



Regional Tourism  
ORGANIZATION

## Analyzing Economic and Market Indicators Relevant for South Eastern Ontario's Tourism Economy

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An analysis of the latest economic and market data

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Twenty31 Consulting Inc.

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March 2023

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The findings reported herein are provided on a confidential basis to Regional Tourism Organization 9 (RTO 9). RTO 9 is free to use the findings in whatever manner it chooses, including releasing them to their travel and tourism industry stakeholders and partners and/or media.

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.

March 2023

# INTRODUCTION



This report offers a comprehensive overview of the tourism **economic landscape in Canada and South Eastern Ontario in 2022**, with a focus on key indicators such as GDP, retail sales, consumer spending, tourism unemployment, total number of active tourism businesses, and accommodation occupancy rates.

This report analyzes the economic trends in the region, **highlighting the impact of COVID-19 on the local economy and the recovery efforts in various sub-sectors**. Additionally, it provides a comparison of the region's performance with the national averages.

The data used in the report is **primarily sourced from Statistics Canada**, including the Labour Force Survey, Retail Trade Survey, and Tourism Employment Tracker. Other data sources include **industry reports, market research, and surveys conducted by local economic development agencies and chambers of commerce**.

The report covers the economic performance of the South Eastern Ontario region in 2022, with a **specific focus on the tourism industry in the region**. Historical data from previous years is also included for comparison and context.

This report is meant to provide an historical assessment of the tourism economy in South Eastern Ontario, to provide context on the potential forward 2023 outlook.

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Key Indicators (Canada, Ontario and/or South Eastern Ontario Data)

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## KEY TAKEAWAYS

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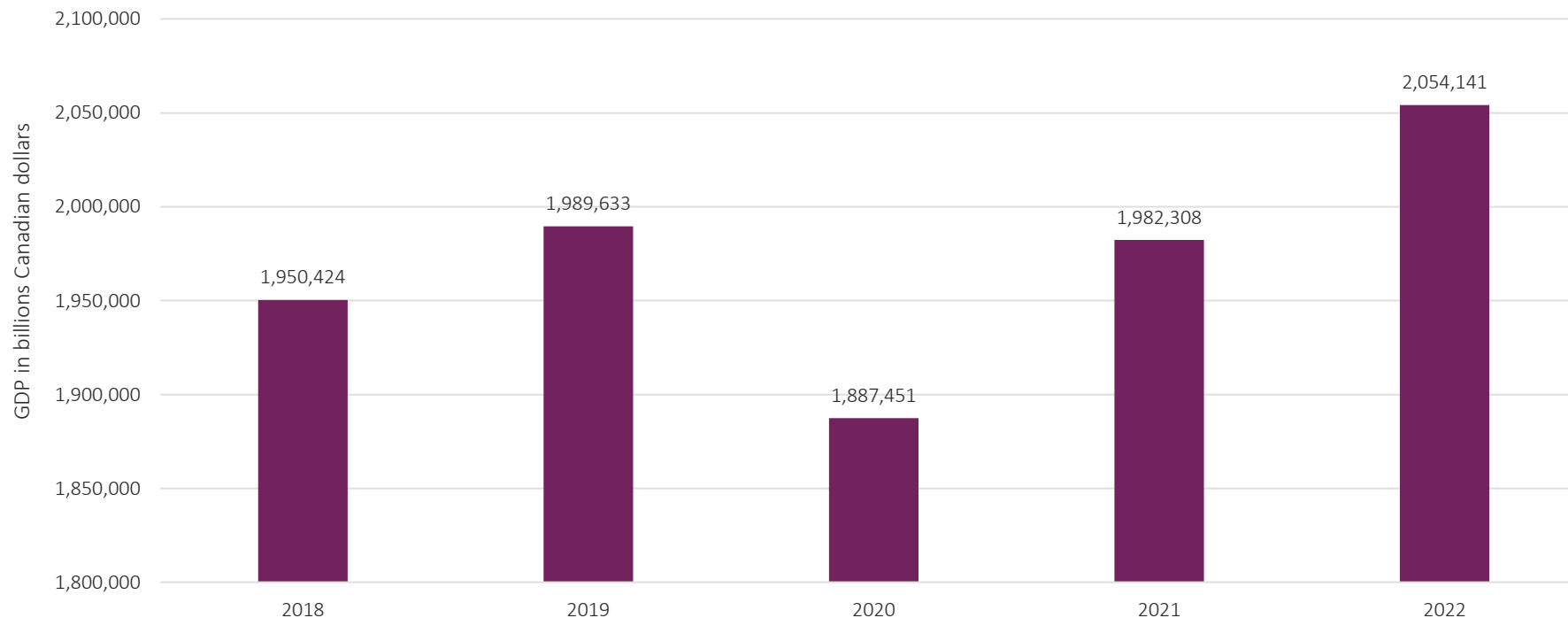
- The consumer, business and market impacts of COVID-19 are expected to continue impacting the Canadian economy in 2023, creating challenges and uncertainty for various industries, including tourism.
- Despite ongoing economic challenges, especially related to historically higher inflation levels, Canadian GDP growth is expected to remain positive in 2023, with a projected growth rate of 0.8%.
- Tourism GDP in Q1 2022 declined by 1.6% compared to the previous quarter. Out of all tourism sub-sectors, the accommodation sub-sector rebounded the best, recording a 33% increase in Q3 2022 vs. the same period in 2021.
- Canadian retail sales increased by 0.5% to \$62.1 billion in December 2022, led by higher sales at motor vehicle and parts dealers and general merchandise stores.
- In 2022, Canadian unemployment rates improved, with the tourism industry making a strong recovery. The recreation and entertainment sub-sector was the strongest tourism employment sector in 2022.
- The number of active tourism businesses operating in 2022 continued to grow from 2021 numbers, almost reaching pre-pandemic levels.
- South Eastern Ontario accommodation occupancy rates continued to recover whilst the average daily rate hit a 10-year peak at \$141 a night, a 32% increase from 2012 prices.
- Despite these positive developments, inflation remains at historically high levels, which will impact consumer confidence and GDP growth in 2023. There is a very real scenario where Canadian and Ontario travel consumers will defer expensive trips, and modify 2023 travel plans and engage in shorter trips, less expensive trips, and/or trips closer to home.

# TOTAL ECONOMIC ACTIVITY – CANADA

COVID-19 challenges and uncertainty persist in 2023, highlighting the need for prioritizing support for affected industries like tourism, despite projected GDP growth.

Indicator	Measurement	Data Source	Link	What does it measure?
Gross Domestic Product (GDP)	Annual Average (\$)	Statistics Canada, Table 36-10-0434-03	<a href="https://doi.org/10.25318/3610043401-eng">https://doi.org/10.25318/3610043401-eng</a>	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, 2018-2022



### Key Insight

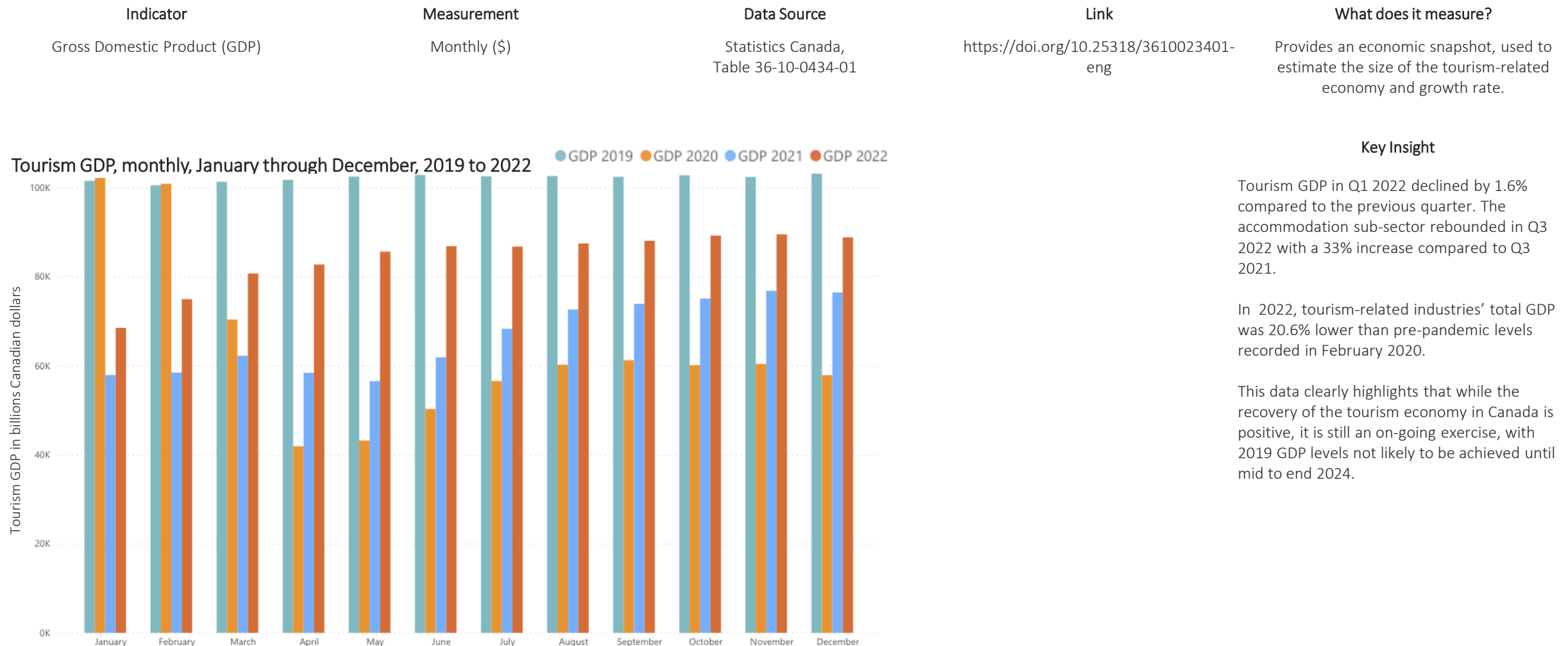
COVID-19 is expected to continue impacting the Canadian economy in the coming years, creating challenges and uncertainty for various industries, including tourism. Prioritizing support for affected businesses is critical for promoting long-term economic growth and resilience.

In 2022, real GDP surpassed pre-COVID-19 levels after a year of recovery in 2021. However high inflation will take a toll on spending and hiring in 2023.

Despite ongoing challenges, Canadian GDP growth is expected to remain positive in 2023, with a projected growth rate of 0.8%

# TOURISM ECONOMIC ACTIVITY – CANADA

Tourism GDP in Canada grew consistently throughout 2022, but remained lower than pre-pandemic levels – recovery of the tourism economy in Canada is on-going and likely to return to 2019 levels by mid to end 2024.



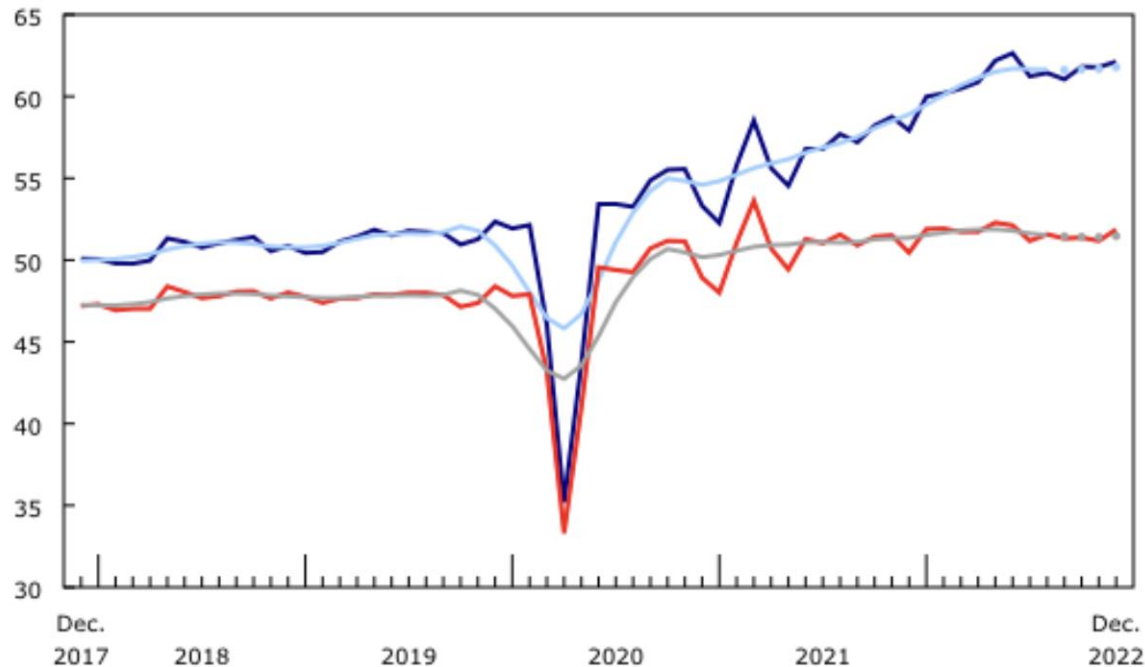
Source: Tourism HR Canada; (<https://tourismhr.ca/labour-market-information/tourism-employment-tracker-insights-into-covid-19s-impact/#GDP>)

## RETAIL SALES - CANADA

Canadian retail sales increased by 0.5% to \$62.1 billion in December 2022, led by higher sales at motor vehicle and parts dealers and general merchandise stores. Core retail sales increased by 0.4% and retail sales increased by 8.2% in 2022.

Indicator	Measurement	Data Source	Link	What does it measure?
Retail Sales	Monthly (\$)	Statistics Canada, Table 20-10-0008-01	<a href="https://doi.org/10.25318/2010000801-eng">https://doi.org/10.25318/2010000801-eng</a>	Indicator of the pulse of the economy and its projected path toward expansion or contraction.

Retail Sales, current dollars, December 2017 to December 2022  
(in billions of dollars, Canada)



### Key Insight

Retail sales increased 0.5% to \$62.1 billion in December 2022. Sales increased in 7 of 11 sub-sectors, representing 75.1% of retail trade.

While the increasing retail sales indicates positive consumer sentiment about the overall Canadian economy, increasing inflation has tempered sentiment and will likely result in travel consumers modifying travel plans in 2023.

Navy blue = Current 2022 dollars  
Light blue = Overall trend line, Current 2021 dollars  
Red = 2012 dollars  
Grey = Overall trend line, 2012 dollars

Source: Statistics Canada: (<https://www150.statcan.gc.ca/n1/daily-quotidien/230221/dq230221b-eng.htm?indid=3660-1&indgeo=0>)

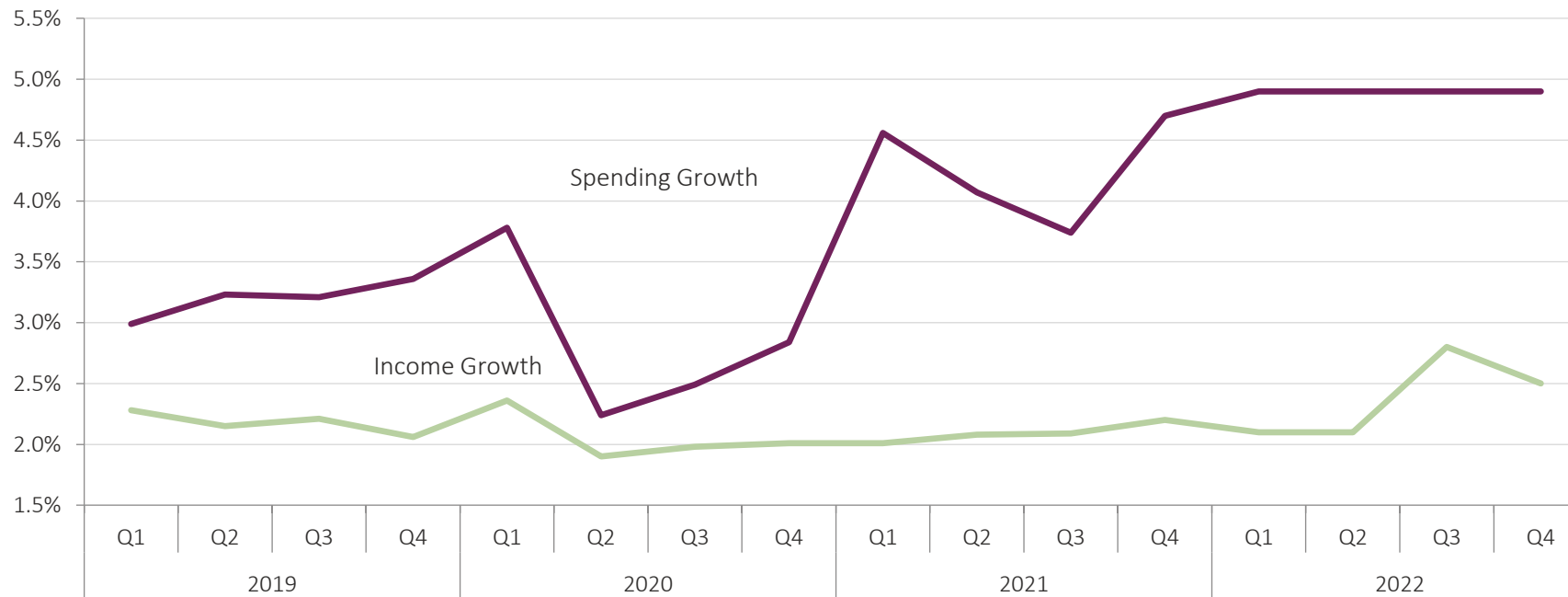


## CONSUMER SPENDING – CANADA

Canadian consumers were optimistic about the economy in 2022, with expected income growth and lower unemployment rates, although concerns about inflation persisted.

Indicator	Measurement	Data Source	Link	What does it measure?
Consumer Spending Expectations	Growth next 12 months (%)	Bank of Canada, Canadian Survey of Consumer Expectations	<a href="https://www.bankofcanada.ca/2023/01/canadian-survey-of-consumer-expectations-fourth-quarter-of-2022/">https://www.bankofcanada.ca/2023/01/canadian-survey-of-consumer-expectations-fourth-quarter-of-2022/</a>	Degree of optimism about the state of the economy, measured through consumer spending activities.

Quarterly Consumer Spending, 2019 to 2022  
(% growth, Canada)



### Key Insight

Most consumers were expecting their incomes to increase in 2022, which could have been a driver of higher consumer spending.

However, consumers were expecting inflation to continue to increase and therefore were not expecting major increases in their spending growth.

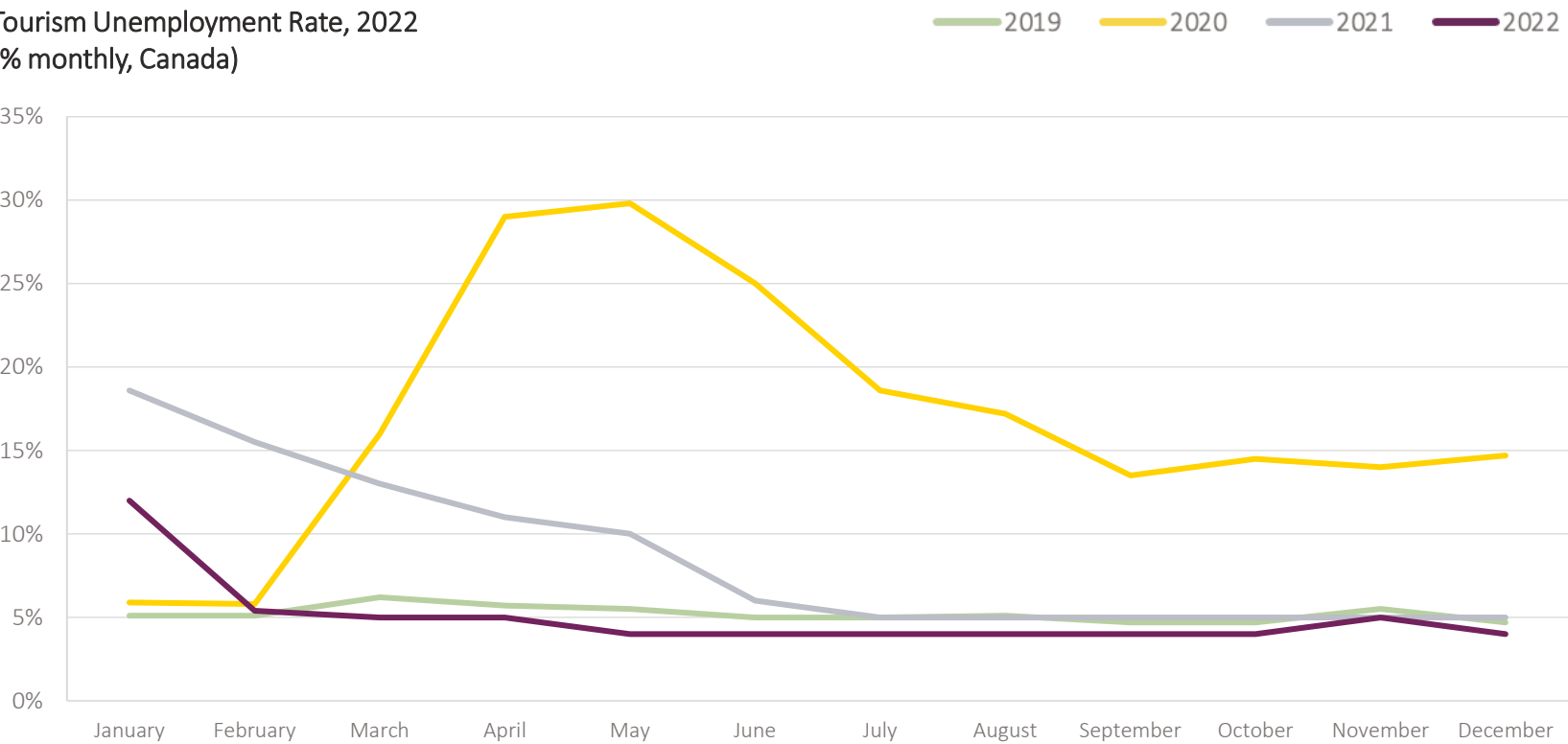
Consumer spending leveled off in Q2 2022 – a trend likely to continue (and potentially decline) in 2023 as inflation continues to bite into household budgets.

# TOURISM UNEMPLOYMENT – CANADA

In 2022, Canadian unemployment rates improved, with the tourism industry making a strong recovery. The recreation and entertainment sub-sector was the strongest tourism employment sector in 2022.

Indicator	Measurement	Data Source	Link	What does it measure?
Tourism Unemployment	Monthly (%)	Statistics Canada, Canadian Labour Force Survey	<a href="https://doi.org/10.25318/1410037501-eng">https://doi.org/10.25318/1410037501-eng</a>	Illustrates how quickly tourism’s employment landscape is changing.

Tourism Unemployment Rate, 2022  
(% monthly, Canada)



Key Insight

In 2022 the national tourism unemployment rate was 5.3%, a 2.2% decrease from 2021 (7.5%).

From February 2022 onwards, the tourism unemployment rate in Canada was lower than 2019 levels.

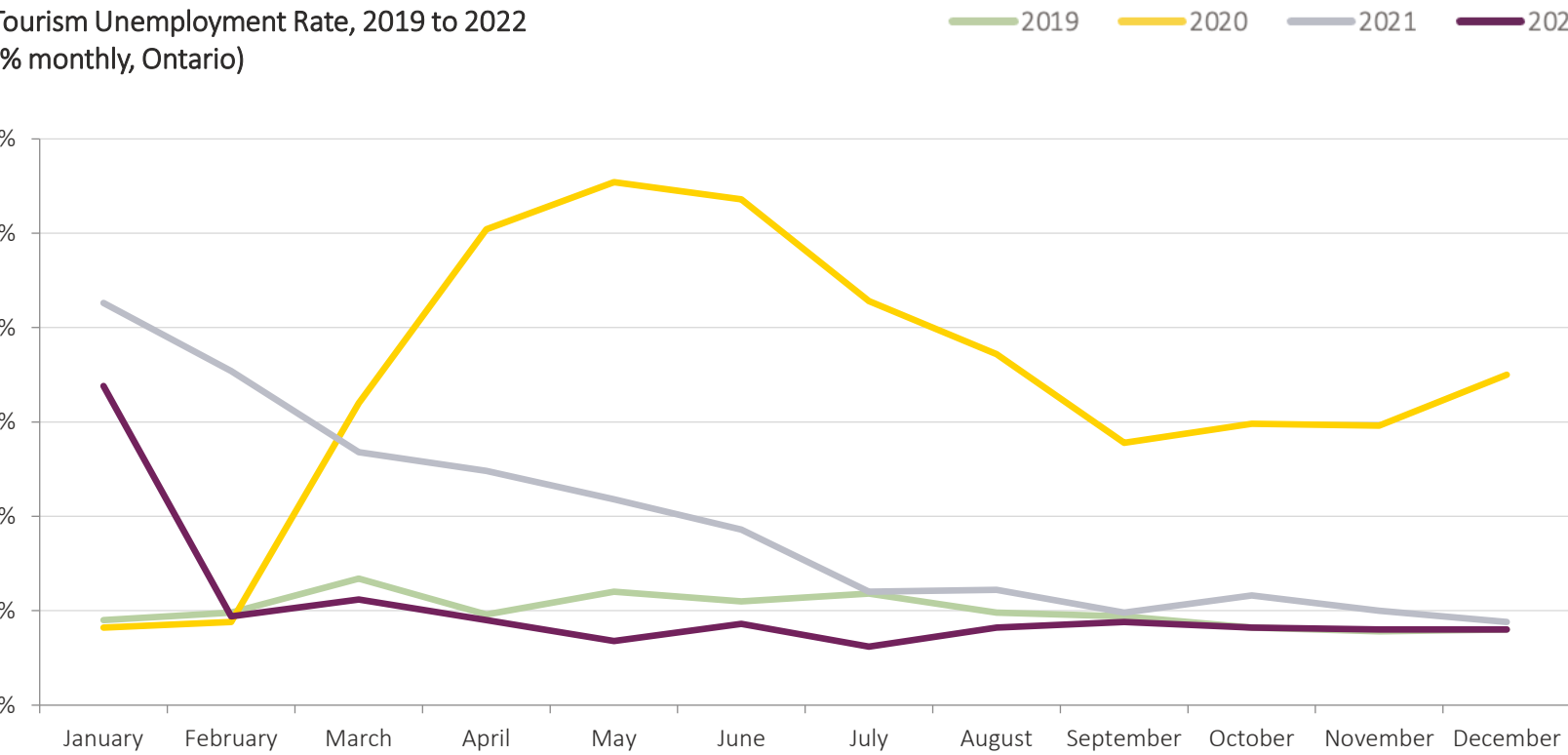
The recreation and entertainment sub-sector was the only sector in 2022 to consistently hit or surpass 2019 employment levels.

# TOURISM UNEMPLOYMENT – ONTARIO

Ontario saw its lowest tourism unemployment rates in 2022, with unemployment consistently under the 2019 unemployment rates.

Indicator	Measurement	Data Source	Link	What does it measure?
Tourism Unemployment	Monthly (%)	Statistics Canada, Canadian Labour Force Survey	<a href="https://www150.statcan.gc.ca/n1/daily-quotidien/230310/dq230310a-eng.htm">https://www150.statcan.gc.ca/n1/daily-quotidien/230310/dq230310a-eng.htm</a>	Illustrates how quickly tourism’s employment landscape is changing.

Tourism Unemployment Rate, 2019 to 2022  
(% monthly, Ontario)



Key Insight

In July 2022, Ontario had a tourism unemployment rate of 3.1%, the lowest it has been in over three years.

Employment rose for women in the six months to February 2022.

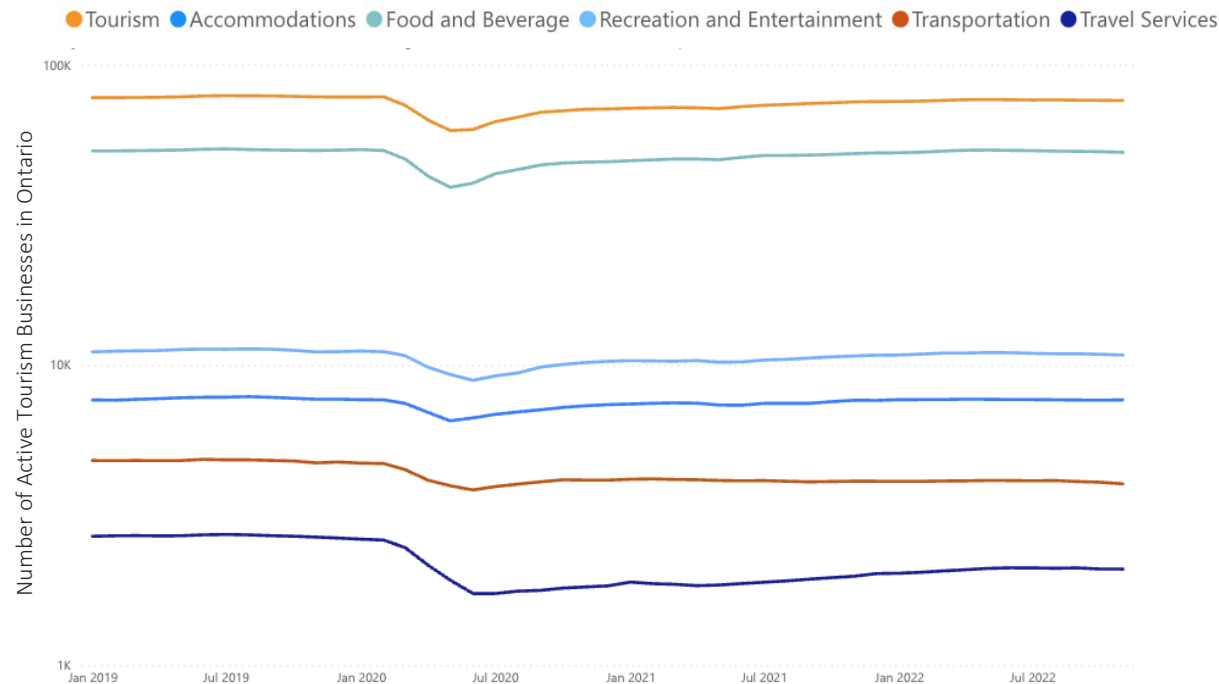
While these numbers are positive and indicate a high degree of positive business sentiment, they also mask a perceived and real labour shortage in tourism.

## TOURISM BUSINESSES – ONTARIO

The number of active tourism businesses in Ontario in 2022 grew from 2021, and coming to within 1.2% of February 2019 peak levels.

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

### Active Tourism Related Businesses, January 2019-July 2022 (# of businesses, Ontario)



### Key Insight

The number of active tourism businesses in Ontario operating in 2022 continued to grow from 2021 numbers, almost reaching pre-pandemic levels.

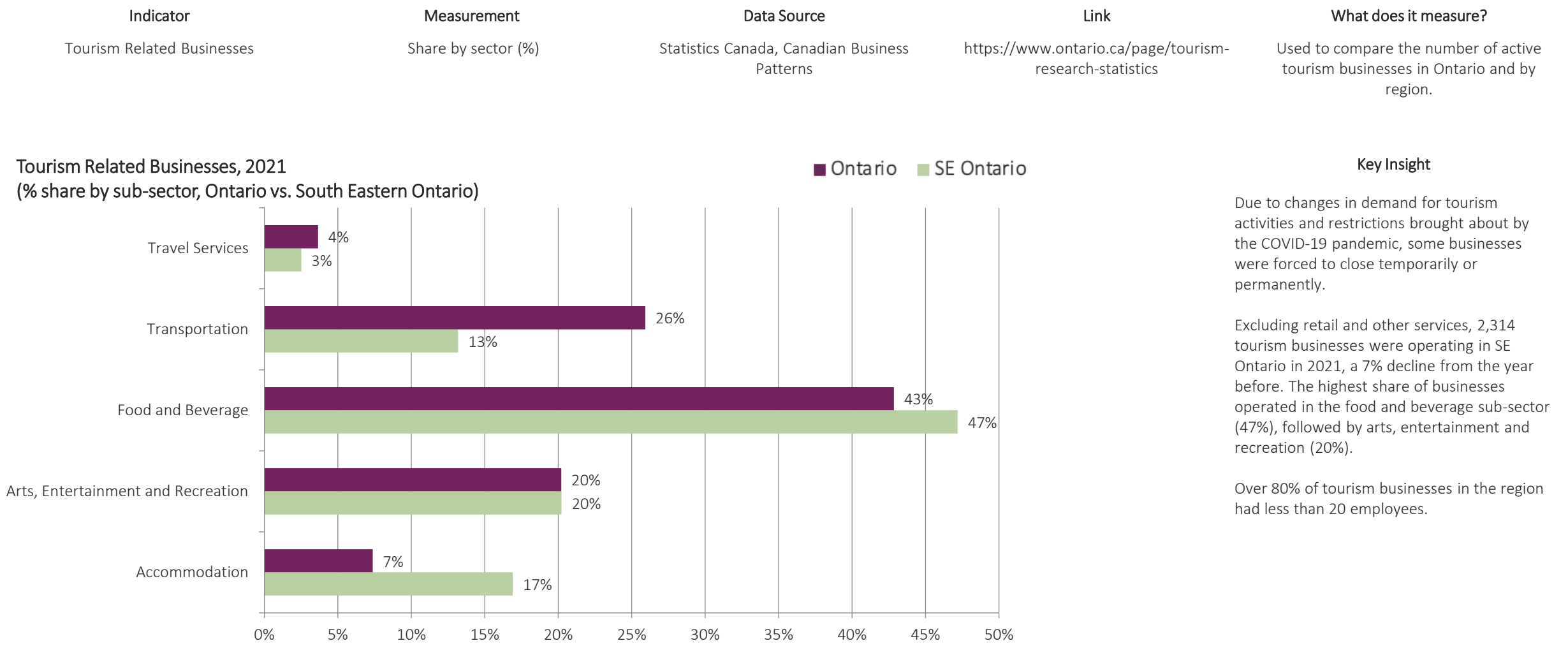
In May 2020, there were 20,182 active tourism businesses in Ontario. As of November 2022, there were 26,771 active tourism businesses, an increase of 33% from May 2020.

This indicates a recovering tourism industry in Ontario, and a high degree in business confidence.

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

# TOURISM BUSINESSES – SE ONTARIO

The tourism industry in South Eastern Ontario is mainly comprised of food and beverage businesses. In 2021, total tourism-related businesses operating in the SE Ontario region decreased to 2,314 from 2,489 in 2020.



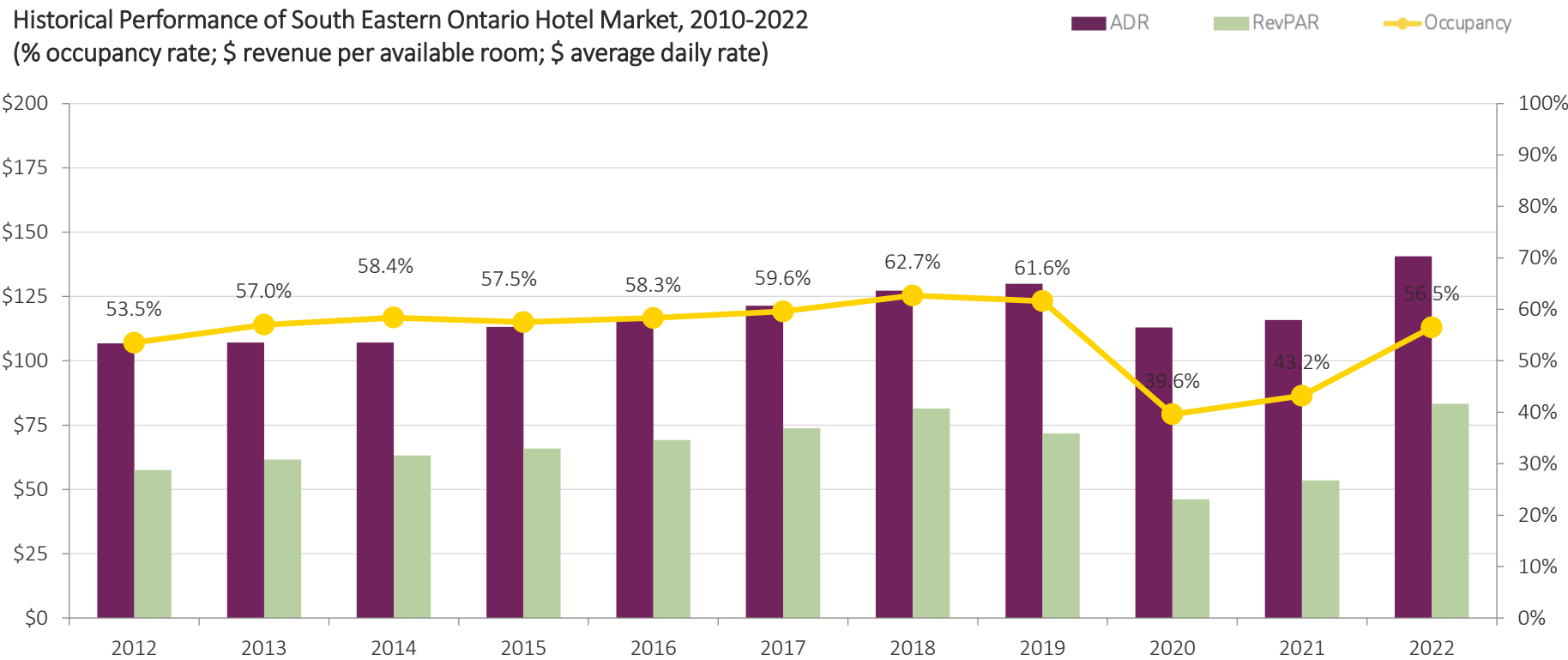


# OCCUPANCY RATE – SE ONTARIO

South Eastern Ontario accommodation occupancy rates continued to recover whilst the average daily rate hit a 10-year peak at \$141 a night, a 32% increase from 2012 prices.

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	<a href="http://www.mtc-currentperformance.com/Hotel.aspx">http://www.mtc-currentperformance.com/Hotel.aspx</a>	Measures of hotel performance

Historical Performance of South Eastern Ontario Hotel Market, 2010-2022  
(% occupancy rate; \$ revenue per available room; \$ average daily rate)



**Key Insight**

Average daily rate and revenue per available room surpassed 2019 levels, while occupancy rates continued to recover, falling 5.1% short of 2019 levels.

With high inflation rates and an impending recession, many traveller segments’ plans will likely change with reduced length of stay and travellers looking for cheaper accommodation options.

An aerial photograph of a city at sunset. In the foreground, there are several buildings with dark roofs and white walls. A prominent building on the left has a large, dark dome with a clock face. In the background, a harbor is visible with many boats and a large ship. The sky is filled with orange and yellow clouds, and the sun is setting on the right side of the image.

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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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