

IMPACT OF COVID-19 ON THE CANADIAN ECONOMY AND CONSUMER SENTIMENT - *as of March 30, 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 MARCH 26-30TH:

- After 2 weeks of double-digit growth in sense of COVID-19 urgency, the growth is slowing down last week – a sign of consumers moving from rising anxiety phase to a coping with COVID-19 phase
- Most Canadians remain primarily concerned about the economy with half seeing it as a threat to their job/business
- Almost half of Canadians experienced job loss in the family
- 80% Canadians are practicing social distancing by avoiding public places
- 87% of Canadians believe things will be back to normal only during or post summer
- 71% of Canadians will not make travel plans until the situation is normal and 73% intend to travel closer to home when the situation becomes normal

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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 March 23, 2020):*

Canadian Conference Board: Economic Outlook report, based on StatsCan data, forecasted the most likely scenario for Canada based on a 6-week global shutdown and an extended global shutdown until August, 2020. 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.

- Estimated **\$20B** in loss revenue in 2020 for Canadian tourism and related industries such as air travel, accommodation, food & beverage and arts & entertainment
- The model also forecasts recovery starting as early as October 2020 with Canadian GDP growing at 3.1% for 2021

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

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CANADA:

Rising Sense of Personal Impact and National Threat

- 77% Canadians believe COVID-19 will have a personal financial impact on them and their family – This is down from 80% in March 26-30, than the week before²
 - 78% of Ontarians worry about their personal financial impact over their health impact – This is down from 80% last week²
- Nearly three in four Canadians now perceive the virus as a threat to Canada, up 10 percentage points in the past week and 58 percentage points since tracking began on February 14²
- 90% of Canadians continue to feel the coronavirus will lead to a recession²
- Many Canadians are already feeling financial fallout from the pandemic:
 - 48% have experienced job loss in the family
 - Four in ten who are having a hard time paying the bills²
- **“How to apply for EI?”** is the top “How to” question searched in Google over the past week in Canada³

Perceived Big Global Economic Impact²

- 93% of Canadians foresee an impact on the financial markets and global economy
- 51% of Canadians now think their job or business is threatened by COVID-19

The Virus is Seen as a Long Way from Being Contained²

- Nearly nine in ten Canadians believe the virus is not contained

Economy perceived to be back to normal only post Summer 2020

- **87%** of Canadians believe things will return to normal only during or post Summer 2020⁴

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UNITED STATES:

More Worried about Personal Finance than Own Health⁴

- 91% of Americans have elevated concerns of their financial security because of COVID-19
- 59% of Americans are postponing major purchases

MICRO-ECONOMIC OUTLOOK:

The Canadian Federation of Independent Businesses conducted an online survey on March 13 to understand the impact of COVID-19 on small businesses across Canada. Their March 16, 2020 preliminary results indicated a significant sales decline as a result of the outbreak.

Small Business Impact:

- 50% of Canadian small business saw their sales drop due to the outbreak, with four in ten reporting greater than 25% decrease⁵
- Hospitality, arts/recreation, retail and personal services saw the most impact⁵
- Average \$66,000 loss to those affected by COVID-19⁵
- 42% reported they will have zero sales if there is no face-to face contact⁵
- 43% reduced their staff hours and 20% have started temporary layoffs⁵

TRAVEL OUTLOOK:

Increased Signs of a Shift in Behaviour

Ipsos' public attitude and behavioural online poll results from March 26-30th reported²:

- Eight in ten Canadians are avoiding public places like malls, restaurants and coffee shops

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- 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 Quebec being the most impacted (currently the province worst-hit by the pandemic).
- Some Canadians are less likely to travel within their own province than they were last week, with the biggest declines in Prairies. In comparison, Alberta and Atlantic Canada are seeing increased net travel intent within their province.
 - 34% of Canadians are avoiding travel even within their province

Travel Plans

Google commissioned Ipsos research from Mar 19 – Mar 22⁶

- Canadians' travel plans are on hold indefinitely, and when they travel they intend to start closer home
- **71%** of Canadians will not make any plans to travel till the situation is normal in Canada
- **73%** of Canadians will travel only closer to home post COVID19
- **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**

Travel Related Google Search⁷ (*YoY March 1st to March 15 2020, excluding cancellations*):

- Google's Travel Search tool reported (for Canada):
- 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, 2020⁸:
- 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 March 13-16, 2020 regarding travel booking intent over the next 3 months. The survey was conducted before California and NYC restrictions and CDC and President Trump's recommendation to limit gatherings were announced.⁹

- 66% of Americans unlikely to travel in the next 3 months
 - 38% say COVID-19 is the primary reason for not travelling the next 3 months
- Amongst the 34% who would travel in the next 3 months:
 - 54% would travel anywhere in the U.S.
 - 10% would travel only in North America

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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 reported¹⁰:

- 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

- **51%** of Canadians now use online streaming services for media consumption according to the march 26-30th poll²

YouTube reported an increase in its platform usage during March and noted the following¹¹:

- **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, March 23, 2020
2. Ipsos Coronavirus – Canada Tracking #4 Report, April 2, 2020: an online poll between March 26-30, 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 Mar 26 - 28, 2020
5. CFIB COVID-19 Survey, Preliminary Results reported March 16, 2020 – online survey starting March 13 – TBD, 2020, www.cfib-fcei.ca
6. Ipsos COVID-19 Pulse, Google – online survey March 19-22 sample of N=1,000
7. Google InVite tool, March 1-15, 2020, excluding cancellations
8. The Chronicle Herald, March 17 & 18, 2020 – www.thechronicleherald.ca
9. Google U.S. Travel Intent Survey – online 2 surveys between March 13-16, 2020 each n~1,000
10. Tourism Economics, Travel Tourism Global COVID-19 Updated Outlook and Pandemic Impacts, March 16, 2020
11. Google YouTube Coronavirus Claims & Trends March 2020