

Visitor Demand Forecast Update (November 2020)



Forward

As illustrated in the [National Tourism Indicators Q2 2020](#), the magnitude of COVID-19's impact on global and Canadian tourism is unprecedented. The recovery path for tourism will depend on the epidemiological control of COVID-19 and on the economic recovery of Canada and the world.

Since the publication of the July 2020 forecast, the economic outlook has remained relatively stable. As expected, Canadians started travelling locally while international travel remains restrained.

The consumer confidence in Canada has continuously improved since reaching an all time low in April 2020. As anticipated, Canada and other countries have recently experienced surges in positive COVID-19

cases, prompting authorities to re-introduce business restrictions and other measures.

COVID-19 vaccines are not anticipated to be broadly available until the second or third quarter of 2021 in Canada and key source markets.

The path forward is characterized by significant uncertainties. The present forecast is a 'middle of the road' scenario that assumes COVID-19 remains under control, border health requirements are gradually relaxed and the global economy rebounds.

Key recovery scenarios

These scenarios assume the following:

If the border is reopened, it will be opened to all of our key international markets, and all domestic travel restrictions are lifted.

If the border is closed, Canadians travelling domestically instead of abroad will be key to offset losses

Border re-opening	Rev. in 2021 (\$B)	Loss in 2021 vs 2019	Return to 2019 level
Jan 2021	57	-46%	2024
Apr 2021	48	-54%	2025
Oct 2021	42	-60%	2026

Source: DC Research

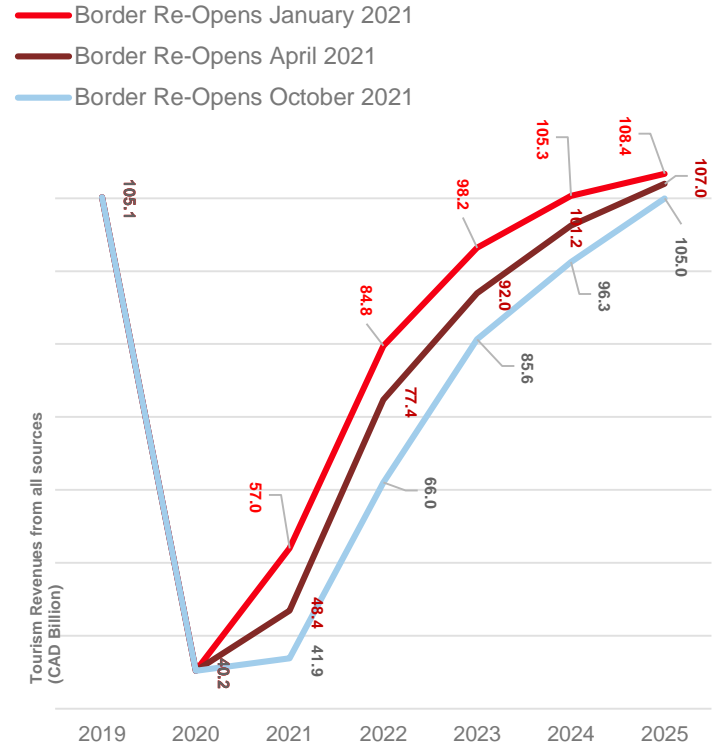
Outlook to 2025

We estimate that if the border re-opens January 2021, tourism revenues will increase from ~40B in 2020 to \$57.0 B in 2021 and fully recovering to 2019 levels by 2024.

With a border re-opening in April 2021, tourism revenue is forecasted to reach \$48.4 B in 2021 and to recover to 2019 levels by 2025.

A border re-opening in October 2021, recovery to 2019 levels are not expected until 2026.

Forecasted total tourism revenues under three border re-opening scenarios



Recovery of the Domestic Market by 2022

The domestic market is expected to recover by 2022 under all scenarios if COVID-19 remains under control following the second wave.

- Redirecting outbound expenditures toward to domestic travel will blunt losses incurred from the loss of international visitors.

Recovery of international travel will depend on when the Canadian border can re-open and the effectiveness of measures to control importation of COVID-19 via international travel.

- Recovery to 2019 levels are forecasted to occur between 2024 and 2026, depending on COVID-19 containment scenarios.
- Availability of a vaccine may accelerate this process.



Converting Canadians in 2021 will be critical

Canadians have unused travel resources:

Disposable income: Canadians normally spend more on travel abroad (\$40B) than international travellers spend in Canada (\$23B)

Vacation time: Canadian also spend as many nights travelling abroad as they do travelling in Canada

In 2020, we saw a limited amount of these resources being re-circulated in Canada

- Internal 'fences' within Canada limited travel
- Uncertainty on the economic situation limited confidence to travel

The opportunity:

Converting 10-12% of these Canadian expenditures could net an additional \$4B to \$5B over and above the inter- and intra- provincial spend:

- This number could be higher if Canadians spend as much per trip abroad (generally, Canadians spend 3 times more on trips abroad than at home)



Epidemiological drivers impacting travel

Public health measures implemented in Canada and around the world are seeking to “flatten” the curve and slow the spread of new cases. These measures are in two inter-related areas:

Reducing Transmission

Measures designed to *slow the spread of virus between community members*

- *Examples:* Hygiene, social distancing, mask wearing, gathering limits

Implications: These measures limit mobility and travels behaviors at local, regional and/or national levels.

This is a pre-requisite to relaxing measures to control importation



Reducing Importation

Measure designed to slow the spread of virus originating from outside the community at local, regional and/or national levels,

- *Examples:* Ban on inbound/outbound non-essential travels, quarantine requirement upon entry into a community.

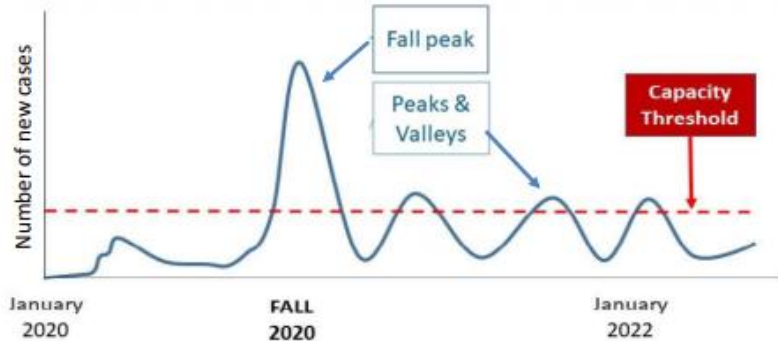
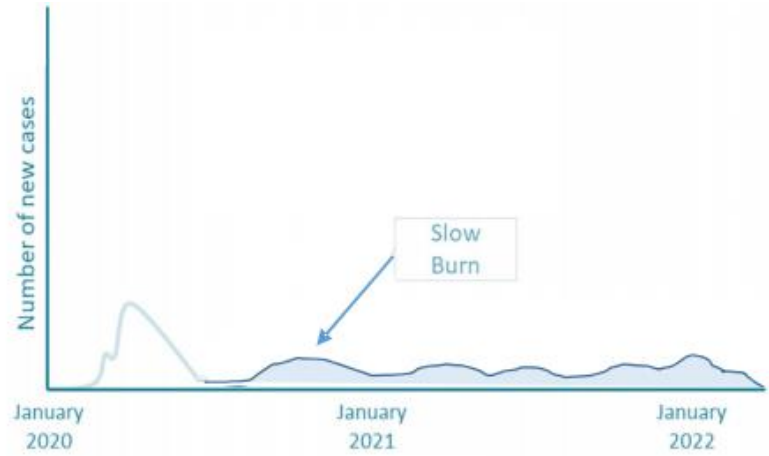
Implications: These regulatory measures limit inter-regional & international mobility. These may impose additional costs to inter-regional and international travels.

Relaxation of importation control measures will require similar levels of transmission control between markets (e.g. [European Council's criteria and conditions on lifting of travel restrictions](#))

Public Health Agency of Canada is planning for increased infection rates

Increases in infection rates **are expected** while economic and social activities resume

- **Slow Burn** scenario keeping case rates low and within the health and public health system's capacity to manage
- **Worst-case** scenario has a large 'Fall Peak' followed by ongoing 'Peak & Valleys' where demands exceed the health and/or public health system's capacity to manage



Source:

CPHA at https://www.canada.ca/content/dam/phac-aspc/documents/services/diseases-maladies/coronavirus-disease-covid-19/epidemiological-economic-research-data/update_covid_19_Canada_epidemiology_modelling_20200814.pdf

Target Outcome

Worst-case outcome

Canada's GDP on a rebound path from a steep drop

Follow a steep drop of 17.4% in 2020 Q2, the Canadian economy is expected to gradually rebound back to 2019 level by mid-2021.

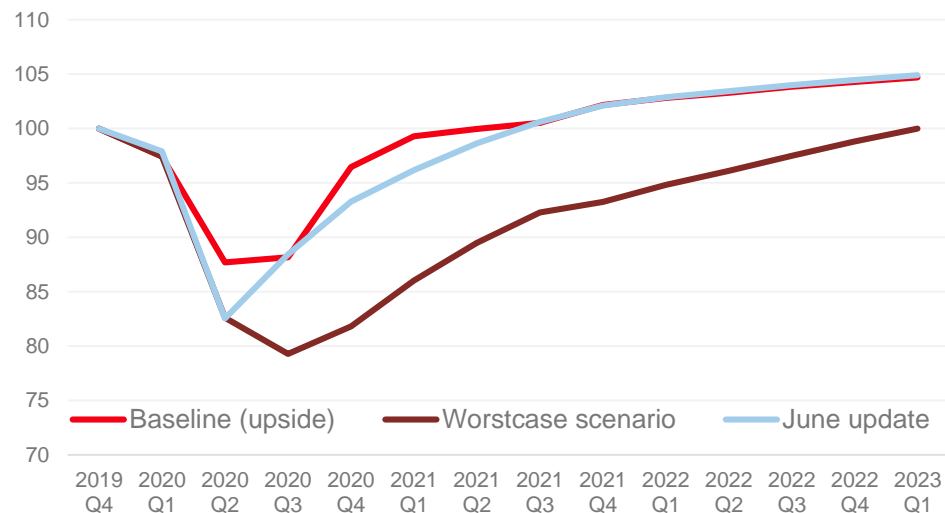
Selected forecasts:

GDP Forecast from:	2019	2020	2021
Oxford Economics	1.7%	-5.5%	4.9%
Bank of Canada	1.7%	-5.7%	4.2%
IMF	1.7%	-8.4%	4.9%
OECD	1.7%	-8.0%	3.9%
Deloitte	1.7%	-5.8%	6.4%

Source:

Bank of Canada, Monetary Policy Report, October 2020
 Oxford Economics, Country Economic Forecast, Canada, November 13, 2020
 IMF, World Economic Outlook Database, October 2020
 OECD, Canada Economic Snapshot, June 2020
 Deloitte, Strong reopening leads to long recuperation – Economic outlook (Canada, September 2020)

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

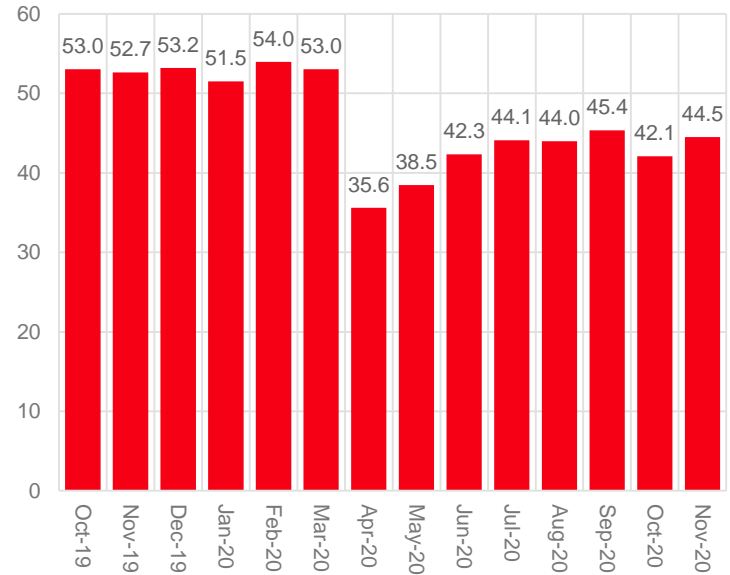


Source: Oxford Economics

Confidence indices on the mend

While Canadians are still uncertain on their economic outlook, the Canadian Consumer Confidence Index has significantly improved to just under an index of 50, after bottoming out in April 2020.

Consumer Confidence Index - Canada



Source: Trading Economics

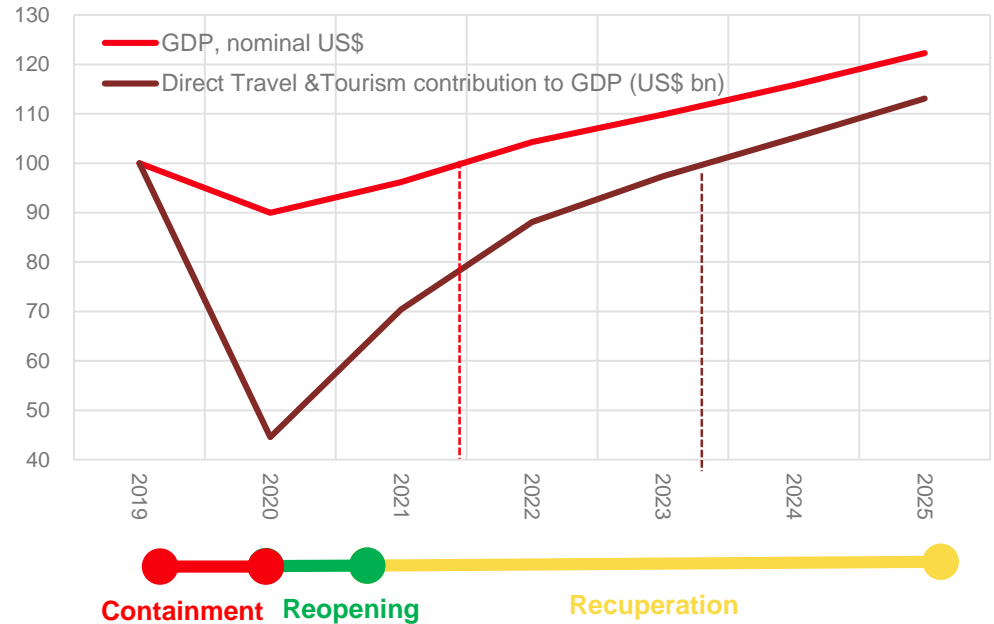
The tourism sector will take longer to recover

Tourism Economic's analysis comparing tourism to overall economic recovery estimated that the recovery will follow two phases: **reopening** and **recuperation**

Assumptions:

- 2nd COVID-19 wave leads to travel restrictions lifted no later than April 2021
 - Public and safety measures to manage COVID-19 sufficient to prevent a return to containment phase
- Pandemic to run its course by Mid-2022
 - Vaccine or effective treatment to be widely available by Mid-2022

Tourism recovery to lag behind other Canadian economic sectors



Source: Tourism Economics (July 31, 2020)

Forecast and Outlook



Key forecast assumptions

The following factors are incorporated in the baseline forecast presented in the next slides. Changes in the following factors may improve or reduce the baseline forecasts.

	Momentum builder	Drag factors
Travel	<ul style="list-style-type: none">• Canadians' propensity for international outbound travel will partially re-focused domestically	<ul style="list-style-type: none">• Continued intra-Canadian 'fences'
Epidemiological	<ul style="list-style-type: none">• 2nd wave to be under control before year-end• Past 2nd wave, virus transmission remains under control in Canada• International: Virus transmission in international market is under control in 2021, enabling conditional re-opening of borders	<ul style="list-style-type: none">• Effective treatment/vaccine widely available in the world by late 2021 at the earliest
Economic	<ul style="list-style-type: none">• GDP recovery by mid to late 2021	<ul style="list-style-type: none">• Covid-19 control measures (physical distancing, gathering limits) to impact consumer confidence and restrained household spending.• Business closures in service sectors, particularly tourism-dependent businesses

Assumptions & data sources

The forecast was developed under the following assumptions:

- Border crossing will remain restricted until transmission in Canada and the US are controlled. The same principle applies to the rest of the world.
 - The forecasts assume parallel rates of recovery in international inbound arrivals to Canada and in outbound travel by Canadians to international destinations.
 - Proof of immunity / COVID-19 free can be seen as a barrier or cost to travel once the border re-opens, thus slowing recovery
 - Baseline data: Statistics Canada frontier counts
 - Recovery time estimated from Tourism Economics forecasts
 - A gradual recovery assumes the deployment of effective Covid-19 detection and treatment processes.
 - Vaccine deployment will accelerate the recovery timeline, not eliminate it.
- Domestic travel flow were estimated using Destination Canada's Global Tourism Watch Covid-19 survey series, STR accommodation data and Envionics Analytics' VisitorView data
- Outbound travel conversion toward domestic travel is assumed to follow a natural conversion rate, which is define as the percentage of outbound travel intentions before the Covid-19 pandemic that will switch to domestic destination without targeted destination marketing activities. Base on results from the Global Tourism Watch Covid-19 survey series, this natural conversion is estimated at 11% for 2020 and 18% for 2021. Targeted promotional activities that have the potential to increase these conversion rates are not incorporate din the forecast.
- Incorporating various data sources, the forecast was developed using monthly timeseries for types of domestic and international spending.
- Data sources: Statistics Canada, Oxford Economics, STR, Destination Canada, Bank of Canada, Trading Economics

Border re-opening scenarios

Markets will recover at different rates depending on when Canada can start easing travel restrictions assumed to begin in 2021

- Shorter haul markets will recover faster
 - With border restrictions lifted, travel should return to 2019 levels earlier for short/medium haul origins.
- Added travel costs will slow recovery
 - Lifting of travel restriction will be conditional on meeting Health and Safety conditions.
 - e.g. proof of immunity, Covid-19 testing
 - Health and Safety conditions will impose additional costs on international travel, which together with travel uncertainties, will slow the pace of recovery.

Scenario	Border Re-opening Month	Month of Return to 2019 Trip Level			
		Intra-provincial	Inter-provincial	United States Arrival	Overseas Arrivals
1	Jan-2021	Mar-22	Dec-22	Sep-23	Sep-24
2	Apr-2021	May-22	Mar-23	Jun-24	Jun-25
3	Oct-2021	Dec-21	Sep-23	Mar-25	Mar-26

Border re-opening in January 2021

Demand for tourism products and services is expected to fall 62% in 2020, before rebounding 41% in 2021 (or 46% below 2019).

Starting from a depressed first quarter in 2021 relative to 2020, international tourism is expected to gradually gain momentum

Tourism jobs and expenditure forecast in Canada 2019 to 2025 (\$billion)

	2019	2020	2021	2022	2023	2024	2025
Total	105.1	40.2	57.0	84.8	98.2	105.3	108.4
<i>Year-over-year</i>	2.8%	-61.8%	41.1%	48.7%	15.8%	7.3%	2.9%
Domestic Sources:	45.8	21.6	34.0	46.4	47.5	47.2	47.4
Intra-provincial	33.2	16.4	23.7	33.1	33.8	34.2	34.6
Inter-provincial	12.6	3.8	5.9	10.6	12.6	12.8	13.0
Outbound conversion	-	1.4	4.3	2.7	1.1	0.2	0.2
Export Sources	21.7	3.2	4.8	11.3	17.7	21.3	22.5
United States	11.3	1.7	2.8	6.7	10.5	11.5	11.8
Overseas	10.4	1.6	2.0	4.6	7.2	9.8	10.7
<i>Europe</i>	3.8	0.5	0.6	1.5	2.3	3.0	3.2
<i>Asia-Pacific</i>	4.7	0.7	0.9	2.3	3.7	5.3	5.9
<i>Others</i>	1.9	0.3	0.5	0.8	1.2	1.5	1.5
Other expenditures	37.7	15.4	18.2	27.0	33.0	36.9	38.5
Jobs attributable to tourism (000s)	748.0	311.5	405.7	603.5	697.8	748.3	770.3
<i>Year-over-year</i>	1.1%	-58.4%	30.3%	48.7%	15.6%	7.2%	2.9%

Border re-opening in April 2021

\$8.5 B lower overall revenue than a re-opening in January 2021

Outbound conversion to domestic travel is expected to add a total of \$11 B between 2021 and 2025

Tourism jobs and expenditure forecast in Canada 2019 to 2025 (\$billion)

	2019	2020	2021	2022	2023	2024	2025
Total	105.1	40.2	48.4	77.4	92.0	101.2	107.0
<i>Year-over-year</i>	2.8%	-61.8%	20.5%	59.7%	18.9%	10.1%	5.7%
Domestic Sources:	45.8	21.6	29.9	44.9	48.2	47.6	47.4
Intra-provincial	33.2	16.4	20.5	32.1	33.7	34.1	34.5
Inter-provincial	12.6	3.8	4.8	9.4	12.6	12.8	12.9
Outbound conversion	-	1.4	4.6	3.3	2.0	0.7	0.0
Export Sources	21.7	3.2	3.0	8.4	13.9	19.1	21.9
United States	11.3	1.7	1.7	4.8	8.0	11.0	11.6
Overseas	10.4	1.6	1.3	3.6	5.9	8.1	10.3
<i>Europe</i>	3.8	0.5	0.4	1.1	1.8	2.5	3.1
<i>Asia-Pacific</i>	4.7	0.7	0.6	1.8	3.0	4.4	5.7
<i>Others</i>	1.9	0.3	0.3	0.7	1.0	1.2	1.5
Other expenditures	37.7	15.4	15.6	24.0	29.9	34.5	37.7
Jobs attributable to tourism (000s)	748.0	311.5	346.7	549.9	655.0	719.4	759.9
<i>Year-over-year</i>	1.1%	-58.4%	11.3%	58.6%	19.1%	9.8%	5.6%

Border re-opening in October 2021

Revenues from an October re-opening is forecasted to be:

- \$6.6 billion lower than a April 2021 re-opening
- \$15.1 billion lower than a January 2021

Outbound conversion to domestic travels is expected to add \$14 B between 2021 and 2025

Tourism jobs and expenditure forecast in Canada 2019 to 2025 (\$billion)

	2019	2020	2021	2022	2023	2024	2025
Total	105.1	40.2	41.9	66.0	85.6	96.3	105.0
<i>Year-over-year</i>	2.8%	-61.8%	4.2%	57.6%	29.8%	12.4%	9.1%
Domestic Sources:	45.8	21.6	27.1	40.4	48.3	48.9	48.9
Intra-provincial	33.2	16.4	18.1	28.4	33.7	34.7	35.6
Inter-provincial	12.6	3.8	4.1	7.9	11.8	12.7	12.8
Outbound conversion	-	1.4	4.9	4.1	2.8	1.6	0.5
Export Sources	21.7	3.2	1.2	5.4	10.5	15.7	20.1
United States	11.3	1.7	0.7	3.0	6.0	9.0	11.3
Overseas	10.4	1.6	0.6	2.3	4.5	6.6	8.8
<i>Europe</i>	3.80	0.53	0.18	0.74	1.41	2.05	2.68
<i>Asia-Pacific</i>	4.73	0.71	0.27	1.15	2.33	3.58	4.87
<i>Others</i>	1.91	0.33	0.13	0.43	0.74	1.02	1.27
Other expenditures	37.7	15.4	13.5	20.3	26.8	31.7	36.0
Jobs attributable to tourism (000s)	748.0	311.5	303.7	470.8	610.6	685.3	746.2
<i>Year-over-year</i>	1.1%	-58%	-3%	55%	30%	12%	9%

Vaccines will be deployed under a tiered approach

- As of November 2020, we do not know when effective vaccines could be available.
- Once available, vaccine deployment will take time to produce, distribute and administer.
- Distribution likely to follow a tiered approach

US example of a tiered approach to prioritize vaccine allocation

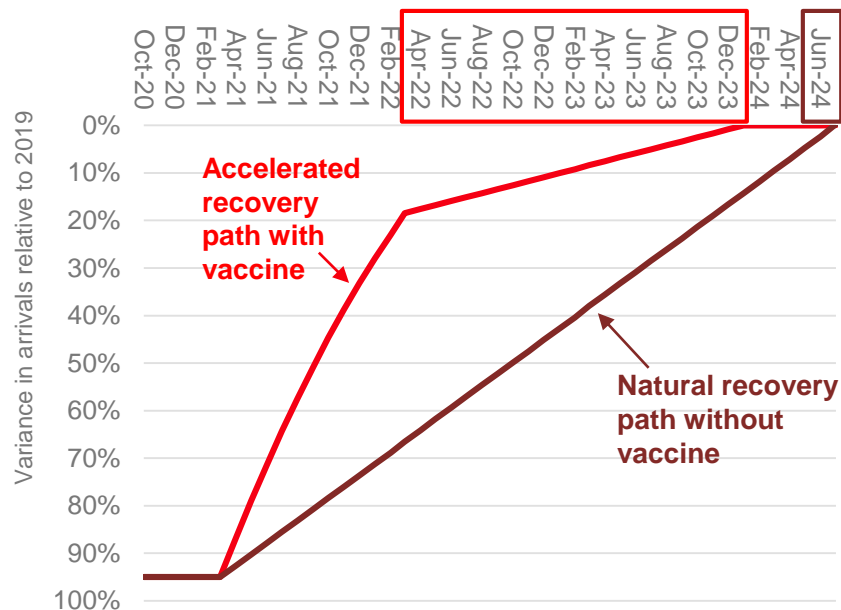
Phase	Population Target	% of US Residents
1	Health care workers and first responders	5%
2	People with underlying conditions, older residents in densely population settings	10%
3	Essential service workers at high risks of exposure— school staff, homeless shelter, older adults	30-35%
4	Young adults, children and essential service workers	40-45%
5	All remaining residents	5-15%

Vaccines will accelerate the recovery

Assuming a border reopening in April 2021 and a natural recovery path to 2019 levels for international travel by in June 2024

- A vaccine distributed to 70% of the target population over a period of 12 months could accelerate recovery time to 2019 levels by at least 6 months
- Border crossing requirements will likely include proof of negative COVID-19 testing or immunization against COVID-19, this will increase costs and effort required for international travel relative to pre-COVID period
- Resulting in reduced travel across borders

Arrivals of US residents to Canada:
Illustrative recovery time with and without a Covid-19 vaccine

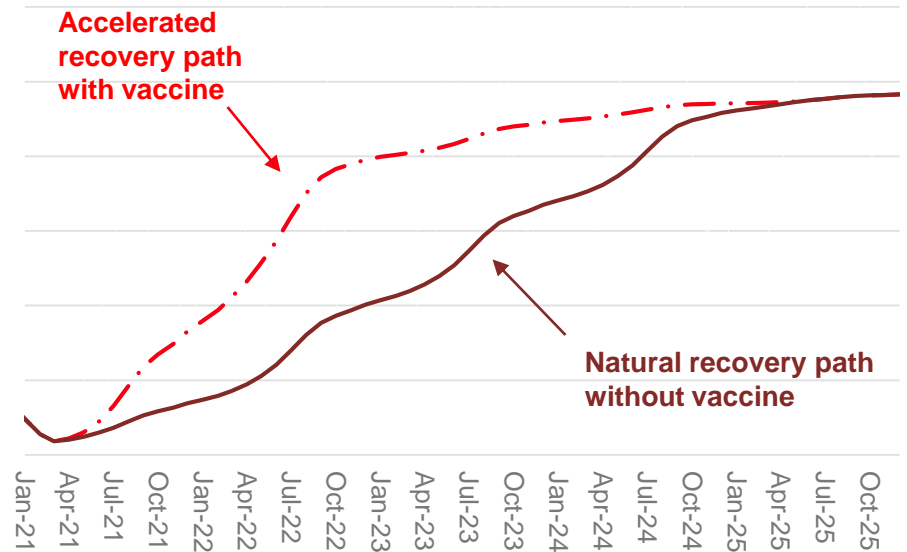


Immunization across markets and populations to regulate recovery momentum

With border reopening in April 2021 and a vaccine deployed starting April 2021, tourism export revenues from the US and overseas sources would be expected to rise

- in 2021 from an estimated \$3 billion to \$7.4 billion and
- in 2022 from \$8.4 billion to \$17.9 billion.

For illustrative purposes:
Arrivals of US residents to Canada:
Likely recovery time with and without a vaccine



Thank you!
Merci!

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HEARTS

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