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CANADIAN CONSUMER SENTIMENTS AND QTR 3 CANADIAN GROCERY SECTOR UP-DATE

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EXECUTIVE SUMMARY

The Canadian grocery sector continues to encounter turbulent times as a result of the food inflationary wars. As 2026 approaches, the rising cost of food and housing remains Canadians' primary concerns. In Qtr. 2, Canadians debt to income ratio increased +1.1% to 174.9%,[1] making Canada the G7 leader in household debt compared to income.

Circana forecasts US grocery volume growth between -1% and +1%, with dollar sales rising 3–5%. Key trends identified as shaping the food and beverage industry's performance during the year ahead include value, health and "demographic shifts.[2] Circana's unit tonnage forecast matches YTD results in Canada's grocery sector.

As 2026 approaches, businesses need to be aware of the new Federal Government regulations:

1. The Canadian Federal Plastics Registry.
2. Front of Package Nutrition Labelling Guide.

This in-depth report provides a concise summary of the:

1. Canadian consumer.
2. Qtr. 3 results for Canada's grocery sector.
3. Canadian shopping habits.
4. The Ethnic consumer.

The Top 7 Key Findings:

1. While Canada's CPG inflation rate slowed to 3.4% in October, it remained above the national CPI for the ninth straight month.
2. 61% of Canadians lack confidence in their ability to afford groceries six months from now.
3. Though Canada's grocery sector achieved +1% increase in unit tonnage YTD, unit tonnage has not kept up with the growth in population.
4. For the 52-week period ending August 2025, 41% of FMCG categories have experienced unit volume declines.
5. For the 52-week period ending September 2025, 50.4% of all groceries were sold on promotion.
6. Canadian households spend an average of $180 per week on groceries. Flat from 2024
7. Ethnic consumers spending on FMCG accounts for 30.9% of total sales.

Food Distribution Guy's Final Thoughts:

1. Value: The lowest price is not associated with the best value.
2. Health: Consumers are looking to use food as a means of managing their health.
3. Demographic Shift: Brands that ignore the Ethnic consumer do so at their own peril.

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[1] Leverage Diversity for Growth, Nielsen IQ, October 2025
[2] Circana Predicts Low Volume Growth for Food Industry in 2026, www.supermarketperimiter.com, August 2025

FOREWARD

Though Canada may escape a recession, it camouflages the difficulties consumers face with the cost of living. In Q3 2025, consumer insolvencies rose 4.8% year over year, reaching their highest since 2009.[3] While CPG inflation slowed to 3.4% in October from 4.0% in September, it remained above the national CPI for the ninth straight month.[1] Canada's rate of FMCG inflation is 2nd highest among the G7 countries.[4] Since 2019 there has been a 90% increase in food bank visits.[5]

Food is the leading financial stressor for Canadians. PROOF's (Food Insecurity Policy Research) research shows 25.5% of Canadian households are food insecure, a record high. In Alberta, Saskatchewan, and Manitoba, 44% of households need financial help to afford groceries, and 65% of families with three or more people use savings to buy food due to rising prices.[6]

Heading into 2026, Loblaws predicts that food inflation in Canada is likely to stay elevated over the next few months, with the expectation that at the end of the year, food prices will be about 3-5% higher than in 2025. They attribute this increase to persistent cost pressures, including a weak Canadian dollar, supply chain disruption, and climate-driven volatility.[7]

These 2 quotes, which are indicative of grocery shopping today, will strengthen over time:

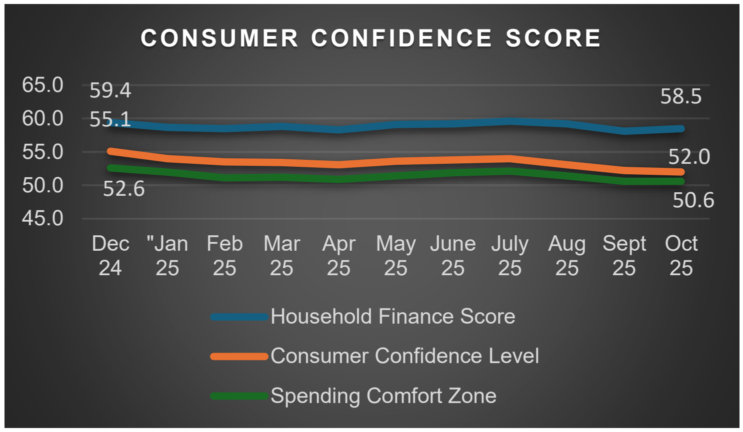
1. "Consumers are controlling their spending by sticking to essentials and cutting back on discretionary spending, buying on promotion, shifting to private label, and shopping at discounters."
2. "Do not expect a bounce back from discounters to conventional grocers for the foreseeable future. I think discount is a new norm that's here to stay."

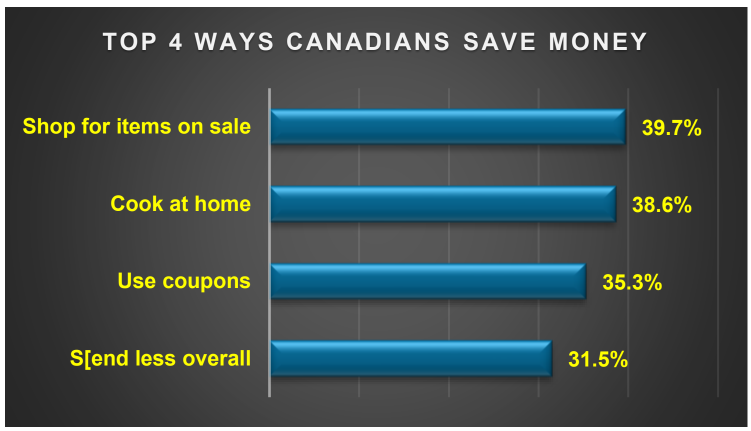
Mike Ljubicic, Nielsen IQ, Canadian Grocer, November 2025

[3] Q 3 2025 Canadian Consumer Insolvencies Climb 4.8% Year over Year, www.retail-insider.com. November 2025
[4] Canada Inflation Eases in October: Statistics Canada, www.retail-insider.com, November 2025
[5] Leverage Diversity for Growth, www.nielseniq.com, October 2025
[6] Canadians Aren't Shopping Differently, They're Surviving Differently, Dr. S. Charlebois, www.torontosun.com, November 2025
[7] Loblaw Report Finds Global Factors are Keeping Food Inflation Elevated. www.canadiangrocer.com, November 2025

CANADIAN CONSUMER SENTIMENTS

- Canadians' consumer confidence declined slightly from September. Confidence in the ability to make ends meet increased slightly, whereas their spending comfort score was flat.[8]





- Increased food prices – the number one concern for 46% of Canadians heading into 2026.[9]
- 61% of Canadians lack confidence in their ability to afford groceries six months from now.
- 81% of consumers are planning their meals around sales and discounts, while 76% are avoiding premium or non-essential items, even if they once enjoyed them.
- 56% are now primarily concerned with getting the most value for their money[10]

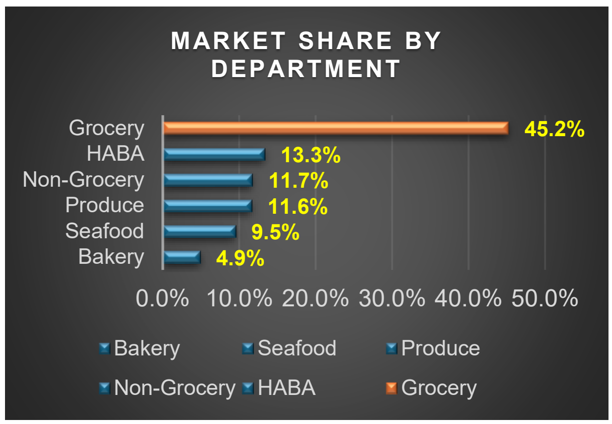
[8] Keep Tabs on Consumer Confidence, www.numerator.ca, October 2025
[9] Leveraging Diversity for Growth, Nielsen IQ, October 2025
[10] The Changing Landscape of Grocery Shopping in Canada, www.abacusdata.com, June 2025

CANADIAN GROCERY SECTOR

- For the 39-week period ending September 27, 2025, Canada's grocery sector achieved **+1%** increase in unit tonnage, and **+4%** increase in dollar sales.
- For the 12-week period ending September 2025, unit tonnage growth has declined slightly to +0.8%.[11]
- For the 52-week period ending August 2025, **41%** of FMCG categories are declining in volume.
- Factors influencing volume trends:

  1. Financial pressures:49% only purchase what they need.
  2. Eating habits: 19% skipping meals.
  3. Food insecurity: Increase in the number of visits to the food bank.
  4. GLP-1 Drug usage.15% of Canadians using this drug[12]

- Grocery continues to be the dominant department in the grocery store for the 52-week period ending September 2025[13]

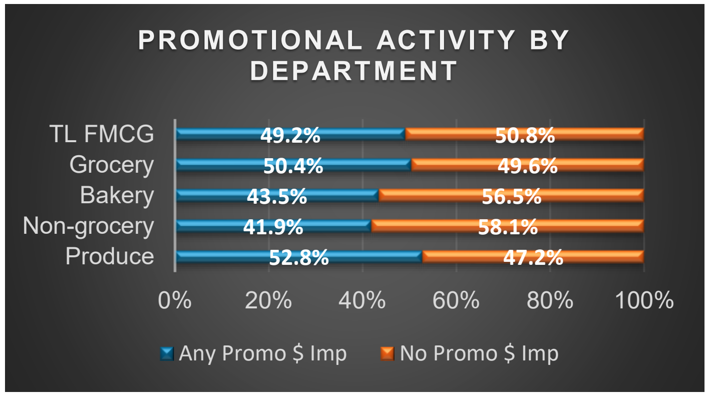


*Grocery / COS / Bakery Dollar Share Chg YA by Category

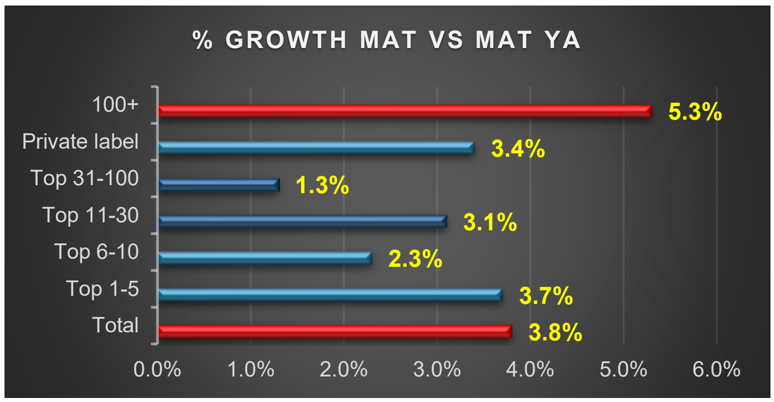
GROCERY		**COS**	
Confectionary	+4.8%	Paper products	+2.8%
Prepared foods	+1.7%	Household products	+0.7%
Snacks	+2.2%	General merchandise	+1.0%
Condiments & Sauces	+3.5%		
Hot Beverages	+10.6%	**BAKERY**	
Frozen Foods	+2.6%	Produce	_3.8%

[11] The President's Report, Qtr 3, Nielsen IQ, November 2025
[12] Leveraging Diversity for Growth, Nielsen IQ, October 2025
[13] FMCG Canadian Quarterly Report, Qtr 3, Nielsen IQ, November 2025

➢ For the 52-week period ending September 2025, 50.4% of all grocery sales were sold on promotion.[14]

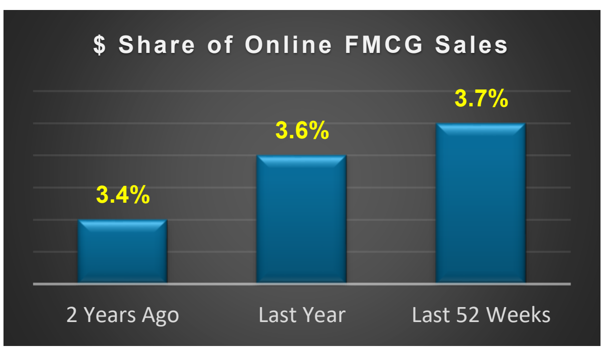


➢ Small businesses' growth continues to be the key driver for sales growth.[15]



ON-LINE SECTOR

➢ Online sales growth driven by higher purchase frequency and spend, despite lower penetration.[16]



Household penetration: 46.9%; -0.9% vs YA

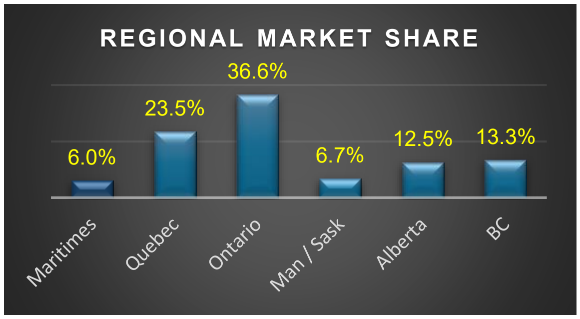
Higher $ per buyer: +6.0%

Higher occasions per buyer: +5.3%.

[14] FMCG Canadian Quarterly Report, Qtr 3, Nielsen IQ, November 2025
[15] Quarter by Numbers, Qtr 3, Nielsen IQ, November 2025
[16] FMCG Canadian Quarterly Report, Otr 3, Nielsen IQ, November 2025

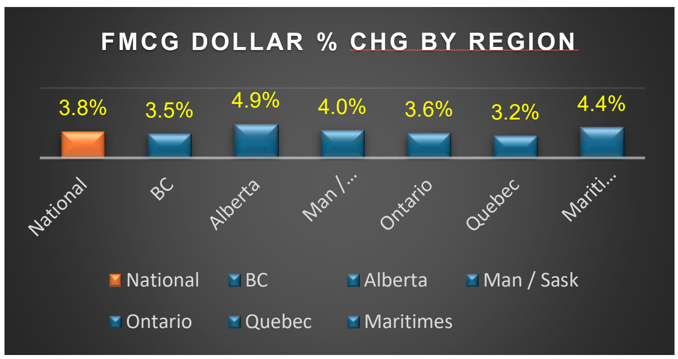
CANADIAN REGIONAL GROCERY SECTOR

- Canada's top 3 provinces account for 73.7% of FMCG sales.[17]



	BC	Alberta	Man / Sask	Ontario	Quebec	Maritimes
$ % Chg YA	3	5	4	4	3	4
Tonn%Chg YA	1	2	1	1	0	2

- Alberta and the Maritimes are leading regional growth, but volume is still lagging population growth.[18]

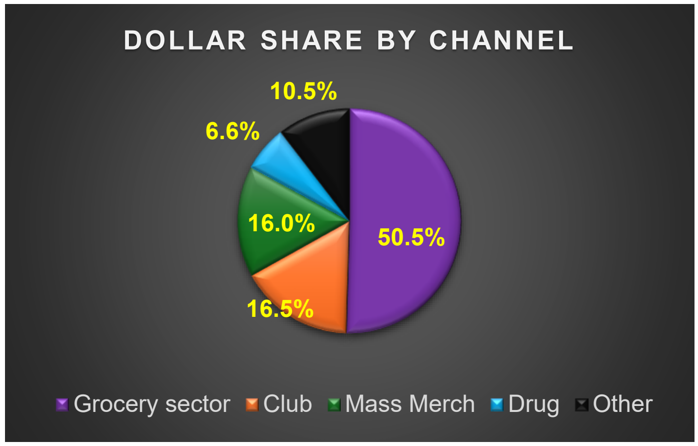


	National	BC	Alberta	Man / Sask	Ontario	Quebec	Maritimes
Vol % Chg	1.0	0.8	2.2	0.9	1.1	0.3	1.6
24 Pop Growth	2.3	2.2	3.9	2.3	2.2	2.0	1.7

[17] FMCG Canadians Quarterly Report, Qtr 3, Nielsen IQ, November 2025
[18] Leveraging Diversity for Growth, Nielsen IQ, October 2025

CANADIAN CHANNEL TRENDS

- GB+WC remained the most important with the fastest share gains, followed by mass. Health food and online posted stronger growth than other channels – 52-week period ending September 2025[19]



DOLLAR SHARE CHANGE BY CHANNEL

Grocery: +0.3%
Club: +0.6%
Mass:0.0
Drug: -0.1%
Other: -0.8%

	Last 52-weeks:PE Sept 2025		**Last 13-weeks:PE Sept 2025**	
	Dollar % Chg	Unit % Chg	Dollar % Chg	Unit % Chg
Dollar	3.7	1.1	1.3	**-2.3**
Mass	3.0	1.1	4.7	3.0
Club	6.6	1.0	4.4	**-1.6**
Drug	2.1	**-1.9**	2.5	**-1.9**
Grocery	3.5	0.5	3.5	.0.8
Online	6.9	8.2	12.0	13.7
Gen Mass	-2.4	0.0	-8.2	**-4.4**
Ethnic	1.3	**-1.7**	2.0	1.0
Health Food	12.5	15.7	9.5	13.3

- For the 52-week period ending September 2025, discounts market share was **50.1%.**
- Discount stores have outperformed conventional stores in total tracked sales by department.[20]

	TTI Channel	Discount	Traditional
$ Spend per household	$8,261	$4,744	$2,977
Spend / household $% Chg	+0.5%	+3.1%	-0.1%

Market Share	Conventional	**$%Chg YA**	Discount	**$%ChgYA**
TTL Sales	50.1%	**+1**	49.9%	+6
Grocery	49.1%	**+4**	50.9%	+4
Non-Grocery	32.8%	**-3**	67.2%	+1
HABA	66.5%	**+1**	33.5%	+6

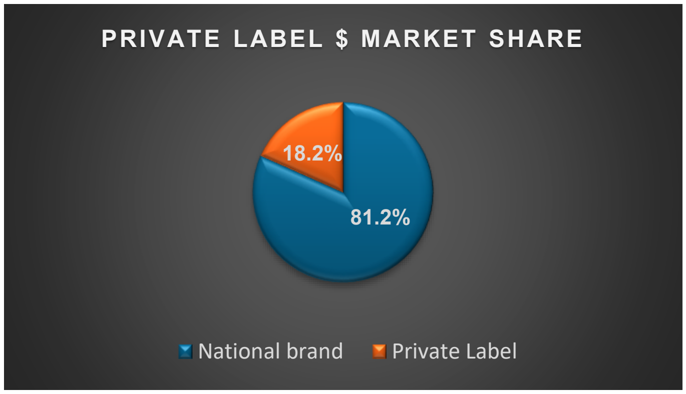
- Discount stores outperform Conventional on key consumer metrics[21]

% HH Penetration			$ / Occasion		
Discount	98%	0.0%	Discount	$63.7	+2.7%
Conventional	95.3%	**-0.9%**	Conventional	$46.9	+1.6%

[19] FMCG Canadian Quarterly Report, Qtr 3, Nielsen IQ, November 2025
[20] The President's Report, Qtr 3, Nielsen IQ, November 2025
[21] FMCG Canadian Quarterly Report, Qtr 3, Nielsen IQ, November 2025

PRIVATE LABEL SECTOR

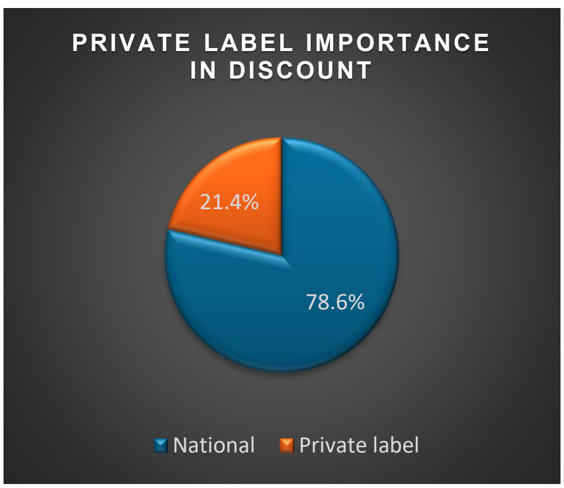
- For the 52-week period ending September 2025, private label dollar share was 18.8%.[22]



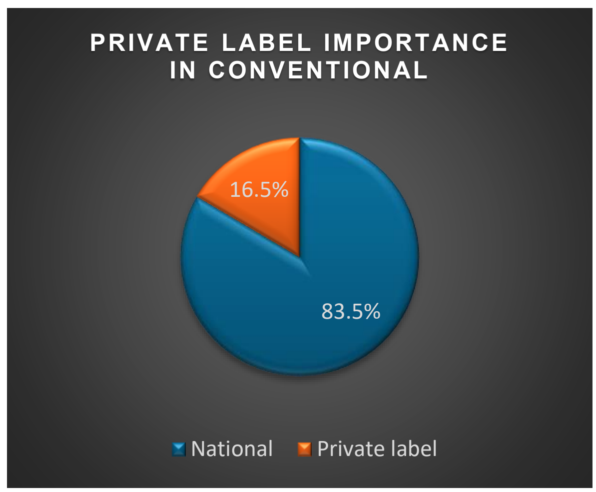
Private label market share for grocery is 21.2%

Private label for non-grocery is 18.8%

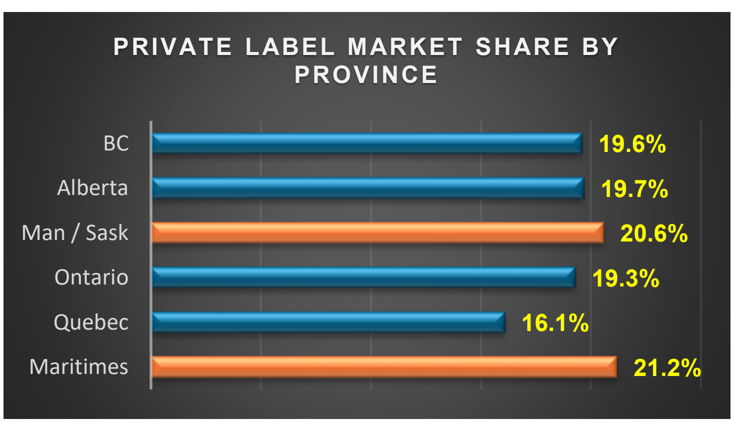
- Yet national brands have led FMCG sales and are growing faster than PL over the latest 52 weeks:
  - Private label: +3% increase in dollar sales vs. +4% increase in dollar sales for national brands[23]
- Private label is more significant in discount than conventional channels.



National brand $% Chg: +5.7% vs. +5.0% for PL



National brand $% Chg: +1.5% vs.+0.1% for PL



Private Label Growth

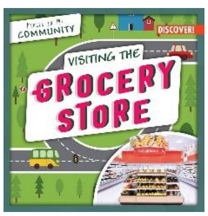
	PL	NB
BC	+4%	+4%
ALB	+3%	+4%
MAN / SASK	+5%	+3%
ONT	+3%	+4%
QUEBEC	+4%	+5%
MAR.	+2%	+4%

[22] The President's Report, Qtr 3, Nielsen IQ, November 2025
[23] FMCG Canadian Quarterly Report, Qtr 3, Nielsen IQ, November 2025

The Grocery Report – Canadians' Shopping Habits[24]

1. Close to **90%** of Canadian household shoppers are planning their grocery trips in advance, and **78%** actively search for savings before shopping.
2. **95%** of households: important to find savings and deals when grocery shopping.
3. **75%** check the price of the specific item they wish to buy. **71%** compare prices for a category of products at one store.
4. Canadian households spend an average of **$180 per week** on groceries. Flat from 2024

1. If prices were to increase, the top 3 items consumers would cut back on **1**. Packaged snacks **47%**, **2**. Cookies: **42%, 3**. Alcohol: **35%**



1. When consumers decide where to shop, the average number of stores visited is **2.1.**

   One store: 25%; Two: 48%; Three 22%, Four 4%; Five 1%

2. 22% have tried a new grocery store in the last 6 months.

Top 5 Retailers that are Chosen for "Best Value for Money"

Canada	Ontario	Quebec	BC	AB, MB, SK	ATL
Costco	No Frills	Maxi	Costco	RCSS	Walmart
No Frills	Food Basic	Super C	RCSS	Costco	Costco
Walmart	Costco	Costco	No Frills	Walmart	No Frills
RCSS	Walmart	Walmart	Walmart	No Frills	Sobeys
Maxi	Freshco	Metro	Freshco	Freshco	ATL Superstore

- **1.8**: The average number of grocery baskets per week.
- **86%** of households shop at least once per week.
- **15%** purchase groceries 3x per week**, 30%** purchase groceries 2x per week**, 34% purchase** groceries once per week
- **38%** price match when shopping. Gen X and Boomers most likely to price match.

OMNI SHOPPER

- **71%** shop only in-store
- **19%** Mostly in-store
- **4%** Equally: in-store and online.
- **5%** Mostly online, and **1%** only online

[24] State of Grocery Report 2025, www.corp.flipp.com, October 2025

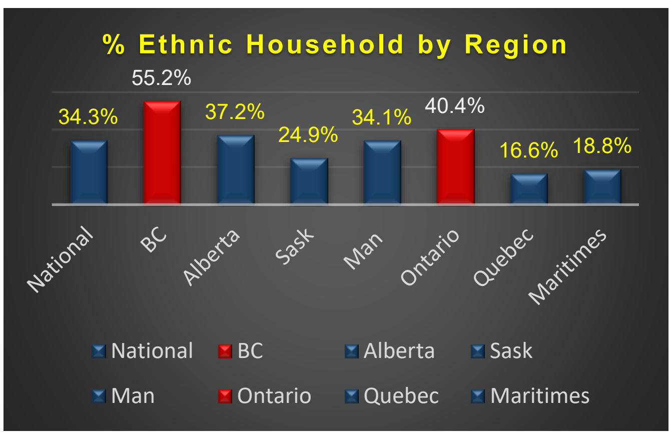
THE CANADIAN ETHNIC SHOPPER[25]

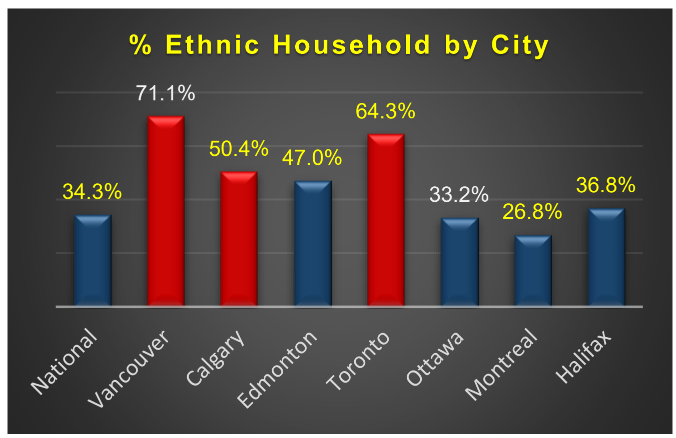
- When brands understand the unique voices and shopping behaviours of ethnic shoppers, they can unlock new pathways to growth.
- Ethnic households (34.7%) account for over a third of Canadian households. Top 4% of household breakdowns:

1. South Asian – 6.4%
2. Chinese 5.3%
3. Black 4.4%
4. Filipino 2.4%
5. Other 15.7%.

18.4% of HH.

- Ontario and BC have the largest proportion of ethnic households. Vancouver, Calgary, and Toronto have the largest portion of ethnic households.
- Ethnic households tend to be younger with children. 52% of ethnic HH are less than 54 years old, and 26% have children under the age of 18.



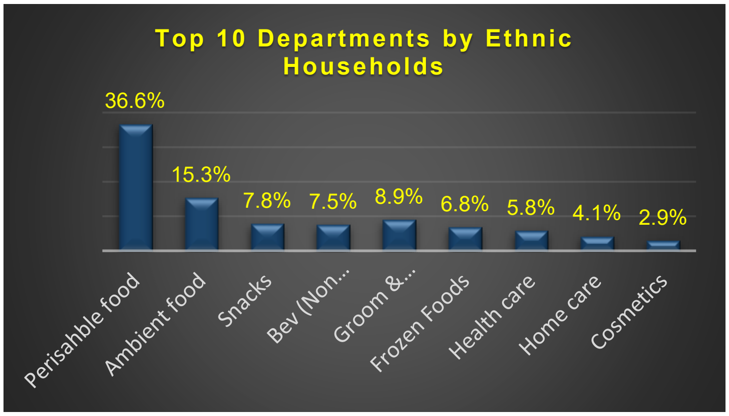


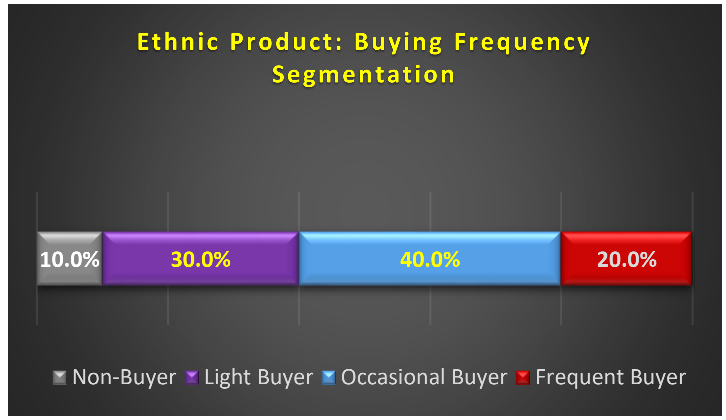
1. Ethnic % $ spend of FMCG: **30.9%.** $47.5B (+13%) – 52 week ending September 2025
2. Ethnic households spend 10% less on FMCG:
   a. Canada: $9,281.
   b. TTL Ethnic: $8,372.

Ethnic % of FMCG Trips: **33.1%.** – 52 week ending September 2025

[25] Leveraging Diversity for Growth, Nielsen IQ, October 2025

- Ethnic households spend more on the core essentials of cooking.
- Ethnic products appeal to the mainstream, with 60% of shoppers buying monthly or more frequently.





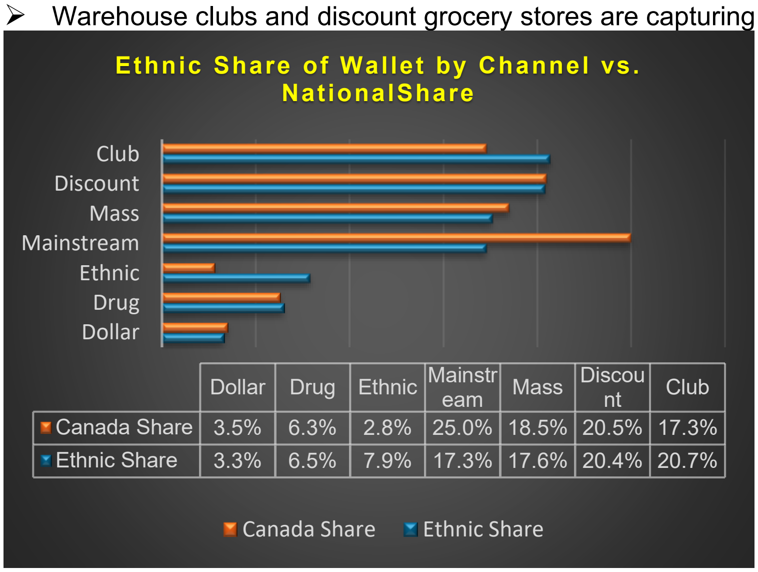
- Ethnic shoppers are value seekers.

58% Buy for taste.

51% try new flavours / foods

70% would shop more at retailers that improved their ethnic store offering.

- Warehouse clubs and discount grocery stores are capturing the largest portion of Ethnic wallet spend

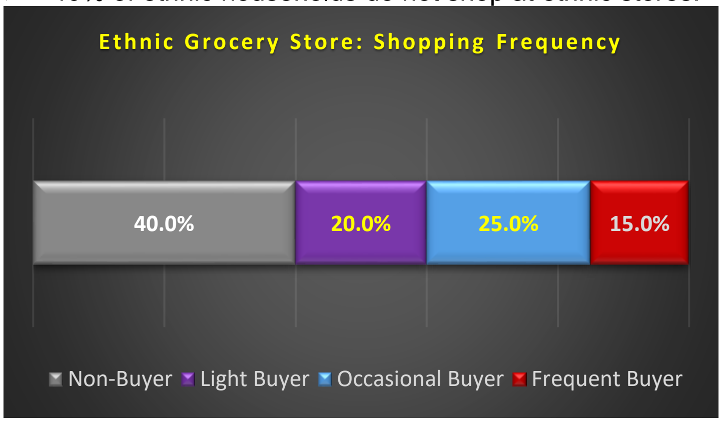


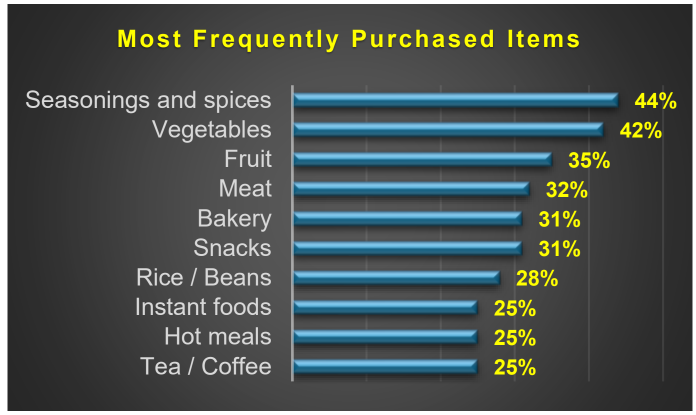
	Dollar	Drug	Ethnic	Mainstream	Mass	Discount	Club
Canada Share	3.5%	6.3%	2.8%	25.0%	18.5%	20.5%	17.3%
Ethnic Share	3.3%	6.5%	7.9%	17.3%	17.6%	20.4%	20.7%

Ethnic's households online share of the wallet is 9.8%, with a 67% HH penetration rate.

They are more inclined to purchase non-food items on-line.

➢ 40% of ethnic households do not shop at ethnic stores.





FOOD DISTRIBUTION GUY'S FINAL THOUGHTS

The Canadian grocery sector's volatility is expected to persist through 2026. Rounding out Canadian's top 3 concerns: 1. Global impact (21%), and economic downturn (20%).[26] With flat grocery budgets, sales volume may align with Circana's US forecasts. Brands cannot ignore the impact of the GLP-1 Drug on food and beverage purchases: conservatively, these medications are already removing over $3.3 billion a year from the Canadian food economy.[27] My takeaway from Mike Ljubicic, Nielsen IQ, quote: "Though Canadians would like to buy Canadian made, in most instances they are opting for lower-priced American," only truly unique Canadian brands can remain competitive in today's grocery sector. "Me Too" brands will not survive,

Food Distribution Guy's Final 3 Thoughts as we head into 2026. They mirror what Circana is forecasting down south:

1. **Value:** While value is inherently subjective, it does not necessarily correspond to the lowest price. Brands should highlight the multiple eating or drinking occasions that their products can provide, while also demonstrating that the anticipated meal cost remains within the consumer's budget.
2. **Health:** This simple word highlights the central role that health and wellness play in modern consumer culture today. This can also relate to the health of the environment in certain instances. The global value of today's consumer wellness market is $1.8T.[28] The global functional food and beverage category is estimated to top $980B USD by 2034.[29]
3. **Demographic Shift: "**Ethnic shoppers aren't a niche - they are the new mainstream." "When we understand the unique voices and shopping behaviours of ethnic shoppers, we unlock new pathways to growth." Carman Allion, Nielsen IQ. Expand ethnic and culturally inspired product lines.

[26] Leveraging Diversity for Growth, Nielsen IQ, October 2025.
[27] The Drug That's Eating the Food Industry, Dr. S. Charlebois, www.torontosun.com. November 2025
[28] The Trends Defining the $1.8T Global Wellness Market in 2024, www.mckinsey.com, January 2024
[29] Functional Food Market Size, Growth, and Trends, www.towardsfnb.com.

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FOOD DISTRIBUTION GUY PROFILE

The Canadian grocery sector has experienced significant turbulence since the pandemic, with the CPG market experiencing static unit growth, with dollar sales fueled by inflation. Having the right partner to assist you in navigating through today's grocery market is crucial to your success.

Food Distribution Guy was established to assist businesses in achieving their goals of being listed within Canada's grocery sector. We believe our extensive experience in the consumer-packaged goods (CPG) sector, combined with our in-depth knowledge of the Canadian grocery landscape and consumer behavior, makes us an ideal partner to help increase your sales and distribution.

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THE FOOD DISTRIBUTION GUY ADVANTAGE.

1. +20 years of branding and marketing experience in Canada's CPG sector.
2. Kept up to date on the **"Pulse"** of the Canadian grocery sector. This ensures your brand stays one step ahead of the competition.
3. Strong working relationships with Canada's leading distributors and brokers.
4. We work nationally, encompassing shelf-stable, refrigerated, frozen, and non-food brands across all retail channels.

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FOOD DISTRIBUTION GUY

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