

# IMPACT OF COVID-19 ON THE CANADIAN ECONOMY AND CONSUMER SENTIMENT - *as of April 7, 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 30 - April 7<sup>th</sup>, 2020:

- “When will the quarantine end?” is the top searched COVID related question by Canadians in Google which indicates a sense of restlessness among Canadians
- Over 1M jobs lost in Canada during March. The unemployment rate increased by 2.2 percentage points to 7.8%. This is the largest single month increase from 1976.
  - Over half of Canadians experienced job loss in the family
  - 44% are spending less and are intending to save more
- Overall Canadian intention to travel (within Canada/North America/ Internationally) continues to decrease
  - They will travel closer to home and this intention to travel decreases with increase in distance from home
  - 70% of Canadians will not make travel plans until the situation is

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normal and 65% intend to travel closer to home when the situation becomes normal

- 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

## 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 Intervention<sup>1</sup> (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

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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:**

### **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 remains the same from the previous wave of data collected from March 23 - 30<sup>2</sup>
  - 81% of Ontarians worry about their personal financial impact over their health impact – This is up from 78% (previous wave of data collected from March 23-30)<sup>2</sup>
- Nearly three in four Canadians now perceive the virus as a threat to Canada, same as previous wave of data collected from March 23 - 30 and up by 58 percentage points since tracking began on February 14<sup>2</sup>
- 91% of Canadians continue to feel the coronavirus will lead to a recession this is same as previous wave of data collected from March 23 - 30
- Many Canadians are already feeling financial fallout from the pandemic:
  - 51% have experienced job loss in the family, this is up from 48% (previous wave of data collected from March 23-30)<sup>2</sup>
  - Four in ten are having a hard time paying the bills<sup>2</sup>
- **“When will quarantine end in Canada”** is the top question searched in Google over the past week<sup>3</sup>
- **“How to apply for CERB?”** is the top “How to” question searched in Google over the past week in Canada<sup>3</sup>

### **Perceived Big Global Economic Impact<sup>2</sup>**

- 93% of Canadians foresee an impact on the financial markets and global economy, same as previous wave of data collected from March 23 - 30
  - 53% of Canadians now think their job or business is threatened

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by COVID-19, up from 51% (previous wave of data collected from March 23-30)

## **The Virus is Seen as a Long Way from Being Contained<sup>2</sup>**

- Nearly nine in ten Canadians believe the virus is not contained
- Nearly 80% of Canadians agree that they won't feel comfortable till a vaccine or treatment is developed

## **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 2020<sup>4</sup>

## **UNITED STATES:**

### **More Worried about Personal Finance than Own Health<sup>4</sup>**

- 54% of Americans, now believe that things will **not** be normal by June. This is the first time this number has surpassed 50% and has increased from 36% in March 14
- 91% of Americans have elevated concerns of their financial security because of COVID-19
- 61% of Americans are postponing major purchases

## **CANADIAN EMPLOYMENT STATUS<sup>5</sup>:**

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 Employment<sup>5</sup>**

- 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

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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 Employment<sup>5</sup>**

- 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 Employment<sup>5</sup>**

- 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 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.

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## **Small Business Impact:**

- 50% of Canadian small business saw their sales drop due to the outbreak, with four in ten reporting greater than 25% decrease<sup>6</sup>
- Hospitality, arts/recreation, retail and personal services saw the most impact<sup>6</sup>
- Average \$66,000 loss to those affected by COVID-19<sup>6</sup>
- 42% reported they will have zero sales if there is no face-to face contact<sup>6</sup>
- 43% reduced their staff hours and 20% have started temporary layoffs<sup>6</sup>

## TRAVEL OUTLOOK:

### **Increased Signs of a Shift in Behaviour**

Ipsos' public attitude and behavioural online poll results from April 6, 2020 reported<sup>2</sup>:

- 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 province worst-hit by the pandemic).
- Some Canadians are less likely to travel within their own province than they were during the previous wave of data collection between Mar 23 - 30, with the biggest declines in Alberta, Quebec and Atlantic Canada
  - 45% of Ontarians are avoiding travel even within their own province
  - 34% of Canadians are avoiding travel even within their province

### **Travel Plans**

Google commissioned Ipsos research from Mar 26 – Mar 28<sup>7</sup>

- Travel plans are on hold indefinitely, and when they travel they intend to start closer home

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- **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, this has dropped from 73% (previous wave of data collected from March 16 – 18)
- **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 Search<sup>8</sup>** (*YoY March 1<sup>st</sup> 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, 2020<sup>9</sup>:

- 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

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## U.S. Travel:

Destination Canada led initiative with Google conducted an online survey between March 27-30, 2020 regarding travel booking intent over the next 3 months.<sup>10</sup>

- 75% of Americans unlikely to travel in the next 3 months
  - 53% say COVID-19 is the primary reason for not travelling the next 3 months
- Amongst the 25% who would travel in the next 3 months:
  - 77% would travel anywhere in the U.S.

## 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 reported<sup>11</sup>:

- 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<sup>2</sup>

YouTube reported an increase in its platform usage and noted the following<sup>12</sup>:

- **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 6, 2020: an online poll between April 2 - 4, 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 2- 4, 2020, online survey sample of N=2,000 in each country
5. Statistics Canada Labour Force Survey March 2020. [Link to Statistics Canada release](#)
6. CFIB COVID-19 Survey, Preliminary Results reported March 16, 2020 – online survey starting March 13 – TBD, 2020, [www.cfib-fcei.ca](http://www.cfib-fcei.ca)
7. Ipsos COVID-19 Pulse, Google – online survey March 27 - 28 sample of N=1,000
8. Google InVite tool, March 1-15, 2020, excluding cancellations
9. The Chronicle Herald, March 17 & 18, 2020 – [www.thechronicleherald.ca](http://www.thechronicleherald.ca)
10. Google U.S. Travel Intent Survey – online 2 surveys between March 27-30, 2020 each n~1,000
11. Tourism Economics, Travel Tourism Global COVID-19 Updated Outlook and Pandemic Impacts, March 16, 2020