



The Tourism Economy in South Eastern Ontario

An analysis of the latest economic and market data

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The information and data found in this report are current as of the date of submission to RTO 9 and subject to change given market forces and external variables.

January 15, 2022

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Key Takeaways

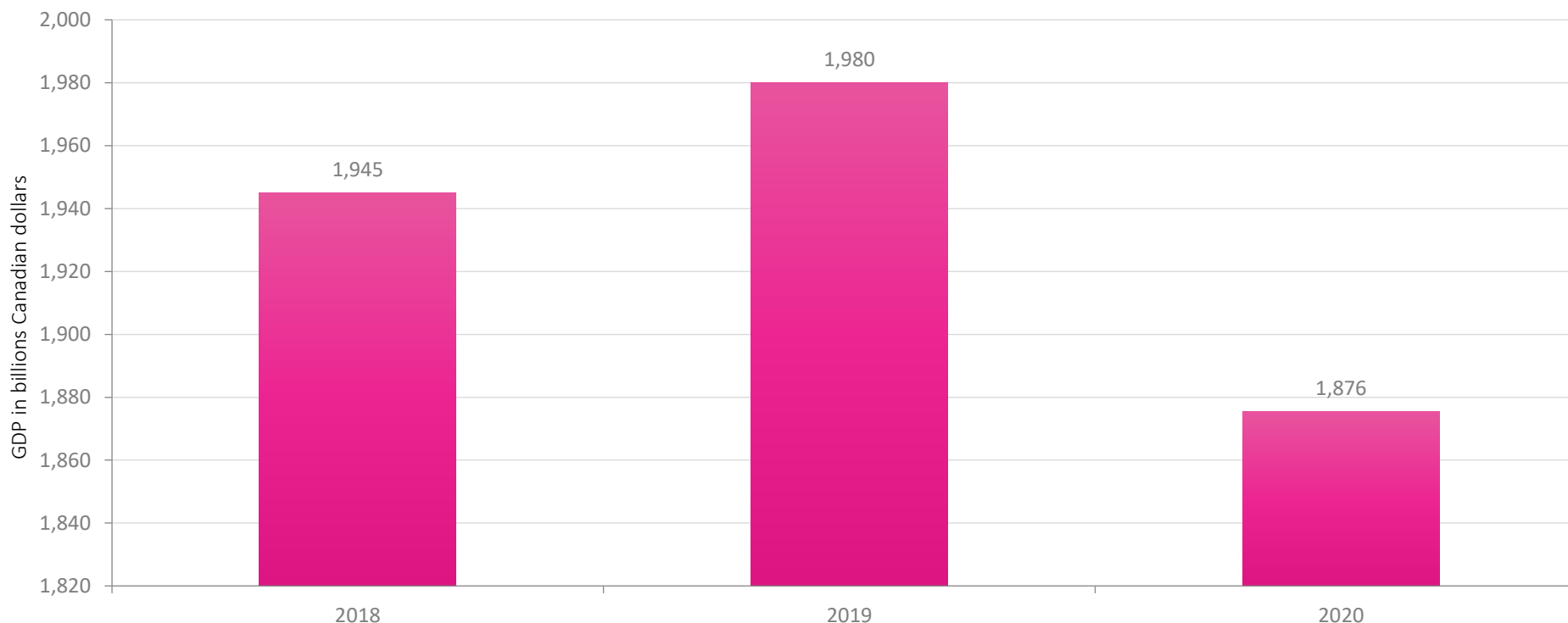
- Overall economic activity in Canada slowed during the first half of 2021, making it another challenging year. Experts predict Canadian GDP growth to be 4.4% in 2022, with pent up consumer demand helping fuel recovery.
- Tourism GDP has grown in alignment with the removal of pandemic restrictions. Transportation and accommodations were the most significant contributors to the rise in tourism GDP in the third quarter of 2021.
- Core retail sales increased in the majority of subsectors across the economy. Before the Omicron variant emerged, October 2021 retail sales showed that consumers were spending and leading recovery.
- The gap between consumers' expected spending growth and expected income growth remains wide. Canadian consumers plan to increase their spending significantly in various areas, including travelling and restaurants, but remain cautious about the impact of variants.
- Ontario unemployment rates have hovered above pre-pandemic levels. Similar to national rates, tourism unemployment in Ontario declined during the first half of 2021 with the increase in demand for tourism.
- Travel restrictions and limitations have greatly impacted tourism businesses across Ontario. Excluding retail and other services, 2,489 tourism businesses were operating in SE Ontario in 2020, a 1.5% decline from the year before.
- Retail positions are among the top job types impacted by tourism in the SE Ontario region. Direct jobs in industries impacted by or participate in tourism will stabilize in 2022, though to levels below those seen pre-pandemic.
- Accommodation occupancy rates and revenues have declined significantly across the region. Occupancy among SE Ontario's commercial accommodations fell to 41% in 2020 from 61% in 2019. Revenue/room dropped to \$48 (-13%), and average daily rates contracted by 34%.
- Short-term vacation rental occupancy rates are up in the region. The SE Ontario region has seen some of the biggest boosts in demand, with the highest occupancy rate amongst all regions in Ontario.

Canada: Overall economic activity in Canada slowed during the first half of 2021

2021 WAS ANOTHER CHALLENGING YEAR FOR CANADA'S ECONOMY. ALTHOUGH GDP GREW, THIS WAS AFTER RECORD DECLINES IN 2020.

| Indicator | Measurement | Data Source | Link | What does it measure? |
|------------------------------|---------------------|---|---|--|
| Gross Domestic Product (GDP) | Annual Average (\$) | Statistics Canada, Table 36-10-0434-03 | https://doi.org/10.25318/3610043401-eng | Provides an economic snapshot, used to estimate the size of an economy and growth rate. Typically used as a proxy to measure economy health. |

GDP at basic prices, annual average, 2018-2020
(x1,000,000)



Key Insight

Travel restrictions, business closures, and other COVID-19 measures impacted almost every industry, especially travel and tourism.

In 2021, real GDP rose in the third quarter after declines in the second. Activity was 1.4% below pre-pandemic level in late 2019.

Canadian GDP growth is expected to be 4.4% in 2022, with pent up consumer demand helping to fuel recovery.

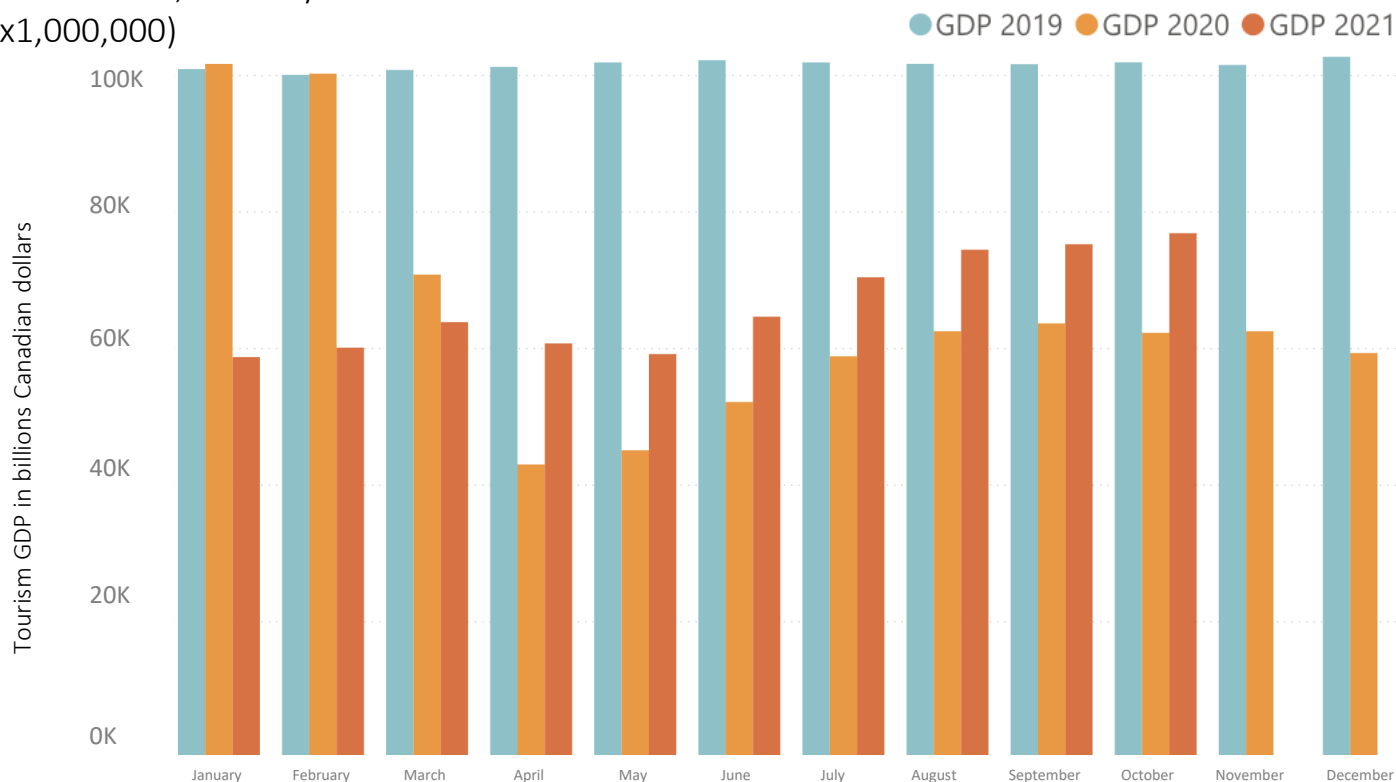
Note:
Data on 2021 GDP will be released in March 2022.

Canada: Tourism GDP has grown in alignment with the removal of pandemic restrictions

TRANSPORTATION AND ACCOMMODATIONS WERE THE MOST SIGNIFICANT CONTRIBUTORS TO THE RISE IN TOURISM GDP IN THE THIRD QUARTER.

| Indicator | Measurement | Data Source | Link | What does it measure? |
|------------------------------|--------------|--|---|--|
| Gross Domestic Product (GDP) | Monthly (\$) | Statistics Canada, Table 36-10-0434-01 | https://doi.org/10.25318/3610043401-eng | Provides an economic snapshot, used to estimate the size of the tourism-related economy and growth rate. |

Tourism GDP, monthly
(x1,000,000)



Key Insight

Tourism activity grew during the third quarter of 2021 as restrictions eased. Tourism GDP grew by 31.1% following a 3.1% increase in the second quarter.

On a monthly basis, GDP in tourism-related industries was 4% higher in October 2021 than the same time in 2020.

Sources: Tourism HR Canada; <https://tourismhr.ca/labour-market-information/tourism-employment-tracker-insights-into-covid-19s-impact/>, Statistics Canada; <https://www150.statcan.gc.ca/n1/daily-quotidien/220107/dq220107b-eng.htm?indid=3389-4&indgeo=0>

Canada: Core retail sales increased in the majority of subsectors

BEFORE OMICRON EMERGED, OCTOBER RETAIL SALES SHOWED THAT CONSUMERS WERE SPENDING AND LEADING RECOVERY.

Indicator

Retail Sales

Measurement

Monthly (\$)

Data Source

Statistics Canada,
Table 20-10-0008-01

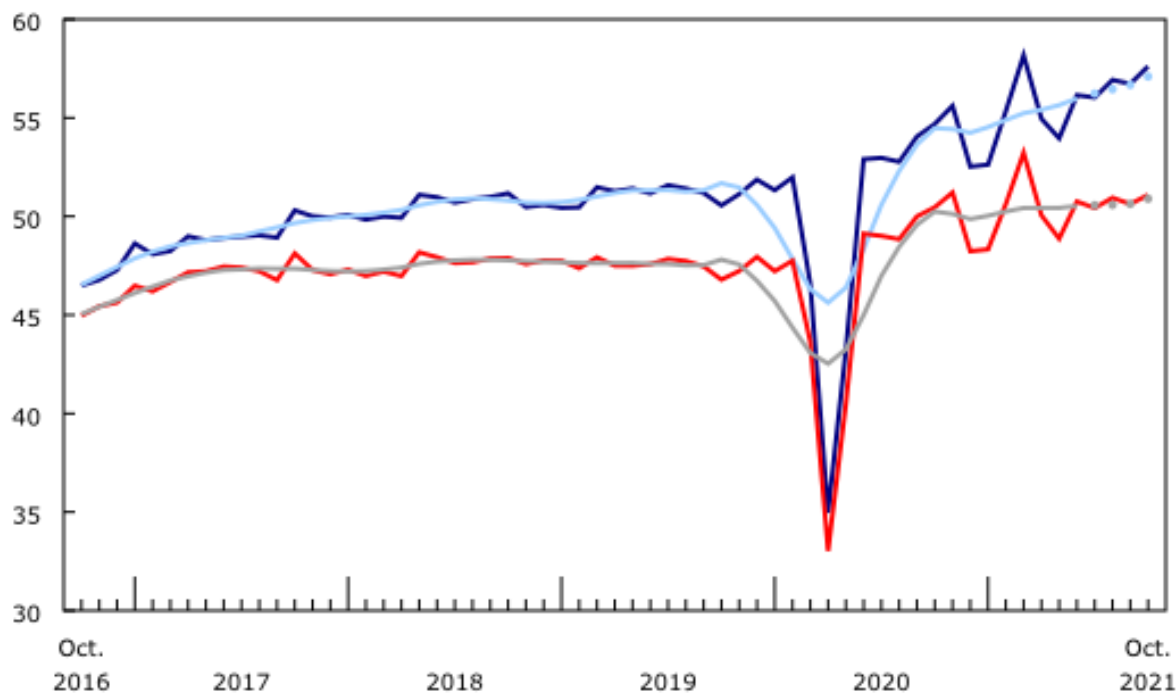
Link

<https://doi.org/10.25318/2010000801-eng>

What does it measure?

Indicator of the pulse of the economy and its projected path toward expansion or contraction.

Retail Sales, current dollars
(in billions)



Key Insight

Retail sales were up 1.6% to \$57.6 billion in October 2021. Sales increased in 7 of 11 subsectors, representing 59.9% of retail trade.

Navy blue = Current 2021 dollars
Light blue = Overall trend line, Current 2021 dollars
Red = 2012 dollars
Grey = Overall trend line, 2012 dollars

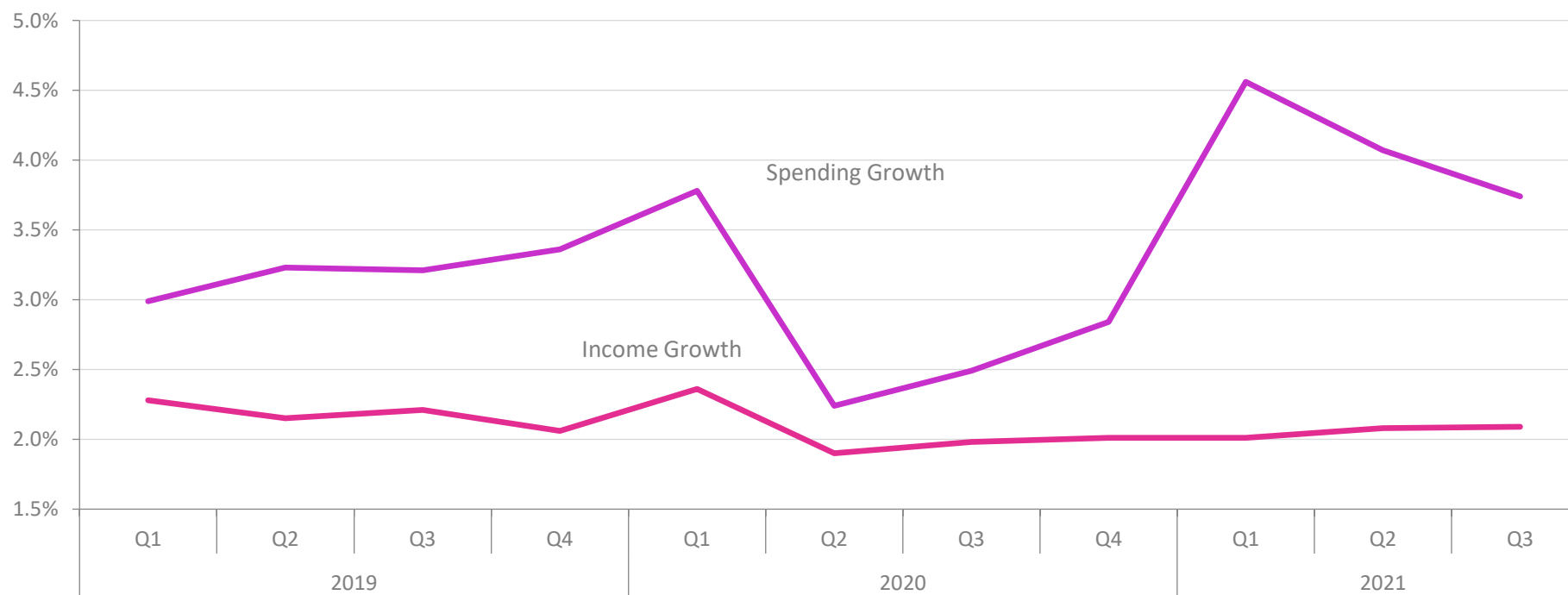
Sources: Statistics Canada; <https://www150.statcan.gc.ca/n1/daily-quotidien/211221/dq211221a-eng.htm>

Canada: The gap between consumers' expected spending growth and expected income growth remains wide

CANADIAN CONSUMERS PLAN TO INCREASE THEIR SPENDING SIGNIFICANTLY BUT REMAIN CAUTIOUS ABOUT THE IMPACT OF VARIANTS.

| Indicator | Measurement | Data Source | Link | What does it measure? |
|--------------------------------|---------------------------|--|---|---|
| Consumer Spending Expectations | Growth next 12 months (%) | Bank of Canada, Canadian Survey of Consumer Expectations | https://www.bankofcanada.ca/2021/10/canadian-survey-of-consumer-expectations-third-quarter-of-2021/ | Degree of optimism about the state of the economy measure through consumer spending activities. |

Quarterly Consumer Spending, 2019-2021 (% growth)



Key Insight

Consumers flush with savings can help explain some of the difference between expected spending growth and income growth. The Bank of Canada also believes households plan to increase their borrowing in the next year.

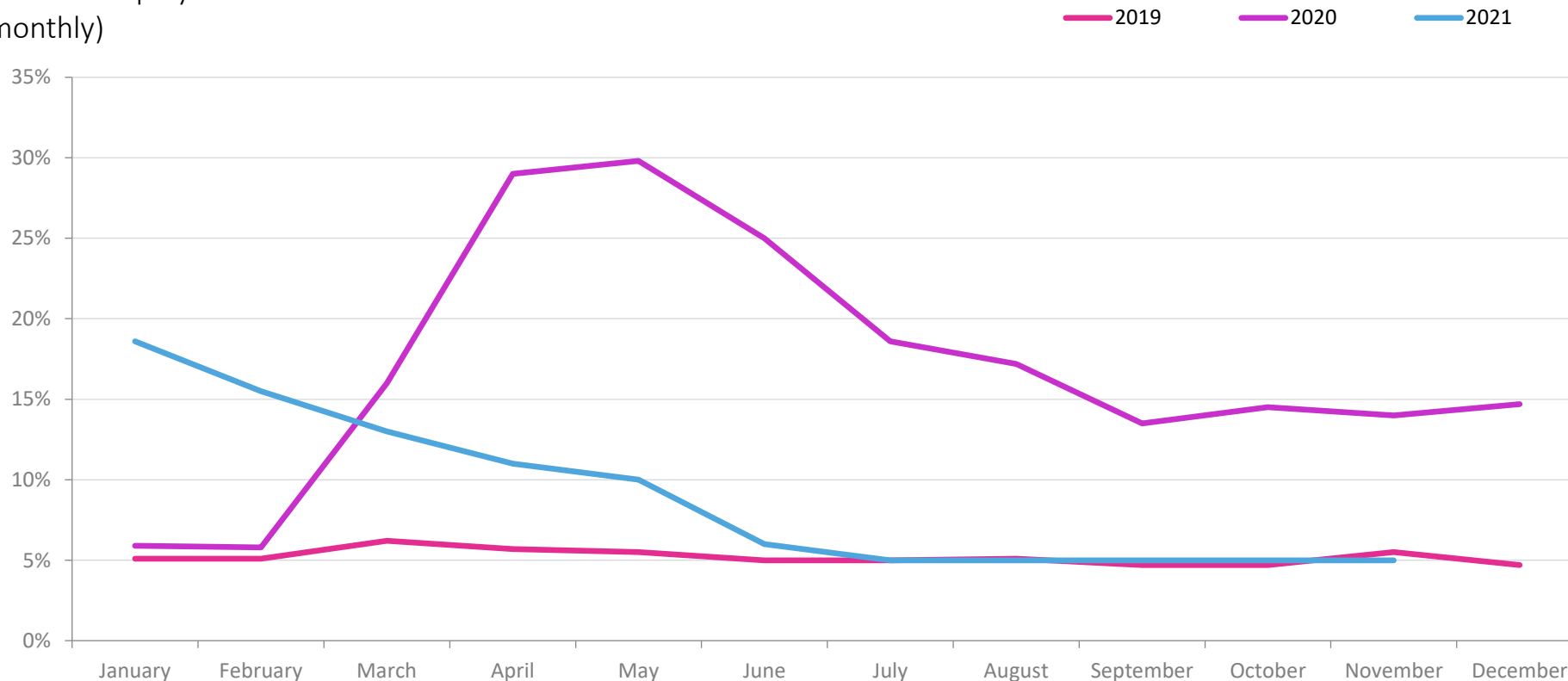
Before the arrival of the Omicron variant, many Canadians felt comfortable resuming regular in-person and reported wanting to spend more on restaurants and travelling once they and others were vaccinated.

Canada: Overall unemployment in the tourism sector declined last year

TOURISM UNEMPLOYMENT RATES STARTED TO APPROACH PRE-PANDEMIC LEVELS FOR THE FIRST TIME IN JULY 2021.

| Indicator | Measurement | Data Source | Link | What does it measure? |
|----------------------|-------------|---|---|---|
| Tourism Unemployment | Monthly (%) | Statistics Canada, Canadian Labour Force Survey | https://www150.statcan.gc.ca/n1/daily-quotidien/210409/dq210409a-eng.htm | Illustrates how quickly tourism's employment landscape is changing. |

Tourism Unemployment Rate (% monthly)



Key Insight

In November 2021, the overall national unemployment rate fell to 6%, the largest decline since March 2021.

The tourism unemployment rate dropped to its lowest levels in July 2021, to 4.8%.

While unemployment declined in many tourism industry groups, the arts, recreation and entertainment sector has remained consistently higher than pre-pandemic rates.

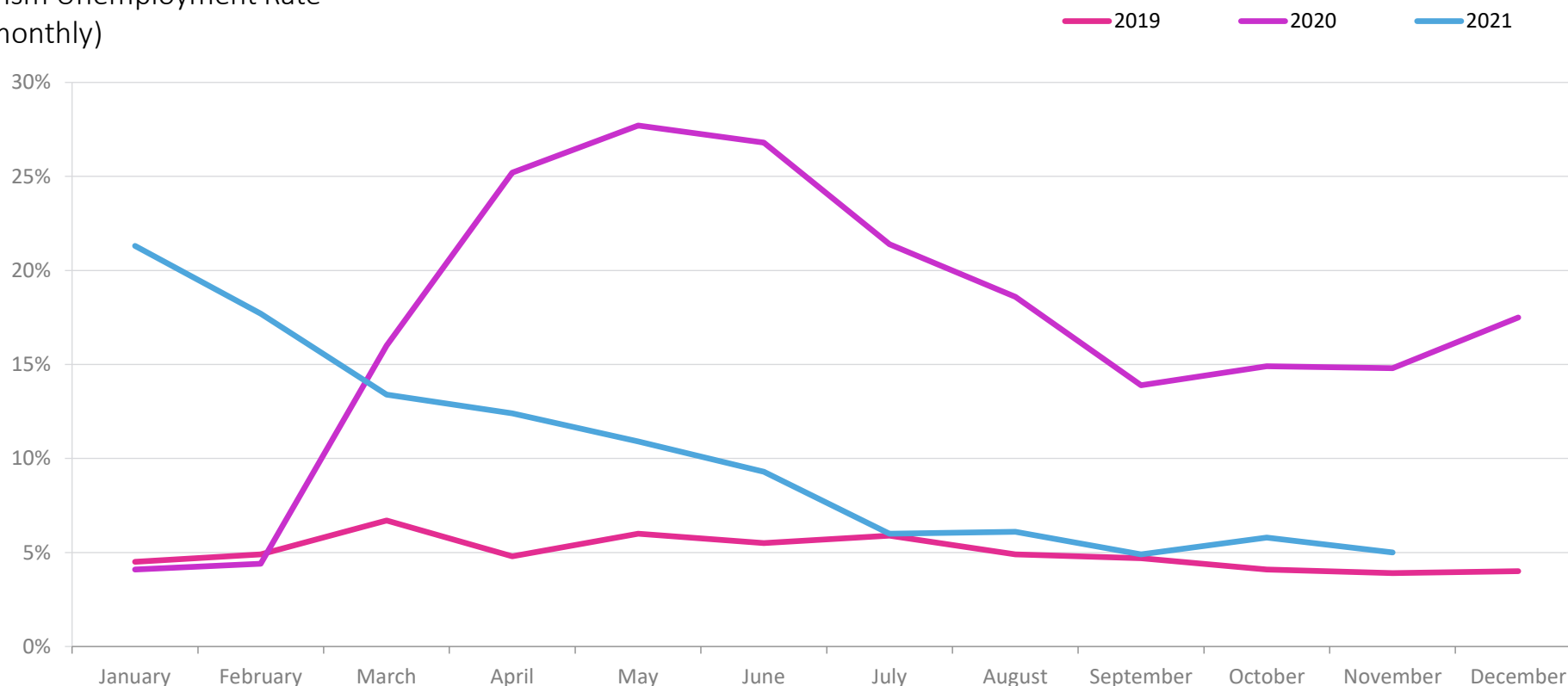
Sources: Tourism HR Canada; <https://tourismhr.ca/labour-market-information/tourism-employment-tracker-insights-into-covid-19s-impact/>

Ontario: Ontario unemployment rates have hovered above pre-pandemic levels

SIMILAR TO NATIONAL RATES, TOURISM UNEMPLOYMENT IN ONTARIO DECLINED DURING THE FIRST HALF OF 2021.

| Indicator | Measurement | Data Source | Link | What does it measure? |
|----------------------|-------------|---|---|---|
| Tourism Unemployment | Monthly (%) | Statistics Canada, Canadian Labour Force Survey | https://www150.statcan.gc.ca/n1/daily-quotidien/210409/dq210409a-eng.htm | Illustrates how quickly tourism's employment landscape is changing. |

Tourism Unemployment Rate
(% monthly)



Key Insight

The tourism unemployment rate for Ontario declined during the first half of the year reaching its lowest level of 4.9% in September 2021.

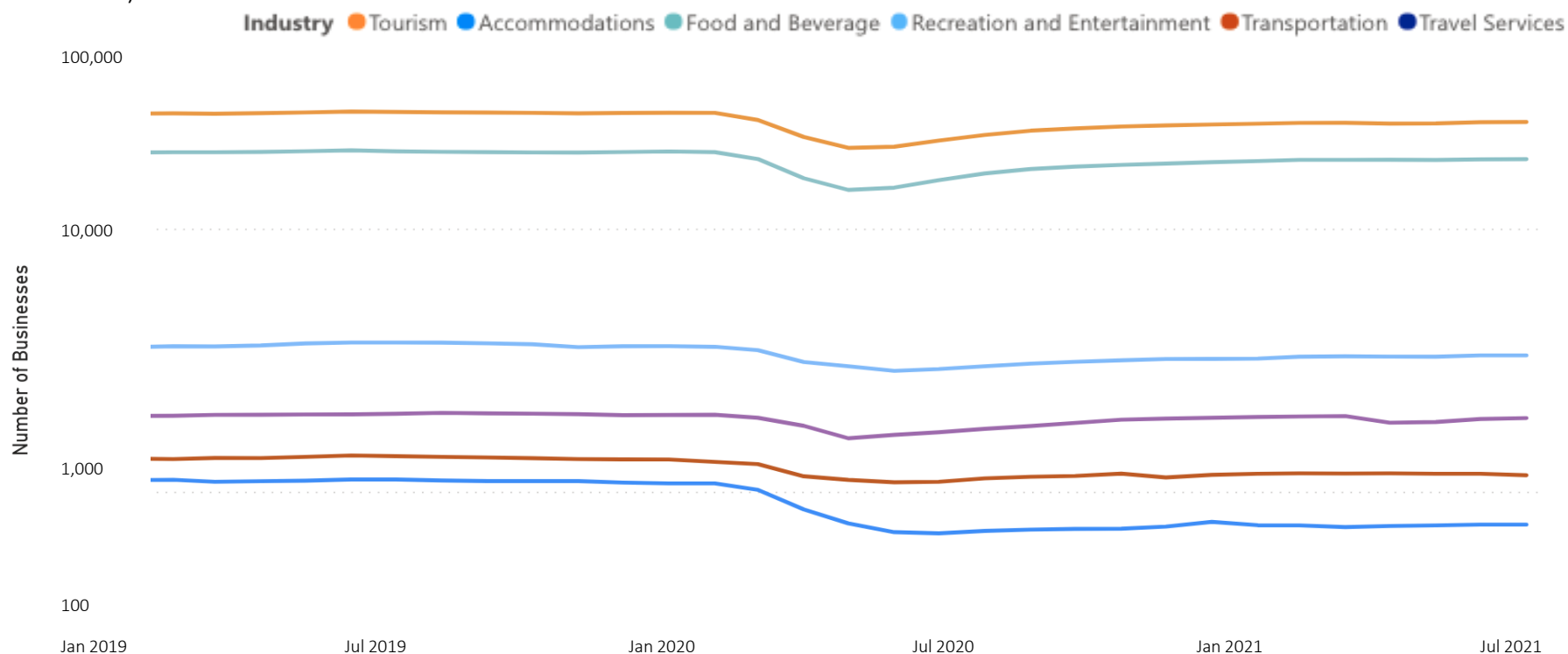
Sources: Tourism HR Canada; <https://tourismhr.ca/labour-market-information/tourism-employment-tracker-insights-into-covid-19s-impact/>

Ontario: Travel restrictions and limitations have greatly impacted tourism businesses across Ontario

THE TOURISM SECTOR EXPERIENCED A STEADY INCREASE IN THE NUMBER OF ACTIVE BUSINESSES DURING 2021 AS DEMAND FOR TOURISM ACTIVITIES IMPROVED.

| Indicator | Measurement | Data Source | Link | What does it measure? |
|-----------------------------------|-------------|--|---|---|
| Active Tourism Related Businesses | Monthly (#) | Statistics Canada, Table 33-10-0270-01 | https://www150.statcan.gc.ca/t1/tbl1/en/cv.action?pid=3310027001 | Estimates the number of active businesses in a given month. |

Active Tourism Related Businesses, January 2019-July 2021 (# of businesses)



Key Insight

The number of active tourism businesses operating in 2021 improved greatly from the lows of mid-2020.

In May 2020, there were 20,304 active tourism businesses. As of August 2021, there were 25,475 active tourism businesses, an increase of 25% from May 2020.

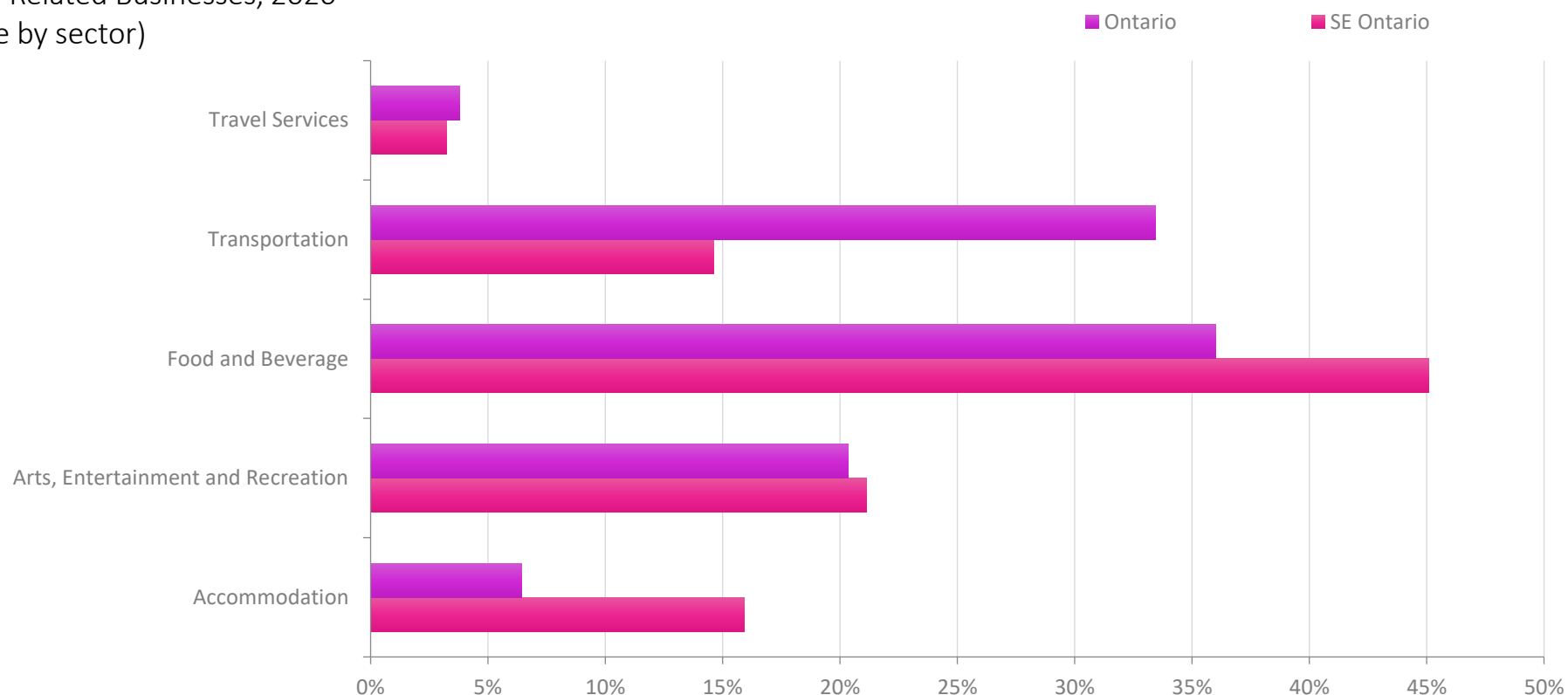
Sources: Tourism HR Canada; <https://tourismhr.ca/labour-market-information/tourism-employment-tracker-insights-into-covid-19s-impact/>

South Eastern Ontario: Tourism in the region is mainly comprised of food and beverage businesses

IN 2020, THERE WERE JUST UNDER 2,500 TOURISM-RELATED BUSINESSES ACROSS VARIOUS INDUSTRIES OPERATING IN THE SE ONTARIO REGION.

| Indicator | Measurement | Data Source | Link | What does it measure? |
|----------------------------|---------------------|---|---|---|
| Tourism Related Businesses | Share by sector (%) | Statistics Canada, Canadian Business Patterns | http://www.mtc.gov.on.ca/en/research/rtp/rtp.shtml | Used to compare the number of active businesses by province and region. |

Tourism Related Businesses, 2020
(% share by sector)



Key Insight

Due to changes in demand for tourism activities and restrictions, some businesses were forced to close temporarily or permanently.

Excluding retail and other services, 2,489 tourism businesses were operating in SE Ontario in 2020, a 1.5% decline from the year before. The highest share operated in food and beverage (45%) and arts, entertainment and recreation (20%).

Over 80% of tourism businesses in the region have less than 20 employees, which makes the industry more vulnerable.

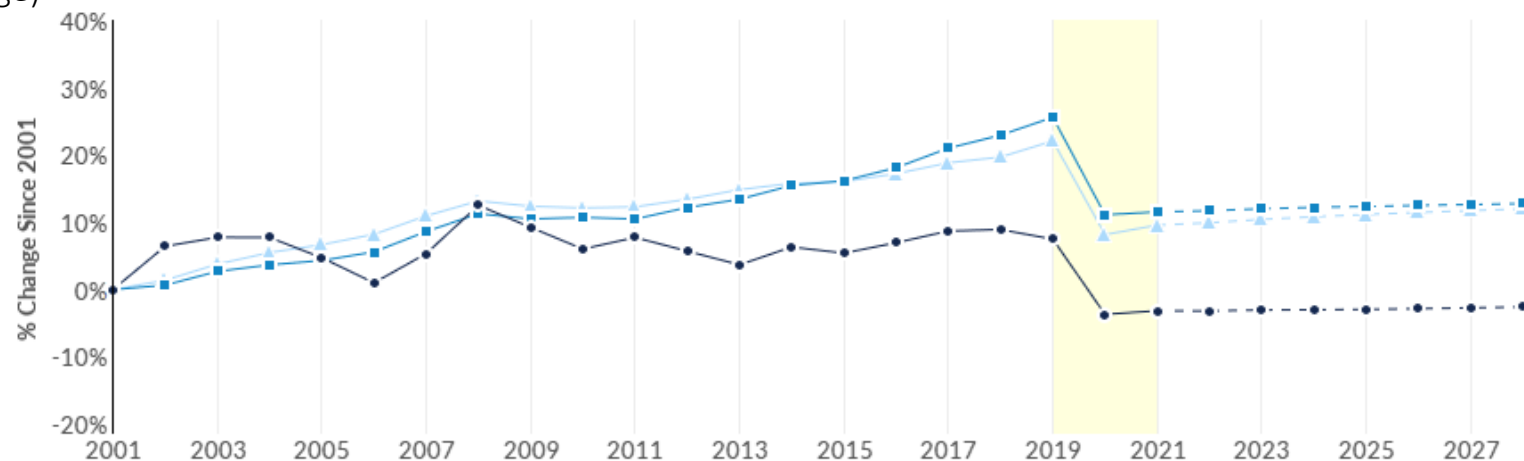
Sources: MTCS; <http://www.mtc.gov.on.ca/en/research/rtp/rtp.shtml>

South Eastern Ontario: Retail positions are among the top job types impacted by tourism in the region

DIRECT JOBS IN INDUSTRIES IMPACTED BY OR PARTICIPATE IN TOURISM WILL STABILIZE IN 2022, THOUGH TO LEVELS BELOW THOSE SEEN PRE-PANDEMIC.

| Indicator | Measurement | Data Source | Link | What does it measure? |
|-----------------------|--------------------------------|-------------------------|---|--|
| Tourism Industry Jobs | Number of Jobs (#); Change (%) | Emsi, Industry Overview | https://www.ontario.ca/page/analyst-economic-analysis-software | Number of direct jobs in industries that are impacted by or participate in tourism (employed and self-employed). |

Tourism Employment Trends, 2001-2027f*
(% change)



Key Insight

In 2021 the number of direct jobs in industries that were impacted by or participated in the SE Ontario tourism economy was 40,337.

From 2019 to 2020 there was a jobs decline of 9.9% (4,439), which was above the Ontario growth rate of -11.2% and the national trend (-10.3%) during the same period.

*f= forecast

| Region | 2019 Jobs | 2021 Jobs | Change | % Change |
|---------|-----------|-----------|----------|----------|
| RTO 9 | 44,776 | 40,337 | -4,439 | -9.9% |
| Ontario | 1,402,569 | 1,245,588 | -156,981 | -11.2% |
| Canada | 3,640,138 | 3,266,725 | -373,413 | -10.3% |

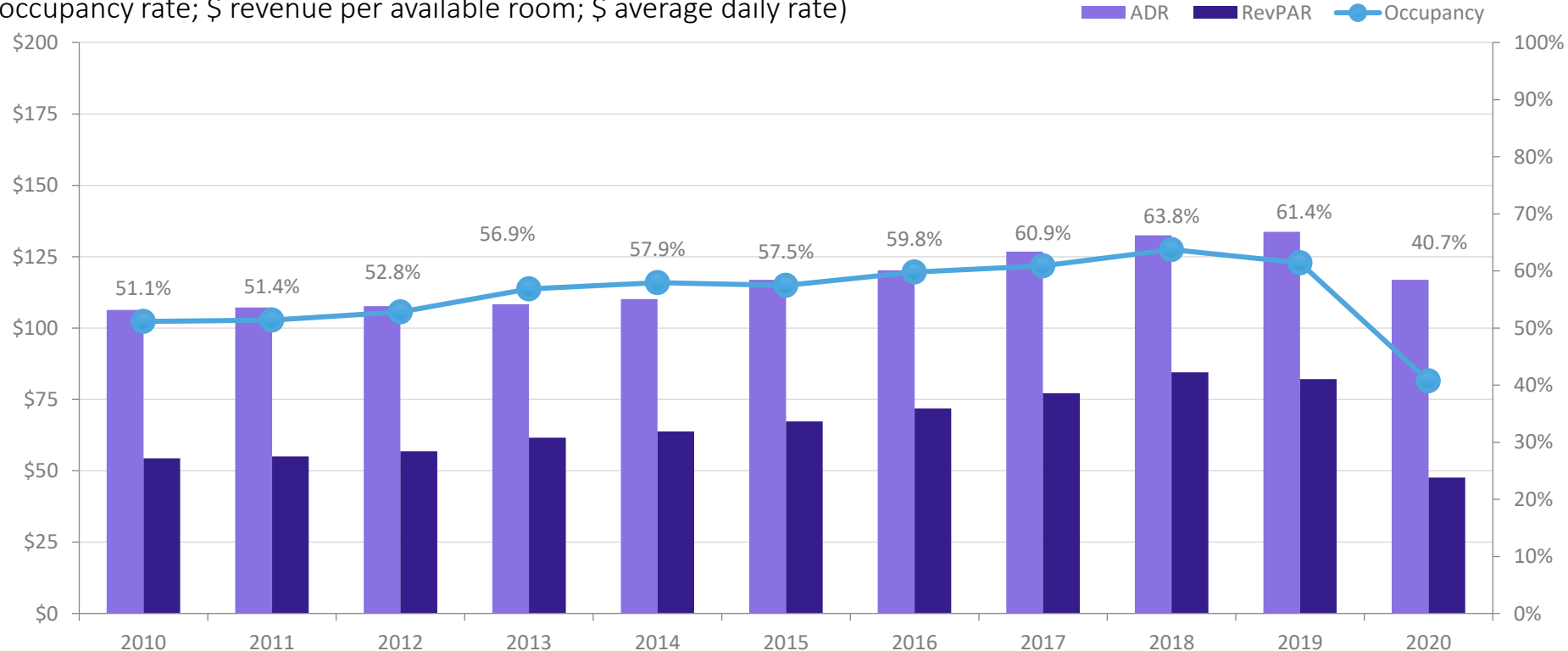
Sources: OMAFRA Analyst; <https://www.ontario.ca/page/analyst-economic-analysis-software>

South Eastern Ontario: Accommodation occupancy rates and revenues have declined significantly across the region

OCCUPANCY AMONG SE ONTARIO'S COMMERCIAL ACCOMMODATIONS FELL TO 41% IN 2020 FROM 61% IN 2019. REVENUE/ROOM DROPPED TO \$48 (-13%), AND AVERAGE DAILY RATES CONTRACTED BY 34%.

| Indicator | Measurement | Data Source | Link | What does it measure? |
|----------------|---|---|---|--|
| Accommodations | Occupancy (%); Revenue per available room (\$); Average daily rate (\$) | CBRE Hotels' Trends in the Hotel Industry National Market/Operations Report | http://www.mtc-currentperformance.com/Hotel.aspx | Measures of hotel performance and ability to fill rooms in the city. |

Historical Performance of South Eastern Ontario Hotel Market, 2010-2020 (% occupancy rate; \$ revenue per available room; \$ average daily rate)



Key Insight

Occupancy and RevPAR hit their lowest levels at hotels across the SE Ontario region in 2020.

As travel restrictions and limitations continue into early 2022, adverse impact on the region's hotel performance is expected until vaccine booster programs are implemented and people feel comfortable gathering again.

Sources: MTCS; <http://www.mtc-currentperformance.com/Hotel.aspx>

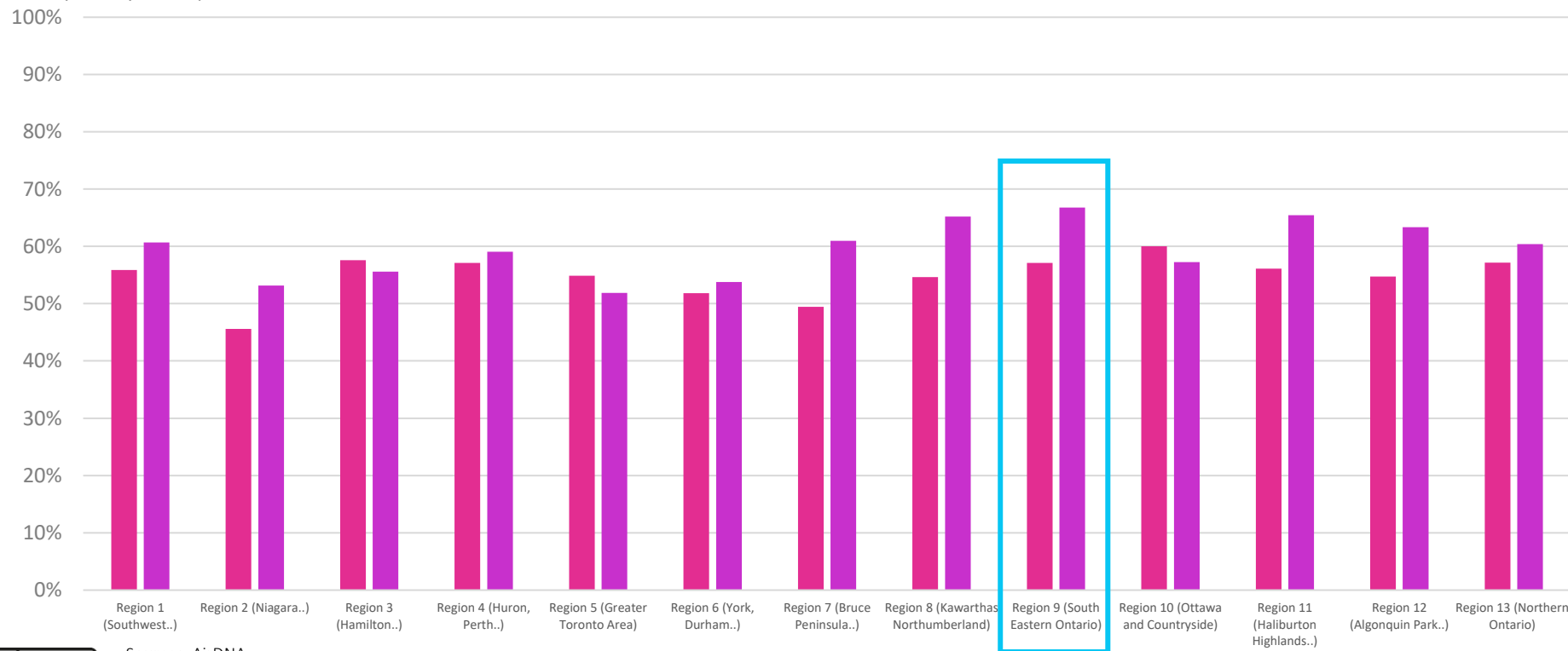
South Eastern Ontario: Short-term vacation rental occupancy rates are up in the region

THE SE ONTARIO REGION HAS SEEN SOME OF THE BIGGEST BOOSTS IN DEMAND, WITH THE HIGHEST OCCUPANCY RATE AMONGST ALL REGIONS IN ONTARIO.

| Indicator | Measurement | Data Source | Link | What does it measure? |
|-----------------------------|---------------|-------------|---|--|
| Short-term Vacation Rentals | Occupancy (%) | AirDNA | http://www.mtc.gov.on.ca/en/research/historicalstats/historical_statistics_tables.shtml | Measures the demand for short-term rentals and offers a holistic view of accommodation supply in the region. |

Performance of Short-term Vacation Rentals, Last 12 Months September 2021 vs Last 12 Months September 2020

(% occupancy rate)



Key Insight

Short-term vacation rental market in the SE Ontario region has seen some of the biggest boosts in demand throughout the pandemic.

Occupancy in the last 12 months from September 2021 was 66.8%, the highest amongst all regions in Ontario. As a result, average daily rates went up as well by 26.8%.

Available supply dropped slightly from 2,978 units to 2,858 (-4%).

Sources: AirDNA



Twenty31 Consulting is a research and innovation-based management consultancy working with senior leaders of travel and tourism organizations to define and build sustainable, competitive advantage.

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