



**Canadian
Franchise**
Association®

Growing Together



Canadian Franchise Industry Economic Outlook **2023**

April 2023

CANADIAN CENTRE FOR
ECONOMIC ANALYSIS



Franchise Forecast 2023: Executive Summary

Franchising is a strong economic engine in Canada that has demonstrated great resolve over the past three years, continuing to grow despite the challenging economic climate.

Now that the dust has settled on the pandemic, we have a clearer picture of how Canadian franchising fared during these tumultuous times, and can see that franchising indeed remains strong.

This is evidenced by franchising's contribution to the national GDP, which grew from \$100 billion in 2019 to \$117 billion by 2024, making franchising the 13th largest industry in Canada.

It is a huge accomplishment that we have grown at a time when the world was shut down. This showcases the power of the franchise business model, which continues to forge forward thanks to the efforts of the Canadian Franchise Association (CFA) community.

This community has focused on Growing Together® to embrace the latest challenges and help Canadian franchise businesses adapt to the changing demands of today's "new normal." By continuing to support each other, share best practices and information, and come up with innovative solutions together, we have maintained and even grown the Canadian franchise industry, with more growth on the horizon.

We are a collective force in the Canadian economy, with more than 65,000 franchise locations from coast to coast, and thousands more to come in the year ahead. On a provincial level, every province is expected to experience growth in the coming year. Alberta leads the way when it comes to franchise unit growth, representing 46 per cent of all new franchise establishments in Canada, followed by Saskatchewan and Newfoundland & Labrador.



The economic contribution of franchising to Canada's GDP has increased from \$100 billion in 2019 to

\$117 billion
by 2024



13th

The franchise industry as a whole ranks as the 13th largest industry in Canada

The franchise industry continues to employ almost two million Canadians, and will create thousands of net new jobs this year.

The CFA community can be proud of the strength and resilience we have shown. We will continue to focus on Growing Together® in the year to come so we can not only meet these 2024 projections, but also build on this growth in the years ahead as we help even more Canadians make their dreams of business ownership come true through the power of franchising.

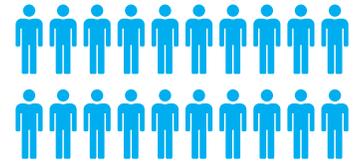
Sincerely



Sherry McNeil, President and CEO
Canadian Franchise Association



65,000+
franchise units in
Canada



almost 2
million

Canadians are projected
to be employed by the
franchise industry in
2023

An independent study conducted on behalf of:



**Canadian
Franchise
Association[®]**

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 550 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.

About the Canadian Centre for Economic Analysis

The Canadian Centre for Economic Analysis (CANCEA) is Canada's foremost independent socio-economic advisory and data firm.

We enable intelligent and responsible decision-making and dialogue through the provision of timely, data-driven social, economic and business insights and solutions that are trusted by over 400 leading organizations for their policy and business-critical forward-looking analysis.

Our services are powered by Canada's largest, fully-integrated socio-economic platform that simultaneously examines hundreds of topics by geospatially simulating over 35 million people and 2 million firms across more than 56,000 Canadian regions.

Equipped with this powerful socio-economic intelligence, our experts and analysts help clients to track, analyze and report the many factors that make up and drive complex regional-level socio-economic communities. This allows the implications of socio-economic micro and macro trends across many topics to be understood by our clients in support of their policy and business-critical decisions.

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1.0 OVERVIEW

This report outlines the economic forecast for the Canadian Franchise Industry for the upcoming year and covers the net change 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. These results are further broken down by province and selected industry sectors.

THE CANADIAN FRANCHISE INDUSTRY AND GENERAL ECONOMIC OUTLOOK

The Canadian franchise industry is estimated to have over 1,100 brands with at least one Canadian establishment and over 65,000 franchise establishments in a variety of industry sectors¹. Over the next year, the Canadian economy is facing a challenging period due to the impact of tighter monetary policy. As a result, economic growth expectations have slowed compared to previous years, and some expect the country to slip into a recession in 2023. However, the outlook for individual provinces varies based on their economic conditions and industry mix.

Nationwide, we anticipate only a small growth in the number of franchise establishments in the country. While the growth rate in franchise establishments and employment may slow down, we expect to observe an increase in GDP, wages, and taxation revenues. This positive trend is likely to continue as inflation is expected to persist throughout the year.

NATIONAL OUTLOOK

Table 1 Overview of the national outlook

Metric		2023	2024 Forecast	% Change	
Number of franchise establishments		65,536	65,686	0.23%	
Direct franchise employment ('000s)	Jobs	<i>Part-Time</i>	417.9	418.6	0.16%
		<i>Full-Time</i>	878.7	880.9	0.25%
		<i>Total</i>	1,297	1,299	0.22%
	FTEs	1,083	1,086	0.23%	
Total franchise-related Employment ('000s)	Jobs	<i>Part-Time</i>	493.1	493.9	0.17%
		<i>Full-Time</i>	1,217	1,220	0.25%
		<i>Total</i>	1,710	1,714	0.22%
	FTEs	1,459	1,463	0.23%	
Direct nominal franchise GDP (\$B)		\$65.2	\$68.7	5.29%	
Total nominal franchise-related GDP (\$B)		\$111.0	\$116.8	5.28%	
Total franchise-related tax	Federal	\$14.8	\$15.5	5.28%	
	Provincial/Territorial	\$12.5	\$13.2	5.23%	

¹ Note that the number of franchises reported by CFA for 2022 has been revised downwards to 65,500.

In 2023, the nominal economic activity of the Canadian franchise industry is expected to grow by 5.28% (+\$5.9 billion net increase), increasing the total franchise-related GDP contribution to \$116.8 billion by 2024. As illustrated in Table 1, the total number of franchise establishments in Canada is expected to grow by 0.23% to a total of 65,700 franchise establishments. Furthermore, the Canadian franchise industry's contribution to federal and provincial tax revenue is expected to increase, respectively, by 5.28% (+\$780 million net increase) to \$15.5 billion and by 5.23% (+\$657 million net increase) to \$13.2 billion by 2024. Higher prices and wages are driving the majority of the increases rather than growth in the number of franchises.

Total franchise-related employment in the country is expected to grow by 0.23% to 1.71 million jobs (1.46 million FTEs) by 2024, which is equivalent to 3,800 net new jobs (2,900 of which are directly due to franchises). Growth in employment is associated with a 5.27% increase in total franchise-related wages to \$60.2 billion (a net increase of \$3.0 billion in wages over the coming year). Part-time franchise-related employment is expected to increase slightly less than full-time employment, by 0.17% (+850 net new jobs) to 493,000 jobs while full-time employment is expected to grow by 0.25% (+3,000 net new jobs) to 1.22 million.

PROVINCE AND TERRITORY OUTLOOK

At the provincial level, in absolute terms, Alberta is estimated to have the largest number of franchise establishments added and percentage growth with an increase of 69 establishments (growth of 0.89%) to 7,809. Ontario has the second largest number of franchise establishments added (+28 net establishments, growth of 0.09% to 31,587). In terms of percentage growth, the second largest growth province is Saskatchewan, where the number of franchise establishments is expected to increase by 0.78% (12 net establishments) to 1,540. Meanwhile, the lowest percentage growth is projected to occur in the Territories, Ontario and Quebec, where the number of franchise establishments is estimated to grow by 0.08%. 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 2024: franchise establishments, nominal GDP and employment

	# of Franchise Establishments		Total Franchise-Related Nominal GDP		Total Franchise-Related Employment (FTEs)	
	Amount 2023	% Change 2023 to 2024	Amount 2023 (\$B)	% Change 2023 to 2024	Amount 2023 (000s)	% Change 2023 to 2024
Alberta	7,809	0.89%	\$15.1	5.94%	170.0	0.89%
British Columbia	9,865	0.19%	\$17.5	5.24%	219.3	0.20%
Manitoba	1,647	0.47%	\$2.4	5.51%	34.0	0.47%
New Brunswick	836	0.12%	\$1.2	5.16%	17.5	0.13%
Newfoundland and Labrador	509	0.70%	\$0.8	5.71%	10.5	0.69%
Nova Scotia	1,179	0.14%	\$1.7	5.18%	24.8	0.15%
Ontario	31,857	0.09%	\$59.3	5.13%	726.6	0.10%
Prince Edward Island	141	0.39%	\$0.2	5.45%	2.9	0.40%
Quebec	10,227	0.08%	\$16.1	5.12%	224.3	0.09%
Saskatchewan	1,540	0.78%	\$2.4	5.84%	31.6	0.78%
Territories	76	0.08%	\$0.2	5.09%	1.5	0.08%
Total	65,686	0.23%	\$116.8	5.28%	1,463	0.23%

Table 3 Provincial outlook for 2024: GOS, wages and taxes

	Gross Operating Surplus		Wages		Taxation (Federal and Provincial)	
	Amount 2023 (\$B)	% Change 2023 to 2024	Amount 2023 (\$B)	% Change 2023 to 2024	Amount 2023 (\$B)	% Change 2023 to 2024
Alberta	\$5.4	5.96%	\$7.69	5.94%	\$3.04	5.94%
British Columbia	\$5.8	5.24%	\$8.70	5.24%	\$4.07	5.24%
Manitoba	\$0.8	5.53%	\$1.19	5.51%	\$0.59	5.51%
New Brunswick	\$0.4	5.17%	\$0.59	5.15%	\$0.30	5.16%
Newfoundland and Labrador	\$0.3	5.70%	\$0.42	5.72%	\$0.21	5.71%
Nova Scotia	\$0.5	5.19%	\$0.84	5.18%	\$0.44	5.18%
Ontario	\$17.7	5.13%	\$31.08	5.13%	\$14.74	5.13%
Prince Edward Island	\$0.1	5.46%	\$0.09	5.45%	\$0.05	5.45%
Quebec	\$4.5	5.13%	\$8.47	5.12%	\$4.74	5.12%
Saskatchewan	\$0.9	5.85%	\$1.08	5.83%	\$0.54	5.84%
Territories	\$0.1	5.08%	\$0.07	5.09%	\$0.03	4.97%
Total	\$36.4	5.30%	\$60.21	5.27%	\$27.32	5.26%

SECTOR OUTLOOK

Table 4 provides an overview of the outlook of the top franchise industry sectors across total franchise-related GDP and total franchise-related employment in terms of full-time equivalents (FTEs). As mentioned previously, while we anticipate that the number of franchise establishments in the country will plateau during over the next year, we still anticipate significant gains in GDP, wages, and taxation revenues due to

the expectation that inflation will persist well into 2023. Sectors which may experience above average growth include those related to professional and business services. The accommodation and food services, despite being the largest sector by number of franchises and employment, is expected to be softer given the slower growth in 2023.

Table 4 Top sector outlook for 2024²

	Total Franchise-Related Nominal GDP		Total Franchise-Related Employment (FTEs)	
	Amount 2023 (\$B)	% Change 2023 to 2024	Amount 2023 ('000s)	% Change 2023 to 2024
Accomodation and food services	\$32.5	5.16%	586	0.14%
Retail trade	\$14.6	5.34%	201	0.32%
Administrative and support, waste management and recycling	\$13.5	5.28%	137	0.27%
Finance, insurance, real estate, rental and leasing	\$12.9	5.41%	74	0.37%
Professional, scientific and technical services	\$9.7	5.50%	77	0.47%
Other services (except public administration)	\$9.0	5.29%	147	0.26%
Manufacturing	\$6.6	5.08%	45	0.04%
Construction	\$5.2	5.35%	43	0.33%
Arts, entertainmnet and recreation	\$4.5	5.21%	67	0.20%
Educational services	\$2.3	5.29%	36	0.30%
Health care and social assistance	\$2.0	5.35%	20	0.35%
Rest of sectors	\$4.1	5.34%	30	0.30%
Total	\$116.8	5.28%	1,463	0.23%

² Refer to Figure 1 on the next page for an overview of industry sectors and the types of franchises that fall under each industry sector category.

INDUSTRY SECTOR DESCRIPTIONS

Figure 1 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 1 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)

Automotive dealers
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
Pharmacy
Retail
Water Treatment

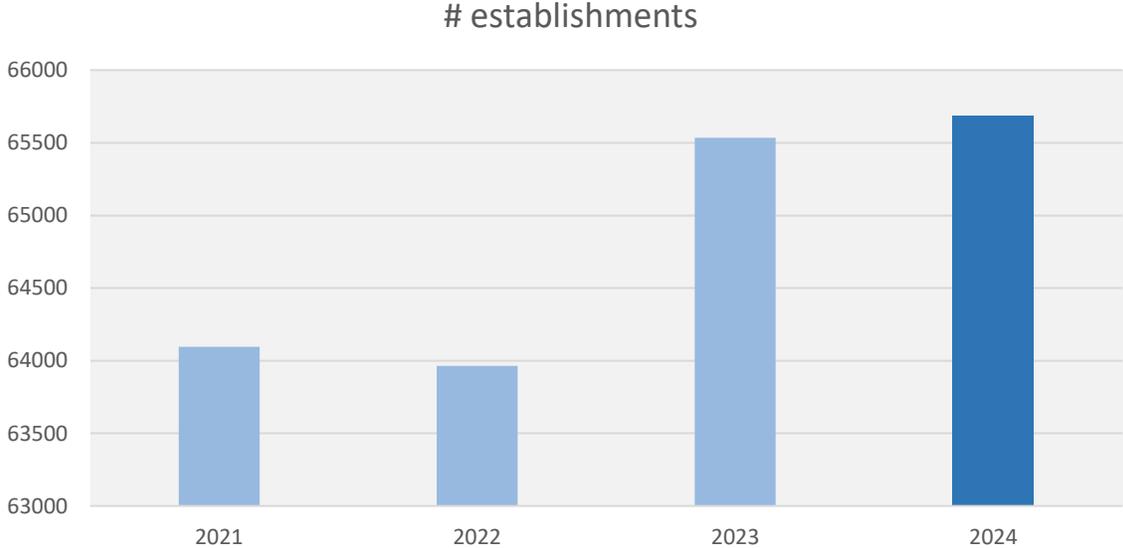
Transport and Warehousing (NAICS 48-49)

Consumer Buying Services
Designated Driving / Transportation Services

2.0 FRANCHISE ESTABLISHMENTS

The Canadian franchise industry is projected to grow by almost 150 net new franchise establishments in the coming year, an increase of 0.23% over 2023 to 65,700 establishments. As shown in Figure 2, this growth consolidates the increase since the 2021 pandemic numbers³.

Figure 2 Number of franchise establishments since 2021 at the start of each year



Across the country, Alberta is expected to have the largest number of franchise establishments added (+69 net increase, growth of 0.89%) to 7,740. This represents 46% of all new franchise establishments in Canada in the upcoming year. Alberta is followed by Ontario, projected to grow by 28 net establishments, resulting in a total of 31,829 establishments. Saskatchewan and British Columbia are also expected to see franchise growth with 12 and 19 new franchise establishments respectively. In terms of percent growth, Ontario, Quebec and the Territories are expected to see the lowest growth at 0.08%. Further provincial breakdowns are provided in Table 5.

³ Historical data has been revised since the publication of earlier reports.

Table 5 Provincial franchise establishment growth

	Franchise Establishments		
	2023	2024	% Change
Alberta	7,740	7,809	0.89%
British Columbia	9,846	9,865	0.19%
Manitoba	1,639	1,647	0.47%
New Brunswick	835	836	0.12%
Newfoundland & Labrador	506	509	0.70%
Nova Scotia	1,177	1,179	0.14%
Ontario	31,829	31,857	0.09%
Prince Edward Island	140	141	0.39%
Quebec	10,219	10,227	0.08%
Saskatchewan	1,529	1,540	0.78%
Territories	76	76	0.08%
Total	65,536	65,686	0.23%

3.0 GROSS DOMESTIC PRODUCT (GDP)

The total franchise-related GDP is estimated to be \$116.8 billion in 2024, a 5.28% increase over 2023. The direct GDP of Canadian franchises is estimated to be \$68.7 billion which represents 59% of the expected total franchise-related GDP. Table 6 provides an overview of the direct and total franchise GDP growth projected for 2024 by industry sector.

Table 6 Top sector franchise nominal GDP

	Direct Franchise GDP (\$ Billions)			Total Franchise nominal GDP (\$ Billions)		
	2023	2024	% Change	2023	2024	% Change
Accommodation and food services	\$19.5	\$20.5	5.17%	\$30.9	\$32.5	5.16%
Retail trade	\$8.6	\$9.1	5.36%	\$13.8	\$14.6	5.34%
Finance, insurance, real estate, rental and leasing and holding companies	\$8.6	\$9.0	5.29%	\$12.9	\$13.5	5.28%
Administrative and support, waste management and remediation services	\$7.4	\$7.8	5.45%	\$12.2	\$12.9	5.41%
Professional, scientific and technical services	\$5.6	\$6.0	5.54%	\$9.2	\$9.7	5.50%
Other services (except public administration)	\$5.7	\$6.0	5.30%	\$8.5	\$9.0	5.29%
Manufacturing	\$2.7	\$2.8	5.04%	\$6.2	\$6.6	5.08%
Construction	\$2.5	\$2.6	5.38%	\$5.0	\$5.2	5.35%
Arts, entertainment and recreation	\$2.6	\$2.7	5.21%	\$4.3	\$4.5	5.21%
Educational services	\$0.9	\$1.0	5.33%	\$2.2	\$2.3	5.29%
Rest of sectors	\$1.1	\$1.2	5.41%	\$5.8	\$6.1	5.34%
Total	\$65.2	\$68.7	5.29%	\$111.0	\$116.8	5.28%

The primary driver of the growth in total franchise-related GDP is the food and accommodation services sector, which is expected to increase by 5.16% to \$32.5 billion (+\$1.59 billion from 2023). This is followed by the retail sector, which is expected to increase by 5.34% to \$14.6 billion (+\$740 million from 2023). Combined, these two industry sectors represent 40% of the growth in the total-franchise related GDP.

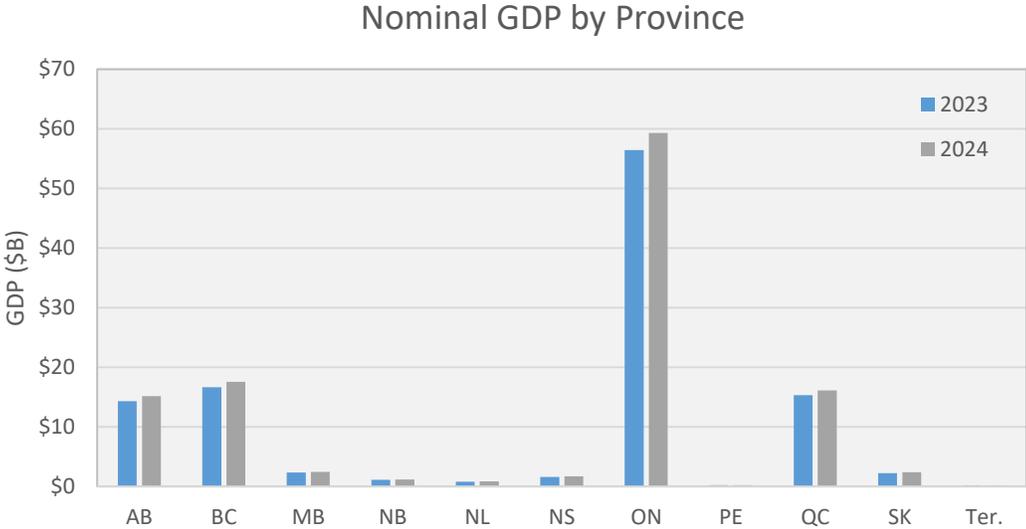
If we consider direct franchise GDP contributions (i.e. GDP that is generated through the operation of franchise establishments and not through indirect and induced effects), the top three industry sectors with the largest direct franchise GDP percentage growth in Canada are projected to be:

- Professional and technical services, growing by \$310 million (+5.54%);
- Real estate and business services, growing by \$400 million (+5.45%); and
- Construction related services, growing by \$130 million (+5.38%).

The differences are due to the indirect and induced impacts within these industry sectors which include the rent paid by many employees and franchisees.

Figure 3 provides an overview of the change in total franchise-related GDP in the franchise industry between 2023 and 2024 by province. As evident below, the largest total franchise-related GDP is projected to occur in Ontario followed by British Columbia and then Quebec.

Figure 3 Provincial and territories total franchise-related nominal GDP



Of all the provinces and territories, Alberta, Saskatchewan, Manitoba and PEI are projected to experience total franchise-related GDP growth above the national average of 5.28%, as illustrated in Figure 4. The largest percentage growth in total-franchise related GDP is projected to occur in Alberta, with an increase of 5.9% (11.7% greater than the national average), followed by Saskatchewan (9.8%).

Figure 4 Total franchise-related nominal GDP growth, 2023-2024

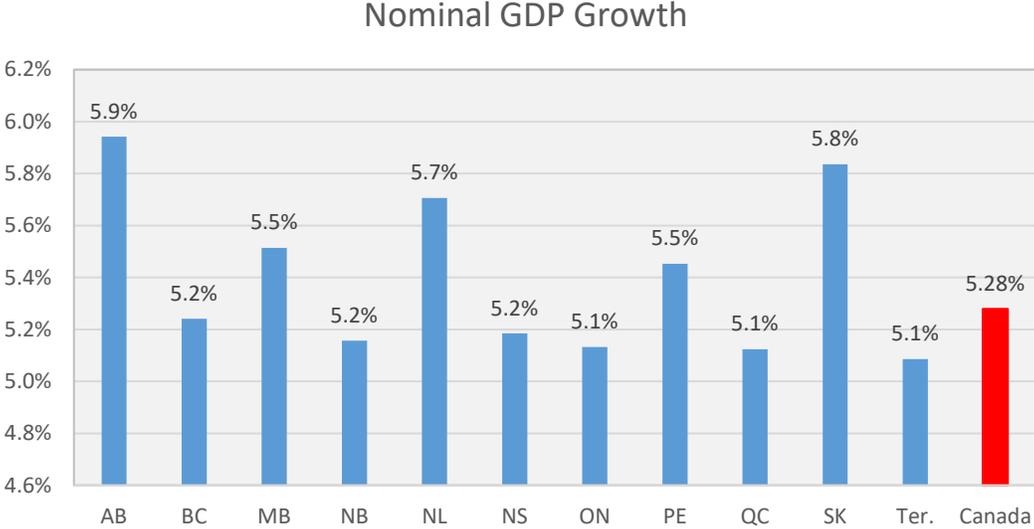


Table 7 Provincial franchise-related nominal GDP outlook

	Direct Franchise nominal GDP (\$ Billions)			Total Franchise-Related nominal GDP (\$ Billions)		
	2023	2024	% Change	2023	2024	% Change
Alberta	\$8.77	\$9.29	5.95%	\$14.27	\$15.12	5.94%
British Columbia	\$10.08	\$10.61	5.24%	\$16.65	\$17.53	5.24%
Manitoba	\$1.52	\$1.60	5.52%	\$2.32	\$2.45	5.51%
New Brunswick	\$0.73	\$0.77	5.16%	\$1.11	\$1.16	5.16%
Newfoundland & Labrador	\$0.53	\$0.56	5.72%	\$0.79	\$0.84	5.71%
Nova Scotia	\$1.01	\$1.06	5.19%	\$1.58	\$1.66	5.18%
Ontario	\$31.76	\$33.39	5.14%	\$56.40	\$59.29	5.13%
Prince Edward Island	\$0.12	\$0.13	5.45%	\$0.18	\$0.19	5.45%
Quebec	\$9.15	\$9.62	5.13%	\$15.30	\$16.09	5.12%
Saskatchewan	\$1.46	\$1.55	5.84%	\$2.23	\$2.36	5.84%
Territories	\$0.11	\$0.12	5.09%	\$0.15	\$0.16	5.09%
Total	\$65.23	\$68.68	5.29%	\$110.98	\$116.84	5.28%

4.0 EMPLOYMENT AND WAGES

The total franchise-related employment is projected to grow to 1.71 million jobs (1.46 million FTEs) by 2024, a 0.23% increase over 2023 and equivalent to 3,800 net new jobs. Direct employment in Canadian franchises, representing 74% of the total franchise-related employment, is expected to grow to 1.3 million jobs (1.09 million FTEs) by 2024, a 0.22% increase, and, equivalent to 2,900 net new jobs. Table 8 provides an overview of the direct and total franchise employment growth projection by province.

Table 8 Canadian franchise employment growth

Provinces and Territories		Direct Franchise Employment			Total Franchise-Related Employment		
		2023 ('000s)	2024 ('000s)	% Change	2023 ('000s)	2024 ('000s)	% Change
Alberta	FTEs	128.6	129.8	0.89%	168.5	170.0	0.89%
	Jobs	151.3	152.6	0.89%	195.1	196.9	0.89%
British Columbia	FTEs	163.2	163.5	0.19%	218.9	219.3	0.20%
	Jobs	193.7	194.1	0.18%	255.0	255.5	0.19%
Manitoba	FTEs	27.0	27.2	0.47%	33.9	34.0	0.47%
	Jobs	32.6	32.8	0.46%	40.1	40.3	0.47%
New Brunswick	FTEs	14.0	14.0	0.12%	17.4	17.5	0.13%
	Jobs	16.1	16.1	0.12%	19.9	19.9	0.13%
Newfoundland & Labrador	FTEs	8.5	8.6	0.70%	10.5	10.5	0.69%
	Jobs	9.6	9.7	0.70%	11.8	11.8	0.69%
Nova Scotia	FTEs	19.6	19.6	0.14%	24.7	24.8	0.15%
	Jobs	22.9	23.0	0.13%	28.6	28.6	0.14%
Ontario	FTEs	525.6	526.1	0.09%	725.8	726.6	0.10%
	Jobs	631.5	632.0	0.08%	851.7	852.5	0.09%
Prince Edward Island	FTEs	2.3	2.4	0.39%	2.9	2.9	0.40%
	Jobs	2.7	2.7	0.38%	3.2	3.3	0.39%
Quebec	FTEs	168.1	168.2	0.08%	224.1	224.3	0.09%
	Jobs	204.7	204.8	0.07%	266.3	266.5	0.08%
Saskatchewan	FTEs	25.3	25.5	0.78%	31.3	31.6	0.78%
	Jobs	30.0	30.3	0.77%	36.7	36.9	0.78%
Territories	FTEs	1.3	1.3	0.08%	1.5	1.5	0.08%
	Jobs	1.5	1.5	0.07%	1.8	1.8	0.07%
Total	FTEs	1,083.4	1,086.0	0.23%	1,459.5	1,462.9	0.23%
	Jobs	1,296.6	1,299.4	0.22%	1,710.2	1,714.0	0.22%

Full-time total franchise-related employment growth is expected to be greater than part-time employment growth, which are expected to increase in 2024, respectively, by 0.25% (+3,000 net new jobs) to 1.22 million

jobs and by 0.17% (+850 net new jobs) to 494,000. 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		
		2023 ('000s)	2024 ('000s)	% Change
Alberta	Part-Time	52.4	52.9	0.88%
	Full-Time	142.7	144.0	0.90%
British Columbia	Part-Time	71.1	71.2	0.14%
	Full-Time	183.9	184.3	0.21%
Manitoba	Part-Time	12.4	12.4	0.44%
	Full-Time	27.8	27.9	0.48%
New Brunswick	Part-Time	4.8	4.8	0.10%
	Full-Time	15.1	15.1	0.13%
Newfoundland & Labrador	Part-Time	2.6	2.6	0.71%
	Full-Time	9.2	9.3	0.69%
Nova Scotia	Part-Time	7.6	7.6	0.09%
	Full-Time	21.0	21.0	0.16%
Ontario	Part-Time	247.6	247.7	0.04%
	Full-Time	604.1	604.8	0.11%
Prince Edward Island	Part-Time	0.7	0.8	0.33%
	Full-Time	2.5	2.5	0.41%
Quebec	Part-Time	82.9	83.0	0.03%
	Full-Time	183.3	183.5	0.10%
Saskatchewan	Part-Time	10.4	10.5	0.76%
	Full-Time	26.2	26.4	0.79%
Territories	Part-Time	0.5	0.5	0.03%
	Full-Time	1.3	1.3	0.08%
Total	Part-Time	493.1	493.9	0.17%
	Full-Time	1,217.1	1,220.1	0.25%

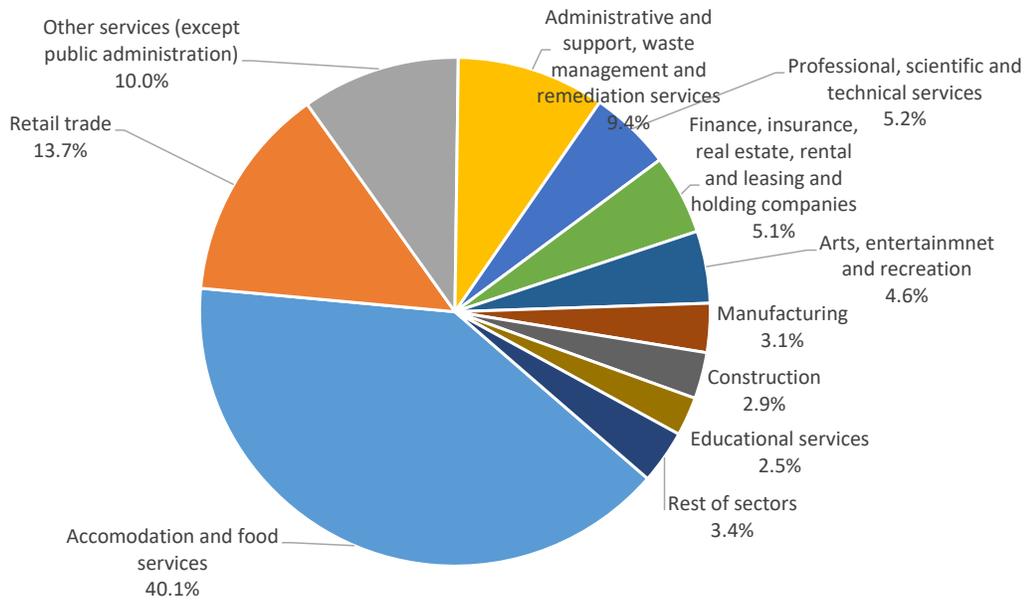
At the provincial level, in absolute terms, Alberta is estimated to have the largest number of total franchise-related jobs added by 2024 (+1,504 new jobs, growth of 0.89%) to 196,900 jobs (170,000 FTEs). This represents 45% of the total franchise-related new jobs projected to be created by 2024. Ontario, given its size, is the province with the next largest number of total franchise-related jobs added (+766 new jobs). However, Alberta's projected level of growth in franchise-related employment for 2024, at 0.89%, is the highest of all provinces and is almost 4 times higher than the national average.

The Atlantic Provinces and the Territories are expected to add the fewest franchise-related jobs, each collectively adding under 160 jobs. These regions have lower population sizes, 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).

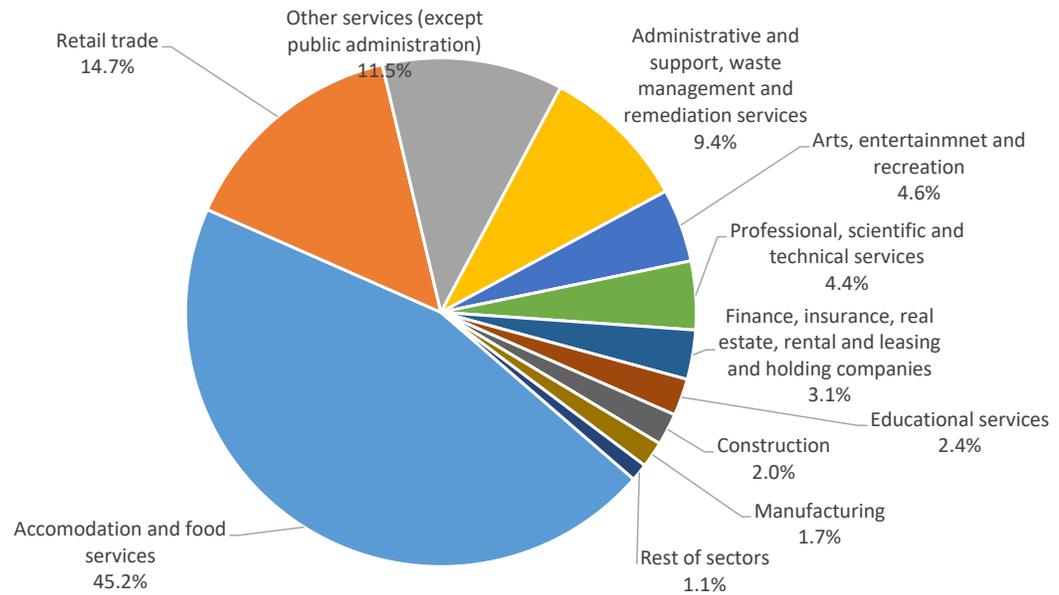
In terms of the industry sectors that will contribute the most to the total franchise-related employment in 2023, the food and accommodation services sector (40.1%) and retail (13.7%) are projected to have the two largest contributions, making up over half of all franchise-related employment. Figure 5 provides a breakdown of the sectors contributing to total franchise-related employment.

Figure 5 Total franchise-related employment (FTEs) proportions



In terms of direct franchise employment, the food and accommodation services (45.2%) and retail (14.7%) sectors are also projected to contribute the most, followed by other services (excluding public administration) (11.5%). A further breakdown is provided in Figure 6.

Figure 6 Direct franchise employment (FTEs) proportions



The increase in franchise-related employment and wage growth is estimated to be associated with a 5.27% increase in the total franchise-related wages to \$60.2 billion by 2024. This is a projected net increase of \$3.0 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 wages (\$ Billions)		
	2023	2024	% Change
Alberta	\$7.25	\$7.69	5.94%
British Columbia	\$8.26	\$8.70	5.24%
Manitoba	\$1.12	\$1.19	5.51%
New Brunswick	\$0.56	\$0.59	5.15%
Newfoundland & Labrador	\$0.39	\$0.42	5.72%
Nova Scotia	\$0.80	\$0.84	5.18%
Ontario	\$29.56	\$31.08	5.13%
Prince Edward Island	\$0.08	\$0.09	5.45%
Quebec	\$8.06	\$8.47	5.12%
Saskatchewan	\$1.02	\$1.08	5.83%
Territories	\$0.07	\$0.07	5.09%
Total	\$57.20	\$60.21	5.27%

5.0 GROSS OPERATING SURPLUS

The total franchise-related gross operating surplus⁴ (GOS) is estimated to be \$36.4 billion by 2024, a 5.30% increase (+\$1.83 billion net increase) over 2022. Table 11 provides an overview of the total franchise-related GOS growth projected by province and territories. The largest increase in total franchise-related GOS is projected to occur in Ontario (+\$866 million net increase, growth of 5.13%), followed by Alberta (+\$304 million net increase, growth of 5.96%) and then British Columbia (+\$288 million net increase, growth of 5.24%).

Table 11 Provincial total franchise-related GOS growth

	Total franchise-related GOS growth (\$ Billions)		
	2023	2024	% Change
Alberta	\$5.10	\$5.40	5.96%
British Columbia	\$5.50	\$5.78	5.24%
Manitoba	\$0.76	\$0.80	5.53%
New Brunswick	\$0.34	\$0.36	5.17%
Newfoundland and Labrador	\$0.27	\$0.29	5.70%
Nova Scotia	\$0.50	\$0.52	5.19%
Ontario	\$16.88	\$17.74	5.13%
Prince Edward Island	\$0.06	\$0.07	5.46%
Quebec	\$4.27	\$4.49	5.13%
Saskatchewan	\$0.83	\$0.88	5.85%
Territories	\$0.06	\$0.06	5.08%
Total	\$34.56	\$36.40	5.30%

The primary driver of the growth in total franchise-related GOS growth in the Canadian franchise industry is the food and accommodation services sector, which is estimated to increase by 5.17% by 2024 to \$8.56 billion (+\$420 million net increase from 2022). This is followed by the financial, insurance and real estate sector, which is estimated to increase by 5.43% by 2024 to \$5.36 billion (+\$280 million net increase). Further breakdowns of the total franchise-related GOS growth by sector are provided in Table 12.

⁴ Operating surplus is the return to capital of incorporated business. It consists of gross profits (including bad debts and charitable contributions) of corporations before income taxes, including capital consumption allowances, miscellaneous investment income, dividend pay net of dividend received, interest paid net of interest received, and inventory valuation adjustment. See full definition on the [Statistics Canada website](#).

Table 12 Industry sector GOS growth

	Total Franchise-Related GOS growth (\$ Billions)		
	2023	2024	% Change
Accommodation and food services	\$8.14	\$8.56	5.17%
Retail trade	\$5.08	\$5.36	5.43%
Finance, insurance, real estate, rental and leasing and holding companies	\$4.07	\$4.28	5.37%
Administrative and support, waste management and remediation services	\$4.04	\$4.25	5.30%
Professional, scientific and technical services	\$2.83	\$2.99	5.51%
Manufacturing	\$2.49	\$2.62	5.15%
Other services (except public administration)	\$2.34	\$2.47	5.30%
Construction	\$1.28	\$1.34	5.21%
Arts, entertainment and recreation	\$1.27	\$1.34	5.34%
Educational services	\$0.71	\$0.74	5.27%
Health care and social assistance	\$0.67	\$0.70	5.36%
<i>Rest of Sectors</i>	\$1.65	\$1.74	5.36%
Total	\$34.56	\$36.40	5.30%

6.0 TAX REVENUE

By 2024, the Canadian franchise industry is projected to generate a total of \$15.5 billion in federal taxation revenue (+\$780 million net increase, growth of 5.28%) and \$13.2 billion in provincial taxation revenue (+\$660 million net increase, growth of 5.23%). Table 13 provides a breakdown of the federal and provincial taxation revenue projected to be generated by the Canadian franchise industry.

Table 13 Federal and provincial taxation revenue generated

Province/Territories	Federal Taxation Revenue		Provincial Taxation Revenue	
	2024 (\$ Billions)	% Change	2024 (\$ Billions)	% Change
Alberta	\$2.01	5.94%	\$1.02	5.94%
British Columbia	\$2.33	5.24%	\$1.74	5.24%
Manitoba	\$0.33	5.51%	\$0.27	5.51%
New Brunswick	\$0.15	5.16%	\$0.14	5.16%
Newfoundland and Labrador	\$0.11	5.71%	\$0.10	5.71%
Nova Scotia	\$0.22	5.18%	\$0.22	5.18%
Ontario	\$7.89	5.13%	\$6.85	5.13%
Prince Edward Island	\$0.02	5.45%	\$0.03	5.45%
Quebec	\$2.14	5.12%	\$2.60	5.12%
Saskatchewan	\$0.31	5.84%	\$0.23	5.84%
Territories	\$0.02	5.09%	\$0.01	5.12%
Total	\$15.55	5.28%	\$13.21	5.23%

Given its size, Ontario's franchise industry is expected to generate the most federal tax revenue out of all provinces at \$7.89 billion (growth of 5.13%) and provincial tax revenue at \$6.85 billion (growth of 5.13%) by 2024. In terms of taxation revenue growth, Alberta is estimated to see the largest increase out of all the provinces and territories, with its tax revenue contribution growing by 5.94% to \$2.01 billion federally and \$1.02 billion provincially.

7.0 TRENDS

All provinces and territories are expected to see growth across all franchise-sector metrics, although growth is expected to differ considerably from province to province (and territories). Alberta, Saskatchewan, Manitoba, Newfoundland & Labrador and PEI are expected to have higher growth rates than the national average across all franchise-sector metrics, while the Ontario, Quebec and the Territories are expected to see lower growth rates than the national average across all metrics over the coming year. These trends are presented by province in Table 14.

Table 14 Provincial growth trends: establishments, nominal GDP, employment, GOS, wages and taxes

	Franchise Establishments	Total Franchise-Related nominal GDP	Total Franchise-Related Employment (FTEs)	Gross Operating Surplus	Wages	Taxation (Federal and Provincial)
	% Change 2023-2024	% Change 2023-2024	% Change 2023-2024	% Change 2023-2024	% Change 2023-2024	% Change 2023-2024
Alberta	0.89%	5.94%	0.89%	5.96%	5.94%	5.94%
British Columbia	0.19%	5.24%	0.20%	5.24%	5.24%	5.24%
Manitoba	0.47%	5.51%	0.47%	5.53%	5.51%	5.51%
New Brunswick	0.12%	5.16%	0.13%	5.17%	5.15%	5.16%
Newfoundland & Labrador	0.70%	5.71%	0.69%	5.70%	5.72%	5.71%
Nova Scotia	0.14%	5.18%	0.15%	5.19%	5.18%	5.18%
Ontario	0.09%	5.13%	0.10%	5.13%	5.13%	5.13%
Prince Edward Island	0.39%	5.45%	0.40%	5.46%	5.45%	5.45%
Quebec	0.08%	5.12%	0.09%	5.13%	5.12%	5.12%
Saskatchewan	0.78%	5.84%	0.78%	5.85%	5.83%	5.84%
Territories	0.08%	5.09%	0.08%	5.08%	5.09%	5.12%
Total	0.23%	5.28%	0.23%	5.30%	5.27%	5.23%

While GDP and employment are expected to grow across all industry sectors related to business, professional and technical services are expected to have the greatest growth. Growth in the food and accommodation sector is expected to continue to recover from the disruptions during the pandemic. The trends in expected franchise-related growth by industry sector is shown in Table 15 below.

Table 15 Top industry sector growth trends: nominal GDP and employment

	Total Franchise-Related nominal GDP	Total Franchise-Related Employment (FTEs)
	% Change 2023-2024	% Change 2023-2024
Accommodation and food services	5.16%	0.14%
Retail trade	5.34%	0.32%
Finance, insurance, real estate, rental and leasing and holding companies	5.28%	0.27%
Administrative and support, waste management and remediation services	5.41%	0.37%
Professional, scientific and technical services	5.50%	0.47%
Other services (except public administration)	5.29%	0.26%
Manufacturing	5.08%	0.04%
Construction	5.35%	0.33%
Arts, entertainment and recreation	5.21%	0.20%
Educational services	5.29%	0.30%
Rest of sectors	5.34%	0.32%
Total	5.28%	0.23%

8.0 CONCLUSIONS

In conclusion, our economic outlook for the upcoming year indicates that while the growth of franchise establishments in the country will slow down, we still expect to see positive gains in key economic indicators. This includes an increase in GDP, wages, and taxation revenues, driven by the persistence of inflation throughout the year. As a result, we anticipate a growth rate of approximately 5.28% for the Canadian franchise industry, which will push its total franchise-related GDP contribution to over \$116.8 billion in nominal terms. These projections are a positive sign for the franchise industry and suggest that it will continue to be a significant contributor to the Canadian economy in the coming year.

Total franchise-related employment in the country is estimated to grow by 0.22% to 1.71 million jobs (1.46 million FTEs) throughout 2023 (equivalent to 3,800 net new jobs, 2,700 of which are directly due to franchises). Total franchise-related employment growth is split between full-time employment, which is estimated to increase by 0.25% (+2,900 net new jobs) to 1.22 million jobs, and part-time employment, which is expected to grow by 0.17% (850 net new jobs) to 493,900. Growth in employment is associated with a 5.27% increase in the total franchise-related wages to \$60.2 billion (a net increase of \$3 billion in wages over the coming year).

The increased GDP, employment, and associated wages will result in an estimated 5.28% increase in federal and provincial taxation revenue contributed by the Canadian franchise industry. Federal tax revenue contributed by the franchise industry is estimated to reach \$15.5 billion, while provincial tax revenue contributed by the franchise industry is estimated to reach \$13.2 billion.

In terms of the provinces and territories, the largest increases in franchise-related GDP, employment, wages, GOS and taxation revenue are estimated to occur in Ontario, due to the size of the economy. Total franchise-related GDP and wage growth in Ontario is estimated to grow by \$2.89 billion and \$1.52 billion (growth of 5.13%). However, in terms of new franchise establishments, Alberta is expected to grow the most. Of the 150 net new franchise establishments projected to be created country-wide, over 46% are expected to be located in Alberta. Alberta is estimated to outperform all other provinces and territories in terms of growth in franchise-related GDP (5.94%), employment (0.89%), wages (5.94%), number of establishments (0.89%), and total taxation revenue (5.94%).

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, using 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 the 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	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	The tax collected by the provincial and federal governments and is made up of income, consumption, and corporate taxes.

APPENDIX B. METHODOLOGY

The economic forecast of the Canadian franchise industry was conducted using CANCEA's Prosperity at Risk® platform. 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 behaviour, industry and firm behaviour, 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 consider the broader impact of franchises.

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).

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