

IMPACT OF COVID-19 ON THE CANADIAN ECONOMY AND CONSUMER SENTIMENT - *as of April 22, 2020*

To understand the impact of COVID-19 on the economy, the consumer mindset and to inform marketing recovery strategies, Destination Ontario is actively compiling economic and public attitude and behavior information. This includes economic models and consumer sentiment research studies, which are structured to better understand when and where to re-engage visitors to think about travelling again; and with what kinds of messages. The information is both from publicly available sources as well as from a subscription study.

In this unprecedented time of declined global economy, there are many key variables to consider in any model and research studies. The information shared here is what Destination Ontario currently has access to and can share. As such, the information should be treated as directional only.

EXECUTIVE SUMMARY FROM APRIL 16 - APRIL 22, 2020:

- Canadians are “adapting to a new normal”
 - All metrics on threat perception has remained stable which indicates that the perception of financial, personal and national threat has saturated and is at its worst
- Nearly eight in ten Canadians believe the virus is not contained – this is an improvement from the previous wave where 90% of Canadians did not believe the virus is contained (April 10 – 13)
- When the virus is contained, Canadians prefer a step-by-step opening of the economy
- Three in four Canadians are not planning to take a vacation this year and
- 67% of Canadians will not make any vacation/trip plans till the situation is normal in Canada
- Between April 17 and 20, 2020, Canadians were polled regarding how their view of tourists has changed due to COVID19. A majority polled said that

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the pandemic has made them less supportive of tourism. This feeling is especially strong toward tourists currently coming from elsewhere in North America or internationally

- 46% of Ontario residents are not supportive of intra-provincial tourists and 71% of Ontarians are not supportive of International tourists at this time
- Personal car is the only mode of transportation that Canadians and Americans are comfortable with
- 59% of Americans, now believe that things will **not** be normal by June
- 73% of Americans unlikely to travel in the next 3 months
 - 44% say COVID-19 is the primary reason for not travelling the next 3 months
 - Amongst the 27% who would travel in the next 3 months, 78% would travel anywhere in the U.S.
- 51% of Americans will only stay with family or friends when they travel in the next 3 months
- A travel forecast by Tourism Economics and the International Air Transport Association indicates a most likely scenario of personal air travel restrictions remaining in-place until August 2020.
- Destination Canada along with McKinsey & Company released a report last week outlining sector impacts to inform a recovery plan, which forecasts the below scenario as most likely (this report includes all government stimulus and initiatives up to March 27)
 - Scenario 1: If the COVID19 crisis continues up to July (this is the likely scenario in the report))
 - **33%** of annual revenue is lost by tourism businesses in Canada
 - **79,000** tourism businesses in Canada will be closed due to COVID19
 - **~1.7M** tourism related jobs in Canada lost due to COVID19 (87% of the tourism workforce)

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KEY INFORMATION:

The information is from different points in time but is deemed to be still relevant. The information is presented according to the following categories: forecasted outcomes, macro-economic outlook, micro-economic outlook, travel outlook and media consumption.

FORECASTED OUTCOMES

COVID Recession with Government Intervention¹ *(as of April 15, 2020):*

Canadian Conference Board: Statistics Canada made an early release of March GDP numbers on the 15th of April which indicated a March GDP decline of 9% and a first quarter decline of 2.6%. The economic report has now been revised and forecasts the most likely scenario for Canada based on businesses gradually beginning to open with social distancing measures till August 2020 and International borders starting to open for personal travel from September 2020 – February 2021. This model considered the stimulus package announced by Canada and the U.S. and assumes oil prices to remain low due to the ongoing war between Russia and the OPEC.

- Canada's real GDP will decline by **25%** in Q2 (April – June) and a **5%** decline in 2020
- Ontario's GDP will decline by **3.2%** in 2020 and will bounce back to grow by **6.0%** in 2021
 - Ontario is projected to lose **572,000** jobs in Q2 (April – June) with unemployment rate rising to **13.5%**

Tourism Economics IATA Air Travel forecast²: *(As of April 21, 2020)*

Tourism Economics, a division of Oxford Economics Publication, is a global leader in forecasting and quantitative analysis, is releasing a series of reports which model the travel and tourism impact of COVID-19. They collaborated with IATA to release air travel forecast, with a most likely scenario where personal travel restrictions are in-place till August 2020.

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- **46%** drop in air travel within North America and a recovery back to October 2019 levels is only expected by 2023
- **80%** of people will wait at least 2 months to start flying even after all restrictions are lifted

DC McKinsey Tourism Report³: (As of March 27, 2020)

Destination Canada commissioned McKinsey and Company to create a fact and research-based recovery plan for the tourism sector in Canada. The findings of this report are based on government intervention and stimulus as of March 27, 2020. While the report is slightly dated, it still provides relevant data which can be used to gauge recovery strategies for tourism businesses. The model uses Statistics Canada data which indicates that over 50% of economic impact and employment from tourism is from small and medium businesses and also considers the cyclical nature of employment in tourism which means many of these businesses cannot avail the wage subsidies, tax rebates and other programs announced by the federal government.

- Scenario 1: If the COVID19 crisis continues up to July (this is the likely scenario in the report)
 - **33%** of annual revenue is lost by tourism businesses in Canada
 - **79,000** tourism businesses in Canada will be closed due to COVID19
 - **~1.7M** tourism related jobs in Canada lost due to COVID19 (87% of the tourism workforce)
- Scenario 2: If the COVID19 crisis continues up to September
 - **58%** of annual revenue is lost by tourism businesses in Canada
 - **86,000** tourism businesses in Canada will be closed due to COVID19
 - **1.7M** tourism related jobs lost in Canada due to COVID19 (89% of the tourism workforce)

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MACRO-ECONOMIC OUTLOOK:

COVID-19 has seen a significant negative economic impact causing noticeable changes in public behaviour. Market research firm Ipsos is tracking public attitudes and behaviour in Canada and other countries to assist organizations in their strategic and tactical planning. The research consists of weekly online polling of a random samples of Canadians and citizens from various countries. The latest data shows some key insights:

CANADA:

Personal Impact and National Threat⁴

All the threat perception numbers have remained stable (with mild downward trends within the confidence interval) over the last 3 waves of the survey (From April 7), which indicates that we have reached a saturation point.

- **74%** Canadians believe COVID-19 will have a personal financial impact on them and their family
 - **76%** of Ontarians worry about their personal financial impact over their health impact
- **64%** of Canadians now perceive the virus as a threat to Canada
- **50%** of Canadians are worried about losing their job. This perception is even higher in Ontario with 58% of Ontarians being worried about losing their job
- **92%** of Canadians continue to feel the coronavirus will lead to a recession
- Many Canadians are already feeling financial fallout from the pandemic, however with the CERB and other financial measures kicking in the percentage of people finding it hard to pay the bills is dropping:
 - **48%** have experienced job loss in the family
 - **37%** are having a hard time paying the bills, this is down from 41% (from April 4 – 6)⁴
- **77%** Canadians are continuing to buy local, and show preference to Made in Canada products

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- **“When will quarantine end in Canada”** is the top question searched in Google over the past week⁵
- **“How to apply for CERB?”** is the top “How to” question searched in Google over the past week in Canada⁵

Perceived Big Global Economic Impact⁴

- 94% of Canadians foresee an impact on the financial markets and global economy, same as previous wave of data collected from April 10-13
 - 48% of Canadians now think their job or business is threatened by COVID-19, same as previous wave of data collected from April 10 - 13

The Virus is Seen as a Long Way from Being Contained⁴

- Nearly eight in ten Canadians believe the virus is not contained – this is an improvement from the previous where 90% of Canadians did not believe the virus is contained (April 10 – 13)
- When the virus is contained, Canadians prefer a step-by-step opening of the economy
 - 67% of Canadians want the economy to open-up slowly and region-by-region
- Nearly 75% of Canadians agree that they won’t feel comfortable till a vaccine or treatment is developed – this is an improvement from 80% (last wave of data from April 10 – 13)

UNITED STATES:

More Worried about Personal Finance than Own Health⁶

- 48% of Americans believe the virus is a threat to their job, and 71% believe that it will affect their personal and family finances. Both these numbers are the same as the last wave of data (April 9 – 12)
- 35% of Americans want to economy to be opened again even if

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the virus is not contained

- Only 41% of Americans now believe the economy will open by June. This has dropped from 46% in the previous wave (April 9 – 12) and is the lowest since the beginning of the survey
- 56% of Americans are postponing major purchases, this is down from 62% in the previous wave of data (April 9 – 12)

CANADIAN EMPLOYMENT STATUS:

Statistics Canada released the Labour Force Survey for March 2020. The March release of the Labour Force Survey is the first at Statistics Canada in which the impact of the COVID-19 outbreak is clearly visible.

Canada Employment⁸

- Employment fell by more than one million (1,011,000 or -5.3%) in March 2020 compared to February 2020. The largest declines were in accommodation and food services (-23.9%); information, culture and recreation (-13.3%); educational services (-9.1%); and wholesale and retail trade (-7.2%).
- The unemployment rate grew 2.2 percentage points to 7.8%, the largest one-month increase since comparable data became available in 1976.
- Compared with March 2019, employment decreased by 765,000 (-4.0%).

Ontario Employment⁸

- Employment in Ontario decreased by 403,000 or -5.3% in March 2020 compared to February 2020.
- The unemployment rate grew 2.1 percentage points to 7.6%.
- Compared with March 2019, employment in Ontario declined by 228,000 (-3.1%).

Ontario Tourism Related Employment⁸

- In March 2020, employment in Ontario's tourism related industries declined 13.8% compared to February 2020 and decreased 13.6% or 252,000 compared to March 2019.

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- Employment grew in Travel Services (+15%) while it declined in the Accommodation (-27%), Food & Beverage (-26%), Arts, Entertainment and Recreation (-25%), Transportation (-19%), and Retail (-12%) sectors in March 2020 compared to March 2019.

MICRO-ECONOMIC OUTLOOK:

The Canadian Federation of Independent Businesses conducted an online survey on April 23 to understand the impact of COVID-19 on small businesses across Canada.

Small Business Impact⁹:

- 32% of Canadian businesses who have closed are unsure if they will be able to open up again
- Only 20% are fully open, 30% do not have cash flow to pay April bills and 39% are worried about permanent closure.
- \$214,915 is the average loss to small businesses due to COVID-19 so far

TRAVEL OUTLOOK:

Increased Signs of a Shift in Behaviour

Ipsos' public attitude and behavioural online poll results from April 20, 2020 reported⁴:

- Three in four Canadians are not comfortable of taking a vacation this year
- More than eight in ten Canadians are avoiding public places like malls, restaurants and coffee shops
- Net intention to travel to other provinces continues to drop, especially with Ontario and Quebec being the most impacted (currently the provinces worst-hit by the pandemic).
- Likelihood of travel within their own province is declined compared to the

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last wave of data

- 42% of Ontarians are likely to avoid travel even within their own province, this is a decline from 34% (last wave of data from April 10 – 13)
- Views on tourists are overwhelming negative, with a majority saying the pandemic has made them less supportive of tourism. This feeling is especially strong toward tourists coming from elsewhere in North America or internationally
 - 46% of Ontario residents are not supportive of intra-provincial tourists and 71% of Ontarians are not supportive of International tourists at this time

Travel Plans

Google commissioned Ipsos research from April 16 – 19¹⁰

- Travel plans are on hold indefinitely, and when they travel, they intend to start closer home
- **67%** of Canadians will not make any plans to travel till the situation is normal in Canada
- **65%** of Canadians will travel only closer to home post COVID-19 and will not use mass transit and will not travel to crowded places. This remains the same as the previous wave of data from April 2 - 5
- 80% of Canadians say they will avoid cruise vacations in the future
 - Personal car is the most favourite type of transportation for a future vacation

Travel Related Google Search¹¹ (*YoY March 1st to March 15, 2020, excluding cancellations*):

Google's Travel Search tool reported:

- 60% drop in all queries related air travel within Canada
- 10% drop in searches for travel within Ontario
 - Non-urban areas are the worst hit, with Ottawa being the only region to have a 4% growth

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- 50% increase in all search queries related to air travel between US and Ontario, potentially due to Ontarians planning to return to Canada

Canadian Travel:

The Chronicle Herald reported on March 17 and 18, 2020¹³:

- Porter Airlines suspended all their flights by March 20 and will resume on June 1
- WestJet suspended international and U.S. flights starting March 23, 2020 for next 30 days except for rescue and repatriation flights
- WestJet reduced domestic flights by 50% starting March 23, 2020 for 30 days
- Air Canada suspended several outbound international flights including all flights to China until April 30

U.S. Travel:

Destination Canada led initiative with Google conducted an online survey between April 17 - 20, 2020 regarding travel booking intent over the next 3 months.¹²

- 73% of Americans unlikely to travel in the next 3 months
 - 44% say COVID-19 is the primary reason for not travelling the next 3 months
- Amongst the 27% who would travel in the next 3 months:
 - 78% would travel anywhere in the U.S.
- 51% of Americans will only stay with family or friends when they travel in the next 3 months
- Personal car is the only mode of transportation considered to be safe

Global Travel:

Tourism Economics, a division of Oxford Economics Publication, is a global leader in forecasting and quantitative analysis, is releasing a series of reports which model the travel and tourism impact of COVID-19. On March 16, 2020, Tourism Economics

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reported¹⁴:

- Approximately 263 million fewer global arrivals in 2020 compared to 2019 in a downside forecast due to COVID-19
- Travel and tourism should expect a rapid recovery once the environment has stabilized with an expected full recovery by 2023

MEDIA CONSUMPTION HABITS:

With Canadians spending more time at home, there is a marked increase in online media consumption

- **40%** of Canadians now have virtual get-togethers⁴

YouTube reported an increase in its platform usage and noted the following¹⁵:

- **27%** increase in YouTube consumption during the past 28 days
- People are using this time to upskill and adapt themselves to a post-pandemic world
 - **50%** Year over Year increase in learn-at-home related videos
 - **35%** Year over Year increase in meditation related videos

DC TOURISM ECONOMICS IMPACT ASSESSMENT¹⁶: *As of March 23, 2020*

Tourism Economics, a global travel and tourism leader in forecasting and quantitative analysis, developed market-by-market scenarios to reflect the current COVID-19 pandemic. They developed two scenario models to contextualize the global economic recession due to COVID-19. The models do not include potential time required to get back to pre-COVID operating levels, government interventions, risk of additional waves or any structural changes to tourism sector or consumer behaviour changes due to economic, social or health impact of COVID-19.

1. Baseline Scenario with a Q2 2.8% Canadian GDP contraction in 2020:

- Estimated \$27.2B in loss Canadian tourism revenue in 2020 and \$2.1B in 2021 compared to 2019
- Ontario will feel the largest impact with an expected \$10.6B loss in tourism

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revenue compared to 2019

- Estimated 194K in loss Canadian tourism related jobs in 2020, with Ontario feeling the largest impact with 74K job loss

2. Worst-case Scenario with a Q2 4.3% Canadian GDP contraction in 2020

- Estimated \$47.4B in loss Canadian tourism revenue in 2020 and \$14B in 2021 compared to 2019
- Ontario will feel the largest impact with an expected \$18.3B loss in tourism revenue compared to 2019
- Estimated 337K in loss Canadian tourism related jobs in 2020, with Ontario feeling the largest impact with 129K job loss

Appendix: Information Categories and Sources

Information Categories:

Forecasted outcomes:

- This section provides the impact on Canadian GDP and Tourism Spending in Canada. These are statistical models based on assumptions with current border closures and assume a length of time for the lockdowns/physical distancing to be in place. If the physical distancing measures are stepped-up, these numbers will be revised.
- The section also provides when the market is expected to recover. These will be updated as information is available based on the current impact and economic stimulus announced by various levels of government in Canada and across the world on the date of the report

Micro-economic outlook:

- This section is direct economic impact of physical distancing measures on small Canadian businesses.

Travel outlook:

- This section provides perceptions of Canadians and Ontarians on global and domestic travel.
 - Large sample surveys from Canada and all provincial which provide a current pulse on travel intentions
 - Google search intent data (excluding cancellations) which helps us understand what people are looking for.

Media Consumption:

- This section provides an outlook into how people are adapting to the current work-from-home, physical distancing culture. The insights from this section can help in Canadian recovery campaign planning.

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Sources:

1. Statistics Canada; The Conference Board of Canada, April 15, 2020
2. Tourism Economics and IATA International Air Travel Report April 21, 2020
3. McKinsey and Destination Canada study and recommendations March 27, 2020
4. Ipsos Coronavirus – Canada Tracking #6 Report, April 23, 2020: an online poll between April 17-20, 2020, among a random sample of N=1,801 adult Canadians (credibility interval +/-2.6%, 95% of the time), including an oversample to bring Ontario to N=800 (credibility interval +/-4.0%, 95% of the time) and Alberta to N=500 (credibility interval +/-5.0%, 95% of the time)
5. Google Trends Canada Coronavirus Dashboard
6. Ipsos Coronavirus Global Report, data from Apr 17-20, 2020, online survey sample of N=2,000 in each country
7. White House Opening America: <https://www.whitehouse.gov/openingamerica/#criteria>
8. Statistics Canada Labour Force Survey March 2020. [Link to Statistics Canada release](#)
9. CFIB COVID-19 Survey, online survey April 23, 2020, www.cfib-fcei.ca
10. Ipsos COVID-19 Pulse, Google – online survey Apr 19 - 21 sample of N=1,000
11. Google InVite tool, March 1-15, 2020, excluding cancellations
12. The Chronicle Herald, March 17 & 18, 2020 – www.thechronicleherald.ca
13. Google U.S. Travel Intent Survey – online 2 surveys between April 19 - 21, 2020 each n~1,000
14. Tourism Economics, Travel Tourism Global COVID-19 Updated Outlook and Pandemic Impacts, March 16, 2020
15. Google YouTube Coronavirus Claims & Trends March 2020
16. Tourism Economics: Economic Impact on Tourism as of March 23