	20-year average	Latest	Prior month	20-year average	Latest	20-year average	Latest	20-year average	Latest	20-year average	Latest	20-year average	Latest
Canada	2.2	1.7	1.9	2.0	2.5	1.6	0.3	0.8	1.8	2.7	2.8	2.3	2.1
Ontario	2.2	1.6	1.8	2.1	2.4	1.6	-0.1	1.0	2.4	2.8	2.8	2.5	3.2
Québec	2.1	2.3	2.2	1.8	2.9	1.6	1.5	1.2	3.2	2.6	3.2	2.2	1.0
British Columbia	2.0	1.7	2.1	1.8	2.0	1.6	0.7	0.9	1.0	2.3	2.4	2.2	1.4
Alberta	2.3	1.3	1.7	2.2	2.6	1.6	-0.3	1.0	1.4	3.1	2.7	2.4	1.7
Manitoba	2.2	1.9	2.2	2.1	2.5	1.6	1.0	1.3	1.4	2.8	2.8	2.3	1.4
Saskatchewan	2.2	1.4	1.7	2.0	2.6	1.6	0.1	1.2	1.4	2.9	2.8	2.3	1.0
Nova Scotia	2.2	1.6	1.6	2.0	2.9	1.9	-0.4	1.3	1.7	2.6	3.7	2.3	3.2
New Brunswick	2.2	1.1	1.2	1.8	2.4	1.9	-0.3	1.4	1.4	2.4	2.9	2.2	2.4
Newfoundland and Labrador	2.2	1.6	1.2	1.8	2.1	1.9	0.9	1.0	1.4	2.5	2.5	2.0	1.4
Prince Edward Island	2.2	1.2	0.8	1.8	2.3	2.2	0.1	1.4	2.6	2.2	2.3	2.1	1.4

*In-house calculation

NBC Economics and Strategy (data vis Statistics Canada)

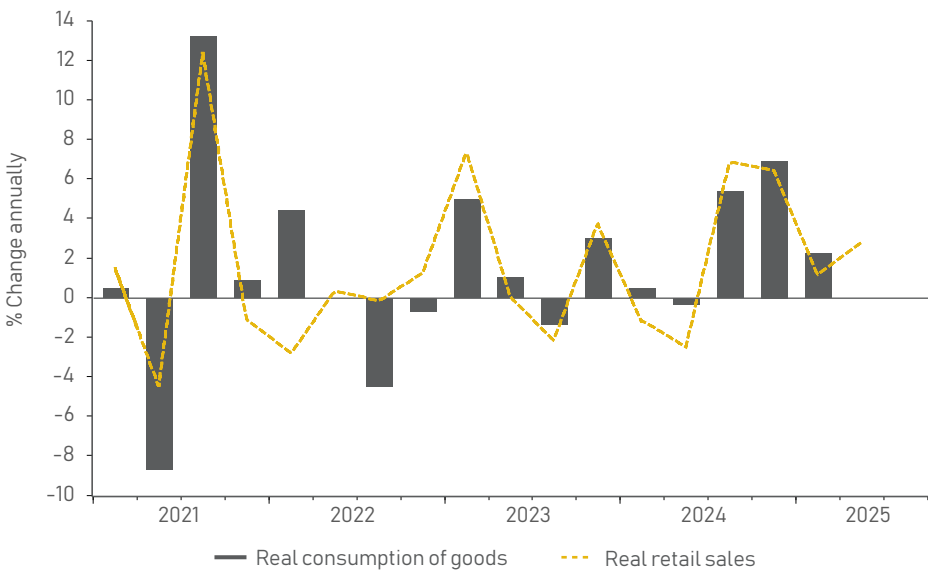
6.4 RETAIL SALES

- Canadian retail sales rose 1.5% in June, in-line with the result expected by consensus. The previous month was downwardly revised by one tick (from -1.1% to -1.2%).
- Sales of motor vehicles and parts edged up by 0.2% during the month following an important decrease in May.
- Excluding autos, spending surged by 1.9% (above the 0.8% expected by consensus), pulled up by food/beverage retailers (+2.3%) and clothing/accessories (+5.1%). Sales also progressed for general merchandise (+1.6%), gasoline/fuel (+1.8%), building materials/garden supplies (+2.4%), sporting goods/hobbies/misc. (+1.6%) and health/personal care (+0.9%). Furniture/electronics/appliances for its part was essentially flat in the month.
- In total, sales were up in all the 9 categories covered.
- On a regional basis, sales were up in 6 of the 10 provinces, with the largest increases being recorded in Ontario (3.2%), British Columbia (+1.5%), and Alberta (+1.0%). On the other hand, retail sales were flat in Quebec and declined in Nova Scotia (-1.4%).
- In real terms, retail sales rose by 1.5% across Canada in June.
- Finally, Statistics Canada's advance estimate for July showed that nominal sales decreased 0.8%

Following a sharp decline in May, retail sales rebounded in June, rising 1.5%—in line with consensus expectations. The rebound was broad-based, with all sectors posting gains (see top chart). Food and beverage retailers led the surge, supported by strength across subsectors. Clothing and accessories saw their largest monthly increase in seven months, while gasoline receipts rose for the first time in four months, driven by higher volumes. Motor vehicle and parts dealers posted a modest 0.2% gain after a steep drop in May. Excluding autos and gas, core retail sales rose 1.9%, marking their strongest performance in seven months. Adjusted for price effects, real retail sales also increased 1.5% in June. This strength translated into a 2.8% annualized increase in real retail spending in Q2, up from 1.2% in Q1. The quarterly momentum was largely driven by housing-related categories, with building materials and garden supplies surging 24% annualized. A modest recovery in the resale market and a shift toward domestic spending likely supported this trend, as Canadians appeared to favour stay-at-home summer plans over travel to the U.S. Excluding the component, retail spending rose a more modest 1.8% annualized. Overall, goods spending will provide another positive contribution to consumption growth in the quarter (see bottom chart). Looking ahead, preliminary estimates suggest consumers took a breather in July, with retail sales expected to decline by 0.8%. While household consumption has held up relatively well—partly supported by the April removal of the carbon tax—the outlook is softening. Trade uncertainty and a weakening labour market are expected to weigh on sentiment. The federal tax cut introduced in July may offer some relief, but rising mortgage costs for upcoming renewals and slowing population growth could further temper demand.

Canada: Retail sales diffusion was strong in June

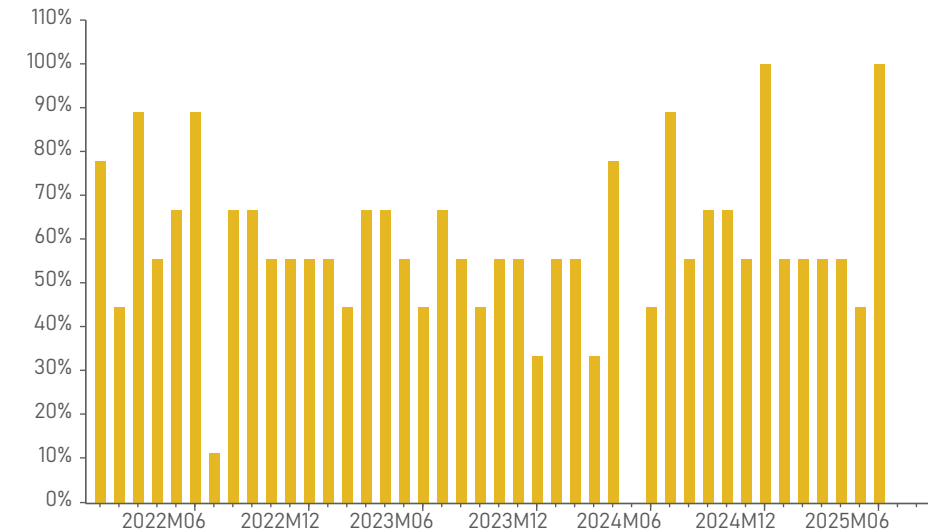
Percentage of sectors which increased in the month



NBC Economics and Strategy (data via Statistics Canada)

Canada: Retail sales diffusion was strong in June

Percentage of sectors which increased in the month



NBC Economics and Strategy (data via Statistics Canada)

6.5 INVESTMENT

World

The last few weeks have been a little less eventful on the international trade front, but that hasn't stopped protectionist policies from having a significant impact on the global economy. Fearing that they will have to pay more for their inputs in the future, many U.S. companies have chosen to bring forward their orders from abroad. This has not only helped to boost global manufacturing output, but has also led to the strongest annual increase in trade volumes since 2011, excluding the post-pandemic rebound. With tariff threats now a reality in many sectors, these trends are set to reverse in the second quarter. China already appears to be affected by the reversal, as evidenced by the Caixin PMI index, which revealed the sharpest deterioration in factory operating conditions in 32 months in April. Faced with falling U.S. demand, Chinese exporters appear to have responded by redirecting some of their shipments to other regions of the world, particularly Southeast Asia and the eurozone. This shift could help reduce inflationary pressures in these countries given the prolonged deflation of producer prices currently underway in China. This will undoubtedly please the European Central Bank, which will thus have the opportunity to continue easing its monetary policy, a course of action that should be favorable to growth, particularly in the second half of the year. Fiscal policy could also provide a boost on the European continent, although the extent of this stimulus could vary considerably from one country to another. Unfortunately, our optimism does not extend across the English Channel, where the economic situation appears much less encouraging. Despite a sharp deterioration in the labour market in recent months, inflation has risen sharply in the U.K., putting the Bank of England in a difficult position and forcing it to wait for disinflationary pressures to emerge before providing support to the economy. All things considered, we have revised our global GDP growth forecasts slightly upward for this year (from 2.8% to 2.9%) and for next year (from 2.9% to 3.0%), reflecting a slightly more buoyant growth trajectory in the United States and the eurozone. However, we would emphasize that the risks to this scenario remain tilted to the downside. Among these, two seem particularly important to us. The first relates to a possible resurgence of trade tensions. The second concerns a potential escalation of tensions in the Middle East, which would lead to a significant rise in oil prices.

United States

Optimists will likely see the respite in the Trump administration's trade war as evidence of Washington's sincere desire to ease tensions, but it could also simply be the result of a temporary shift in policymakers' priorities, which are currently focused on other issues, primarily the Middle East. If the latter proves to be the case, a resurgence of protectionist policies could still occur in the future, particularly in early July when the tariff truce between the US and its trading partners expires. In the meantime, recent economic data suggests that high borrowing costs are beginning to weigh on the U.S. economy. While the effects are more visible in sectors that are sensitive to interest rate movements, such as real estate and investment, some cracks are also beginning to appear on the consumer side. Against this backdrop, we expect growth to slow significantly by the end of the year. This may not be immediately apparent in second-quarter GDP data, which should receive a significant boost from the collapse in imports, but it should become more evident in the third quarter. On the inflation front, we expect core inflation to remain around 3% until mid-2026. This scenario is based on three assumptions. The first is that the current escalation of tensions in the Middle East will not lead to a significant rise in oil prices in the future. The second is that some of the tariffs will be absorbed by companies, resulting in smaller price increases for consumers. Finally, the third is that below-potential growth in the second half of 2025 will partly offset the inflationary pressures from protectionist policies. Even if these conditions are met, inflation is expected to remain well above the 2% target for the foreseeable future, putting the Federal Reserve in an uncomfortable position. Uncomfortable, but not untenable. The recent behavior of other major central banks around the world, notably the Bank of England, shows that above-target inflation does not necessarily preclude rate cuts, provided, of course, that a deterioration in labour market conditions is clearly visible. This is particularly true in countries such as the U.S., where policy rates remain above neutral and the burden of proof for easing monetary policy is therefore somewhat lighter than elsewhere. We therefore expect the central bank to be able to cut policy rate several times between now and the middle of next year, which should prevent the slowdown from deteriorating and lay the foundations for a gradual recovery in 2026. The budget plan currently being debated in the Senate could also boost growth next year, provided it does not lead to a significant rise in long-term interest rates. Under this scenario, real GDP is expected to grow by 1.6% in 2025 and 1.2% in 2026.

Canada

For seven months now, the U.S. president has adopted a hostile stance toward Canada, which must deal with a resolutely protectionist neighbor. Although the average effective tariff rate imposed on Canada remains relatively low (7.6% according to our estimates) and the tone between the two trading partners has softened recently, the unpredictability of the US administration continues to paralyze Canadian businesses, which are seeking visibility. The effects of this uncertainty on the Canadian economy are already tangible. Domestic demand stagnated in the first quarter, while the labour market has been deteriorating since February, as evidenced by the rise in the unemployment rate from 6.6% to 7.0%. The manufacturing sector is driving this weakness, but signs of contagion are appearing in other sectors, which are also experiencing job losses. According to S&P Global's PMI index, the Canadian manufacturing sector posted the sharpest contraction among the 30 countries covered in May. The services sector is not doing any better, also recording the sharpest downturn among the 14 countries in decline. Despite this deterioration, the Bank of Canada has kept its key policy rate unchanged for a second consecutive decision as core inflation is picking up again. However, we doubt that this inflation will persist, given the deterioration in the labour market and slowing wage growth. Since last September, the Bank of Canada has lowered interest rates by 175 basis points. However, the 5-year rate has remained virtually unchanged, supported by higher global rates. As a result, households renewing their mortgages are facing an average increase of 8.0% in their payments this year, which could further dampen consumption. Against this backdrop of high interest rates, the real estate market continues to slow down nationwide, with difficulties particularly evident in Ontario and British Columbia. These weaknesses, combined with the strength of the Canadian dollar, should prompt the central bank to provide additional support to the economy. Against a backdrop of weak demographic growth, we expect GDP growth to be limited to 1.3% in 2025 and 1.1% in 2026. We anticipate a slight contraction in the economy in the second and third quarters, with the unemployment rate stabilizing at 7.3% in the fourth quarter, assuming a de-escalation of trade tensions with the United States.

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7

COST OF DOING BUSINESS

- 7.1 COST OF SALES
- 7.2 LABOUR COSTS
- 7.3 RENTAL AND OCCUPANCY COSTS
- 7.4 OTHER OPERATING COSTS
- 7.5 MENU PRICE AND OPERATING COST
- 7.6 CAPITAL EXPENDITURE

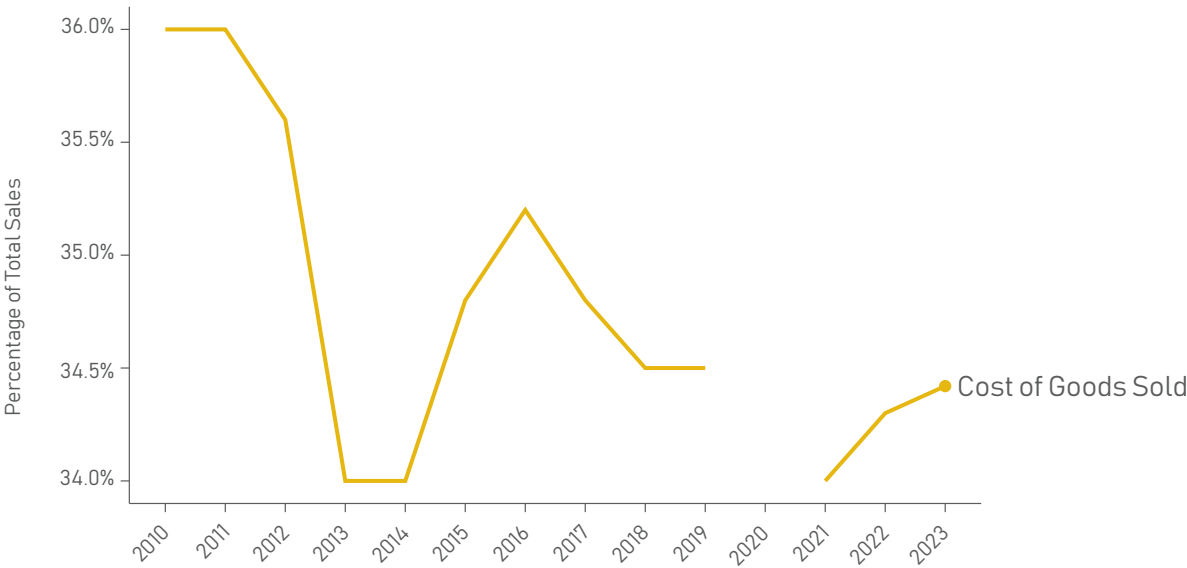
In this section, we present industry data that speaks to the cost of doing business in the Canadian foodservice industry. Historical operating expense ratios are provided by Restaurants Canada using data from Statistics Canada. In 2013, Statistics Canada made several changes to its data collection and analysis methodologies (i.e., a new approach to sampling, increased use of administrative data (e.g., corporate tax files), a new coherent approach to developing provincial/territorial estimates, electronic questionnaires as the primary mode of data collection, increased coverage of the business population and the use of updated questionnaires). As a result, while Statistics Canada indicates that foodservice industry operating cost ratios are now more reliable, caution should be used when comparing data to years prior to 2013.

The cost ratios lag by two years. 2023 is the most current data in 2025 and 2020 data were not available due to pandemic-related factors.

7.1 COST OF SALES

Restaurant Canada's 2025 Operations Report reports that cost of goods sold represented 34.4% of foodservice revenues in 2023 (the most recent year for which data is available) compared to 34.3% of sales in 2022 and 36.0% in 2010.

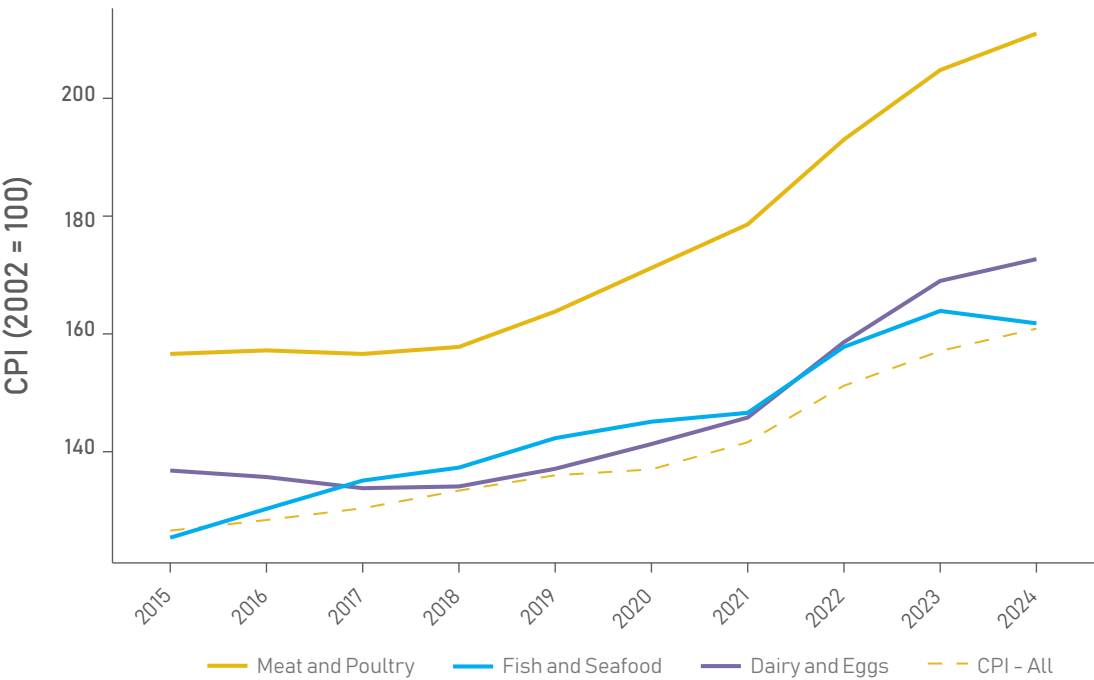
Historical Average Cost of Goods Sold as a Percentage of Revenues



Source: Restaurants Canada Operations Report (2012 to 2025)

The following chart tracks annual consumer price indices (CPI), representing ingredient price inflation for three protein categories (Meat and Poultry, Fish and Seafood, and Dairy and Eggs) against general inflation (CPI - All).

Ingredient Price Indices: Proteins

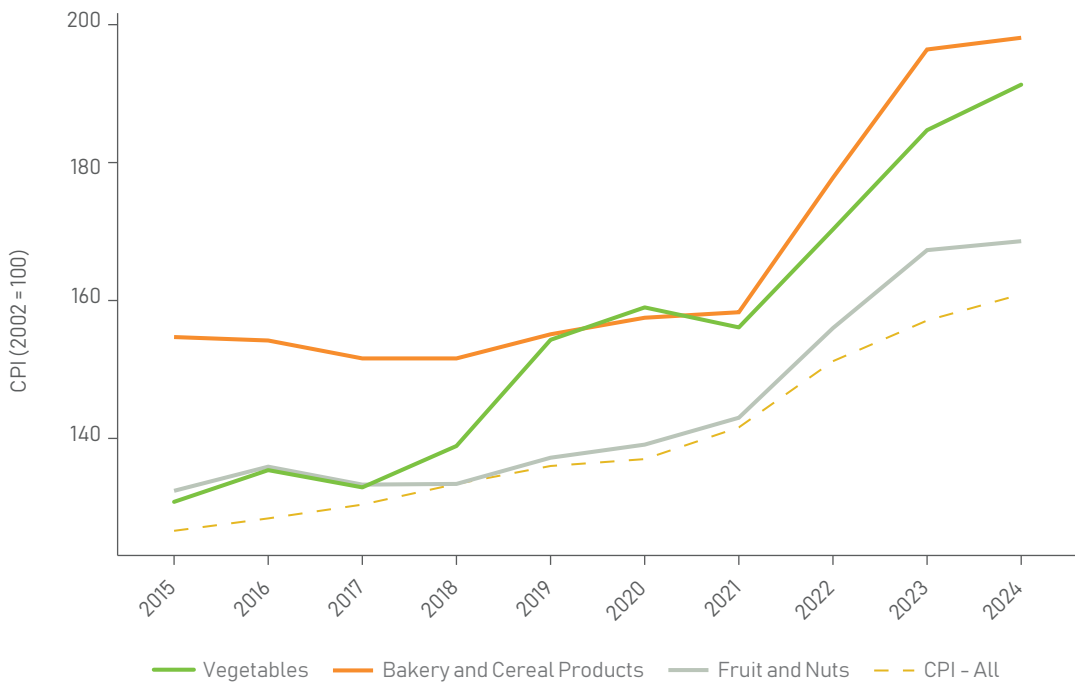


Source: Statistics Canada

As of 2016, each of the three protein indices are greater than that of general inflation; however, in 2024, the index for Fish and Seafood is comparable to total CPI. Meat and Poultry, and Fish and Seafood increased 35% and 29% respectively between 2015 and 2024. Dairy and Egg and the general CPI for all products increased 26% and 27% respectively in the same period. In 2024, the Fish and Seafood price index decreased by 1%, while the Meat and Poultry index increased by 3%. Dairy and Eggs, and the general CPI for all products increased by 2% in the same period.

Other food categories also increased at a rate greater than general inflation. The following exhibit compares inflation for Vegetable and Vegetable Preparations, Bakery and Cereal Products, and Fruit, Fruit Preparations and Nuts.

Ingredient Price Indices: Other



Source: Statistics Canada

The CPI for Vegetables increased 3.6% in 2024 compared to 2023; however, prices were relatively flat for Bakery and Cereal Products and Fruits and Nuts (0.9% and 0.8% growth respectively) in the 12 months ending August 2024.

Vegetable prices increased 8.5% in 2023 compared to 2022 and 4.0% in the 12 months ending August 2023. The Fruits and Nuts index increased 7.2% in 2023 compared to 2022 and 2.2% in the 12 months ending August 2023.

Vegetable and Bakery and Cereal Products indices increased 46% and 28% respectively between 2015 and 2024. Fruit and Nuts and the general CPI for all products increased 27% in the same period.

Facing high inflation of input costs, most operators increased menu prices at a greater rate than pre-pandemic to compensate.

Menu Inflation Compared to Retail Food Inflation



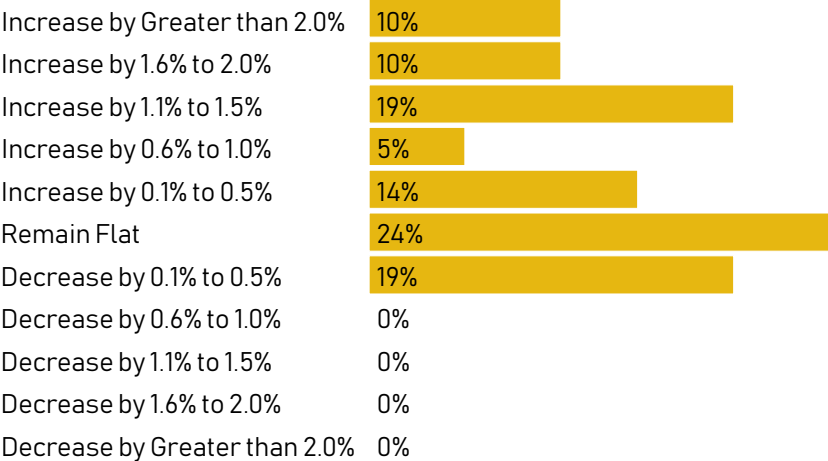
Source: Statistics Canada

By 2017, both FSR and LSR menu price indices exceeded the index for food from stores, indicating greater price increases relative to the base year (2002).

FSR and LSR menu prices increased 3.3% and 4.5% respectively in 2024 relative to 2023. By comparison, prices for alcoholic beverages from licensed establishments increased 3.0% while food purchased from stores increased approximately 2.2% compared to 2023.

Respondents of the C-Suite Survey were asked how they expected cost of sales as a percentage of revenues to change in 2026.

In 2026 compared to 2025, Cost of Sales is Expected to:



Source: fsSTRATEGY Inc. 2025 C-Suite Survey

Most respondents (57%) expect cost of sales as a percentage of revenues to increase in 2026, comparable to 2025. Ten per cent of participants believe cost of goods sold will increase by greater than 2% in 2026. Alternatively, some respondents (19%) believe cost of sales as a percentage of revenues to decrease in 2026.

Canadian farmers' input costs are less than their peak in 2022; however, they remain elevated resulting in sustained upward pressure on prices, though product price increases are less than input costs increases. Crop input costs are projected by Farm Credit Canada to increase again in 2026; however, commodity prices are expected to soften, resulting in lower product prices. U.S. farmers are projected, at time of publication, to have record breaking crops in 2025, which could result in lower prices in Canada.

Beef supply has declined as a result of declining herd size, droughts in the United States and the impact of the new world screwworm fly. Live cattle sales from Mexico to the United States and Canada is limited and the price for calves has doubled in the last few years. As a result, beef prices are not expected to decline in the foreseeable future.

Veal imports from Europe, Australia and New Zealand are expected to increase in 2026; however, supply will be limited and prices will continue to be significant. The industry is challenged providing steady supply to the foodservice industry and, as a result, veal does not appear on many menus.

Cattle farmers are realizing limited return on investment given the input costs, further restricting the supply of veal.

Farm Credit Canada's 2025 Food and Beverage Report offers insights into future food prices.

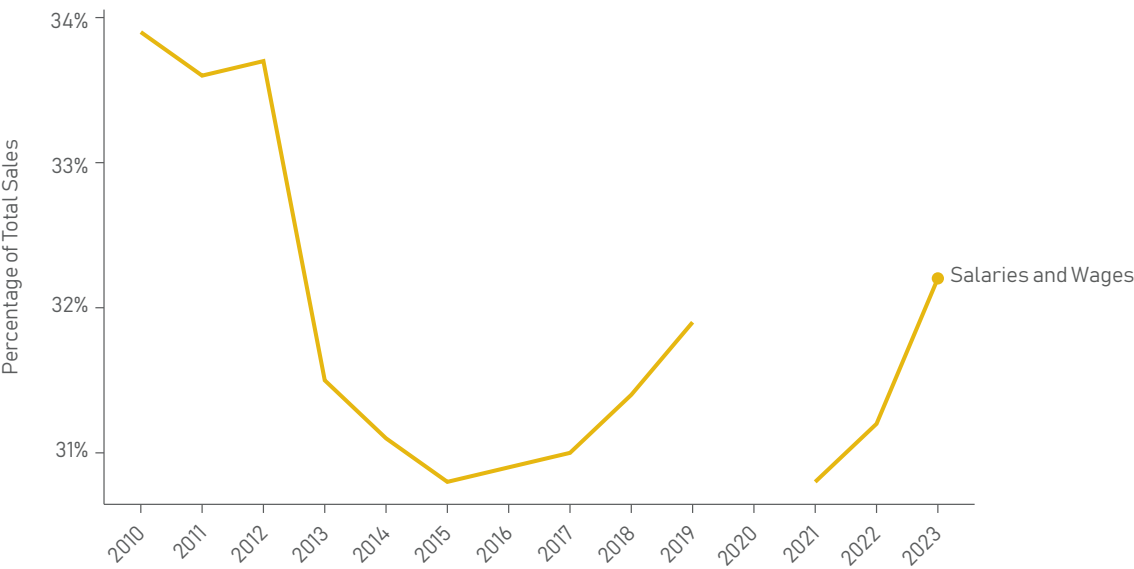
- In 2024, farm expenses and revenues changed less than 1% over the previous year. By contrast, 2025 was a year of disruption with increased tariffs on food, cocoa prices increasing, cattle prices not declining as expected and the price of grains declining. As a result, 2026 is expected to be another year of uncertainty for the Canadian agriculture industry, especially if the economic slowdown continues or Canada experiences a recession.
- Food consumption in Canada increased in 2024. Conversely, consumption of alcohol continues to decline. Related, demand for non-alcoholic beverages is increasing significantly.
- Consumers are increasing their use of pharmaceuticals to manage their weight. A study by Cornell University and Numerator indicates that households with at least one GLP-1 user (a hormone that regulates metabolism) reduced spending on groceries by 5.5% with calorie-dense products representing the greatest declines.
- Demand for alternative flours and grains, gluten-free options and products with specific nutritional benefits are likely to continue to increase. U.S. demand for such products, however, will likely result in increased prices for Canadians.
- Demand for plant-based proteins is not increasing as fast as projected.
- Strong demand for dairy cattle will limit the amount of cattle available for meat manufacturing.

A recently released Farm Credit Canada update indicated that Canadian food sales declined in the second quarter of 2025 with grain and oilseed milling (-10.0%), seafood preparation (-9.8%) and bakery and tortilla products (-9.5%) realizing the greatest declines. Related to the sales decline, food and beverage exports are declining. Per capita household expenditure on food and non-alcoholic beverages increased in the second quarter of 2025 over the first quarter of 2025, likely partially a result of tariffs. Farm input costs have decreased or are stabilizing. The result is that stabilizing or declining prices for food and beverage in 2026.

7.2 LABOUR COSTS

Restaurants Canada's 2025 Operations Report indicates that salaries and wages represented 32.2% of foodservice revenues in 2023 (the most recent year for which data is available), an increase of 1.0 points from 2022. No data is available for 2020.

Historical Average Labour Cost as a Percentage of Revenues



Source: Restaurants Canada Operations Report (2012 to 2025)

The decrease in labour cost ratio observed in 2013 is likely related to Statistics Canada's change in methodology noted earlier.

Provincial and Territorial Minimum Wage Rates (Year End 2024)

	Alberta	British Columbia ¹	Manitoba	New Brunswick ²	Newfoundland and Labrador ³	Northwest Territories ⁴	Nova Scotia ⁵	Nunavut ⁶	Ontario ⁷	Prince Edward Island	Quebec	Saskatchewan ⁸	Yukon ⁹
Adult Workers	\$15.00	\$17.85	\$16.00	\$15.65	\$16.00	\$16.95	\$16.50	\$19.75	\$17.60	\$16.50	\$16.10	\$15.35	\$17.94
Liquor Servers/ Workers Receiving Gratuities											\$12.90		
Students (Under 18)	\$13.00								\$16.60				

Source: Provincial and Territorial Government Websites

¹ Every year since June 1, 2024, minimum wage increases by the same percentage as the BC All-Items Consumer Price Index (CPI)

² New Brunswick minimum wage will increase with inflation annually on April 1.

³ Newfoundland minimum wage will increase with inflation annually on October 1.

⁴ Northwest Territories minimum wage will increase with inflation annually on September 1.

⁵ Nova Scotia minimum wage will increase with inflation annually.

⁶ Nunavut minimum wage will increase with inflation annually on September 1.

⁷ Ontario minimum wage will increase with inflation annually on October 1.

⁸ Saskatchewan minimum wage will return to be increase with inflation annually on October 1.

⁹ Yukon minimum wage will increase with inflation annually on April 1.

At the end of 2025, Nunavut will have the greatest minimum hourly wage rate (\$19.75) of the Canadian provinces and territories, followed by Yukon (\$17.94) and British Columbia (\$17.85). Alberta and Saskatchewan have the lowest minimum wages at \$15.00 and \$15.35 per hour respectively. Ontario and Alberta are the only provinces with a lower minimum wage for students under the age of 18 and Quebec is the only remaining Canadian jurisdiction to have a lower wage for servers who receive gratuities. Most provinces have adopted annual minimum wage increases, based on inflation.

The following table summarizes changes and planned changes to minimum wage rates over ten years by province and territory.

Historical, Current and Planned Changes to Minimum Wage by Province and Territory

Jurisdiction	Current	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
AB	\$15.00	Oct 1 \$12.20	Oct 1 \$13.60	Oct 1 \$15.00								
BC	\$17.40	Sep 15 \$10.85	Sep 15 \$11.35	Jun 15 \$12.65	Jun 1 \$13.85	Jun 1 \$14.60	Jun 1 \$15.20	Jun 1 \$15.65	Jun 1 \$16.75	Jun 1 \$17.40	Jun 1 \$17.85	
MB	\$15.80		Oct 1 \$11.15	Oct 1 \$11.35	Oct 1 \$11.65	Oct 1 \$11.90	Oct 1 \$11.95	Oct 1 \$13.50	Oct 1 \$15.30	Oct 1 \$15.80	Oct 01 \$16.00	
NB ¹	\$15.30	Apr 1 \$10.65	Apr 1 \$11.00	Apr 1 \$11.25	Apr 1 \$11.50	Apr 1 \$11.70		Apr 1 \$12.75 Oct 1 \$13.75	Apr 1 \$14.75	Apr 1 \$15.30	Apr 01 \$15.65	Apr 1 01+CPI
NL	\$15.60		Apr 1 \$10.75 Oct 1 \$11.00	Apr 1 \$11.15	Apr 1 \$11.40	Apr 1 \$11.65 Oct 1 \$12.15	Oct 1 \$12.75	Apr 1 \$13.20 Oct 1 \$13.70	Apr 1 \$14.50 Oct 1 \$15.00	Apr 1 \$15.60	Apr 1 \$16.00	Apr 1 01+CPI
NWT	\$16.70			Apr 1 \$13.46			Sep 1 \$15.20		Sep 1 \$16.05	Sep 1 \$16.70	Sep 1 \$16.95	Sep 1 01+CPI
NS	\$15.20	Apr 1 \$10.70	Apr 1 \$10.85	Apr 1 \$11.00	Apr 1 \$11.55	Apr 1 \$12.55	Apr 1 \$12.95	Apr 1 \$13.35 Oct 1 \$13.60	Apr 1 \$14.50 Oct 1 \$15.00	Apr 1 \$15.20	Apr 1 \$15.70 Oct 1 \$16.50	+CPI
NV	\$19.00	\$13.00 Apr 1				Apr 1 \$16.00				Jan 01 \$19.00	Sep 1 \$19.75	+CPI
ON	\$17.20	Oct 1 \$11.40	Oct 1 \$11.60	Jan 1 \$14.00		Oct 1 \$14.25	Oct 1 \$14.35	Jan 1 \$15.00 Oct 1 \$15.50	Oct 1 \$16.55	Oct 1 \$17.20		Oct 01 +CPI
PEI	\$16.00	Jun 1 \$10.75 Oct 1 \$11.00	Apr 1 \$11.25	Apr 1 \$11.55	Apr 1 \$12.25	Apr 1 \$12.65	Apr 1 \$13.00	Apr 1 \$13.70	Jan 1 \$14.50 Oct 1 \$15.00	Apr 1 \$15.40 Oct 1 \$16.00	Oct 1 \$16.50	
QC	\$15.75	May 1 \$10.75	May 1 \$11.25	May 1 \$12.00	May 1 \$12.50	May 1 \$13.10	May 1 \$13.50	May 1 \$14.25	May 1 \$15.25	May 1 \$15.75		
SK ²	\$15.00	Oct 1 \$10.72	Oct 1 \$10.96	Oct 1 \$11.06	Oct 1 \$11.32	Oct 1 \$11.45	Oct 1 \$11.81	Oct 1 \$13.00	Oct 1 \$14.00	Oct 1 \$15.00	Oct 1 \$15.35	Oct 01 +CPI
YK	\$17.59	Apr 1 \$11.07	Apr 1 \$11.32	Apr 1 \$11.51	Apr 1 \$12.71	Apr 1 \$13.71	Apr 1 \$13.85 Aug 1 \$15.20	Apr 1 \$15.70	Apr 1 \$16.77	Apr 1 \$17.59	Apr 1 \$17.94	Apr 1 01+CPI

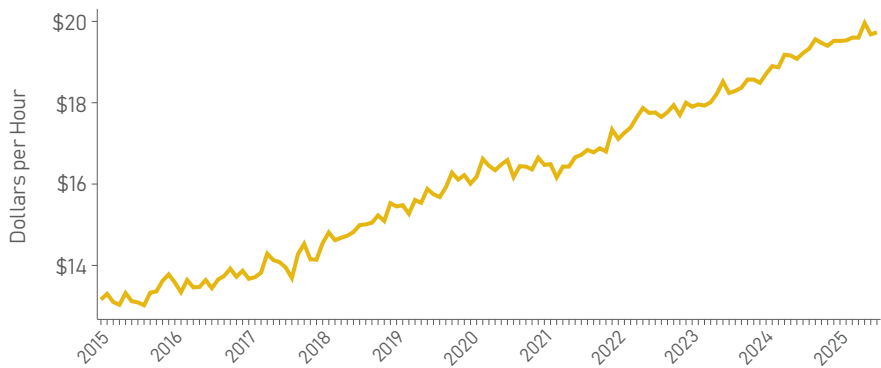
Source: Provincial and Territorial Government Websites

Alberta's minimum hourly wage is unchanged since 2018 at \$15.00. All other provinces and territories increase minimum wage at least annually.

Nova Scotia experienced the greatest increase at \$1.30 per hour (9%) followed by Nunavut where hourly minimum wages increased by \$0.75 per hour (approximately 4%). The unweighted average increase in minimum wage in Canada was 3% in 2025 compared to 2024. It should be noted that many restaurants that have historically paid workers minimum wage have also been required to increase compensation to attract and retain labour.

The following exhibit shows the monthly national average hourly rate for workers in foodservices and drinking places.

National Average Labour Rates for Foodservice and Drinking Places

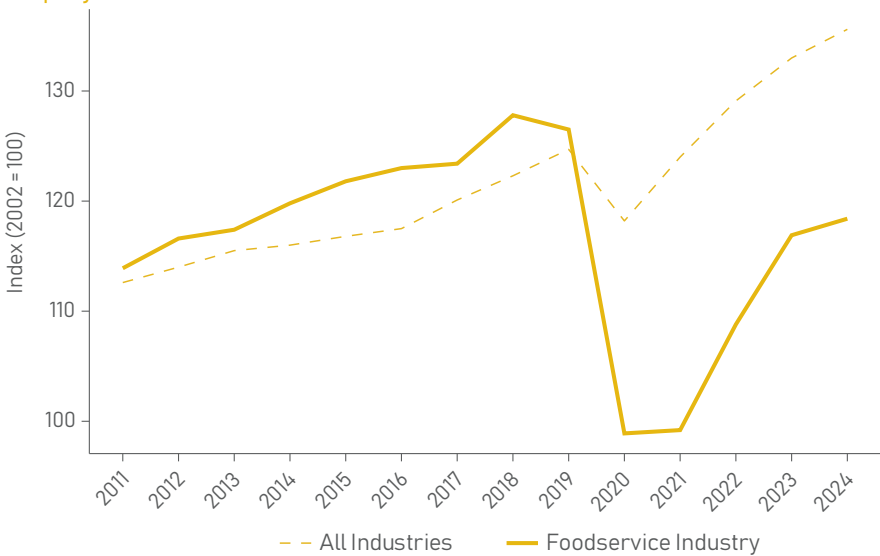


Source: Statistics Canada

As shown, while average labour rates fluctuate throughout the year, wages have increased from \$13.16 in July 2015 to \$19.70 in July 2025 (the most recent period available) representing a ten-year CAGR of 3.9% and a 0.3% increase compared to July 2024.

The following exhibit compares employment indices for the foodservice industry to all industries from 2011 to 2024 (2024 data was only available for all industries at the time of publication).

Employment Indices - All Industries and Foodservice

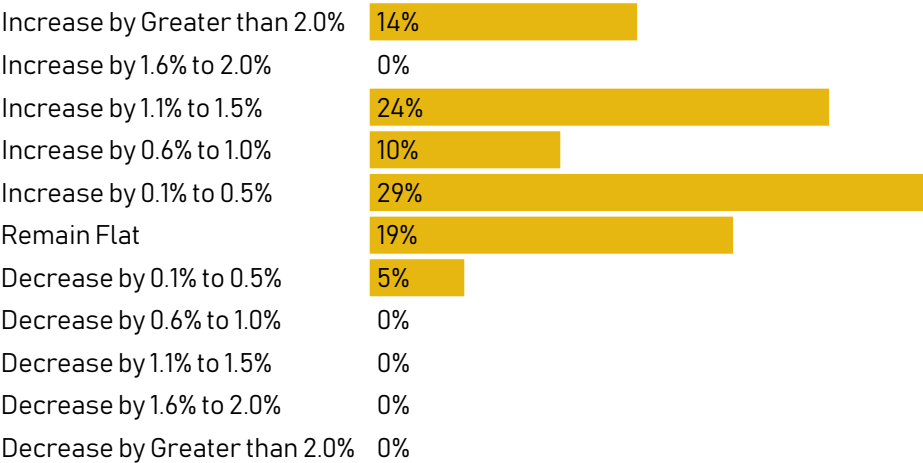


Source: Labour Force Survey, Statistics Canada, Restaurants Canada

Employment in the Canadian foodservice industry grew at a greater rate than national employment for all industries prior to 2019. As expected, due to greater diversification of jobs in the national employment (all industries), its growth is smoother over time and was less affected, as a whole, than the foodservice industry by COVID-19. In 2020, the foodservice industry employment index declined to below base year (2002) levels and experienced only minor increases in 2021. In 2024, the foodservice employment index remained 6.4% less than its pre-pandemic (2019) value. Conversely, national employment returned to 2019 values by 2021 and in 2024 is 8.7% greater than it was pre-pandemic. The 2024 employment index for the foodservice industry increased by approximately 1.3% compared to 2023, slowing significantly from a year-over-year change of 6.7% in 2023.

Respondents to the C-Suite Survey were asked how they expected labour cost as a percentage of revenues to change in 2026.

In 2026 compared to 2025, Labour Cost is Expected to:

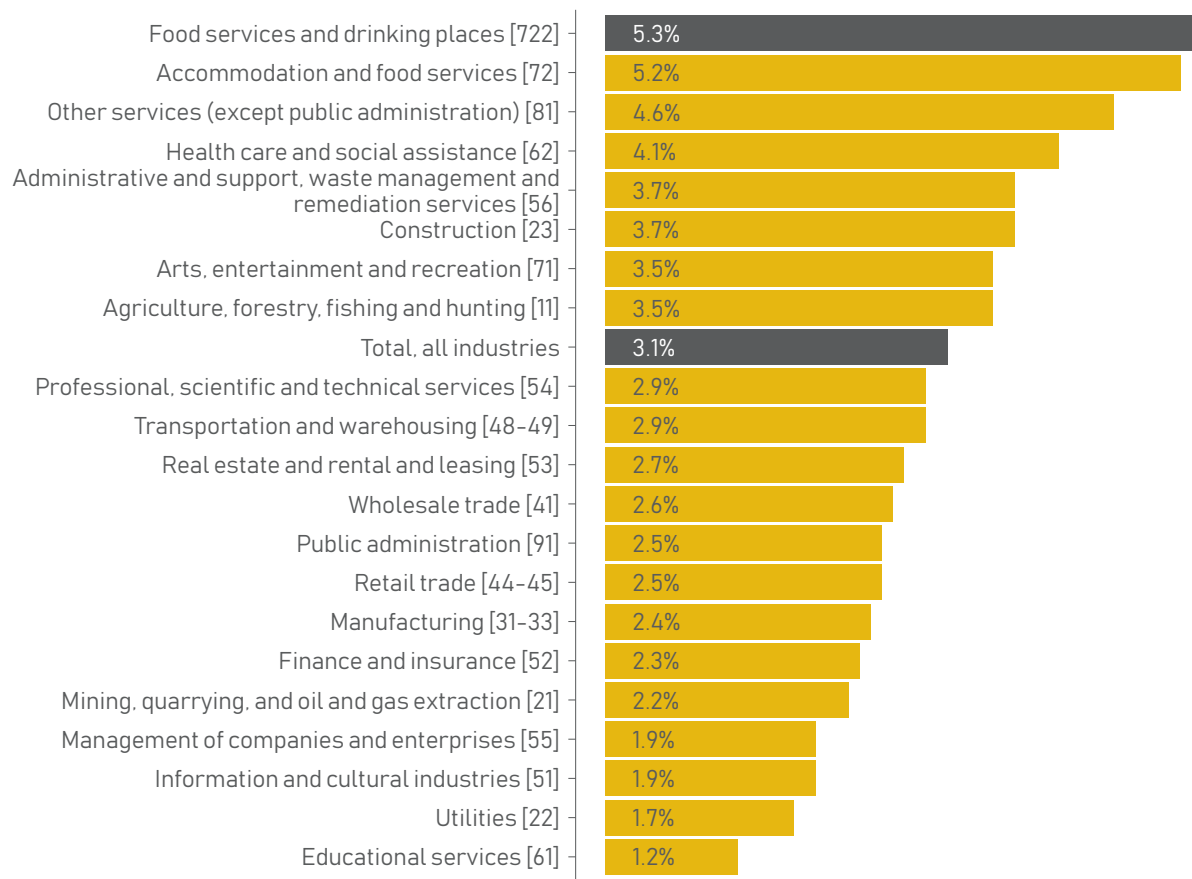


Source: fsSTRATEGY Inc. 2025 C-Suite Survey

Most respondents (77%) expect labour cost as a percentage of revenues to increase in 2026. Only 5% of respondents are expecting the cost of labour to decrease.

In addition to increased payroll costs, Canadian businesses are facing challenges recruiting employees. The Canadian accommodations and foodservice industry is experiencing a greater challenge in this regard than other sectors.

April 2024 Job Vacancy Rates by North American Industry Classification System Industry

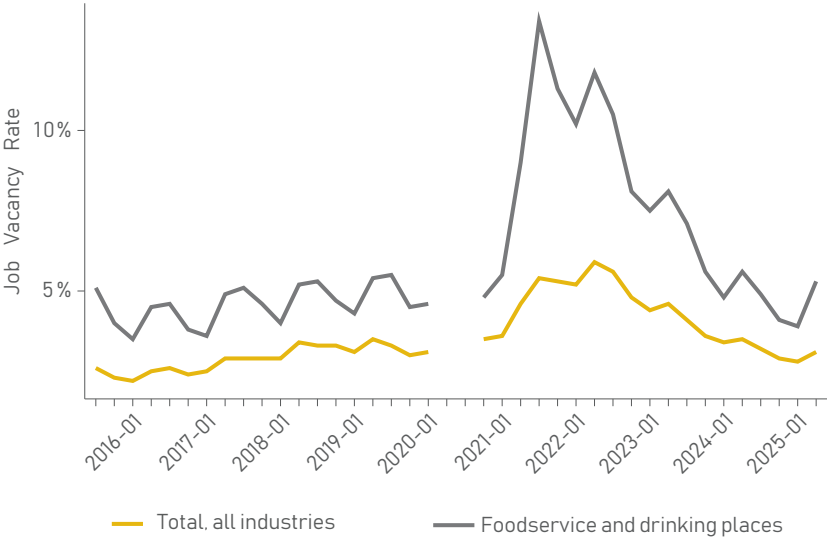


Source: Statistics Canada

As shown, 5.3% of foodservice positions (NAICS 722) went unfilled in Q2 2025. While this is comparable to the 5.6% vacancy rate observed in 2024, it leaves foodservice and drinking places (and its parent sector “accommodations and foodservices”) with the greatest vacancy rates of any NAICS industry. The next closest industries based on job vacancies are other services (NAICS 81) and health care and social assistance (NAICS 62), which experienced a 4.6% and 4.1% vacancy rates respectively.

By comparison, the average job vacancy rate for all industries was 3.1% and education services (NAICS 61) had the lowest vacancy rate (1.2%).

Historical Foodservice Job Vacancy Rates



Source: Statistics Canada

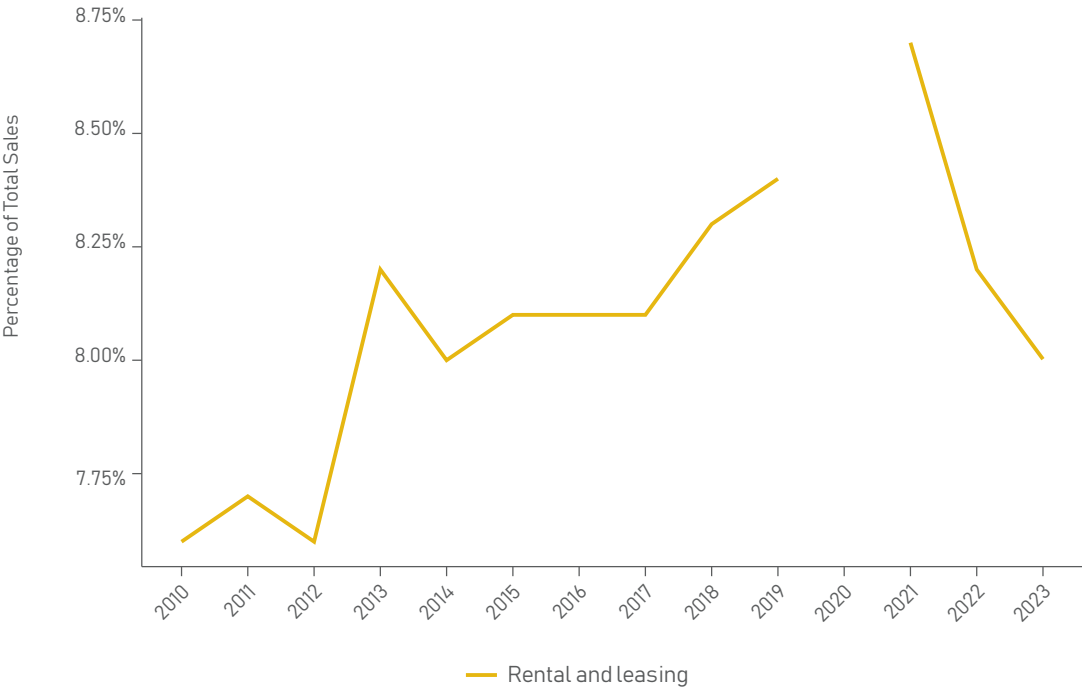
The job vacancy rate for foodservices and drinking places has been greater than the national industry average since the data set began in 2015; however, until the start of 2020, the changes were relatively consistent and seasonal. Statistics Canada did not track vacancy rates during the peak of COVID-19 in Q2 and Q3 2020. Foodservice vacancies in Q1 2021 remained relatively consistent with historical values (5.5%), probably balanced due to fewer positions being available during the pandemic; however, by Q3 2021 as traffic began to recover, foodservice job vacancies peaked at 13.4%. In 2025 the job vacancy rate increased significantly compared to all industries.

The average job vacancy rate for all industries never exceeded 6%, its greatest value being 5.9% in Q2 2022.

7.3 RENTAL AND OCCUPANCY COSTS

The exhibit below shows rental and occupancy costs as a percentage of foodservice revenues from 2010 to 2022 (the most recent year for which data is available). Data is not available for 2020.

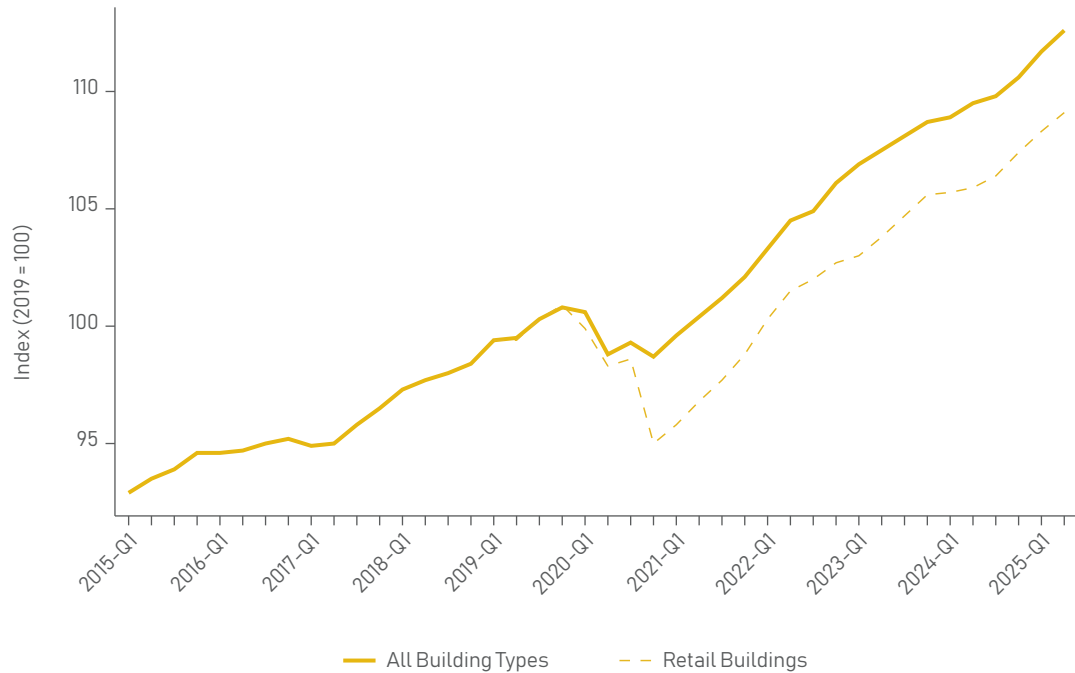
Historical Average Occupancy Cost as a Percentage of Revenues



Source: Restaurants Canada Operations Report (2012 to 2025)

While the increase observed in 2013 may be related to Statistic Canada’s change in methodology, occupancy costs’ share of total revenue has increased slightly over time, from 8.0% on 2014 to 8.4% in 2019. Occupancy costs increased to 8.7% in 2021 and decreased to 8.0% in 2023.

Commercial Rental Services Price Index

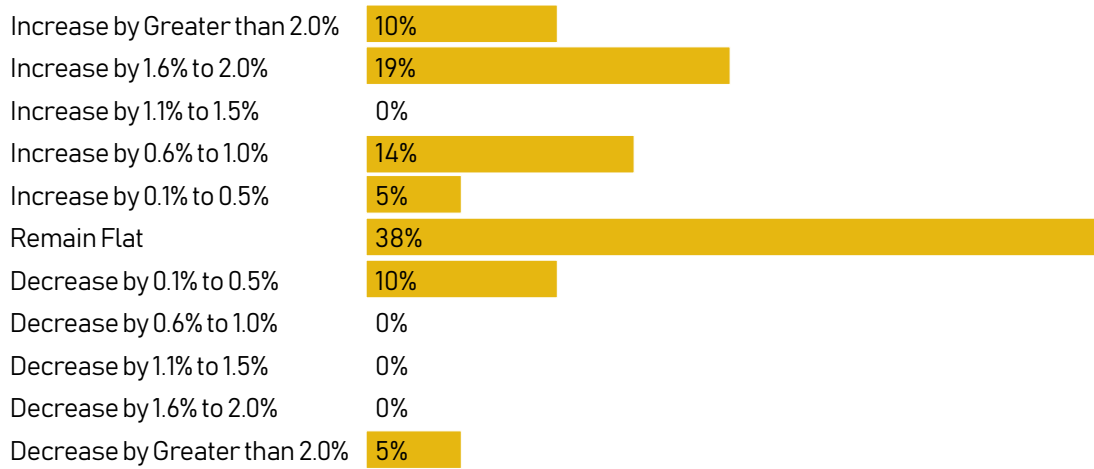


Source: Statistics Canada

Statistics Canada's commercial rent series price index (CRSPI) is set on a 2019 base year. During the pandemic, commercial rents (particularly those for retail buildings) decreased as inventory became available due to businesses closing and landlords worked with tenants to adjust rents in support of unprecedented business restrictions. As business restrictions lifted and businesses began to recover from the pandemic, so did rental rates. By Q1 2022, rent price for retail buildings had recovered to 2019 rates (index value 100.3) and the rent index for all commercial building types reached 103.4. In Q2 2025, the most recent period with data, retail rental index was 9.1% greater than 2019 rates.

Respondents to the C-Suite Survey were asked how they expected occupancy costs as a percentage of revenues to change in 2026.

In 2026 compared to 2025, Rental and Occupancy Costs are Expected to:



Source: fsSTRATEGY Inc. 2025 C-Suite Survey

Many respondents (48%) expect rent and occupancy costs will increase in 2026, a decrease from 65% in 2024 and 10% expect occupancy cost to increase by greater than 2%.

Information collected from interviews with landlords across Canada indicate demand for second generation restaurant spaces is strong, resulting in landlords in a position of strength, requiring greater rents and collateral from restaurant tenants, especially new operators. Demand is strong for restaurant space in suburban markets, especially those with all-day foodservice demand drivers. Competition for A restaurant spaces in high-visibility locations with adequate parking is significant, making space more difficult for restaurateurs to secure than in the pre-pandemic period.

On the positive side, to attract restaurant tenants, landlords are providing allowances to help with leasehold improvements.

7.4 OTHER OPERATING COSTS

Other operating costs is a catch-all category for all operating expenses other than cost of goods sold, labour cost, rental and occupancy costs: the three greatest costs faced by operators. Data for 2020 is not available.

Historical Average Other Operating Cost as a Percentage of Revenues



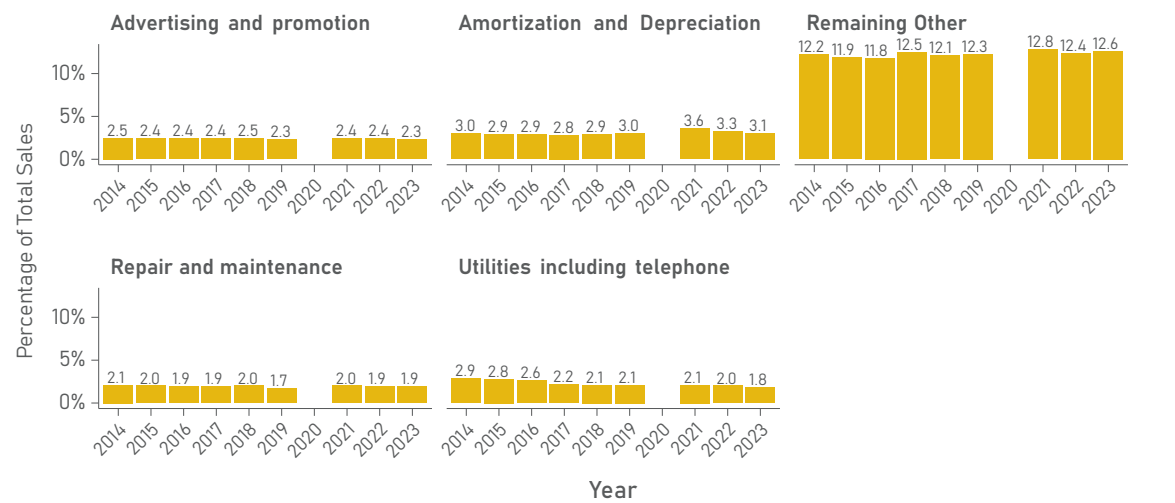
Source: Restaurants Canada Operations Report (2012 to 2025)

The other operating costs decreased from 22.9% in 2021 to 21.8% in 2022. Other operating costs peaked at 22.7% in 2014 and decreased to 21.4% in 2019. This is the greatest increase in the exhibit apart from 2013, which is likely related to Statistics Canada’s change in methodology.

This report’s definition of “other occupancy costs” is expanded to 15 expense items in Restaurant Canada’s annual Operations Report. The four greatest of these (excluding royalties or franchise fees) are advertising and promotion, amortization and depreciation, repair and maintenance, and utilities including telephone, which are segmented in the following exhibit.

This report’s definition of other occupancy costs is expanded to 15 expense items in Restaurant Canada’s annual Operations Report. The four greatest of these (excluding royalties or franchise fees) are advertising and promotion, amortization and depreciation, repair and maintenance, and utilities including telephone, which are broken out in the following exhibit.

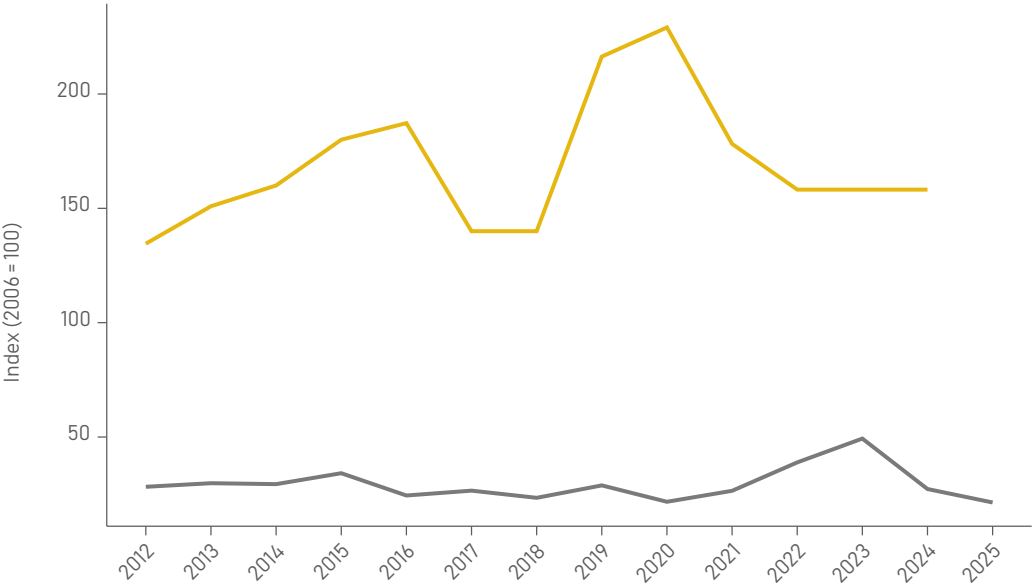
Historical Average Other Operating Cost Details as a Percentage of Revenues



Source: Restaurants Canada Operations Report (2012 to 2025)

Most 2023 other expense ratios are relatively flat when compared to 2022. Slight decreases as a percentage of sales are reported for advertising and promotions, amortization and depreciation, and utilities including telephone. All remaining costs decreased by 0.2 points relative to 2022.

Energy Commodity Price Indices (Ontario):



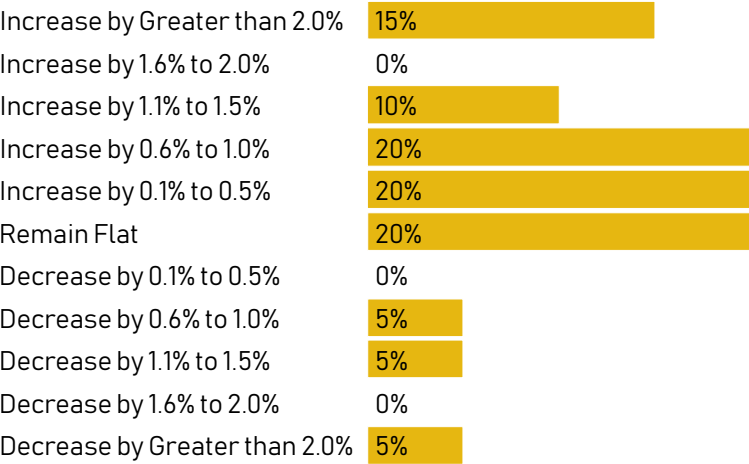
Source: fsSTRATEGY Inc. with data from the Ontario Energy Board

Indices are based on data from the Ontario Energy Board. The decrease observed in 2017 is based on provincial government policy. Electricity prices decreased 22% year-over-year in 2021 and a further 11% in 2022 but remained steady in 2023. Ontario electricity prices typically change in November. The new 2025 value was not available at the time of publication, but the 2024 value (shown) has been stable since 2022.

January natural gas prices were 46% greater in 2022 than in 2021 and 27% greater in 2023 compared to 2022. In 2024, natural gas prices decreased by 22%.

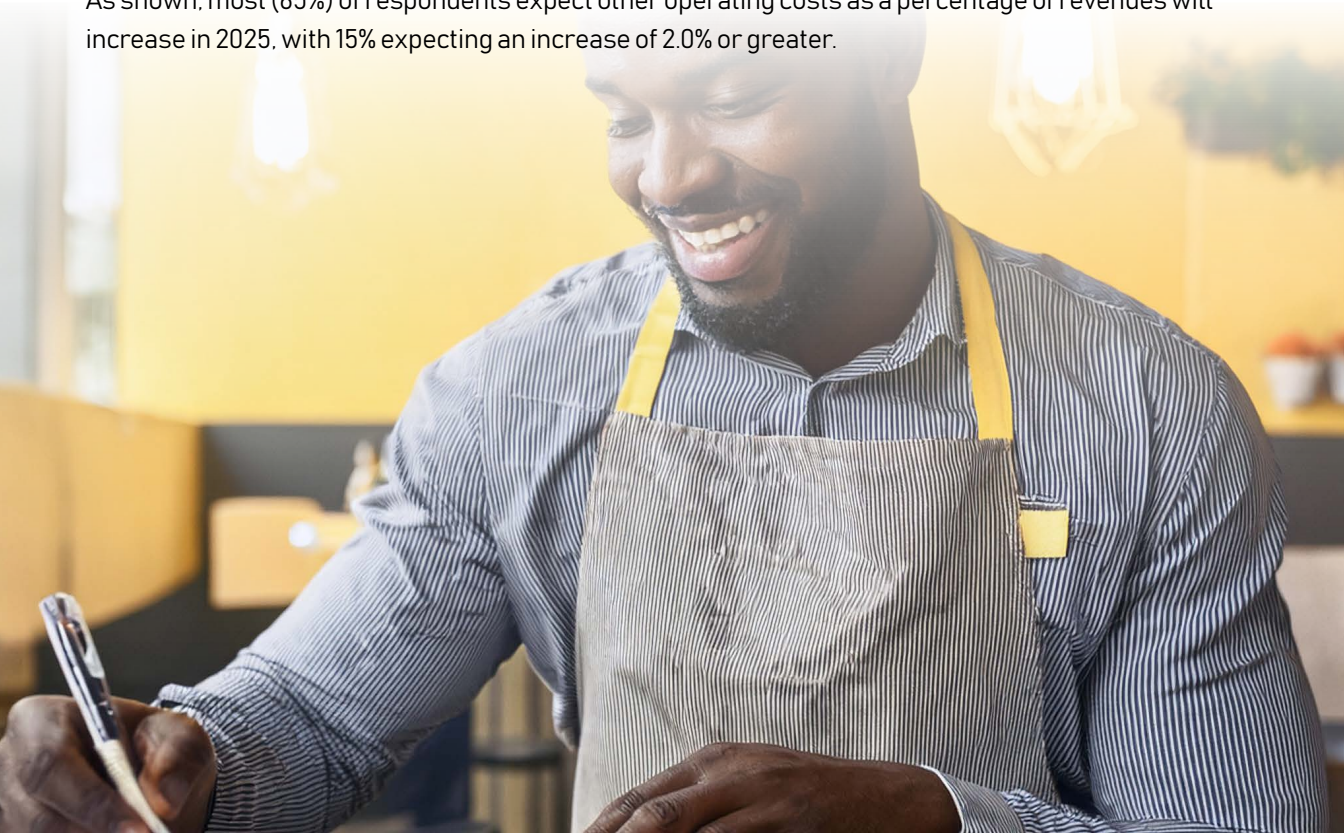
Respondents to the C-Suite Survey were asked how they expected other operating costs as a percentage of revenues to change in 2026.

In 2026 compared to 2025, Other Operating Costs are Expected to:



Source: fsSTRATEGY Inc. 2025 C-Suite Survey

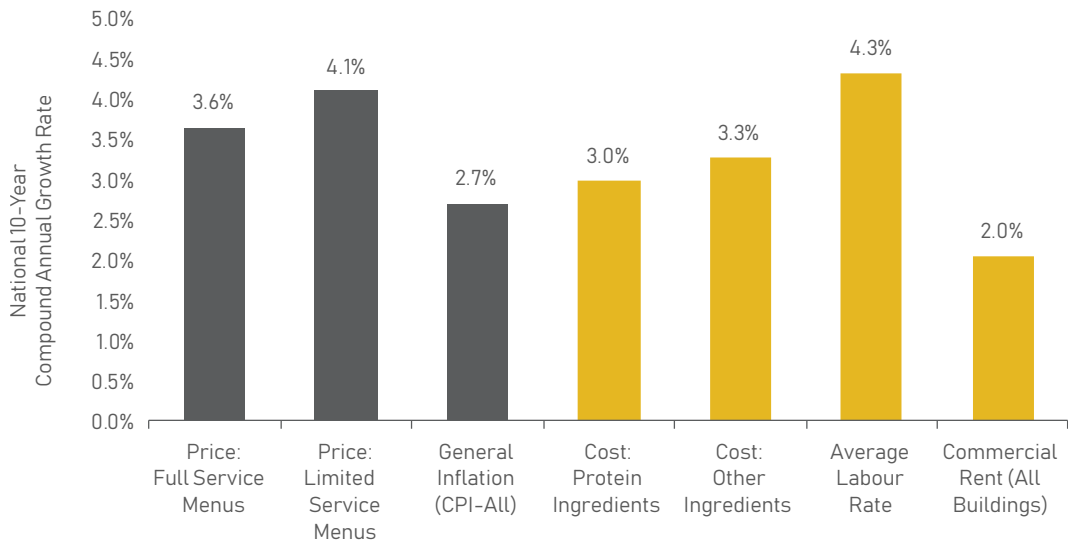
As shown, most (65%) of respondents expect other operating costs as a percentage of revenues will increase in 2025, with 15% expecting an increase of 2.0% or greater.



7.5 MENU PRICE AND OPERATING COST

The following exhibit compares the ten-year compound annual growth rates (CAGR) for Canadian menu prices in LSR and FSR to those of key restaurant input costs and general inflation. The term “limited service” is used to remain true to the data source classification, but for the purpose of this analysis may be considered analogous with QSR.

Compound Annual Growth Rate of Menu Prices Compared to Key Input Costs

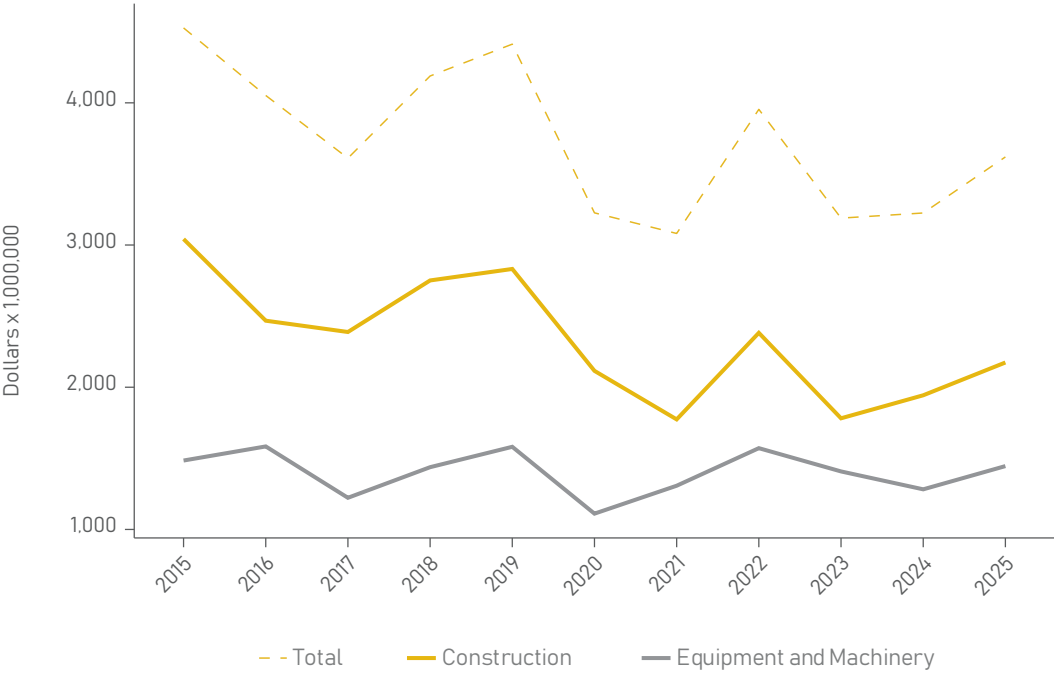


Source: fsSTRATEGY Inc. with data from Statistics Canada
Protein and other ingredient costs are based on unweighted averages of related consumer price indices.
Commercial rent (all buildings) includes retail, industrial and office buildings. Separate indices by building type are not available prior to 2019.

In the past ten years, Canadian FSR and LSR menu prices have realized compound annual growth rates of 3.6% and 4.1% respectively. The CAGR for protein and other ingredient costs are 3.0% and 3.3% respectively and the average labour rate grew an equivalent to 4.3% annually. The commercial rent CAGR is 2.0% and is the only metric that does not exceed general inflation (2.7%) in this exhibit. The CAGR for FSR and LSR menu prices generally aligns with increases in ingredient and labour costs, the two greatest cost items for most operators.

7.6 CAPITAL EXPENDITURE

Capital Expenditures: Accommodations and Food Service

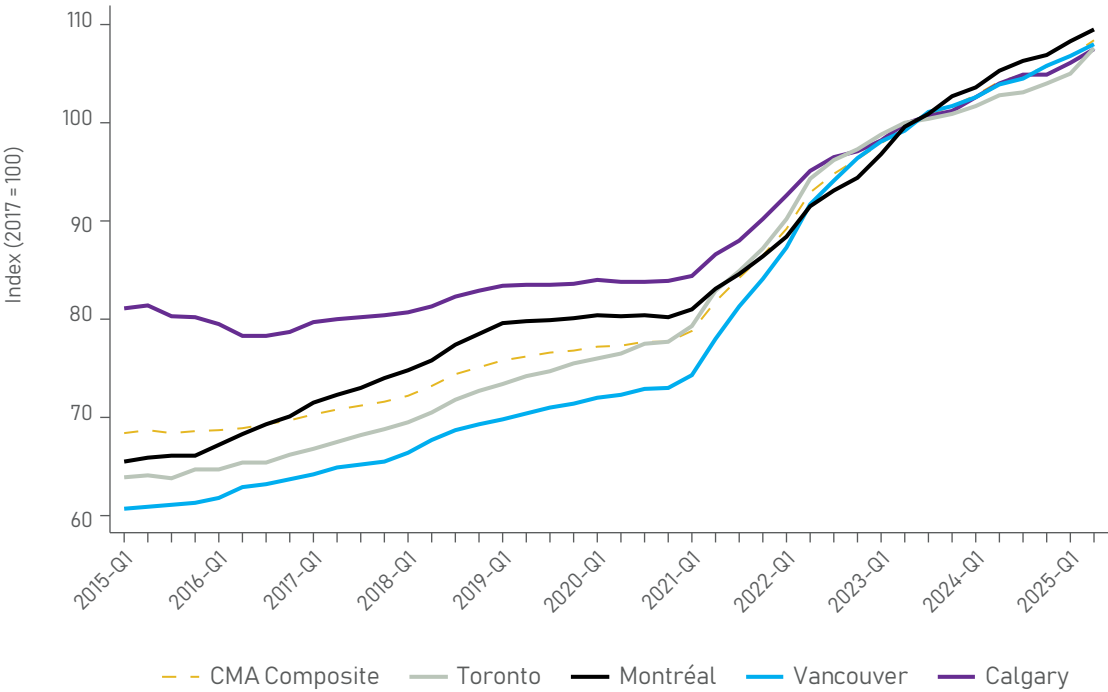


Source: Statistics Canada

The Canadian accommodations and foodservice sector is expected to spend over \$3.6 billion dollars in capital expenditures in 2025, an increase of 12.2% over 2024. Of those investments, approximately \$1.9 billion will be spent on constructions and \$1.3 billion on machinery and equipment.

The following exhibit compares Statistics Canada’s Commercial Building Cost Index for the four largest Census Metropolitan Areas (CMA) to an 11-CMA composite index.

Commercial Building Cost Index by Census Metropolitan Area (CMA)



Source: Statistics Canada

The 11 CMA Composite index for construction costs increased 58% over the past ten years, representing a CAGR of 4.6%.

Construction prices in the 11 CMA Composite are comparable between major cities shown (Calgary, Montreal, Toronto and Vancouver). The greatest increases have been realized in Toronto (78%), Montreal (68%) and Vancouver (67%) over the past ten years.

C-Suite – Building Cost per Square Foot

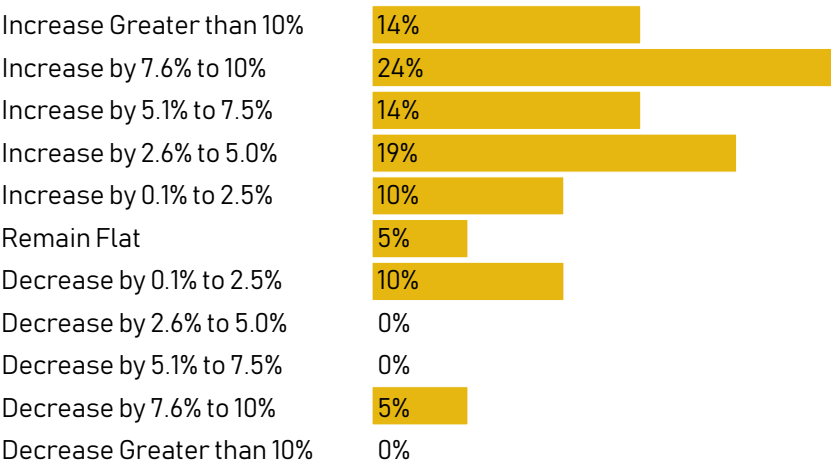
Segment	Minimum	Maximum	Average
Full Service Restaurants	\$275	\$1,400	\$785
Quick Service Restaurants	\$325	\$500	\$387

Source: fsSTRATEGY Inc. 2025 C-Suite Survey

As shown, building costs range from \$275 to \$1,400 per square foot (concept dependent), average costs by market segment include \$785 per square foot for FSR (a reported increase of 41% from 2024) and \$500 per square foot for QSR (a reported increase of 17% from 2024).

Respondents to the C-Suite Survey were also asked how they expected building costs for new units to change in 2026.

In 2026 compared to 2025, the Cost to Build New Units is Expected to:



Source: fsSTRATEGY Inc. 2025 C-Suite Survey

As shown, 81% of respondents expect an increase in building costs in 2026, a slight decrease from 85% reported for 2025 expectations. Some respondents (15%) anticipate building costs will decrease in 2025.

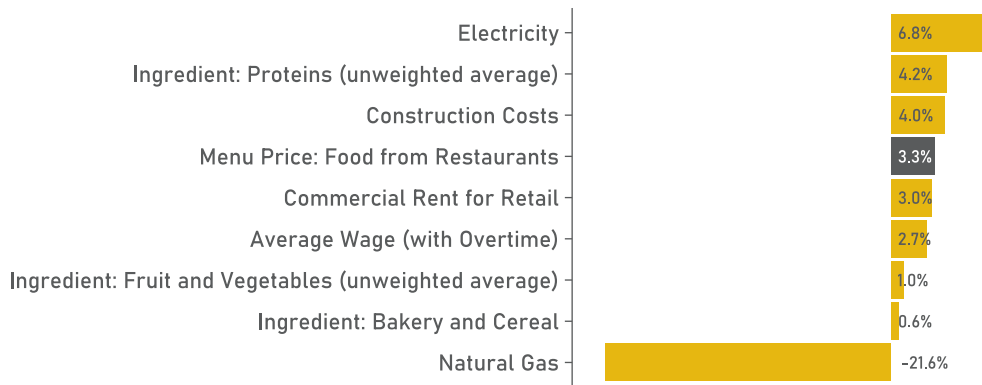
After a construction or renovation respondents indicated they expect an average of 7.7 years before an update, or another renovation is required (down from 8.9 years reported in 2023). After renovating restaurant respondents indicate they expect an average 8.6% increase in revenue the following year (responses ranged from 3.0% to 15%).

Of respondents who transacted acquisitions or divestitures of restaurant businesses in 2024, the average multiple (on the net income—EBITDA) on the transactions were between 4.5 and 6.0 (with an average of 5.4).

Respondents' reasons for why they expect the construction cost of a new unit to change included:

- availability of qualified trade labour
- labour and cost of building materials
- equipment costs
- inflation and other related commodity prices

Mid 2024 Year-Over-Year Summary



Source: Statistics Canada, Ontario Energy Board

In mid-2024, the average menu price increased 3.4% from the 12 months prior. By comparison, the electricity cost increased 6.8% and protein prices (meat, poultry, seafood and dairy) increased 4.2%. Construction costs increased 4.0%, rent costs increased 3.0%, average wages with overtime increased 2.7% and bakery and cereal product prices were relatively flat at 0.6%.

With the exception of natural gas and electricity, input cost inflation appears to be normalizing, which is a welcome market condition for Canadian foodservice operators.



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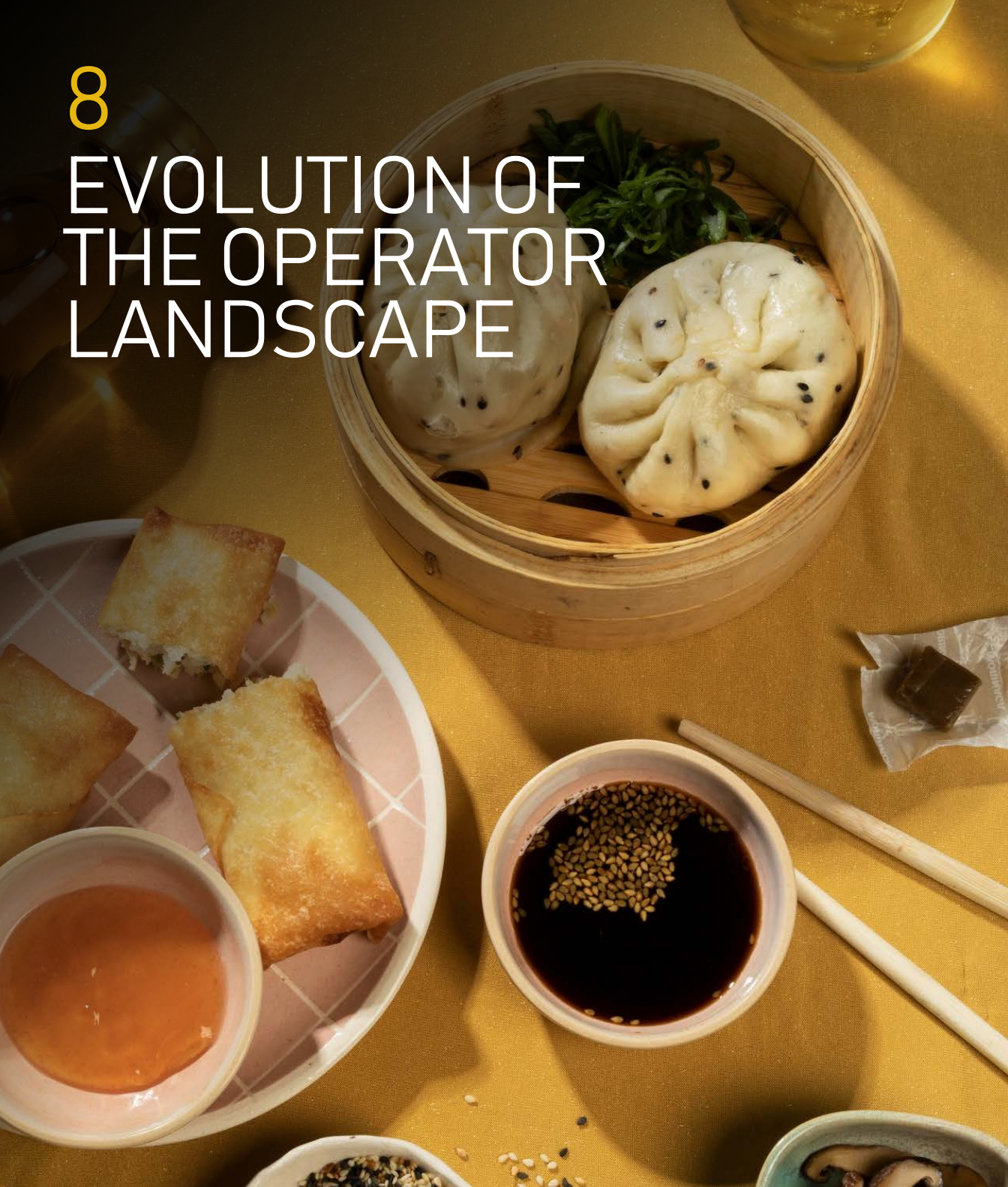
Sysco proudly delivers Canadian products from coast to coast to coast, employing over 5,000 Canadians and nourishing our communities.



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8

EVOLUTION OF THE OPERATOR LANDSCAPE



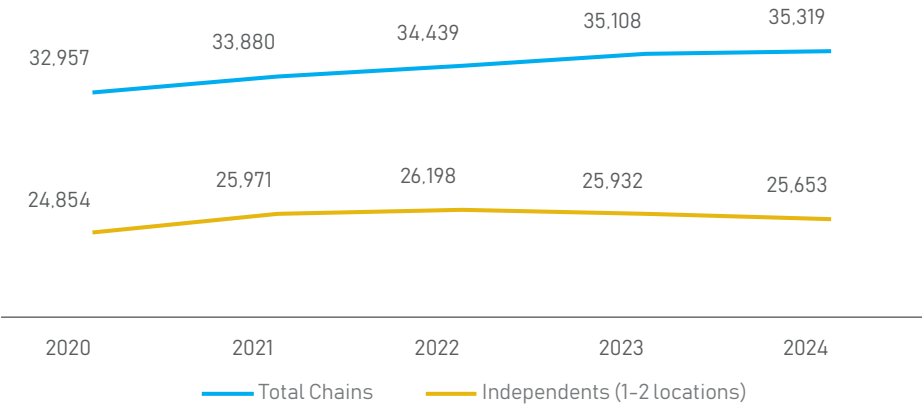
The number of restaurants in Canada has held steady for the third consecutive year at approximately 61,000 locations, according to Circana’s 2024 ReCount® census report. Specifically, independent restaurants declined slightly for the second year in a row, losing a net 279 locations, while chain restaurants added 211 locations. (See chart below)

These minor shifts mask the broader evolution that has occurred over the past five years. Since 2020, more than 3,000 net new restaurants have opened in Canada. Despite challenges such as profitability pressures, rising costs, labour shortages and fierce competition, there seems to be no shortage of restaurant investment capital or entrepreneurial spirit. Of these 3,000 new units, 800 were independents and nearly 1,000 were large chains with 250+ units. The remaining 1,400 were smaller chains, reinforcing the entrepreneurial drive prevalent in the restaurant industry.

Among QSRs, the fastest growth this past year has been in global cuisine, including Mexican, Asian, pizza and Italian. In the FSR segment, similar growth has been observed in casual dining restaurants focusing on Asian and Indian cuisines.

This growth aligns with traffic gains reported elsewhere in this document among these operator types and cuisine categories. Immigration and food exploration are reshaping the restaurant landscape, offering new choices and experiences for all. Perhaps most telling is the shift in unit types—coffee donut shops declined by 1% this past year, while bakery shops grew by 6%.

Total Restaurant Units by System Type



Source: Circana, ReCount®, 2024

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NOTES

NOTES ABOUT THIS REPORT

This report is not a complete analysis of every material fact with respect to any company, segment or industry. Data has been obtained from sources considered reliable, but are not guaranteed and National Bank, *fs*STRATEGY, Restaurants Canada and Circana make no representations or warranties as to the accuracy or completeness of this data. Discussion of tax, financial, and economic developments and the potential consequences of those developments are provided for informational purposes only. Nothing in this report should be construed as investment, tax or financial advice. Readers of the report are encouraged to consult their own tax, financial or legal advisor before acting upon the information provided herein.



fsSTRATEGY is a niche consulting firm providing business strategy support to the hospitality industry, with special emphasis on the foodservice sector. Our services focus on **enhancing guest satisfaction, revenue generation, expense control and return on investment**. Our team has extensive consulting experience across Canada. We also offer international experience, having worked in the United States, Australia, Central and South America, Africa, Asia, the Caribbean and Europe. Our team is unique in that we provide service to all foodservice sectors (restaurants, attractions, hotels and resorts, gaming establishments and institutions) and all levels of the foodservice supply chain (growers, processors, distributors and operators).



IRI and NPD have come together to form Circana.

Circana is the leading advisor on the complexity of consumer behaviour. Through unparalleled technology, advanced analytics, cross-industry data and deep expertise, we provide clarity that helps almost 7,000 of the world's leading brands and retailers take action and unlock business growth. We understand more about the complete consumer, the complete store and the complete wallet so our clients can go beyond the data to apply insights, ignite innovation, meet consumer demand and outpace the competition.



National Bank Franchise Finance, a National Bank of Canada, specializes in financing for regional and national restaurants and hotels and is a leading lender to the Canadian restaurant and hospitality industries. Previously CWB's franchise financing arm, National Bank Franchise Finance was acquired by National Bank of Canada in 2025. To date, more than \$3 billion has been invested in the Canadian hotel and restaurant space. Learn more at www.nbc.ca.