

Canadian Franchise Industry Economic Outlook 2018

February 2018

**FREE
PREVIEW**

Full report available
for **FREE** to
Canadian Franchise
Association members



**GROWTH
AHEAD**

Prepared for:
Canadian Franchise Association

**CANADIAN CENTRE FOR
ECONOMIC ANALYSIS**

An independent study conducted on behalf of:



ABOUT CANADIAN FRANCHISE ASSOCIATION

The Canadian Franchise Association (CFA) helps everyday Canadians realize the dream of building their own business through the power of franchising. CFA advocates on issues that impact this dream on behalf of more than 700 corporate members and over 40,000 franchisees from many of Canada’s best-known and emerging franchise brands. Beyond its role as the voice of the franchise industry, CFA strengthens and develops franchising by delivering best-practice education and creating rewarding connections between Canadians and the opportunities in franchising. Founded in 1967, CFA consistently advances and supports the franchise community, and is the essential resource for information, insight, and expertise through its award-winning education, events, services, and websites: www.cfa.ca and FranchiseCanada.online.

(C) 2018, Canadian Franchise Association

TABLE OF CONTENTS

Table of Contents	4
List of Figures	5
List of Tables.....	5
Executive Summary	6
1.0 Introduction	10
1.1 Canadian Franchise Industry	10
1.2 Policy Impacts.....	11
2.0 Methodology.....	15
2.1 Industry Sector Descriptions	16
3.0 Franchise Establishments	17
4.0 Gross Domestic Product (GDP).....	18
5.0 Employment and Wages.....	21
6.0 Gross Operating Surplus (GOS).....	26
7.0 Tax Revenue	28
8.0 Conclusions	30
Appendix A. Glossary	31
Appendix B. Bibliography.....	32

LIST OF FIGURES

- Figure 1 Number of brands and Canadian units10
- Figure 2 Total franchise units by sector, 201712
- Figure 3 Potential jobs and job growth at risk by key sectors13
- Figure 4 Jobs at risk for large firms (100 or more employees)14
- Figure 5 Jobs at risk in small firms (less than 100 employees)14
- Figure 6 Industry sector descriptions16
- Figure 7 Provincial and territories total franchise-related GDP growth19
- Figure 8 Total franchise-related GDP growth (red-dotted line: Canadian franchise industry national average
GDP growth).....20
- Figure 9 Total franchise-related employment (FTEs) proportions23
- Figure 10 Direct franchise employment (FTEs) proportions.....24
- Figure 11 Federal and provincial tax revenue growth by component.....29

LIST OF TABLES

- Table 1 National outlook for 20186
- Table 2 Provincial outlook for 2018: Franchise establishments, GDP, and employment7
- Table 3 Provincial outlook for 2018: GOS, wages, and taxes.....8
- Table 4 Top sector outlook for 2018.....9
- Table 5 Provincial franchise establishment growth17
- Table 6 Top sector franchise GDP18
- Table 7 Provincial franchise-related GDP outlook20
- Table 8 Canadian franchise employment growth21
- Table 9 Canadian franchise employment growth by type of employment22
- Table 10 Provincial total franchise-related wage growth.....25
- Table 11 Provincial total franchise-related GOS growth26
- Table 12 Sector GOS growth.....27
- Table 13 Federal and provincial taxation revenue generated28

EXECUTIVE SUMMARY

NATIONAL OUTLOOK

In 2018, the economic outlook of the Canadian franchise industry is estimated to grow by 2.76% (+\$2.66 billion), increasing its total franchise-related GDP contribution to \$99.0 billion. As illustrated in Table 1, the total number of franchise establishments in Canada is projected to grow by 0.69% in 2018 to a total of 75,765 franchise establishments. Furthermore, the Canadian franchise industry's contribution to federal and provincial tax revenue is estimated to increase by 3.12% (+\$494 million) to \$16.3 billion and by 3.03% (+\$322 million) to \$10.9 billion, respectively, in 2018. The growth in tax revenue is slightly higher than GDP due to the relatively large contribution of labour input (wages) to the output of franchise sectors which are growing, along with the growth of franchises in higher tax regions.

Total franchise-related employment in the country is estimated to grow by 0.74% to 1.86 million jobs (1.53 million FTEs) in 2018 (an equivalent to 14,000 new jobs, 11,000 of which are directly due to franchises in 2018). This represents 5.38% of the new jobs that the Canadian economy, as a whole, is estimated to add in 2018, with a growth of 1.46% (equivalent to 260,000 new jobs). Growth in employment is subsequently associated with a 2.75% increase in the total franchise-related wages to \$62.9 billion (an increase of \$1.69 billion in wages over the coming year). Total franchise-related employment growth is primarily driven by full-time employment, which is estimated to increase by 0.94% (+12,300 new jobs) to 1.32 million jobs while part-time employment is estimated to grow by 0.23% (+1,300 new jobs) to 538,000.

Get the FULL REPORT now!

Download the full 2018 Franchise Forecast Report at www.cfa.ca/franchise-forecast

Canadian Franchise Association Members: FREE

Non-members: \$895

(Place your order at 1-800-665-4232 ext. 297)

Join the Canadian Franchise Association to access research and resources for FREE

Learn more at www.cfa.ca/join