

IMPACT OF COVID-19 ON THE CANADIAN ECONOMY AND CONSUMER SENTIMENT - *as of April 15, 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 8 - APRIL 15, 2020: :

- Canadians are “finding a new normal” and have moved beyond the “coping with COVID phase”
 - 40% of Canadians use virtual get-togethers to meet family and friends regularly
 - With the CERB and other fiscal measures kicking in 37% of Canadians have difficulty in paying the bills – this is down from 41% (data from previous wave of April 4 – 6)
- Statistics Canada reported 9% drop in Canadian Real GDP in March and a 2.6% decline for Q1 (Jan – Mar) the largest decline since the series started in 1961
 - Conference Board of Canada forecasted a Canadian Real GDP decline of 25% in Q2 (Apr – Jun)
- 64% of Canadians consider the pandemic as a national threat and are stepping-up by choosing Canadian brands

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- Canadian Small businesses are being hit hard
 - More than half of small businesses in Canada reported a decline of over 50% in revenues
 - 50% of Canadian small businesses say they might not survive if the lockdown is extended up to the end of May
 - Hospitality, arts/recreation, retail and personal services saw the most impact
 - Over 40% of business in the above categories have applied for benefits through the Canada emergency business account (this provides businesses with a CA\$40,000 loan from the government and is different from the Wage subsidy benefit)
- Three in four Canadians are not planning to take a vacation this year
- 70% of Canadians will not make any vacation/trip plans till the situation is normal in Canada
- On a positive note, the perception of travel within Ontario by Ontarians is showing initial signs of improvement
 - 34% of Ontarians are likely to avoid travel even within their own province, this is an improvement from 44% (previous wave of data from Apr 4 – 6)
- Personal car is the only mode of transportation that Canadians and Americans are comfortable with
- 54% of Americans, now believe that things will not be normal by June. This is the same as the previous wave of data from Apr 4 – 6, and has increased from 36% (first wave of data March 14)

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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%**

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 behaviours in Canada and other countries to assist organizations in their strategic and tactical planning. The research consists of weekly online polling of a

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random samples of Canadians and citizens from various countries. The latest data shows some key insights:

CANADA:

Personal Impact and National Threat

- 75% Canadians believe COVID-19 will have a personal financial impact on them and their family – This remains almost the same (down from 77%) from the previous wave of data collected from April 4-6²
 - 79% of Ontarians worry about their personal financial impact over their health impact – This remains almost the same (down from 81%) from the previous wave of data collected from April 4-6²
- 64% of Canadians now perceive the virus as a threat to Canada, this is down from 72% (previous wave of data from April 4 – 6)
- 92% of Canadians continue to feel the coronavirus will lead to a recession - this is same as previous wave of data collected from April 4- 6
- 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:
 - 49% have experienced job loss in the family, this is same as the end of March wave of data collected from March 23-30²
 - 37% are having a hard time paying the bills, this is down from 41% (previous wave of data from April 4 – 6)²
- **77%** Canadians are more likely to choose Made in Canada products as a result of the pandemic
- **“When will quarantine end in Canada”** is the top question searched in Google over the past week³
- **“How to apply for CERB?”** is the top “How to” question searched in Google over the past week in Canada³

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Perceived Big Global Economic Impact²

- 94% of Canadians foresee an impact on the financial markets and global economy, same as previous wave of data collected from Apr 4 - 6
 - 48% of Canadians now think their job or business is threatened by COVID-19, down from 53% (previous wave of data collected from Apr 4 - 6)

The Virus is Seen as a Long Way from Being Contained²

- Nearly nine in ten Canadians believe the virus is not contained – same as last wave of data from Apr 4 - 6
- Nearly 80% of Canadians agree that they won't feel comfortable till a vaccine or treatment is developed – same as last wave of data from Apr 4 - 6

UNITED STATES:

More Worried about Personal Finance than Own Health⁴

- 54% of Americans, believe that things will not be normal by June. This is the same as the previous wave of data from Apr 4 – 6, and has increased from 36% in March 14
- 62% of Americans are postponing major purchases

President Trump unveils a 3-phase plan: Opening up America Again⁵

- **Criteria:**
 - 14 days of continuous reduction in Influenza-like illness
 - Downward trajectory of documented COVID cases for 14 days
 - Treat all patients without crisis care and increased testing facilities
 - All businesses should adhere to social distancing guidelines and selective temperature screening

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- **Three Phase approach**

- Beginning with large venues, if they operate under strict physical distancing protocols, as well as gyms re-opening with distancing and sanitation protocols; and moving into schools, daycare facilities and bars opening and then opening visits to senior care facilities.

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 Employment⁶

- 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 Employment⁶

- 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%).

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Ontario Tourism Related Employment⁶

- 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.
- 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 15 to understand the impact of COVID-19 on small businesses across Canada.

Small Business Impact⁷:

- More than half of small businesses in Canada reported a decline of over 50% in revenues
- Hospitality, arts/recreation, retail and personal services saw the most impact⁷
 - Over 40% of business in the above categories have applied for benefits through the Canada emergency business account
- \$203,461 revenue lost on average by Canadian businesses so far due to COVID-19⁷
- If the lockdown continues till end of May
 - 6% of businesses will definitely not survive
 - 44% of business are unsure of their survival

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TRAVEL OUTLOOK:

Increased Signs of a Shift in Behaviour

- Ipsos' public attitude and behavioural online poll results from April 13, 2020 reported²:
- 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
- Three in four Canadians have changed or cancelled their travel plans as a result of the virus
- 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 improving in Ontario
 - 34% of Ontarians are likely to avoid travel even within their own province, this is an improvement from 44% (previous wave of data from Apr 4 – 6)

Travel Plans

Google commissioned Ipsos research from Apr 2 – 5⁸

- Travel plans are on hold indefinitely, and when they travel they intend to start closer home
- **70%** 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 COVID19, and will not use mass transit and will not travel to crowded places. This remains the same as the previous wave of data from Mar 26 - 28
- **80% of Canadians say they will avoid cruise vacations in the future**
 - **Personal car is the most favorite type of transportation for a future vacation**

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Travel Related Google Search⁹ (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
- 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, 2020¹⁰:

- 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 10 - 13, 2020 regarding travel booking intent over the next 3 months.¹¹

- 71% of Americans unlikely to travel in the next 3 months
 - 45% say COVID-19 is the primary reason for not travelling the next 3 months
- Amongst the 29% who would travel in the next 3 months:
 - 74% would travel anywhere in the U.S.

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- 56% 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 reported¹²:

- 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-togethers²

YouTube reported an increase in its platform usage and noted the following¹³:

- **60%** increase in media consumption during the slowdown in Canada
- **22%** growth in mobile video through social channels (YouTube, Facebook and Instagram)
 - **Home workouts, Wellness and Cooking channels** are the top content themes on YouTube

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. Ipsos Coronavirus – Canada Tracking #4 Report, April 15, 2020: an online poll between April 10 - 13, 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)
3. Google Trends Canada Coronavirus Dashboard
4. Ipsos Coronavirus Global Report, data from Apr 10-13, 2020, online survey sample of N=2,000 in each country
5. White House Opening America: <https://www.whitehouse.gov/openingamerica/#criteria>
6. Statistics Canada Labour Force Survey March 2020. [Link to Statistics Canada release](#)
7. CFIB COVID-19 Survey, online survey April 15, 2020, www.cfib-fcei.ca
8. Ipsos COVID-19 Pulse, Google – online survey Apr 2 - 5 sample of N=1,000
9. Google InVite tool, March 1-15, 2020, excluding cancellations
10. The Chronicle Herald, March 17 & 18, 2020 – www.thechronicleherald.ca
11. Google U.S. Travel Intent Survey – online 2 surveys between April 2 - 5, 2020 each n~1,000
12. Tourism Economics, Travel Tourism Global COVID-19 Updated Outlook and Pandemic Impacts, March 16, 2020
13. Google YouTube Coronavirus Claims & Trends March 2020