

Visitor Demand Forecast (July 2020 Update)



Summary

Our April / May COVID Economic Impact Forecasts were based on assumptions on traveller behaviour, border & travel restrictions and economic impacts

Given new developments, we are revising our core assumptions and scenarios

	Scenario	Assumptions	Recover to 2019 levels by...	Tourism Impact
April / May	Virus Contained	Travel resumes in June	2022	-35%
	Virus Not Contained	Uneven travel resumption	2024	-59%
	1. September Restart	Borders re-open at end of August/start of September	2023	-54%
July	2. Borders closed to 2021 (upper bound)	Borders closed to 2021	2023	-43%
	3. Borders closed to 2021 (lower bound)	Borders closed to 2021	2024	-61%

Three areas of uncertainty driving our updated forecast of demand

Health Restrictions

Restrictions on international and domestic mobility/travel

Gatherings, including leisure and business group activities

Health insurance coverage

Economic conditions

Economic lock down implemented worldwide as initial control measure

Impact on GDP, employment, government spending, trade

Consumer Sentiment

High unemployment

Uncertainties on near future income prospects

Compromised disposable income

Other areas of uncertainty

Assumed to not be a constraint on travel

Travel Conditions
(key driver of our updated scenarios)

Border Restrictions

Travel Bubbles/airbridges

Travel insurance

Resident Sentiment

Uneven willingness of communities to welcome visitors from different areas

State of the industry
(i.e. Supply)

Open/closed businesses

Reduced capacity to host visitors

Local business health and safety guidelines

Labour conditions

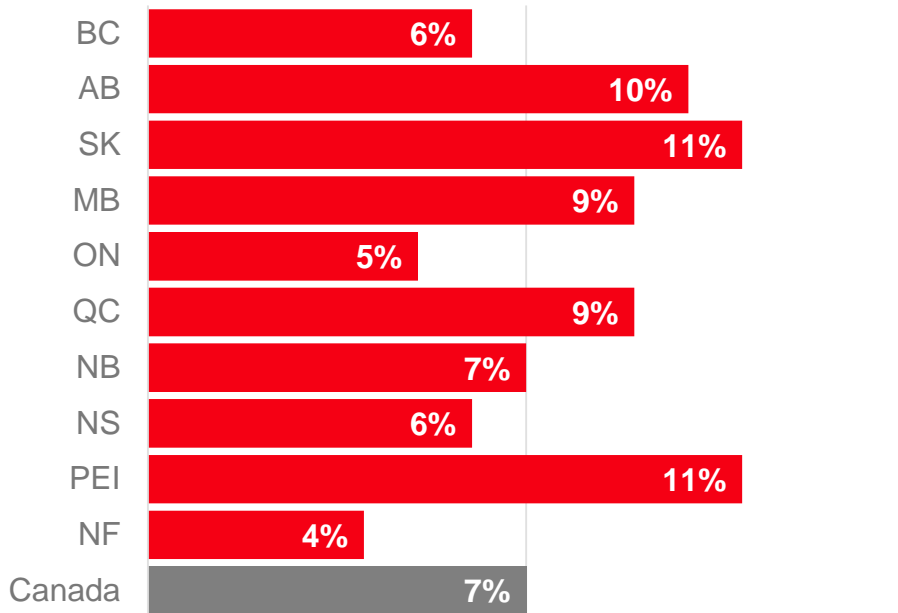
Safety concerns impeding travel demand

Only 7% of Canadians feel that it is safe to travel now

According a Leger poll, 51% of Canadians find it stressful to leave the house to be in public

Availability of a vaccine or treatment against COVID-19 is the top condition for travel safety in Canada

“I feel safe to travel now”



Which of the following conditions would make you feel most confident that it's safe to travel again?

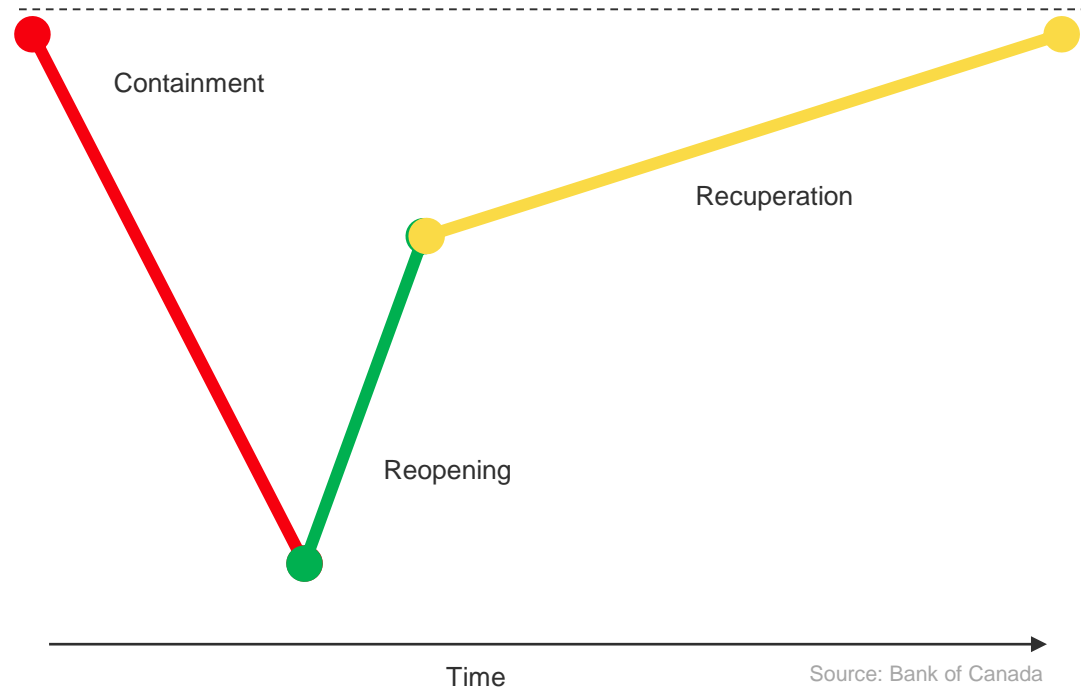
Source: Destination Canada, Global Tourism Watch Covid-19, June 2020 wave (COV8)

Assumptions of the Bank of Canada

After containing the virus, the economic recovery will follow two phases: reopening and recuperation

Assumptions:

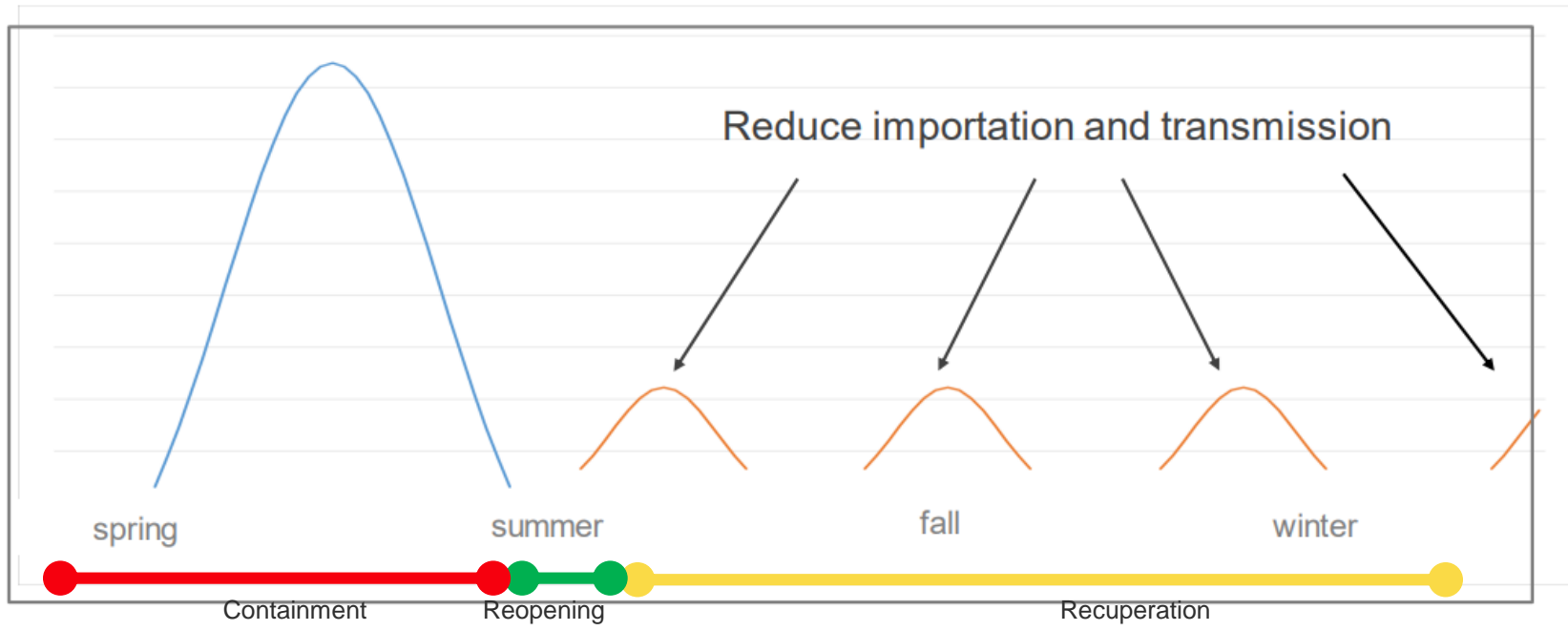
1. No 2nd COVID-19 wave
 - Public and safety measures to manage COVID-19 are sufficient to prevent a return to containment phase
2. Pandemic to run its course by Mid-2022
 - Vaccine or effective treatment to be available by Mid-2022



Source: Bank of Canada



Public Health Agency of Canada's approach



With early epidemic control, responses to outbreaks will likely continue to be required over time

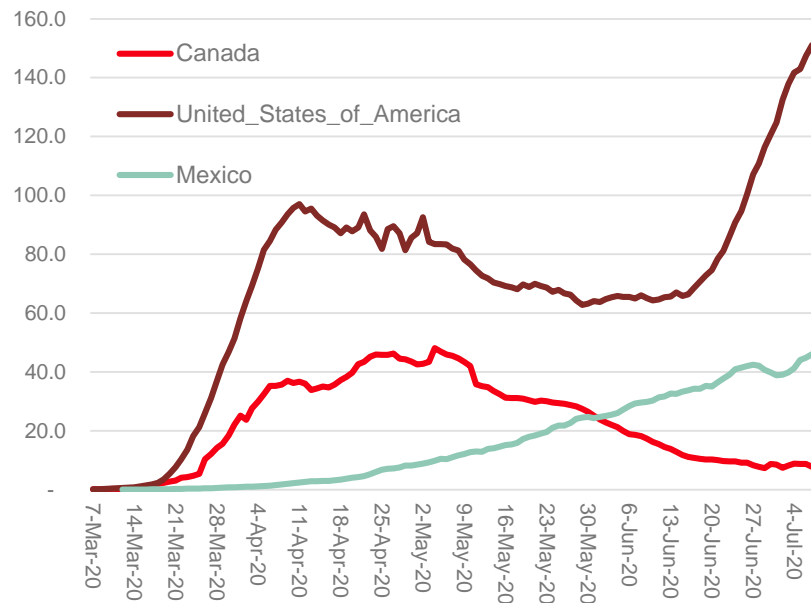
Flattening the curve in the Americas

Canada has COVID-19 under control so far

Canada is at a stage where we are loosening restrictions

Relative to Canada, the US and Mexico are still struggling to control the spread of COVID-19

COVID-19 cases per million
to July 7, 2020



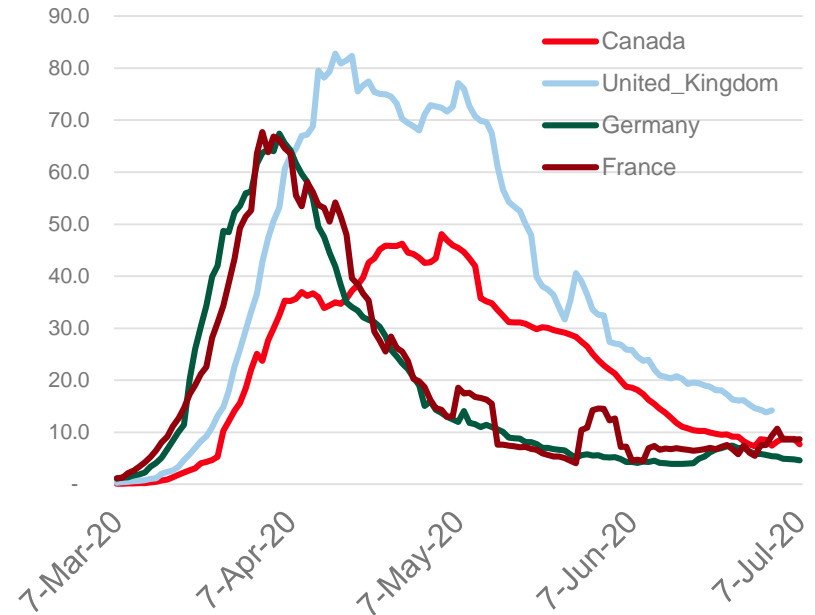
Flattening the curve in Europe

For the most part, Europe control is managing the outbreak and beginning to lift travel restrictions

- within the EU; and
- with other countries that meet a set of criteria*

*Criteria includes testing, surveillance, contact tracing, containment, treatment and reporting, as well as the reliability of the information

COVID-19 cases per million
to July 7, 2020

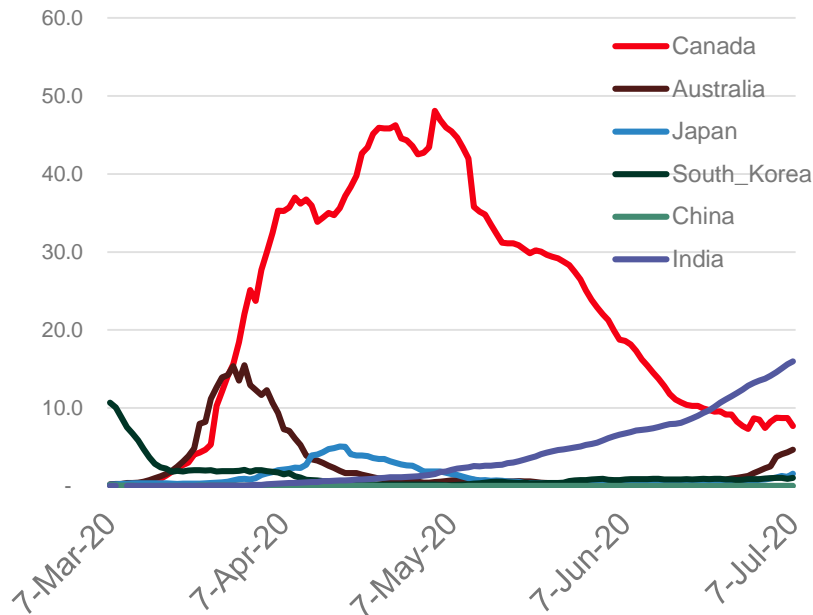


Flattening the curve in Asia-Pacific

The situation in Asia-Pacific varies greatly among countries

Several have signaled their intention to close their borders to non-essential travel until at the end of 2020

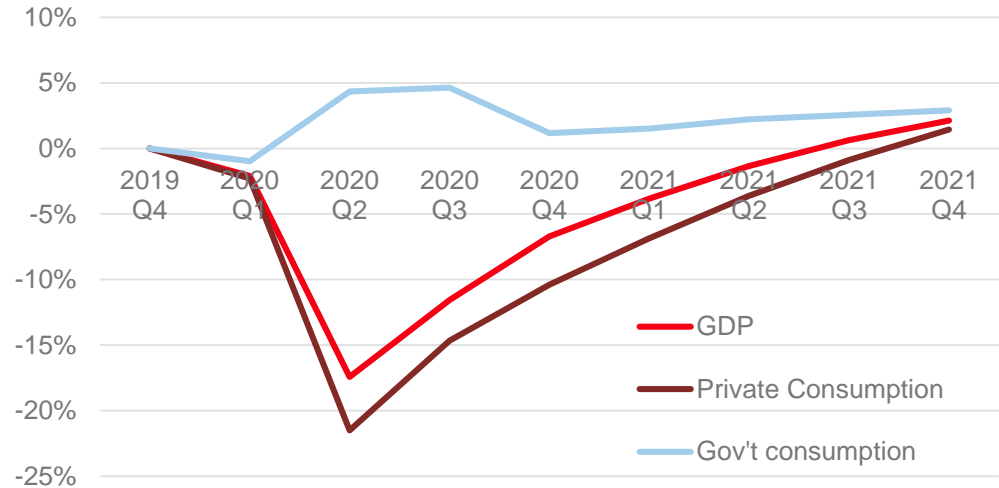
COVID-19 cases per million
to July 7, 2020



The reopening phase of the recovery is underway

Government spending and support measures have cushioned the impact of the lockdown and should help the economy rebound faster over the reopening phase

Government spending
minimizing the impact of Covid-19 on the economy
Index (2019 Q4 = 100)



Source: Oxford Economics

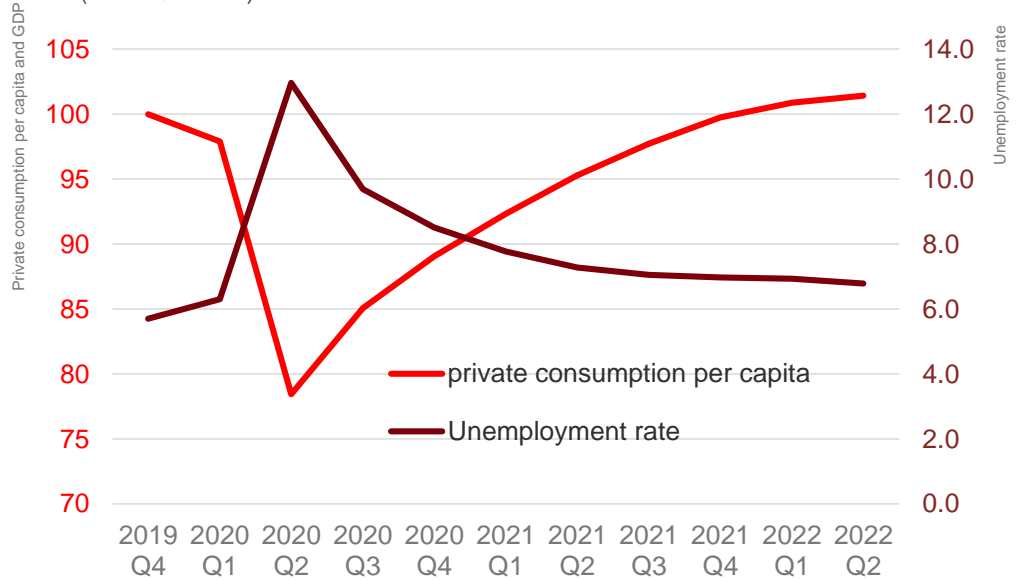
Consumer sentiment facing headwinds

High unemployment level will put a damper on private consumption per capita

May 2020 unemployment rate peaked at 13.7% up from a pre-COVID-19 February rate of 5.6%¹.

¹ Source: Statistics Canada, Labour Force Survey, May 2020

Consumer confidence to be held back by high unemployment and risk of Covid-19 resurgence
Index (2019 Q4 = 100)



Source: Oxford Economics

Canadian Economy (compared to April/May)

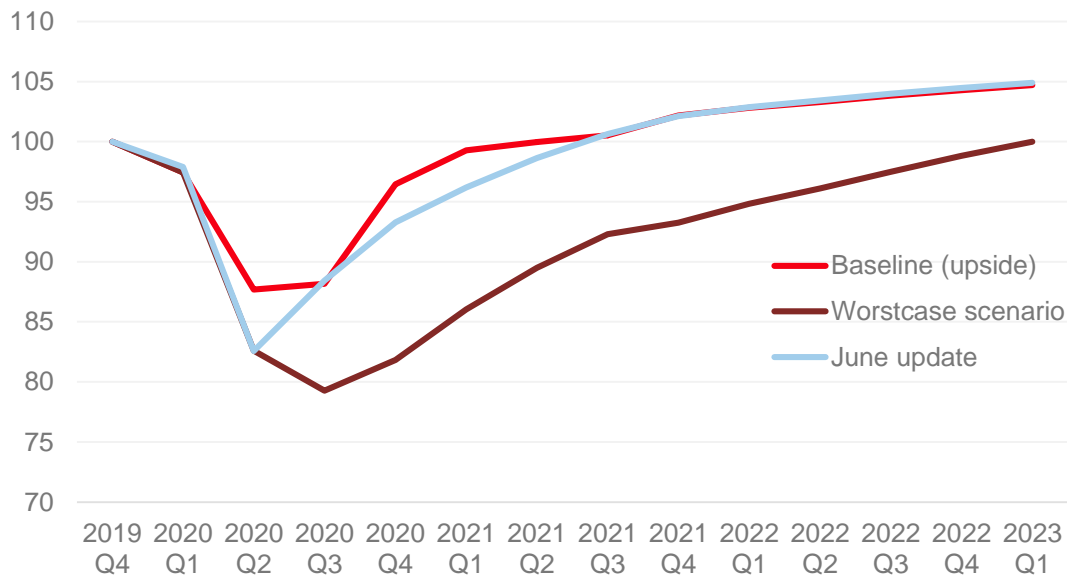
A steeper drop but a faster rebound

Following a steep drop of -17.4% in 2020 Q2, the Canadian GDP is expected to rebound back to 2019 levels by mid-2021

Key forecasts:

GDP Forecast from:	2019	2020	2021
Oxford Economics	1.70%	-7.20%	7.30%
Bank of Canada	1.70%	-7.80%	5.10%
IMF	1.70%	-8.40%	4.90%
TD Bank	1.70%	-6.1%	5.2%
National Bank of Canada	1.70%	-7.1%	4.90%

Canada GDP growth expected to rebound along the virus contained scenario
Index (2019 Q4 = 100)



Source: Oxford Economics

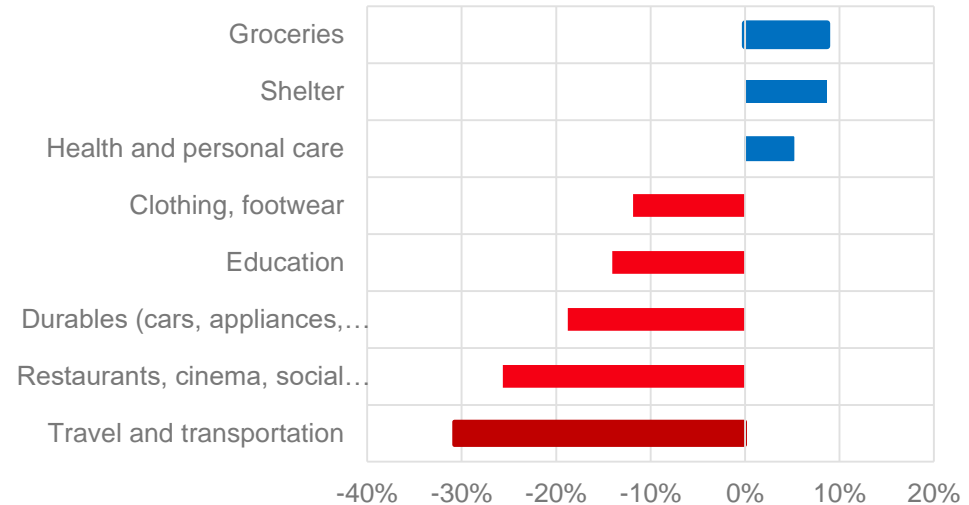
Canadian consumers plan to concentrate on essentials

Uncertainties over employment and income prospects are leading most Canadians to curtail consumption

But some households are accumulating savings may display pent-up demand, boosting some consumption

Overall, Canadians are indicating they will spend less on vacation than they did before COVID-19¹

“After situation normalizes, relative to your spending before COVID-19 outbreak, do you expect that your spending on the following will be...”



¹ Results consistent between Destination Canada's GTW Covid-19 survey (June 2019), question COV 13) and the Bank of Canada's Canadian Survey of Consumer Expectations, 2020 Q2

Source: Source: Canadian Survey of Consumer Expectations, Bank of Canada calculations 2020 Q2



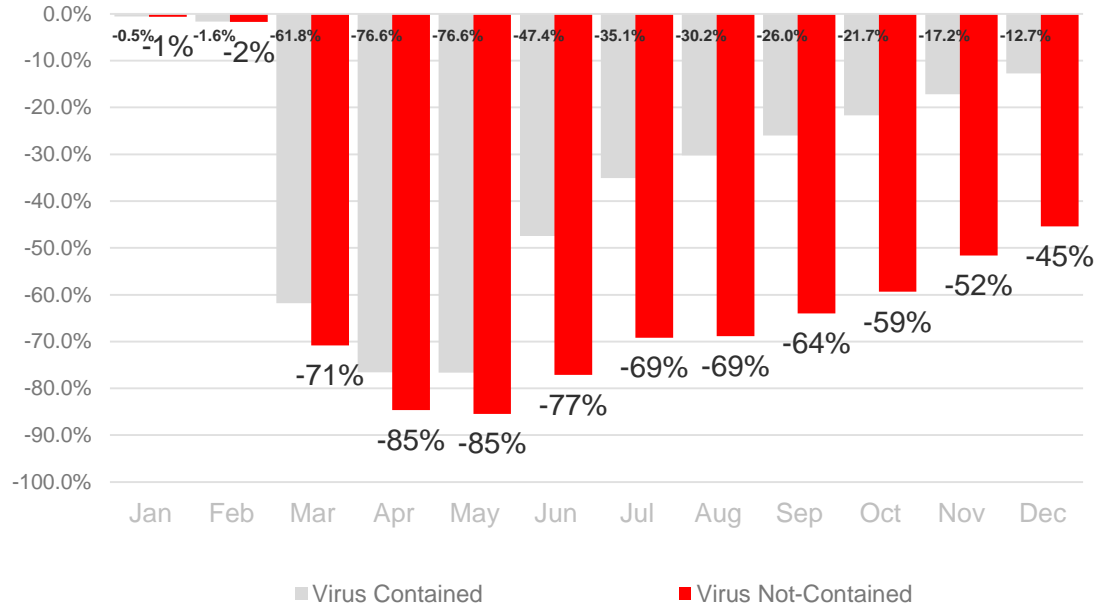
Recall our April / May Visitor Demand Assessment

The Virus Contained scenario assumed travel recovery starting in May-June 2020.

The Virus Not-Contained Scenario assumed a slow gradual recovery starting in June-July 2020 (min. of 85% loss)

Tourism recovery scenarios, April 2020

Year-over-year change in tourism revenues



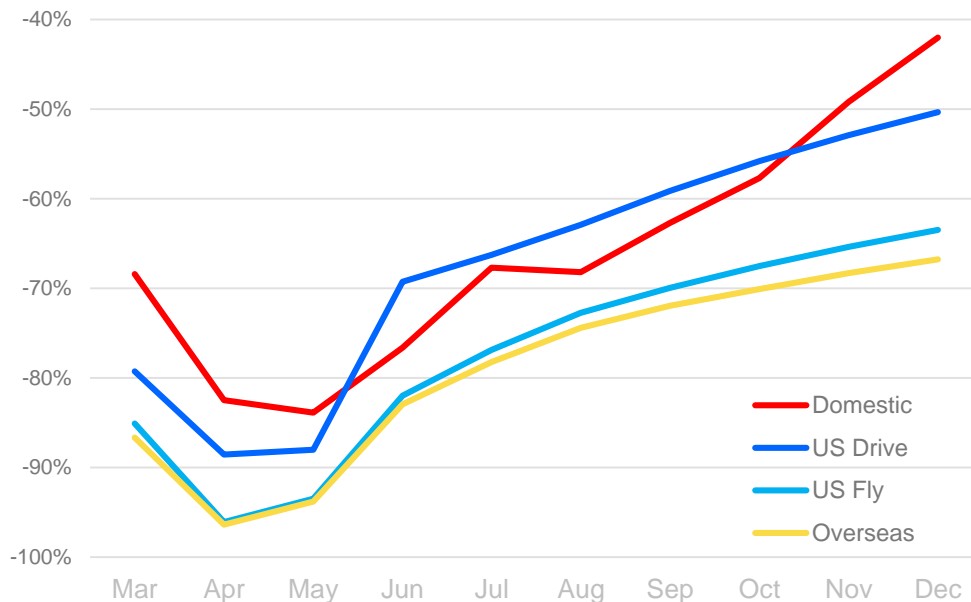
We assumed US Drive and Fly would support recovery

The April 2020 forecast projected losses of 85% in April and May, followed by a gradual recovery driven by domestic and the US Drive markets.

Air arrivals also restarted in June 2020, but at slower pace.

Virus not contained scenario

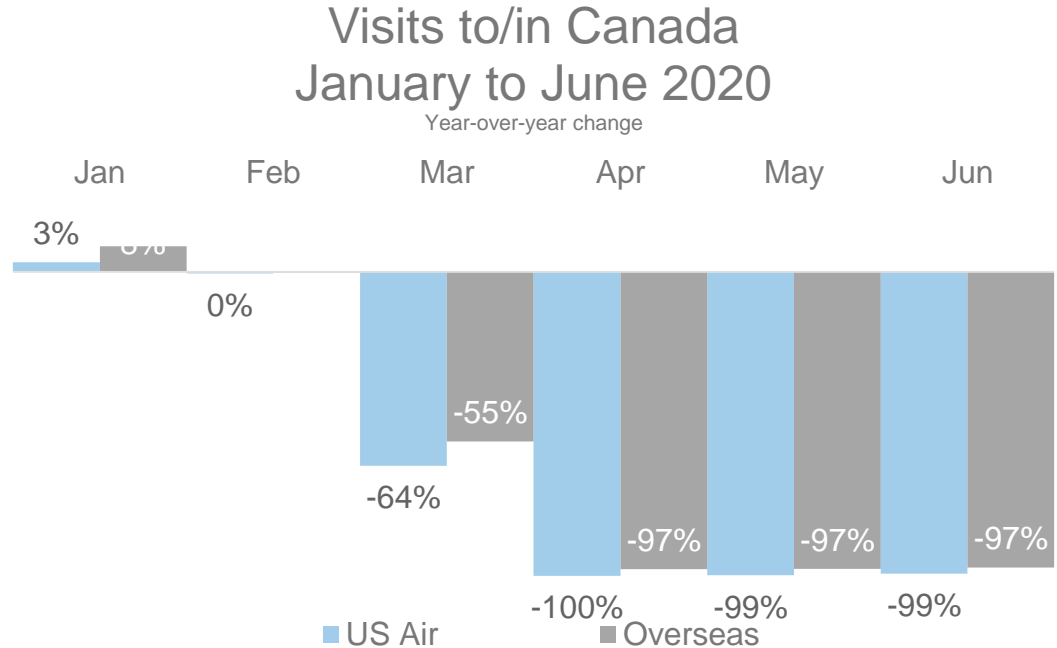
Year-over-year change in tourism revenue, April 2020 Projection



Air service is not expected to resume until August at the earliest

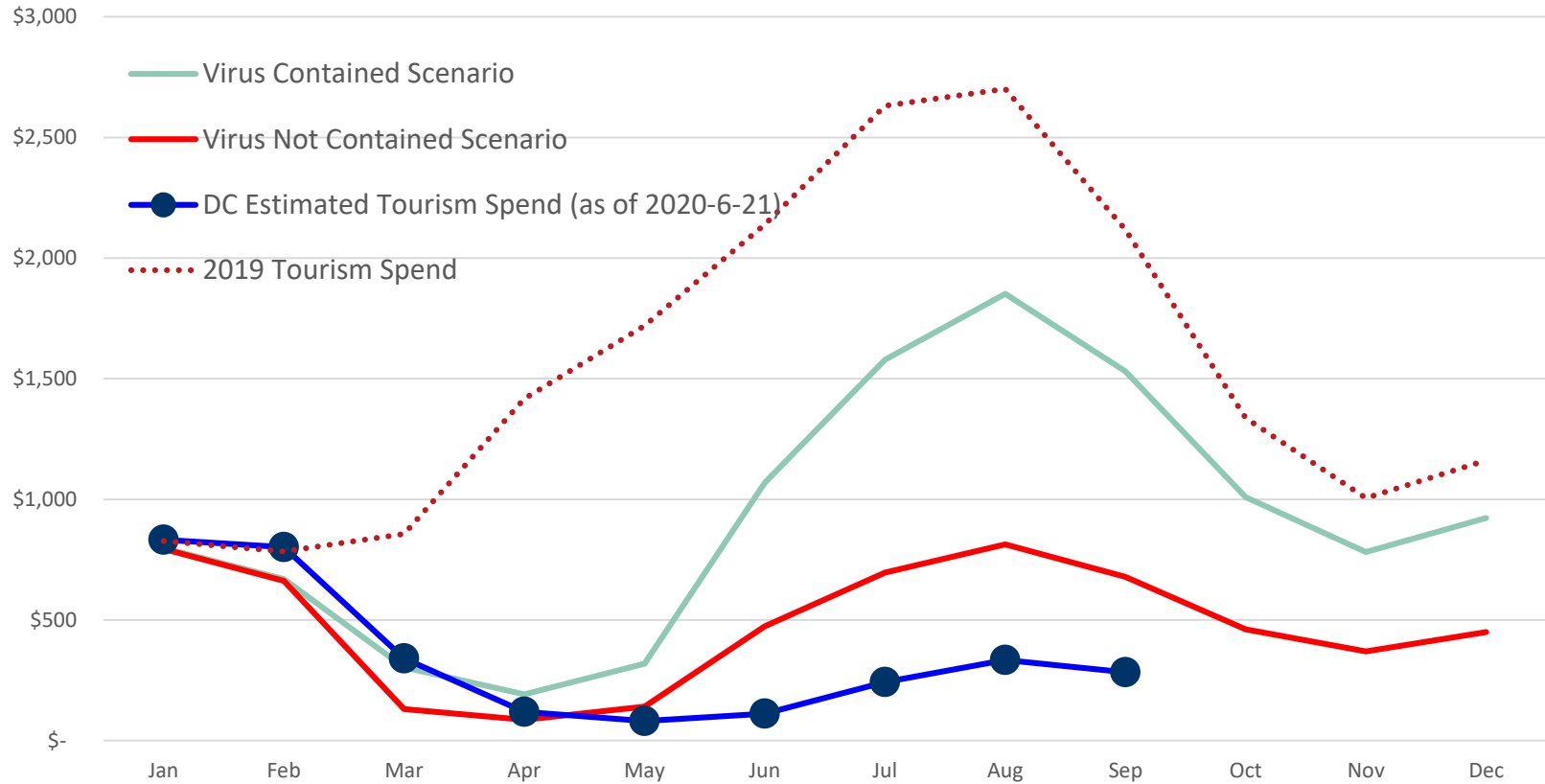
Air arrivals of non-resident on non-essential travel is not allowed in Canada until further notice.

All travelers arriving from abroad are required to have a quarantine plan showing how they will quarantine from 14 days.



Sources: Statistics Canada. Primary Inspection Kiosk (US and Overseas Air) data to June 30, 2020

DC's current estimates on international spend



Source: COVID-19 Impact and Recovery Reports, Updated June 30, 2020*, Destination Canada

DC's assessment is that we need to re-think our scenarios

Our April projection

The worst-case scenario, "Virus Not-Contained" assumed travel would resume by July 1

- Domestic and US Drive arrivals were assumed to resume relatively quickly together
- International air arrivals from the United States and from overseas were assumed to follow

Current reality

International travel will not resume until beyond the summer peak season

- US-Canada border crossings not reopening August 21st at the earliest
- Air arrivals for non-essential international arrivals not allowed until further notice
- 14-day quarantine is mandatory

Possible scenarios going forward

1. September restart & re-opening of borders

- Domestic travel gradually improves,
- US Land ports re-open after August 21st,
- Air arrivals of non-residents resume September 1st.
- No quarantine required

2. Borders closed until 2021 (upper range)

- International arrivals of non-residents ban until the end of 2020
- Domestic travel gradually improves
- Canadians convert 100% of their leisure outbound travel spending toward domestic destinations

3. Borders closed until 2021 (lower range)

- As above, except Canadians convert a fraction of their leisure outbound travel spending toward domestic destinations

Key assumptions across all scenarios

- Canadian economic recovery will be contraction of **-7.2%** in 2020, bouncing up to **+7.3%** 2021 (per Oxford Economics and general economic forecasts)
- Vaccine / Treatment not available until mid-2022, but COVID-19 will be mainly controlled within Canada (per Bank of Canada)
- Traveller's desire to travel, to consider, plan and book continue to improve, with only minor setbacks (as seen and tracked in Destination Canada Recover and Impact Reports)
- Resident sentiment (desire to welcome travellers) continues to climb, and residents will welcome travellers as restrictions allow (as seen and tracked in Destination Canada Resident Sentiment Reports)
- The supply of tourism product & transportation infrastructure is not a limit on demand (i.e. supply will be able to meet demand)
- Drive will recover faster than short-haul flights which will recover faster than long-haul flights
 - Based on assumptions of traveller perceptions of safety and barriers related to length and cost of travel

Baseline:

Total tourism expenditures in Canada in 2019

Total tourism expenditures in Canada in 2019
(\$Billion):

Total: \$105

Domestic sources:

- Intra-provincial \$33.2
- Inter-provincial \$13.6
- Other expenditures* \$37.3

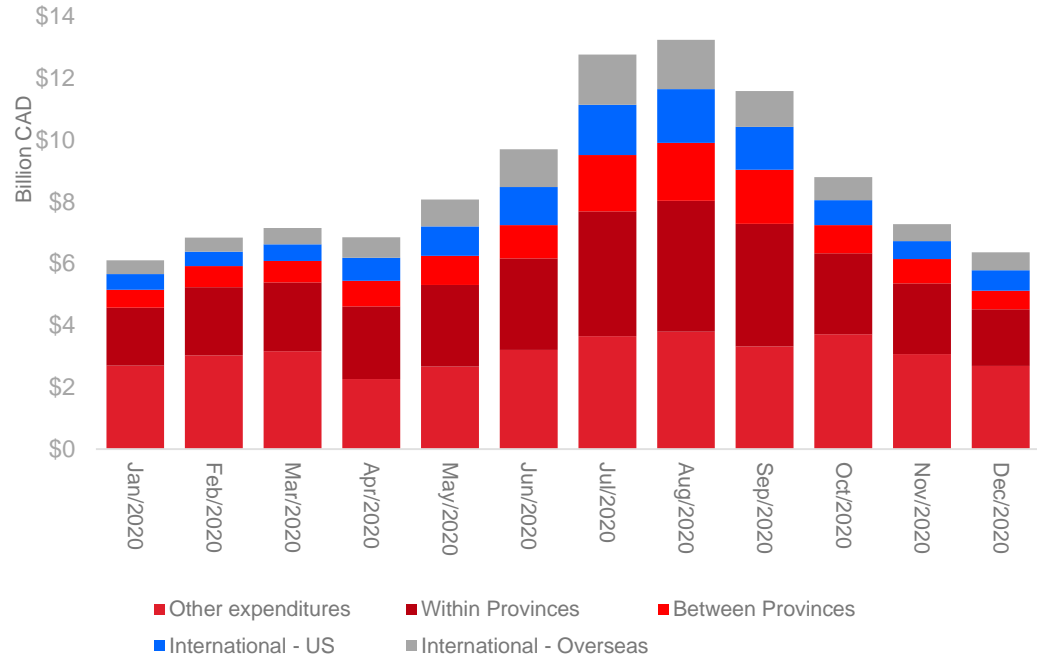
International Exports:

United States \$11.3
Overseas: \$10.4

Jobs sustained by tourism: 745,800

* **Other expenditures** include other spending Canadians goods and services, including airfares, travel services and pre-trip expenditures

Tourism Demand in Canada, 2019



Sources: Destination Canada,
(Monthly estimates derived using Statistics Canada VTS, NTS and NTI, STR Accommodation Revenue)

1. Borders reopening by September 2020

Total tourism expenditures in Canada in 2019
(\$Billion):

Total: **\$43.9** (-54%)

Domestic sources:

- Intra-provincial \$18.7 (-44%)
- Inter-provincial \$4.2 (-66%)
- Other expenditure \$16.5 (-58%)¹

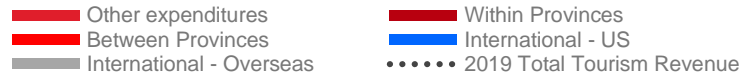
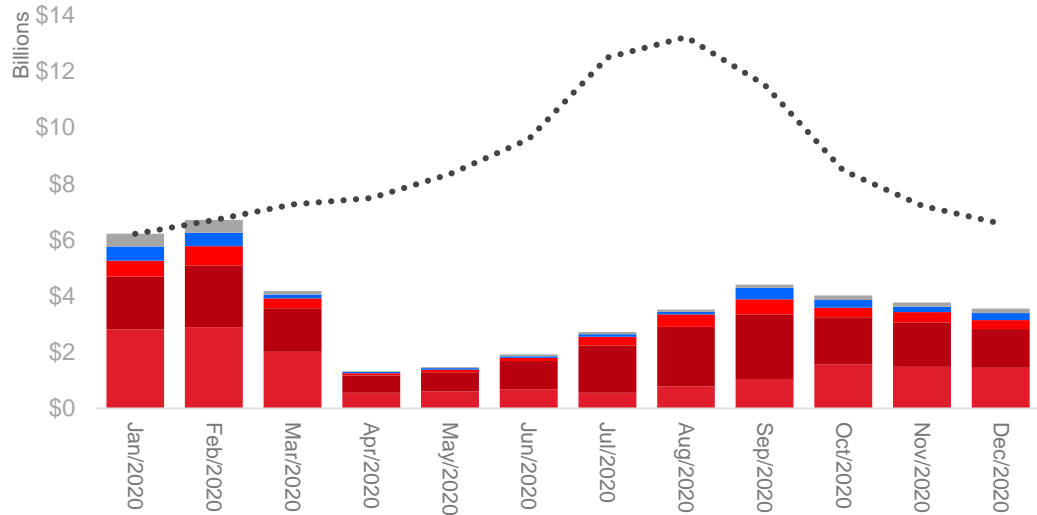
International Exports:

United States \$2.6 (-77%)
Overseas: \$1.9 (-82%)

Jobs sustained by tourism: 340,400
a lost of 405 thousand jobs (54% drop)

¹ Includes predominantly airline revenue losses of \$14.9 B.

Tourism Demand in Canada, 2020



Sources: Destination Canada,
(Monthly estimates derived using Statistics Canada VTS, NTS and NTI, STR Accommodation Revenue)

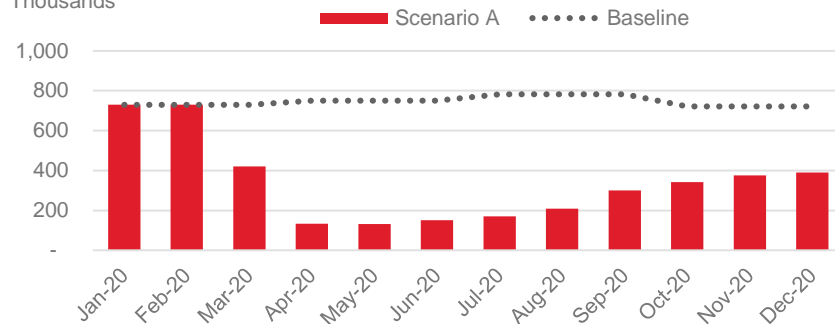
1. September

Reopening of borders

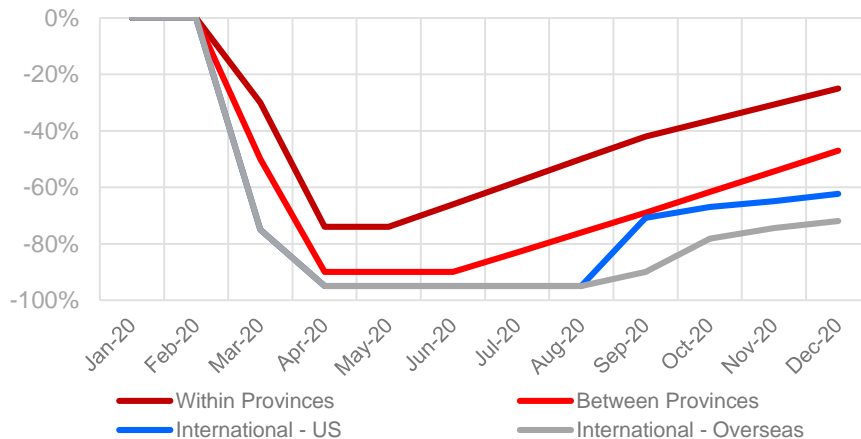
High number of job losses over the peak summertime

Canadians visiting their own provinces will be the main source of tourism earnings, followed by inter-provincial travel over the second half of 2020

Jobs sustained by tourism
Thousands



Change in tourism expenditures by source
Year-over-year change

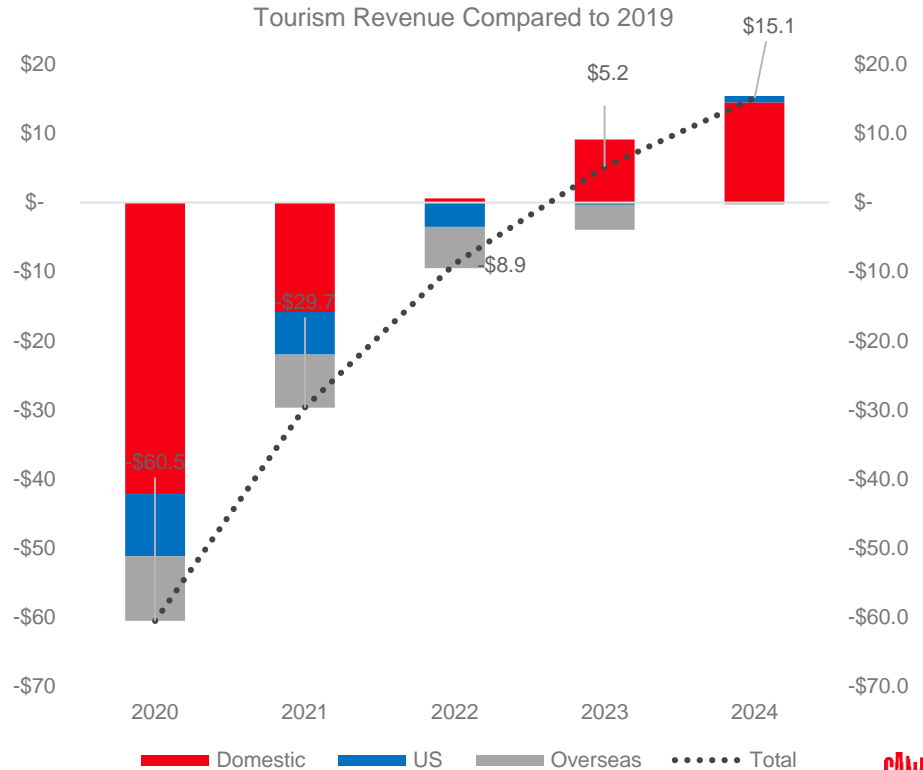


Sources: Environics Analytics, Weekly Tourism tracker to July 5th, 2020; Statistics Canada. [Table 24-10-0041-01](#) International travellers entering or returning to Canada, by type of transport

1. Borders reopening by September 2020

With border restrictions lifted, travel should return to 2019 levels:

- For domestic by July 2022
- From the United States by July 2023
- From overseas by July 2024

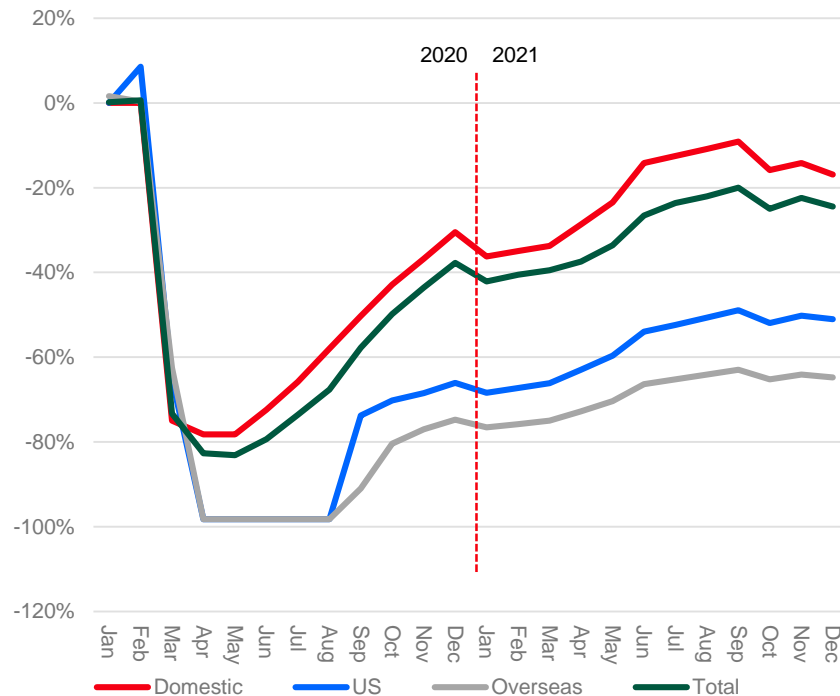


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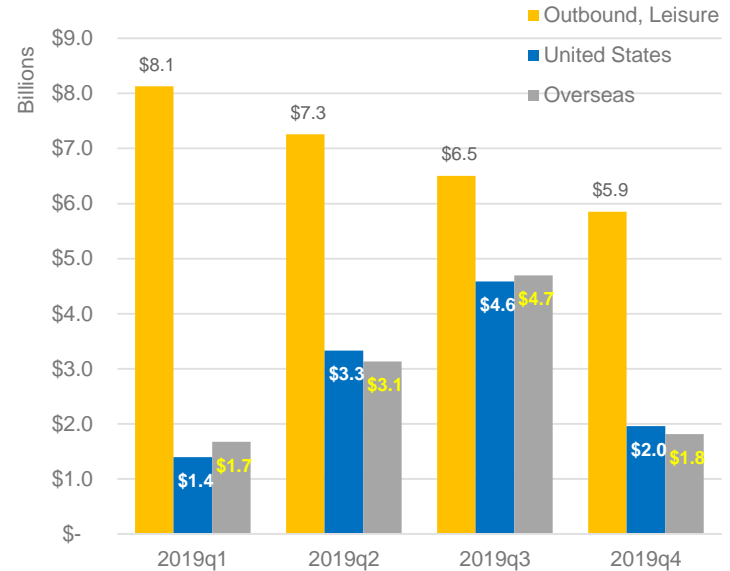
Monthly tourism spending losses in Canada
% change compared to 2019



Canadians spend more on vacation abroad than international visitors do in Canada on any trip purpose

In 2019, Canadians spend \$27.7 billion on vacation trips US and overseas visitors each injected \$11.3 billion in Canada on business and non-business trips

Canadian travel in-destination spending compared to international spending in Canada, 2019



2. Borders Closed to 2021: Upper Bound

Maximum potential gains from conversion of leisure outbound trips are significant (21B)

Total tourism expenditures in Canada in 2019
(\$Billion):

Total: **\$59.7** (-43%)

Domestic sources:

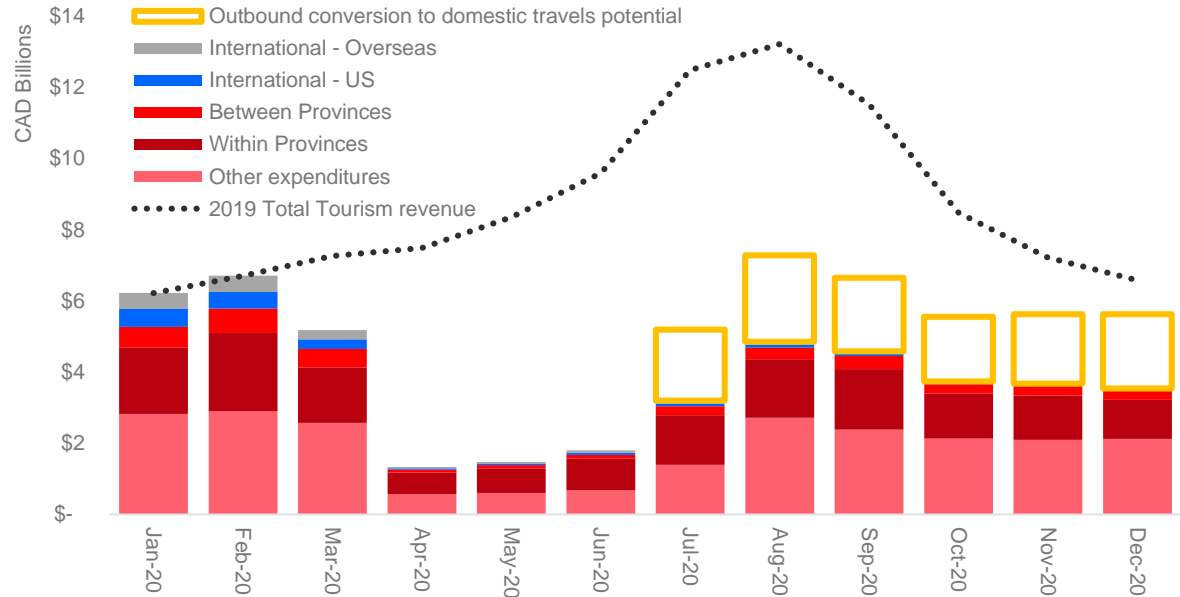
- Outbound \$12.3
- Intra-provincial \$16.3 (-51%)
- Inter-provincial \$3.8 (-70%)
- Other expenditure \$23.9 (-37%)

International Exports:

United States \$1.7 (-85%)
Overseas: \$1.6 (-85%)

Jobs sustained by tourism: 443,500
a lost of 302 thousand jobs (41% drop)

Tourism Demand in Canada, 2020



Sources: Destination Canada,
(Monthly estimates derived using Statistics Canada VTS, NTS and NTI, STR Accommodation Revenue)



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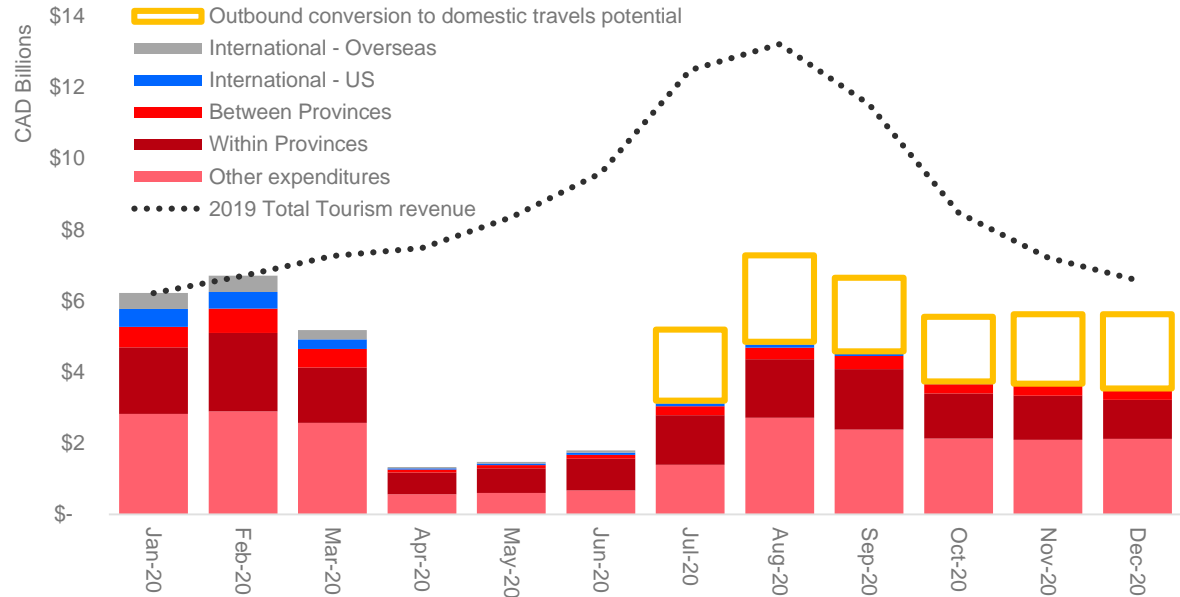
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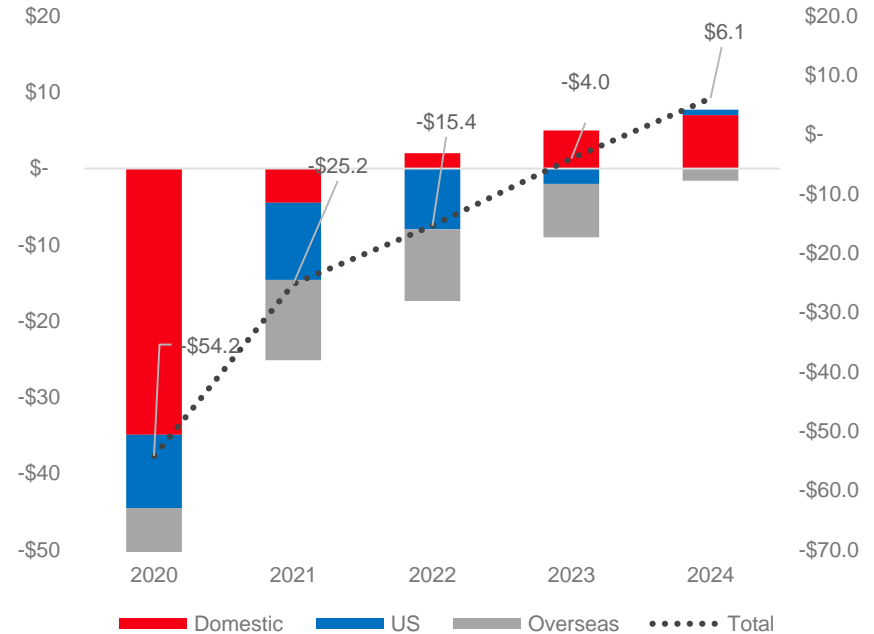
2. Borders closed to 2021: Upper Bound

With border restrictions lifted, travel should return to 2019 levels:

- For domestic by Early 2022
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- From overseas by September 2024

Distance based, short/medium haul to recover faster than long-haul

Annual tourism spending losses/gains in Canada
\$Billion compared to 2019



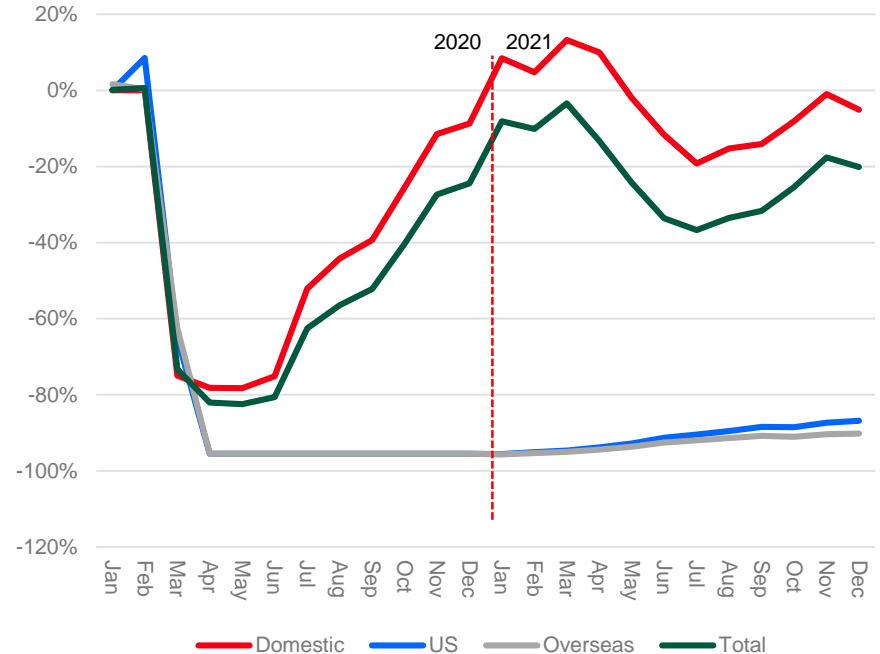
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Monthly tourism spending losses in Canada
% change compared to 2019



3. Borders Closed to 2021: Lower Bound

Conservative estimate of conversion (20%) inject \$2.7 billion over worst case

Total tourism expenditures in Canada in 2019
(\$Billion):

Total: **\$41.3** (-61%)

Domestic sources:

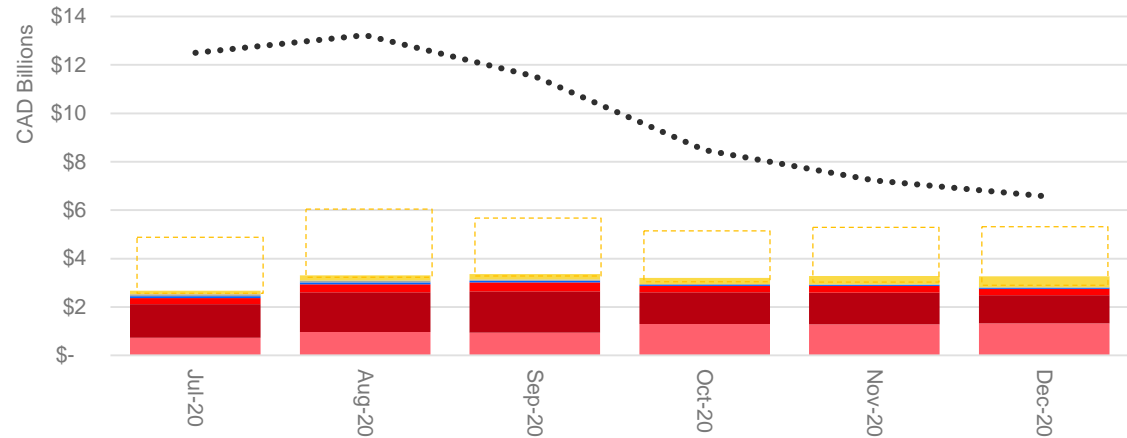
- Outbound \$1.6
- Intra-provincial \$16.3 (-51%)
- Inter-provincial \$3.8 (-70%)
- Other expenditure \$16.1 (-57%)

International Exports:

- United States \$1.7 (-85%)
- Overseas: \$1.6 (-85%)

Jobs sustained by tourism: 324,000
a lost of 422 thousand jobs (55% drop)

Tourism Demand in Canada, 2020



Sources: Destination Canada,
(Monthly estimates derived using Statistics Canada VTS, NTS and NTI, STR Accommodation Revenue)

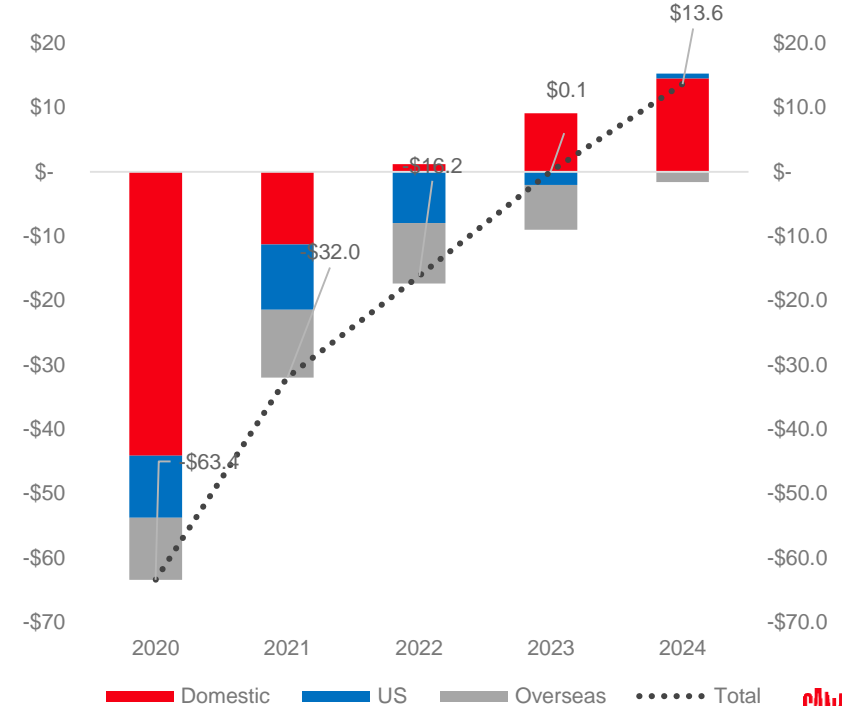
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Converting outbound leisure to domestic could inject \$2.7 billion

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Annual tourism spending losses/gains in Canada
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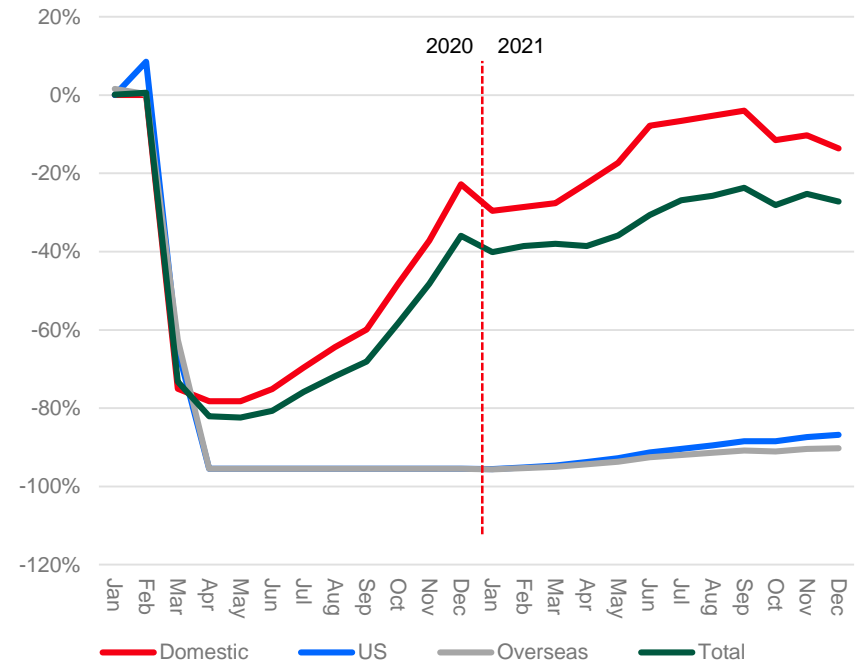
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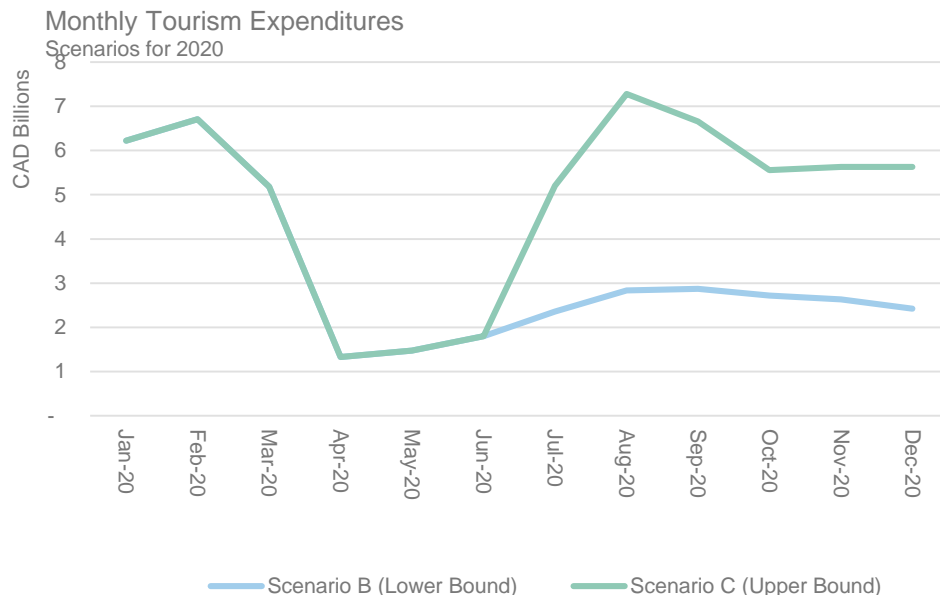
Converting outbound travel to domestic will be key to minimize the impact of border closure

Border restrictions will disrupt both inbound and outbound travels.

Canadians travel appetite and propensity for outbound travel will be essential to lift tourism revenues

Scenario 2 (Borders Closed to 2021: Upper Bound): If we have full conversion of outbound tourism: -43%

Scenario 3 (Borders Closed to 2021: Lower Bound): If we have some conversion of outbound tourism: -61%



Tourism revenue to fall around 43-61% in 2020

More severe border and travel restrictions than anticipated are have lowered our scenarios

- From a loss between **-35%** (Virus Contained) to **- 59%** (Virus Not Contained)
- To a loss between:
 - **-43%** (Borders Closed to 2021: Upper bound)
 - **-54%** (Borders open September)
 - **-61%** (Borders Closed to 2021: Lower Bound)

There is still a lot of uncertainty moving forward

Summary

Our April / May COVID Economic Impact Forecasts were based on assumptions on traveller behaviour, border & travel restrictions and economic impacts

We are revising our core assumptions and scenarios

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	2. Borders closed to 2021 (upper bound)	Borders closed to 2021	2023	-43%
	3. Borders closed to 2021 (lower bound)	Borders closed to 2021	2024	-61%

Thank you!
Merci!

CANADA 
FOR GLOWING
HEARTS

GAN

Data sources

1. Statistics Canada:
 - Economic figures: National Tourism Indicators 2020 Q1
 - Domestic and outbound travels: National Travel Survey 2018 and 2019
 - International visitors: Visitor Travel Survey, 2018, 2019 and Small Area Estimates
 - Border data: IPIL, PIK, Frontier Counts
2. Global Tourism Watch Covid-19 travel intention survey (June 2020)
3. Oxford Economics
4. Tourism Economics Tourism Forecasts