Canadian Franchise Industry Economic Outlook 2018

February 2018

Prepared for:
Canadian Franchise Association

CANADIAN CENTRE FOR
ECONOMIC ANALYSIS

Foreword: 5 Key Insights

The 2018 Franchise Forecast presents an outlook of the franchise sector in the Canadian economy in 2018, revealing the industry's significant impact. Franchising is expected to increase its direct GDP contribution to $65.8B and its indirect and induced contribution to $33.2B; collectively, $99B is expected to be contributed to Canada's economy in 2018 because of franchising.

As the inaugural Franchise Forecast in Canada, it should be noted that there were difficulties in aligning traditional franchise categories with Statistics Canada data. Therefore, while many categories are those you would expect to see, others have been combined in less typical groupings. Despite those challenges, the 2018 Franchise Forecast presents robust insight and data into the performance of the Canadian franchise sector in 2018.

$99B is expected to be contributed to Canada's economy in 2018 because of franchising.

The following are five key insights from the 2018 Franchise Forecast:

1. Growth Across the Board with 520 New Franchise Units To Open in Canada

There are forecast to be 75,765 franchise units in Canada by the end of 2018, growth of 520 (+0.69%) new franchise units. The strongest GDP growth is expected in the accommodation (+3.83%, +$162M) and food services (3.81%, +$393M) sectors in 2018, collectively representing 21% of total growth for the franchise industry; notably, all major franchise industry sectors are forecasted to have healthy growth in 2018. Of particular interest is the Real Estate and Business Services sector, which is forecasted to have the largest magnitude growth in GDP (+$555M), largely through the significant indirect and induced impacts generated by the franchise industry. While the sector on average employs fewer people, they are capital intensive and thus have a larger spillover impact across the economy. From a provincial standpoint, new units are forecasted in every province and the territories, with Ontario projected to welcome an additional 263, representing 50.5% of all new franchise establishments in Canada, despite the chilling effect of the rapid minimum wage increase on January 1, 2018.

With these numbers, governments across the country will now be able to quantify the importance of the franchise sector.

2. The Numbers Do Not Lie: Franchising is Small Business

With over 1,300 brands and 75,765 franchise establishments forecasted for 2018, franchising truly is built by small business owners in every corner of this country. The franchise industry as a whole ranks in the top 12 largest industries in Canada, which is only made possible through the collective contributions of the 75,000+ franchise units across the country. The geographic distribution of these small business owners also means much wider-spread positive impacts than other similar sized industries, which are much more concentrated and less dispersed; this may indeed represent the franchise sector's unique competitive advantage.

Franchising has truly become the new "mom and pop" business in Canada.

Not captured in this report, but certainly relevant to the discussion, is the fact that franchisees and franchisors are also active in their communities across the country, sponsoring sports teams and donating to local initiatives and charities, further extending their positive contributions. From an employment standpoint, Canadian franchises are forecasted to employ an average of 19 staff per location in 2018, well within the threshold (<100 staff) of a small business in Canada. All told, franchising has truly become the new "mom and pop" business in Canada, and should not be misunderstood to be "big business" based on its significant cumulative impact on the Canadian economy.

3. Despite an Increasingly Challenging Business Environment, the Canadian Economy Continues to Run on Franchising

It is clear that franchising is a significant contributor across all economic indicators, representing nearly 5% of the overall Canadian economy. The franchise industry is forecasted to continue as a major employer of both full-time and part-time workers, generating significant household income while at the same time producing corporate profits, allowing them to reinvest in their business, and buttress the taxation revenue streams of the federal and provincial governments in this country.

However, minimum wage increases, changes to employment standards and labour laws, and increased day-to-day operating costs have put additional pressures on the profitability of businesses. As an illustration of these challenges, 31% (31,700) of the jobs at risk in Ontario as a result of the rapid minimum wage increases are in the accommodation, food service, and retail trade industries, which collectively make up 53% of franchise brands.

In January 2018, following 16 months of job growth, Canada lost 137,000 jobs, the biggest one-month drop since the last recession. Ontario alone lost 50,900 part-time jobs, although it is still too early to correlate these losses with the minimum wage increase that went into effect on January 1, 2018. Also pertinent is the fact that small businesses with fewer than 20 employees (franchises average 19 employees) are 5 times more likely to be exposed when rapid business cost increases occur compared to larger businesses.

The forecasted growth of 2.76% ($2.66B) in 2018 is compared to the projected growth of the overall Canadian economy of 3.9%, which is expected to be driven by strong performances in the commodities, banking, and finance sectors. If not for rapid minimum wage increases in Ontario (and to a slightly lesser extent Alberta, British Columbia, and Quebec), the overall franchise industry growth forecast would be definitively stronger (approximately 3.2%-3.5%). And while neither scenario scales with the overall Canadian economy's growth, this is still by all accounts healthy growth for the franchise industry in 2018. With these numbers, governments across the country will now be able to quantify the importance of the franchise sector in their jurisdiction, shining a positive light on franchising as a whole.

Franchise growth inhibited by rapid minimum wage increases.

4. Destination Prairies

Continued growth in the 'Big 4' (Alberta, British Columbia, Ontario, and Quebec) comes as no surprise, as these provinces have long been among the first destinations for many franchises. However, increased expansion into the Prairie Region (particularly Saskatchewan and Manitoba) shows that franchise systems are looking to cultivate new ground. Expansion in this region of the country is driven by rapid population growth and considerably less labour and employment uncertainty compared to other major franchise provinces. Government representatives from these two provinces have already taken notice of the increase in franchise establishments, and there is an opportunity to work closely with them to ensure a continued favourable business environment and incentivize additional franchise investment in the region.

Increased expansion into the Prairie Region shows that franchise systems are looking to cultivate new ground.

5. Opportunity Atlantic Canada

Atlantic Canada is still uncharted territory for many franchise systems. With an aging population and lack of immigration (domestic and international), there is a growing recognition amongst Provincial Governments in the region that new investment, entrepreneurship, and a diversified economy are needed to ensure long-term sustainability; franchising can play a significant role in that equation. Although GDP growth above the national average is projected in Newfoundland & Labrador, the other three Atlantic Provinces (New Brunswick, Nova Scotia, and Prince Edward Island) lag behind. Much like the Prairie Region, the proven positive impact of franchising in other parts of the country can be leveraged to create a business environment in Atlantic Canada that attracts additional franchise investment.

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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.

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The Canadian Centre for Economic Analysis (CANCEA) is a socio-economic research and data firm. CANCEA provides objective, independent and evidence-based analysis and is dedicated to a comprehensive, collaborative, and quantitative understanding of the short- and long-term risks and returns behind market changes, policy decisions and economic behaviour.

CANCEA uses modern techniques in data science, including agent-based modelling, for econometric analysis, risk management assessments, demographic forecasts and epidemiology. CANCEA's work includes market analysis, policy evaluation and risk management, business model optimization, cost effectiveness and rate of return analysis, macroeconomic analysis, insurance risk evaluation, land use and infrastructure planning, logistics, and labour market analysis. CANCEA also provides comprehensive Canadian data services.

At the centre of CANCEA's analytical capabilities is an agent-based platform called Prosperity at Risk® that is an extensive, data-driven model of 56,000 locations across Canada. Given the systems focus behind all of CANCEA's work, CANCEA has a one model approach to its analysis which allows various disciplines and stakeholders to be incorporated into a single analysis.

ISBN: 978-1-989077-02-3

About the Report

CANCEA does not accept any research funding or client engagements that require a pre-determined result or policy stance, or otherwise inhibits its independence.

In keeping with CANCEA's guidelines for funded research, the design and method of research, as well as the content of this study, were determined solely by CANCEA.

This information is not intended as specific investment, accounting, legal or tax advice.

This report was commissioned by the Canadian Franchise Association.

Citation:

The Canadian Centre for Economic Analysis. Canadian Franchise Industry Economic Outlook 2018. February, 2018.

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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.

Table 1 National outlook for 2018

Metric			2017	2018	%Change
Number of franchise establishments			75,245	75,765	0.69%
Direct franchise employment ('000s)	*Jobs*	Part-time	450	451	0.23%
		Full-time	993	1,003	0.96%
		Total	*1,443*	*1,454*	*0.74%*
	FTEs		*1,173*	*1,182*	*0.74%*
Total franchise-related Employment ('000s)	*Jobs*	Part-time	537	538	0.23%
		Full-time	1,308	1,320	0.94%
		Total	*1,845*	*1,858*	*0.74%*
	FTEs		*1,523*	*1,534*	*0.74%*
Direct Franchise GDP ($ Billions)			$64.0	$65.8	2.75%
Total franchise-related GDP ($ Billions)			$96.3	$99.0	2.76%
Total franchise-related tax revenue	*Federal*		$15.8	$16.3	3.12%
	Provincial/Territorial		$10.6	$10.9	3.03%

PROVINCE AND TERRITORY OUTLOOK

At the provincial level, in absolute terms, Ontario is estimated to have the largest number of franchise establishments added (+263, growth of 0.71%) to 37,277. However, the largest percent growth in franchise establishments is estimated to occur in Saskatchewan, where they are estimated to increase

their number of franchise establishments by 0.84% (17 establishments) to 2,014. Meanwhile, the lowest growth occurs in Nova Scotia, where franchise establishments are estimated to grow by 0.20% (3 establishments) to 1,433.

Likewise, the largest percent growth in GDP and employment are also estimated to occur in Saskatchewan, with growth rates of 3.36% (1.2 times the national average) and 1.34% (almost twice the national average), respectively. The effects of the minimum wage, as well as the global economic cyclical recovery were taken into consideration in this analysis, and while minimum wage changes may inhibit job growth in Ontario, B.C., Quebec, and Alberta, this will in part be offset by the strengthening of the global economy from cyclical recovery. A breakdown of the provincial and territory projections for the franchise industry is provided in Table 2 and Table 3.

Table 2 Provincial outlook for 2018: Franchise establishments, GDP, and employment

	Franchise Establishments		Total Franchise-Related GDP		Total Franchise-Related Employment (FTEs)	
	Amount	% Change from 2017	Amount ($ Billions)	% Change from 2017	Amount ('000s)	% Change from 2017
Alberta	8,913	0.78%	$11.3	3.09%	173.7	1.07%
British Columbia	10,013	0.74%	$13.3	2.96%	217.3	0.94%
Manitoba	2,106	0.68%	$2.36	2.69%	37.7	0.68%
New Brunswick	1,059	0.24%	$1.31	0.98%	20.1	-1.01%
Newfoundland and Labrador	717	0.71%	$0.66	2.82%	11.6	0.81%
Nova Scotia	1,433	0.20%	$1.65	0.82%	28.7	-1.16%
Ontario	37,277	0.71%	$49.9	2.82%	758.3	0.81%
Prince Edward Island	178	0.51%	$0.21	1.82%	3.18	-0.11%
Quebec	11,923	0.61%	$15.8	2.44%	249.1	0.43%
Saskatchewan	2,014	0.84%	$2.15	3.36%	32.8	1.34%
Territories	132	0.64%	$0.21	2.55%	1.52	0.54%
Total	75,765	0.69%	$99.0	2.76%	1,534	0.74%

Table 3 Provincial outlook for 2018: GOS, wages, and taxes

	Gross Operating Surplus		Wages		Taxation (Federal and Provincial)	
	Amount	% Change from 2017	Amount ($ Billions)	% Change from 2017	Amount ('000s)	% Change from 2017
Alberta	$4.30	3.09%	$7.0	3.09%	$2.98	3.44%
British Columbia	$4.85	2.96%	$8.5	2.96%	$3.60	3.31%
Manitoba	$0.88	2.69%	$1.48	2.69%	$0.90	3.03%
New Brunswick	$0.53	0.99%	$0.78	0.98%	$0.53	1.32%
Newfoundland and Labrador	$0.22	2.82%	$0.44	2.82%	$0.28	3.19%
Nova Scotia	$0.54	0.83%	$1.11	0.82%	$0.70	1.19%
Ontario	$18.1	2.82%	$31.9	2.82%	$13.2	3.18%
Prince Edward Island	$0.10	1.81%	$0.12	1.84%	$0.08	2.15%
Quebec	$5.51	2.45%	$10.3	2.44%	$4.23	2.80%
Saskatchewan	$0.88	3.36%	$1.27	3.36%	$0.74	3.72%
Territories	$0.16	2.55%	$0.80	2.55%	$0.06	2.75%
Total	**$36.0**	**2.76%**	**$62.9**	**2.75%**	**$27.29**	**3.08%**

SECTOR OUTLOOK

Table 4 provides an overview of the top franchise industry sectors (by the total-franchise related GDP in 2018) and their 2018 outlook across total franchise-related GDP and total franchise-related employment (FTEs). The Canadian franchise industry is projected to have a strong performance from the accommodation services sector, which is projected to increase total franchise-related GDP by 3.83% (1.4 times greater than the national average) and total franchise-related employment by 1.54% (twice the national average). This industry is followed by the food services sector (+$393 million, growth of 3.81%), the commercial and residential services (+$367 million, growth of 2.82%) and retail (+$293 million, growth of 2.80%). Meanwhile, the information and cultural industry (e.g., magazines and publishers) is projected to be the slowest mover among the major industries with an expected increase in total franchise related GDP of 2.29%, and an increase in employment (FTEs) of 0.08% in 2018.

Table 4 Top sector outlook for 2018[1]

	Total Franchise-Related GDP		Total Franchise-Related Employment (FTEs)	
	Amount ($ Billions)	% Change from 2017	Amount ('000s)	% Change from 2017
Real Estate and Business Services	$18.6	2.53%	100	0.29%
Commercial and Residential Services	$13.4	2.82%	219	0.55%
Retail	$10.8	2.80%	244	0.55%
Food Services	$10.7	3.81%	347	1.52%
Arts, Health and Fitness	$6.44	2.51%	126	0.26%
Printing and Manufacturing	$5.36	2.31%	38.7	0.10%
Other Services (except Public Administration)	$5.24	2.43%	106	0.19%
Accommodation Services	$4.4	3.83%	143	1.54%
Construction	$4.35	2.30%	37.9	0.07%
Professional and Technical Services	$4.12	2.30%	35.2	0.09%
Information and Cultural	$2.92	2.29%	14.9	0.08%
Rest of Sectors	*$12.6*	2.61%	*113*	*0.38%*
Total	**$99.0**	**2.76%**	**1,534**	**0.74%**

[1] Refer to Figure 6 (page 16) for an overview of industry sectors and the types of franchises that fall under each industry sector category.

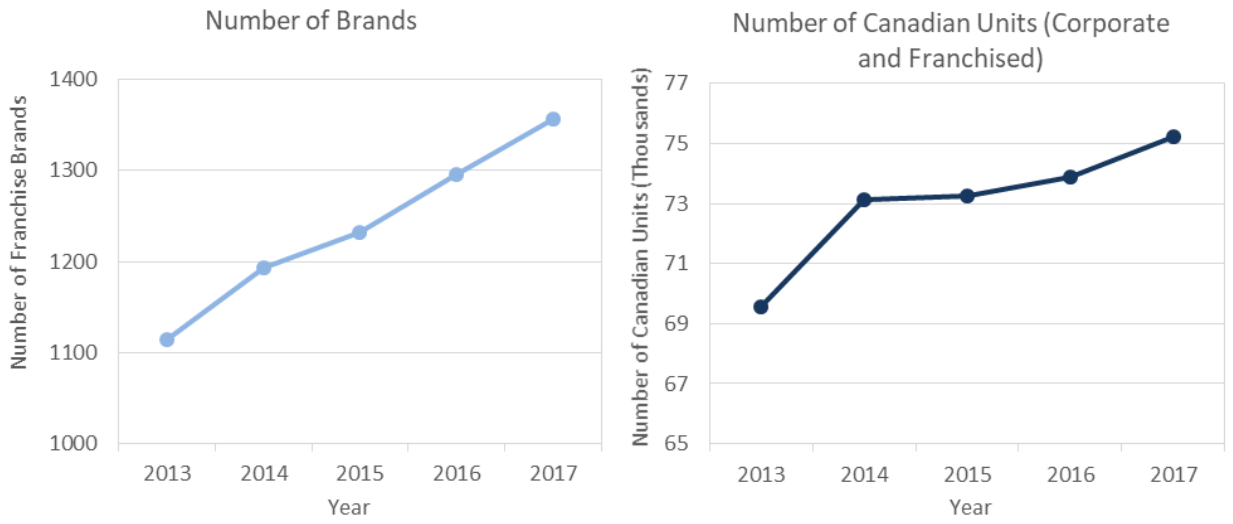
1.0 INTRODUCTION

This report outlines the economic forecast for the Canadian Franchise Industry for 2018 covering the growth in the number of franchise establishments as well as franchise-related economic indicators, such as gross domestic product (GDP), employment (number of jobs and full-time equivalents), and tax revenue generated by franchises. A detailed deconstruction by province and selected industries across Canada is also made.

1.1 CANADIAN FRANCHISE INDUSTRY

The Canadian franchise industry is estimated to have over 1,300 franchise brands and more than 75,000 franchise units, across a broad spectrum of industry sectors. Over the past five years, the number of franchise brands has grown 22% from 1,114 to 1,357 in 2017 and the number of Canadian units, both franchised and corporate, has increased 8%, or approximately 5,700 new units over the same period.

Figure 1 Number of brands and Canadian units



Source: Canadian Franchise Association, 2017

Furthermore, the results of a survey of Canadian Franchise Association (CFA) members on the locations where their brands operate shows that franchises are expanding their operations to other provinces. Although the majority of franchise brands choose to operate within Ontario (88%), followed by British Columbia (62.6%) and Alberta (62.6%), provinces such as Saskatchewan (+12.5%), Newfoundland and Labrador (+7.3%), British Columbia (+5.6%), and Manitoba (+5.4%) have experienced the biggest growth in brands that operate within these provinces.

1.2 POLICY IMPACTS

The 2018 economic outlook for the Canadian franchise industry comes at a time where policies create an uncertain terrain ahead for many businesses that rely upon franchising. Primarily, the policies that appear to contribute to this uncertainty revolve around the minimum wage, specifically in Alberta, Ontario, British Columbia, and Quebec. We provide an overview of these policies below.

In Alberta, the minimum wage has increased from $10.20 in September, 2014 to $13.60 in October, 2017, with an additional increase of $1.40 to $15 planned for October, 2018. British Columbia (B.C.) has recently announced that it will raise the minimum wage to $15.20 by 2021. The minimum wage increase in B.C. is expected to include an increase on June 1st, 2018 of $1.30, bringing the minimum wage to $12.65, followed by subsequent increases of $1.20, $0.75, and $0.60 in 2019, 2020, and 2021, respectively (Government of British Columbia 2017). In addition, Quebec recently announced that they would be increasing their minimum wage to $12 on May 1st, 2018 (Government of Quebec 2018).

Meanwhile, in Ontario, on June 1, 2017 Ontario introduced legislation, Bill 148: Fair Workplaces, Better Jobs Act, 2017 (the Act). Although more encompassing than a simple increase in minimum wage, the changes within the Act broadly include:

- Increasing minimum wages (from $11.60 in September, 2017 to $14 in January, 2018, and then $15 in January, 2019); and
- Other impacts of proposed employment and labour protection laws (e.g., temporary workers, contractors, equal pay for equal work provisions (part-time, full time, temp help versus permanent), scheduling, unionization etc.).

In Ontario, the first increase in minimum wage (20.7%) has occurred as of January 1st, 2018. In September 2017, CANCEA released a study to identify and assess, before the fact, the key economic implications of the Act on various stakeholder groups including workers (through labour market performance), firms and product markets – and therefore the provincial economy as a whole (Canadian Centre for Economic Analysis 2017). Based on guidance from Ontario academic literature, the study found that it is expected that the Act will put 185,000 jobs at risk.

In general, it is very difficult to understand the impacts of such policies on the economy. In Alberta, past minimum wage increases have occurred simultaneously with other economic and social activities that could confound outcomes (e.g., approval of the twinning of the Kinder Morgan Trans Mountain pipeline; replacement of Enbridge's Line 3 pipeline; and expected strong global economic recovery).

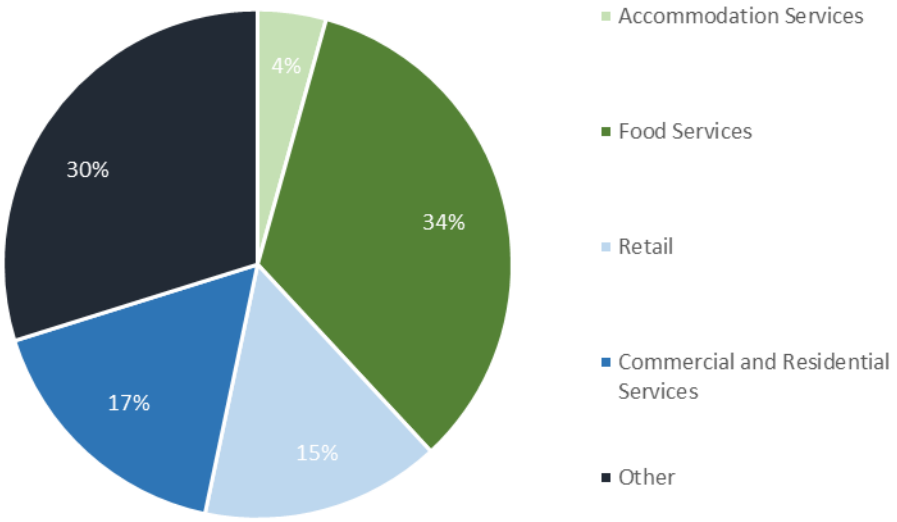
1.2.1 ONTARIO AS AN EXAMPLE: FAIR WORKPLACES, BETTER JOBS ACT, 2017 (THE ACT)

In Ontario, the complexity of employment and labour law changes will generate potential winners ("at Reward") and potential losers ("at Risk"):

- At Reward:
    - 6 million Ontarians are expected to be positively affected by wage increases, and/or vacation days and/or personal emergency leave (PEL) days either directly or indirectly via a family member; and
    - The gross wage amounts to $6.6 billion in aggregate per annum, which will generate spending that will benefit some Ontario businesses.
- At Risk:
    - A $23 billion cost challenge awaits Ontario businesses in 2018 and 2019. CANCEA expects that businesses will bear 15% of this cost after accounting for stimulative effects of wage increases;
    - 1.8 million Ontarians are expected to be negatively affected directly or via a family member small/medium enterprise (SME) business owner or by a job loss. These effects amount to -$3.0 billion in aggregate per annum; and
    - 10.4 million Ontario adults will be affected by an additional increase in prices that amounts to -$3.4 billion in aggregate per annum.

Different industry sectors were estimated to react differently to the Act based on their income and expense profiles. Sectors that have lower gross operating margins, lower wages or greater total labour components of production are likely to be more affected by labour changes. In this sense, the retail and the accommodation and food services industries are particularly at risk. As illustrated in Figure 2, these three industries represent a significant proportion (53%) of the total franchise units in Canada. In the retail sector specifically, 45% of all sales are from franchise operations (International Trade Administration 2016). See section 2.1 for the breakdown of each industry sector categories.

Figure 2 Total franchise units by sector, 2017



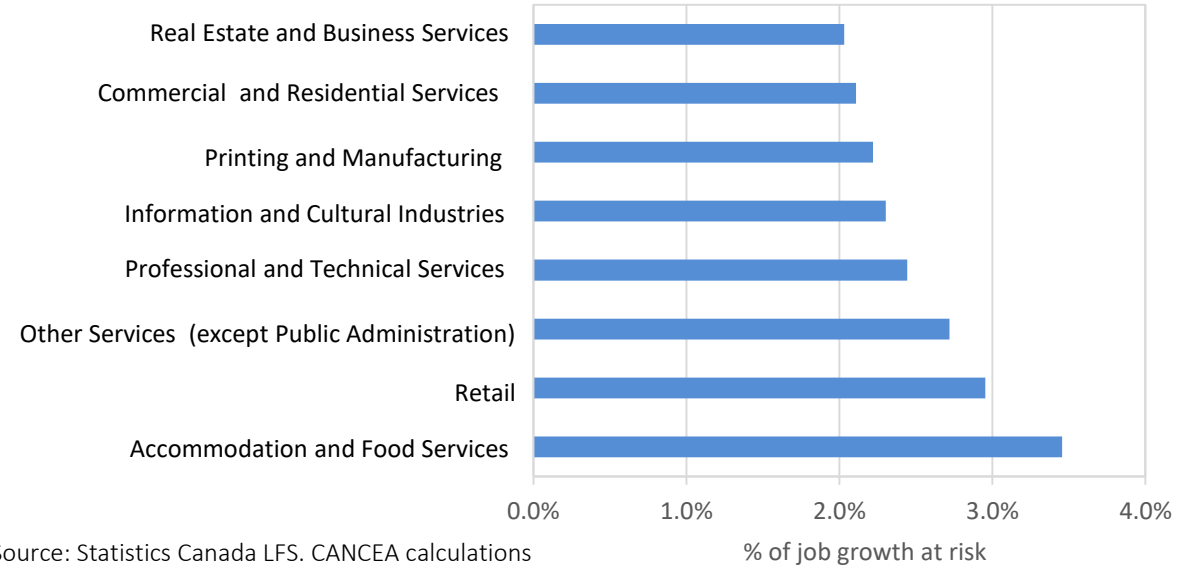
Source: Canadian Franchise Association, 2017

From a CFA survey of their membership, 32.4% of their memberships were concerned over location closures due to reduced profitability from the minimum wage impacts of the Act and the majority of members expected their operating costs to rise anywhere from 5% to 30%. CANCEA's analysis into the expected impacts of the Act on these major franchise industry sectors found that:

- In the accommodation and food services industry, in the expected case, around 17,000 jobs in Ontario in this industry could be at risk; and
- In the retail trade industry, in the expected case, around 14,700 jobs in Ontario could be at risk.

Furthermore, within these industries gross operating surplus is also at risk and as the gross operating surplus is also the source of private capital investment for firms, a significant decrease in operating surplus could put long-term capital plans at risk. Figure 3 provides a further breakdown of the number of jobs in Ontario at risk within sectors that are prominent within the Canadian franchise industry. See section 2.1 for the breakdown of each industry sector categories.

Figure 3 Potential jobs and job growth at risk by key sectors



Source: Statistics Canada LFS. CANCEA calculations

Rapid and significant changes in employment and labour laws affect small and medium sized businesses more than larger organizations. Small to medium size firms (SMEs), between 0 and 500 employees, have less ability to manage their risk exposures (due to their smaller size in scale) and to navigate the changes behind the Act. SMEs also have greater exposure to employees earning less than $15/hr in every sector with the exception of retail trade. This is an indication of the exposure of SME firms to the direct consequences of the scheduled increase in minimum wages. Given a majority of franchisees are small businesses, the cost pressures that they will feel exceed what is usually reported for the economy as a whole. As shown in Figure 4 and Figure 5, the number of jobs at risk is similar for both sizes of firms. However, given the much greater number of small firms, it would affect many more small businesses than large.

Figure 4 Jobs at risk for large firms (100 or more employees)

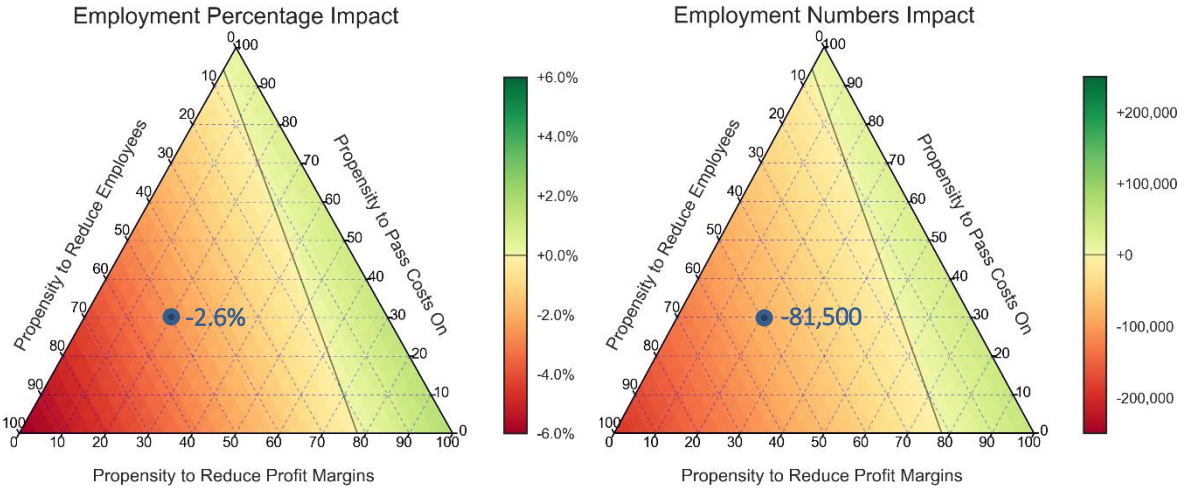
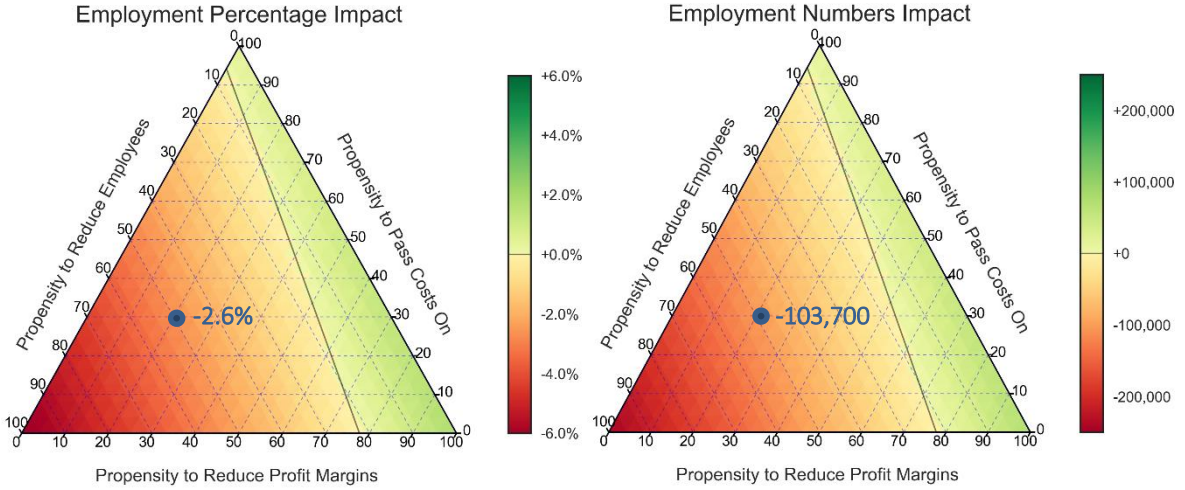


Figure 5 Jobs at risk in small firms (less than 100 employees)



Given these policy changes in Alberta, British Columbia, Quebec, and Ontario, the franchise industry is entering 2018 with uncertainty in what the outcomes of such policies will be in terms of how franchises (and franchisors) will react and what that could mean for current and future franchise establishments, franchise employees, and the rest of the economy.

2.0 METHODOLOGY

The economic forecast of the Canadian franchise industry was conducted using CANCEA's Prosperity at Risk® *(PaR)* platform[2]. Using over 170 tables from Statistics Canada, including Statistics Canada input-output data (I/O), and over 56,000 Canadian Census dissemination areas, the Prosperity at Risk® platform takes into account the demand and supply of commodities across industry sectors and unifies it with demographics, labour force dynamics, government finances, private capital investment, and the interdependencies of production to allow for the Canadian franchises to be quantified and forecasted.

As the Prosperity at Risk® platform is an agent-based, event-driven microsimulation platform, it is capable of capturing the direct, indirect, and induced contributions, as well as identifying the contribution at different regional levels. By incorporating household behavior, industry and firm behavior, and federal and provincial tax rates, Prosperity at Risk® is capable of providing the economic impact across different economic indicators such as GDP (real and nominal), employment, wages, government revenue, and household income. Furthermore, Prosperity at Risk® also captures the "system impacts", which take the broader impact of franchises into consideration.

In addition to internal model validation, the output from the Prosperity at Risk® platform is regularly tested against the results of other models. Cross model validation ensures Prosperity at Risk® is producing baselines that are in accordance with other models. Key models include:

- Public sector forecasts including Ontario Ministry of Finance (e.g., population and GDP); and
- Private sector forecasts including major Canadian banks.

For more information on the Prosperity at Risk® platform and its applications, please refer to CANCEA (2017).

[2] For an in-depth breakdown of CANCEA's Prosperity at Risk® platform, please refer to "The Economic Impact of Canadian P3 Projects" and the recent report on Bill 148: Fair Workplaces, Better Jobs Act, 2017 (The Canadian Centre for Economic Analysis 2016, 2017).

2.1 INDUSTRY SECTOR DESCRIPTIONS

Figure 6 below provides an overview of the North American Industry Classification System (NAICS) industry sectors and the types of franchises that fall under each sector category.

Figure 6 Industry sector descriptions

Accommodation Services (NAICS 721)
- Hospitality Products / Services
- Hotels / Motels / Campgrounds

Commercial and Residential Services (NAICS 56)
- Administrative and Support
- Commercial - Janitorial Services
- Employment / Personnel Services
- Environmental Products and Services
- Event Planning
- Fire Prevention / Safety & Security
- Furniture / Upholstery Repair
- Home - Inspection Services
- Home - Maid / Cleaning Services
- Janitorial & Maid Services
- Lawn & Garden Supplies / Services
- Remediation
- Security Systems & Services
- Travel
- Waste Management

Arts, Health and Fitness (NAICS 71)
- Health / Fitness / Nutrition
- Sports / Recreation / Entertainment
- Weight Loss Services / Body Contouring

Educational Services (NAICS 61)
- Educational Products & Services

Real Estate and Business Services (NAICS 52-53)
- Business - Supplies / Equipment & Services
- Business Services / Office Space / Co-working Space
- Financial / Cash Services
- Insurance
- Leasing and Holding Companies
- Rental
- Real Estate

Food Services (NAICS 722)
- Food - Baked Goods / Coffee / Donuts
- Food - Quick Service Restaurants
- Food - Restaurants / Dining Rooms

Health Care (NAICS 62)
- Seniors Services / Home Care / Transition
- Social Assistance

Information and Cultural Industries (NAICS 51)
- Magazines / Publishers

Printing and Manufacturing (NAICS 31-33)
- Building & Design Services
- Commercial - Supplies / Equipment & Services
- Printing / Copying / Shipping
- Sign Products & Services
- Wine Making

Other Services (except Public Administration) (NAICS 81)
- Automotive & Truck Services / Products / Rentals
- Beauty / Cosmetics / Supplies
- Dry Cleaning / Clothing Care
- Hair & Nail Salons / Spas
- Tanning Salons
- Other

Professional and Technical Services (NAICS 54)
- Accounting / Tax Services
- Advertising / Marketing / Promotional Products & Services
- Business Consultants / Services / Training
- Computer / Software / Internet
- Legal
- Painting Services
- Photo Imaging / Photography
- Scientific

Construction (NAICS 23)
- Custom Deck
- Home/Commercial Improvement / Renovation / Restoration

Retail (NAICS 44-45)
- Children's Products & Services
- Commercial / Residential Services
- Food - Grocery / Specialty Shops/ Meal Assembly
- Home - Decorations / Furnishings
- Home Based Businesses
- Mobile Businesses
- Pets - Sales / Supplies / Services
- Retail

Transport and Warehousing (NAICS 48-49)
- Consumer Buying Services
- Designated Driving / Transportation Services

Utilities (NAICS 22)
- Water Treatment

3.0 FRANCHISE ESTABLISHMENTS

The Canadian franchise industry is projected to add 520 new franchise establishments in the coming year, an increase of 0.69% from 2017 to 75,765 establishments. Ontario is estimated to have the largest number of franchise establishments added (+263, growth of 0.71%) to 37,277. This represents 50.5% of all new franchise establishments in Canada in 2018. Ontario is followed by British Columbia (+74, growth of 0.74%) with a total of 10,013 establishments and Quebec (+72, growth of 0.61%) with a total of 11,923 establishments in 2018. The largest percentage growth in franchise establishments is estimated to occur in Saskatchewan, where they are estimated to increase their number of franchise establishments by 0.84% (17 establishments) to 2,014. Further provincial breakdowns are provided in Table 5.

Table 5 Provincial franchise establishment growth

	Franchise Establishments		
	2017	2018	% Change
Alberta	8,844	8,912	0.78%
British Columbia	9,939	10,013	0.74%
Manitoba	2,092	2,106	0.68%
New Brunswick	1,056	1,059	0.24%
Newfoundland and Labrador	712	717	0.71%
Nova Scotia	1,430	1,432	0.20%
Ontario	37,014	37,277	0.71%
Prince Edward Island	178	179	0.51%
Quebec	11,851	11,923	0.61%
Saskatchewan	1,997	2,014	0.84%
Territories	131	132	0.64%
Total	**75,245**	**75,765**	**0.69%**

4.0 GROSS DOMESTIC PRODUCT (GDP)

The total franchise-related GDP is estimated to be $99.0 billion in 2018, a 2.76% increase from 2017. Direct GDP of Canadian franchises is estimated to be $65.8 billion, a 2.75% increase from 2017, and represents 66% of the total-franchise related GPD in 2018. Table 6 provides an overview of the direct and total franchise GDP growth projected for 2018 by the top ten industry sectors.

Table 6 Top sector franchise GDP

	Direct Franchise GDP ($ Billions)			Total Franchise-Related GDP ($ Billions)		
	2017	2018	% Change	2017	2018	% Change
Real Estate and Business Services	$11.9	$12.2	2.39%	$18.17	$18.6	2.53%
Commercial and Residential Services	$11.8	$12.2	2.78%	$13.02	$13.4	2.82%
Retail	$7.39	$7.59	2.68%	$10.48	$10.8	2.80%
Food Services	$9.5	$9.9	3.78%	$10.31	$10.7	3.81%
Arts, Health and Fitness	$5.91	$6.06	2.48%	$6.28	$6.44	2.51%
Printing and Manufacturing	$2.02	$2.06	2.04%	$5.24	$5.36	2.31%
Other Services (except Public Administration)	$4.25	$4.35	2.36%	$5.12	$5.24	2.43%
Accommodation Services	$3.9	$4.1	3.80%	$4.22	$4.38	3.83%
Construction	$2.41	$2.46	2.12%	$4.25	$4.35	2.30%
Professional and Technical Services	$1.98	$2.03	2.10%	$4.03	$4.12	2.30%
Information and Cultural	$1.14	$1.16	2.05%	$2.86	$2.92	2.29%
Rest of Sectors	*$1.67*	*$1.70*	*2.06%*	*$12.3*	*$12.6*	2.61%
Total	**$64.0**	**$65.8**	**2.77%**	**$96.3**	**$99.0**	**2.78%**

The primary driver of the growth in total franchise-related GDP growth in the Canadian franchise industry is the accommodation services industry, which is estimated to increase by 3.83% in 2018 to $4.35 billion (+$162 million from 2017). This is followed closely by the food services industry, which is estimated to increase by 3.81% in 2018 to $10.7 billion (+$393 million from 2017). Combined, these two industry sectors represents 21% of the total growth in the total-franchise related GDP. They are followed by the commercial and residential services (+$367 million, growth of 2.82%) and retail (+$293 million, growth of 2.80%).

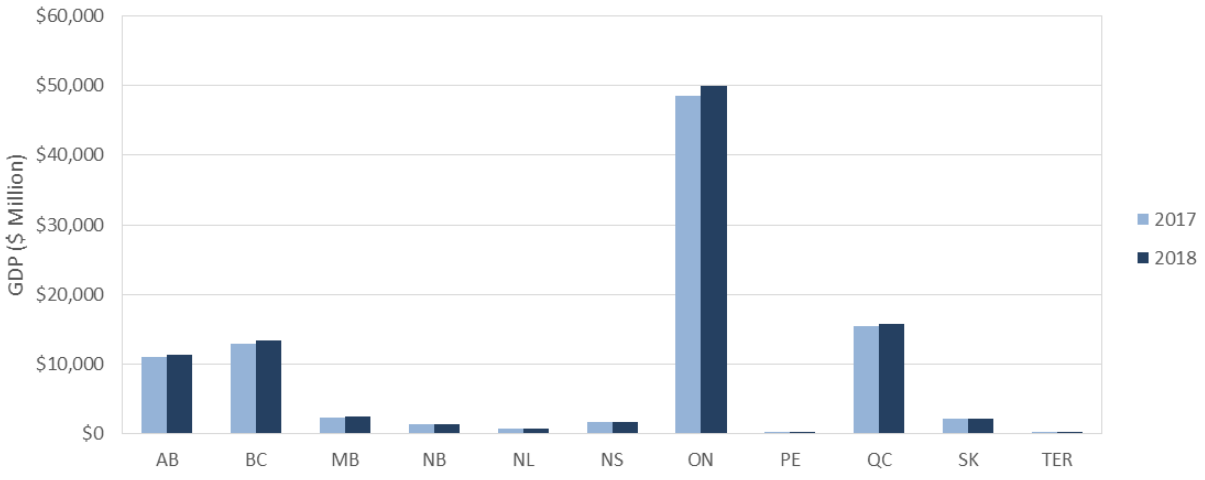
Of note, if we consider direct franchise GDP contributions (i.e., GDP that is generated through the operation of franchise establishments and not through indirect and induced effects), the top three industries with the largest direct GDP percentage growth in Canada are projected to be:

- Accommodation services industry, growing by $149 million (3.80%);
- Food services industry, growing by $361 million (3.78%); and
- Commercial and residential services, growing by $329 million (2.78%).

As a percentage of the total franchise-related GDP growth, direct GDP growth represents 93% for the accommodation and food services industries and 90% for the commercial and residential services industry. For the real estate and business services industry, direct GDP growth represents 62% of the total franchise-related GDP growth. The differences are due to the indirect and induced impacts within these industries which include the rent paid by many employees and franchisees.

Figure 7 provides an overview of the total franchise-related GDP growth in the franchise industry between 2017 and 2018 by province. As evident below, the largest growth in total franchise-related GDP is projected to occur in Ontario (+$1.37 billion, growth of 2.82%), followed by British Columbia (+$383 million, growth of 2.96%) and then Quebec (+$376 million, growth of 2.44%). Of all the provinces and territories, Ontario, British Columbia, Alberta, Newfoundland and Labrador, and Saskatchewan are estimated to experience total franchise-related GDP growth above the national average of 2.76%.

Figure 7 Provincial and territories total franchise-related GDP growth



Of note, as illustrated in Figure 8 (with the national average of 2.76% represented by the red dotted line), the largest percentage growth in total-franchise related GDP is estimated to occur in Saskatchewan, with an increase of 3.4% (1.2 times greater than the national average), followed by Alberta (3.1%) and British Columbia (3.0%).

Figure 8 Total franchise-related GDP growth (red-dotted line: Canadian franchise industry national average GDP growth)

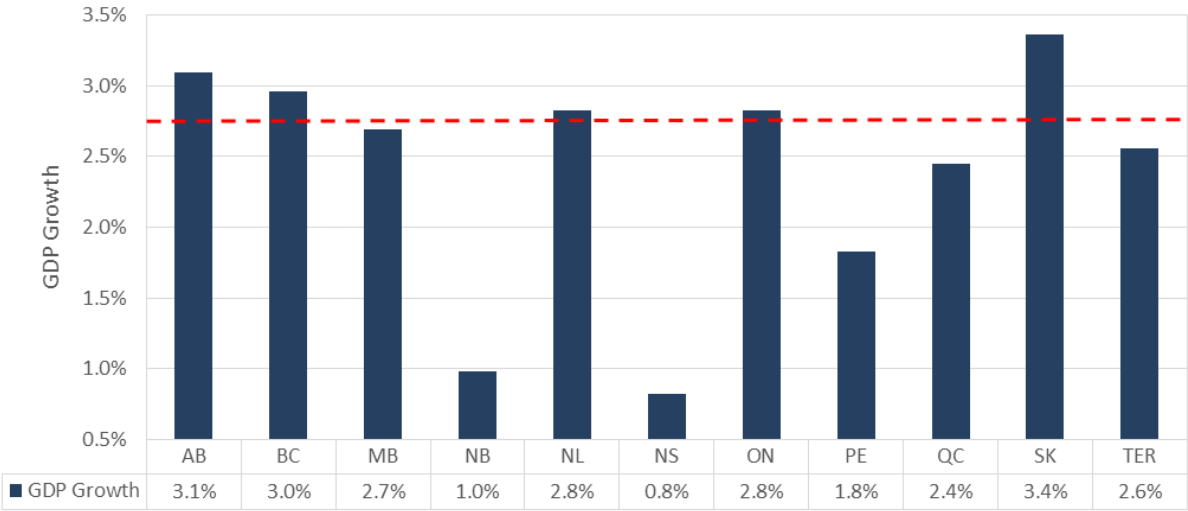


Table 7 Provincial franchise-related GDP outlook

	Direct Franchise GDP ($ Billions)			Total Franchise-Related GDP ($ Billions)		
	2017	2018	% Change	2017	2018	% Change
Alberta	$7.06	$7.28	3.1%	$11.0	$11.3	3.1%
British Columbia	$8.82	$9.08	3.0%	$13.0	$13.3	3.0%
Manitoba	$1.65	$1.69	2.7%	$2.30	$2.36	2.7%
New Brunswick	$0.98	$0.99	0.9%	$1.30	$1.31	1.0%
Newfoundland and Labrador	$0.45	$0.47	2.8%	$0.64	$0.66	2.8%
Nova Scotia	$1.19	$1.20	0.8%	$1.64	$1.65	0.8%
Ontario	$32.4	$33.4	2.8%	$48.6	$49.9	2.8%
Prince Edward Island	$0.17	$0.17	2.0%	$0.21	$0.21	1.8%
Quebec	$9.59	$9.82	2.4%	$15.4	$15.8	2.4%
Saskatchewan	$1.47	$1.52	3.4%	$2.08	$2.15	3.4%
Territories	$0.19	$0.19	2.6%	$0.20	$0.21	2.6%
Total	**$64.0**	**$65.8**	**2.75%**	**$96.3**	**$99.0**	**2.76%**

5.0 EMPLOYMENT AND WAGES

The total franchise-related employment is projected to grow to 1.86 million jobs (1.53 million FTEs) in 2018, a 0.74% increase from 2017, and equivalent to an increase of 14,000 new jobs. 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). Direct employment in Canadian franchises, representing 78% of the total franchise-related employment, is estimated to grow to 1.45 million jobs (1.18 million FTEs) in 2018, a 0.74% increase from 2017, and, equivalent to 11,000 new jobs. Table 8 provides an overview of the direct and total franchise employment growth projected for 2018 by province.

Table 8 Canadian franchise employment growth

Provinces and Territories		Direct Franchise Employment			Total Franchise-Related Employment		
		2017 ('000s)	2018 ('000s)	% Change	2017 ('000s)	2018 ('000s)	% Change
Alberta	FTEs	133	135	1.07%	172	174	1.07%
	Jobs	164	166	1.07%	209	211	1.07%
British Columbia	FTEs	169	170	0.94%	215	217	0.94%
	Jobs	210	212	0.94%	263	266	0.94%
Manitoba	FTEs	30.7	30.9	0.68%	37.5	37.7	0.68%
	Jobs	38.0	38.2	0.68%	45.8	46.1	0.68%
New Brunswick	FTEs	16.9	16.7	-1.04%	20.3	20.1	-1.01%
	Jobs	20.7	20.5	-1.04%	24.7	24.4	-1.01%
Newfoundland and Labrador	FTEs	9.5	9.5	0.81%	11.5	11.6	0.81%
	Jobs	11.7	11.8	0.81%	14.0	14.1	0.81%
Nova Scotia	FTEs	23.4	23.2	-1.17%	29.0	28.7	-1.16%
	Jobs	28.9	28.5	-1.17%	35.3	34.9	-1.16%
Ontario	FTEs	578	582	0.81%	752	758	0.81%
	Jobs	707	713	0.81%	907	915	0.81%
Prince Edward Island	FTEs	2.7	2.7	0.01%	3.2	3.2	-0.11%
	Jobs	3.4	3.4	0.01%	3.9	3.9	-0.11%
Quebec	FTEs	182	183	0.41%	248	249	0.43%
	Jobs	225	226	0.41%	300	301	0.43%
Saskatchewan	FTEs	26.9	27.3	1.34%	32.4	32.8	1.34%
	Jobs	33.4	33.8	1.34%	39.7	40.2	1.34%
Territories	FTEs	1.38	1.39	0.54%	1.51	1.52	0.54%
	Jobs	1.72	1.73	0.54%	1.87	1.88	0.54%
Total	FTEs	**1,173**	**1,182**	**0.74%**	**1,523**	**1,534**	**0.74%**
	Jobs	**1,443**	**1,454**	**0.74%**	**1,845**	**1,858**	**0.74%**

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. Table 9 further breaks down the employment growth across the provinces and territories by type of employment.

Table 9 Canadian franchise employment growth by type of employment

Provinces and Territories		Total Franchise-Related Employment		
		2017 ('000s)	2018 ('000s)	% Change
Alberta	Part-Time	61	62	0.57%
	Full-Time	147	149	1.28%
British Columbia	Part-Time	80	81	0.44%
	Full-Time	183	185	1.16%
Manitoba	Part-Time	13.9	13.9	0.17%
	Full-Time	31.9	32.2	0.90%
New Brunswick	Part-Time	7.3	7.2	-1.52%
	Full-Time	17.4	17.3	-0.80%
Newfoundland and Labrador	Part-Time	4.2	4.2	0.30%
	Full-Time	9.8	9.9	1.02%
Nova Scotia	Part-Time	10.5	10.4	-1.66%
	Full-Time	24.8	24.6	-0.95%
Ontario	Part-Time	259	259	0.30%
	Full-Time	649	655	1.01%
Prince Edward Island	Part-Time	1.2	1.2	-0.57%
	Full-Time	2.7	2.7	0.11%
Quebec	Part-Time	87	87	-0.08%
	Full-Time	213	215	0.63%
Saskatchewan	Part-Time	12.2	12.3	0.83%
	Full-Time	27.5	27.9	1.56%
Territories	Part-Time	0.60	0.60	0.04%
	Full-Time	1.27	1.28	0.78%
Total	Part-Time	**537**	**538**	**0.23%**
	Full-Time	**1,308**	**1,320**	**0.94%**

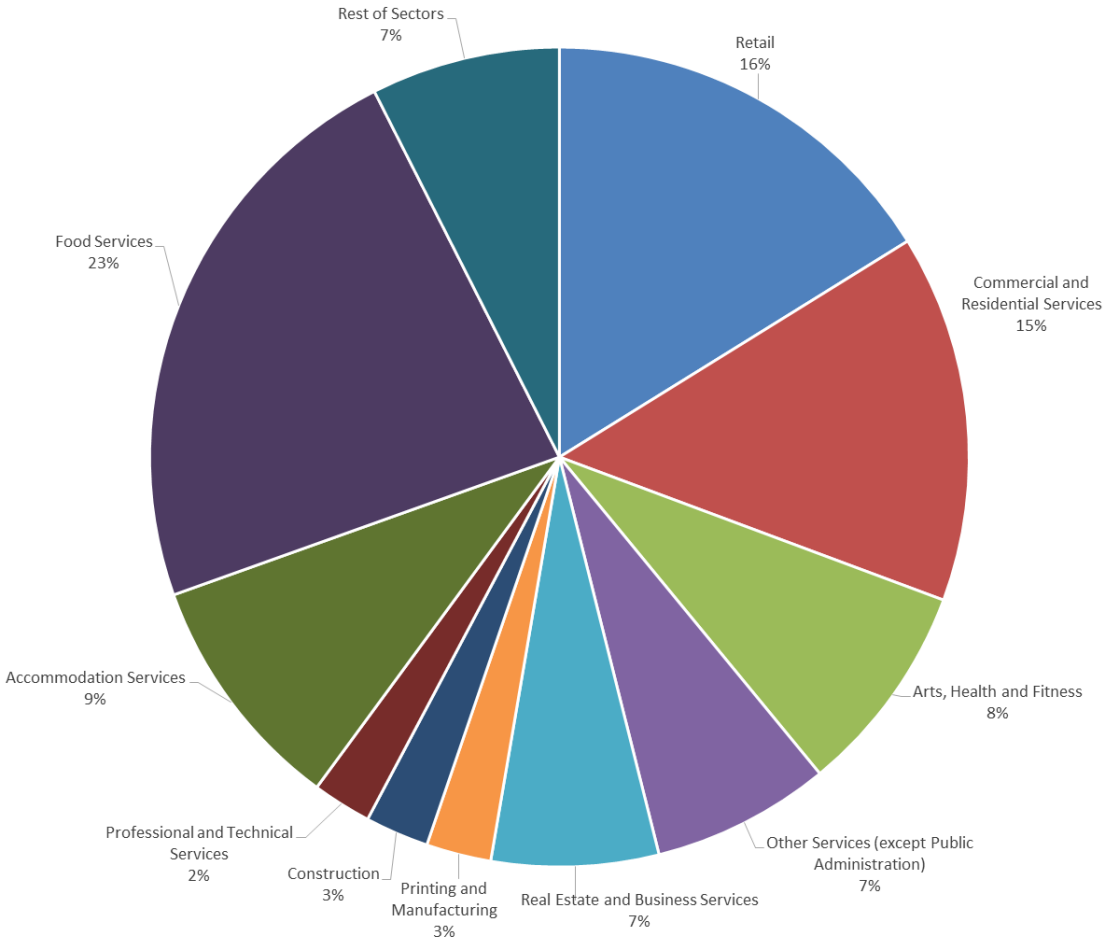
At the provincial level, in absolute terms, Ontario is estimated to have the largest number of total-franchise related jobs added in 2018 (+7,300 new jobs, growth of 0.81%) to 915,000 jobs (758,000 FTEs). This represents 54% of the total franchise-related new jobs projected to be created in 2018. Ontario is followed by British Columbia (+2,477 new jobs, growth of 0.94%) and Alberta (+2,238 new jobs, growth of 1.07%). While minimum wage changes may inhibit job growth in these provinces, this will in part be

mitigated by the strengthening of the global economy from cyclical recovery. Both effects have been taken into account.

The largest percent growth in total franchise-related employment is estimated to occur in Saskatchewan, where they are estimated to increase their total franchise-related employment by 1.34%, almost twice the national average, to 40,200 (32,800 FTEs) in 2018 (though Saskatchewan is starting with a much smaller base than many other provinces). New Brunswick (-250, decline of 1.01%), and Nova Scotia (-409, decline of 1.16%) are estimated to have a reduction in total franchise-related employment. These provinces aren't growing (or are regressing) compared to other provinces and territories given that they are experiencing low population growth. Therefore, there is less demand for net new franchise establishments (i.e., some franchises may close and new franchises may open, but net numbers are not changing as much as in other provinces).

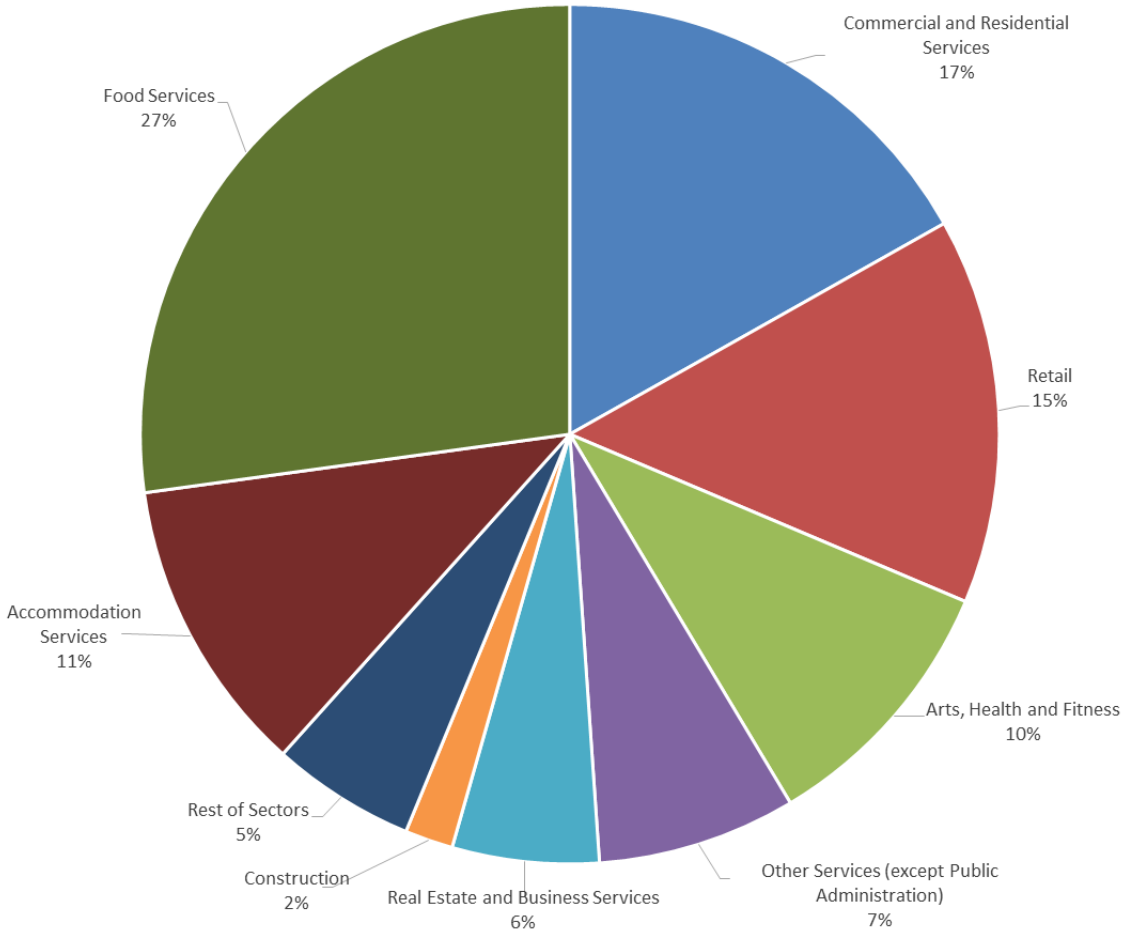
In terms of the industries that contribute the most to the total franchise-related employment in 2018, the food services sector (23%) is projected to contribute the most, followed by retail (16%), and the commercial and residential services (14%). Figure 9 provides a breakdown of the industries contributing to total franchise-related employment.

Figure 9 Total franchise-related employment (FTEs) proportions



In terms of direct franchise employment, the food services sector (27%) is projected to contribute the most, followed by commercial and residential services (17%), and retail (15%). A further breakdown is provided in Figure 10.

Figure 10 Direct franchise employment (FTEs) proportions



The aforementioned increase in employment is estimated to be associated with a 2.75% increase in the total franchise-related wages to $62.9 billion in 2018. This is an increase of $1.69 billion in wages over the coming year. Table 10 provides a breakdown of the wage increases across the different provinces.

Table 10 Provincial total franchise-related wage growth

	Total franchise-related wage growth ($ Billions)		
	2017	2018	% Change
Alberta	$6.82	$7.03	3.09%
British Columbia	$8.24	$8.49	2.96%
Manitoba	$1.44	$1.48	2.69%
New Brunswick	$0.78	$0.78	0.98%
Newfoundland and Labrador	$0.43	$0.44	2.82%
Nova Scotia	$1.10	$1.11	0.82%
Ontario	$31.0	$31.9	2.82%
Prince Edward Island	$0.11	$0.12	1.84%
Quebec	$10.0	$10.3	2.44%
Saskatchewan	$1.23	$1.27	3.36%
Territories	$0.052	$0.053	2.55%
Total	**$61.2**	**$62.9**	**2.75%**

6.0 GROSS OPERATING SURPLUS (GOS)

The total franchise-related GOS is estimated to be $36.0 billion in 2018, a 2.76% increase (+$969 million) from 2017. Table 11 provides an overview of the total franchise-related GOS growth projected for 2018 by province and territories. As illustrated below, the largest growth in total franchise-related GOS is projected to occur in Ontario (+$496 million billion, growth of 2.82%), followed by British Columbia (+$140 million, growth of 2.96%) and then Quebec (+$132 million, growth of 2.45%).

Table 11 Provincial total franchise-related GOS growth

	Total franchise-related GOS growth ($ Billions)		
	2017	2018	% Change
Alberta	$4.17	$4.30	3.09%
British Columbia	$4.72	$4.85	2.96%
Manitoba	$0.86	$0.88	2.69%
New Brunswick	$0.52	$0.53	0.99%
Newfoundland and Labrador	$0.21	$0.22	2.82%
Nova Scotia	$0.53	$0.54	0.83%
Ontario	$17.6	$18.1	2.82%
Prince Edward Island	$0.10	$0.10	1.81%
Quebec	$5.4	$5.5	2.45%
Saskatchewan	$0.85	$0.88	3.36%
Territories	$0.15	$0.16	2.55%
Total	**$35.1**	**$36.0**	**2.76%**

The primary driver of the growth in total franchise-related GDP growth in the Canadian franchise industry is the accommodation services industry, which is estimated to increase by 3.97% in 2018 to $970 million (+$37 million from 2017). This is followed closely by the food services industry, which is estimated to increase by 3.95% in 2018 to $2.4 billion (+$91 million from 2017). These industries are followed by the commercial and residential services (+$122 million, growth of 2.94%) and retail (+$69 million, growth of 2.91%). Further breakdowns of the total franchise-related GOS growth by sector are provided in Table 12.

Table 12 Sector GOS growth

	Total Franchise-Related GOS ($ Billions)		
	2017	2018	% Change
Real Estate and Business Services	$9.43	$9.68	2.63%
Commercial and Residential Services	$4.14	$4.26	2.94%
Retail	$2.38	$2.45	2.91%
Food Services	$2.31	$2.40	3.95%
Arts, Health and Fitness	$2.25	$2.31	2.60%
Printing and Manufacturing	$2.17	$2.22	2.39%
Other Services (except Public Administration)	$1.48	$1.52	2.53%
Construction	$1.37	$1.41	2.40%
Professional and Technical Services	$1.46	$1.49	2.38%
Information and Cultural	$1.66	$1.70	2.37%
Accommodation Services	$0.93	$0.97	3.97%
Rest of Sectors	*$5.47*	*$5.62*	*2.67%*
Total	**$35.1**	**$36.0**	**2.76%**

7.0 TAX REVENUE

In 2018, the Canadian franchise industry is projected to generate a total of $16.3 billion in federal taxation revenue (+$494 million, growth of 3.12%) and $10.9 billion in provincial taxation revenue (+$322 million, growth of 3.03%). Table 13 provides a breakdown of the federal and provincial taxation revenue projected to be generated in 2018 by the Canadian franchise industry.

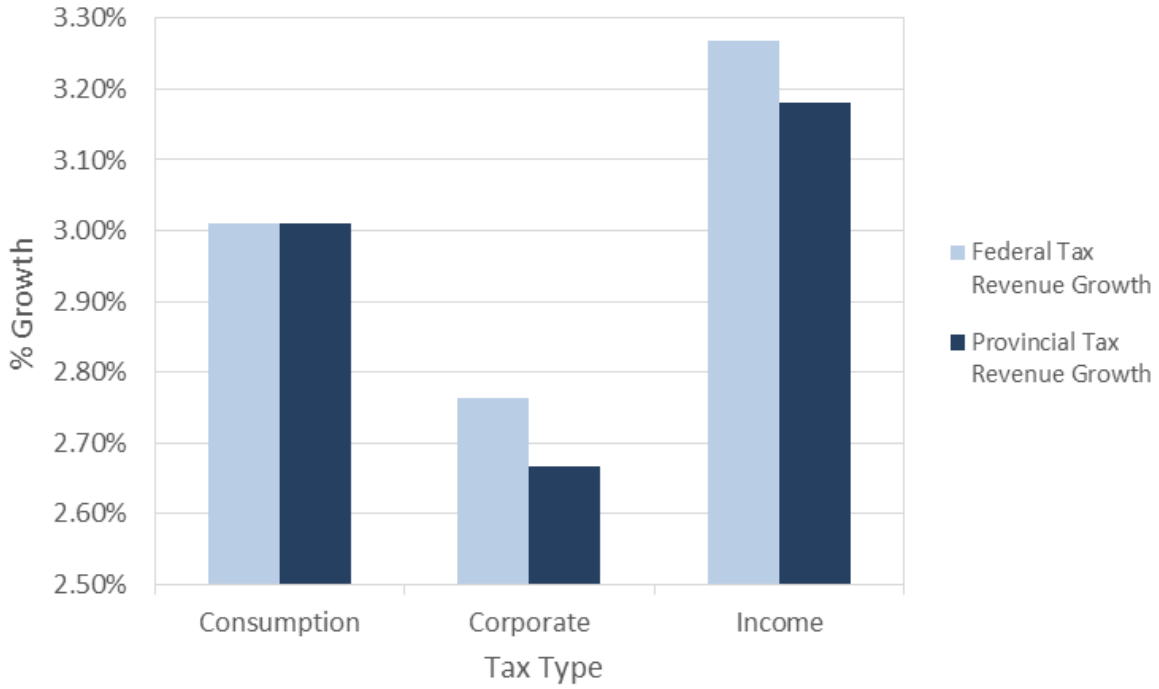
Table 13 Federal and provincial taxation revenue generated

Province/Territories	Federal Taxation Revenue		Provincial Taxation Revenue	
	2018 ($ Billions)	% Change	2018 ($ Billions)	% Change
Alberta	$1.86	3.45%	$1.12	3.43%
British Columbia	$2.22	3.32%	$1.39	3.30%
Manitoba	$0.39	3.05%	$0.51	3.02%
New Brunswick	$0.21	1.32%	$0.32	1.32%
Newfoundland and Labrador	$0.11	3.19%	$0.17	3.19%
Nova Scotia	$0.28	1.19%	$0.42	1.19%
Ontario	$8.25	3.18%	$4.94	3.16%
Prince Edward Island	$0.03	2.15%	$0.05	2.15%
Quebec	$2.63	2.81%	$1.60	2.79%
Saskatchewan	$0.34	3.71%	$0.40	3.74%
Territories	$0.03	2.75%	$0.04	2.75%
Total	**$16.3**	**3.12%**	**$10.9**	**3.03%**

Given its size, Ontario's franchise industry generates the most federal tax revenue at $8.25 billion (+$254 million, growth of 3.2%) and provincial tax revenue at $4.94 billion (+$152 million, growth of 3.2%) in 2018. In relative terms, the growth in the taxation revenue contributed by franchises in Saskatchewan is estimated to be the largest of all the provinces and territories, growing its federal tax revenue contribution by 3.71% (+$12 million) to $344 million and its provincial tax revenue contribution by 3.74% (+$14 million) to $399 million in 2018. Saskatchewan franchises' tax revenue contribution growth is 1.23 times the national average of 3.03%.

Figure 11 provides a breakdown of the growth in federal and provincial tax revenue contributed by the Canadian franchise industry in 2018. Within both levels of government, income tax revenue is the largest contributor and outgrows the other two tax revenue streams (1.2 times corporate tax revenue growth and 1.08 times consumption tax revenue growth). Income tax has a larger growth in 2018 compared to the two other tax components because of the relatively large contribution of wages to the output of franchise sectors which are growing, along with the growth of franchises in higher tax regions.

Figure 11 Federal and provincial tax revenue growth by component



8.0 CONCLUSIONS

In 2018, the economic outlook of the Canadian franchise industry is expected to grow by an estimated 2.76%, increasing its total franchise-related GDP contribution to $99.0 billion.

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). 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. 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.

The increased GDP, employment, and associated wages will result in an estimated increase in federal and provincial taxation revenue contributed by the Canadian franchise industry of 3.12% and 3.03%, respectively. Federal tax revenue contributed by the franchise industry is estimated to reach $16.3 billion, while provincial tax revenue contributed by the franchise industry is estimated to reach $10.9 billion.

In terms of the provinces and territories, the largest growth in the aforementioned economic indicators is estimated to occur in Ontario (due to the size of the economy) with the majority (50.5%) of the 520 new franchise establishments being created in the province. Total franchise-related GDP, employment, and wage growth in Ontario is estimated to grow by $1.37 billion (growth of 2.8%), 7,400 jobs (growth of 0.81%), and $874 million (growth of 2.82%). Of note, in relative terms (i.e., in terms of the percentage of growth estimated in 2018), Saskatchewan is estimated to outperform all other provinces and territories with GDP, employment, and wages projected to grow by 3.36%, 1.34%, and 3.4%. Meanwhile, New Brunswick and Nova Scotia are expected to grow below other provinces, and in certain cases decrease, in the aforementioned economic metrics.

Finally, it is important to highlight the uncertainties, due to employment and labour law changes, for the Canadian franchise industry in 2018, especially in Alberta, British Columbia, Quebec, and Ontario. While minimum wage changes may inhibit job growth in these provinces (Ontario, B.C., Quebec, and Alberta), this will in part be mitigated by the strengthening of the global economy from cyclical recovery. Both effects have been taken into account. That being said, the implication of these policy changes is that there will be uncertainty in how franchises adapt to such changes as the main industries within franchises are those most at risk by such labour changes.

APPENDIX A. GLOSSARY

Agent	An autonomous individual, firm or organization that responds to cues from other agents and their environment using a set of evidence-based behavioural rules in response to those cues.
Agent-based modeling (ABM)	A framework for modeling a dynamic system, such as an economy, by means of individual agents, their mutual interaction with each other, and their mutual interaction with their environment(s).
Direct Impact	The impacts directly involved in the operation of franchises. This includes income and value of production of economic agents (i.e., workers and firms) directly involved in a franchise.
Employment (Full-time equivalents)	Equivalent to person-years of employment, refers to the amount of work typically performed by one person working full-time for one year.
Employment (Total)	The number of employed residents living in a region, in a given year. These residents may work within their region of residence or may commute outside of the region to work.
Franchisee	An individual or organization that gets granted and holds the rights contained in the franchise agreement for the sale of goods or the operation of a service.
Franchising	Method of doing business in which one person, the franchisor, grants another, the franchisee, certain rights contained in the franchise agreement.
Franchisor	An individual or organization that grants the rights contained in the franchise agreement to a third party for the conducting of a business under their marks.
Gross Domestic Product (GDP)	The total unduplicated value of the goods and services produced in the economic territory of a country or region during a given period.
Gross Operating Surplus	Gross operating surplus is the surplus generated by operating activities after the labour factor input has been recompensed. It can be calculated from the value added at factor cost less the personnel costs. It is the balance available to the unit which allows it to recompense the providers of own funds and debt, to pay taxes and eventually to finance all or a part of its investment.
Indirect Impacts	The indirect effects are the economic impacts that arise through business to business interactions throughout the supply chain.
Induced Impacts	Induced effects are the economic activity created through increased spending of those workers receiving incomes from franchises. They can also occur due to reinvestment of business profits to expand capacity or replace depreciated capital stock. These purchases or activities can lead to further employment, wages, income, and tax revenue that reverberate throughout different industries.
Prosperity at Risk (PaR)	CANCEA's cutting-edge and innovative "big data" computer simulation platform that incorporates social, health, economic, financial, and infrastructure factors in an agent-based system.
Systems approach	The belief that in complex systems, the whole is not equal to the sum of its parts. Such an approach requires the understanding that different combinations of assets can have different values for agents and that agents have different constraints and desires, and cannot be treated as aggregates.
System effects	Impacts that transcend direct, indirect and induced effects, which are not traditionally measured by economics. These impacts arise from the relationship between every economic agent and the environment in which they operate, as they influence one another's states and behaviours.
Taxation Revenue	Tax collected by the provincial and federal governments and is made up of income, consumption, and corporate taxes.

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