

Inflation, Pandemic and War

Forecasting in a Time of Uncertainty

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Projections of Tourism Employment Demand - Overview



- Our Spring 2022 report, Projections of Tourism Employment Demand in Canada, 2019 – 2025, provided initial results from a three-year project that will track and update labour supply and demand projections for the tourism sector.
- The report, available on Tourism HR Canada’s website, was produced in May 2022 and incorporated key assumptions based on initial observations regarding the War in the Ukraine and expectations regarding how the Omicron variant would unfold.
- At the time, the projections were based on a series of tourism and non-tourism assumptions.

Tourism Assumptions



- While Canada was viewed as largely open for business, it was noted that sudden shocks could quickly restrain tourism activity. The spread of the Omicron variant and the rebound of restrictions underscored the precarity of the sector's recovery.
- While consumer confidence had been trending downward, it was still expected that domestic travel would provide the biggest boost to tourism activity in both 2022 and 2023. Overall, domestic visit levels were expected to reach pre-pandemic levels by 2024.
- Overnight visits from the United States were only expected to reach their pre-pandemic level by 2025, primarily due to lower levels of business travel. Meanwhile, overseas visits to Canada was projected to be the last to bounce back. Total overnight overseas visits were not projected to surpass their pre-pandemic level until 2026.
- Across all markets, lingering pandemic effects and climate change shifts on the part of government and consumers would continue to impact tourism activity over the forecast period.

Non-Tourist Assumptions



- Russia's invasion of Ukraine destabilized a world that had been hoping for an improvement in the COVID-19 story. There is still considerable risk on both fronts.
- As Canada moved beyond the cycle of lockdown and reopening, the volatility that had characterized the labour market over the past two years was expected to fade. The labour force has returned to pre-pandemic levels, with high participation rates and low unemployment.
- Still, we expected labour vacancies to be a continuing problem for employers. It was noted that labour shortages in the tourism industry could hinder growth and reduce the quality and range of services that visitors can enjoy. Rising prices and affordability will weigh on travel decision-making. Total nominal visit expenditures in Canada are forecast to recover by 2024, partly due to the magnitude of travel price inflation.
- Soaring inflation and tight labour market conditions would gradually give way to higher wage growth. Household spending will shift toward services in 2022, while the consumption of goods will ease.

Key Insights from the Spring 2022 Projections

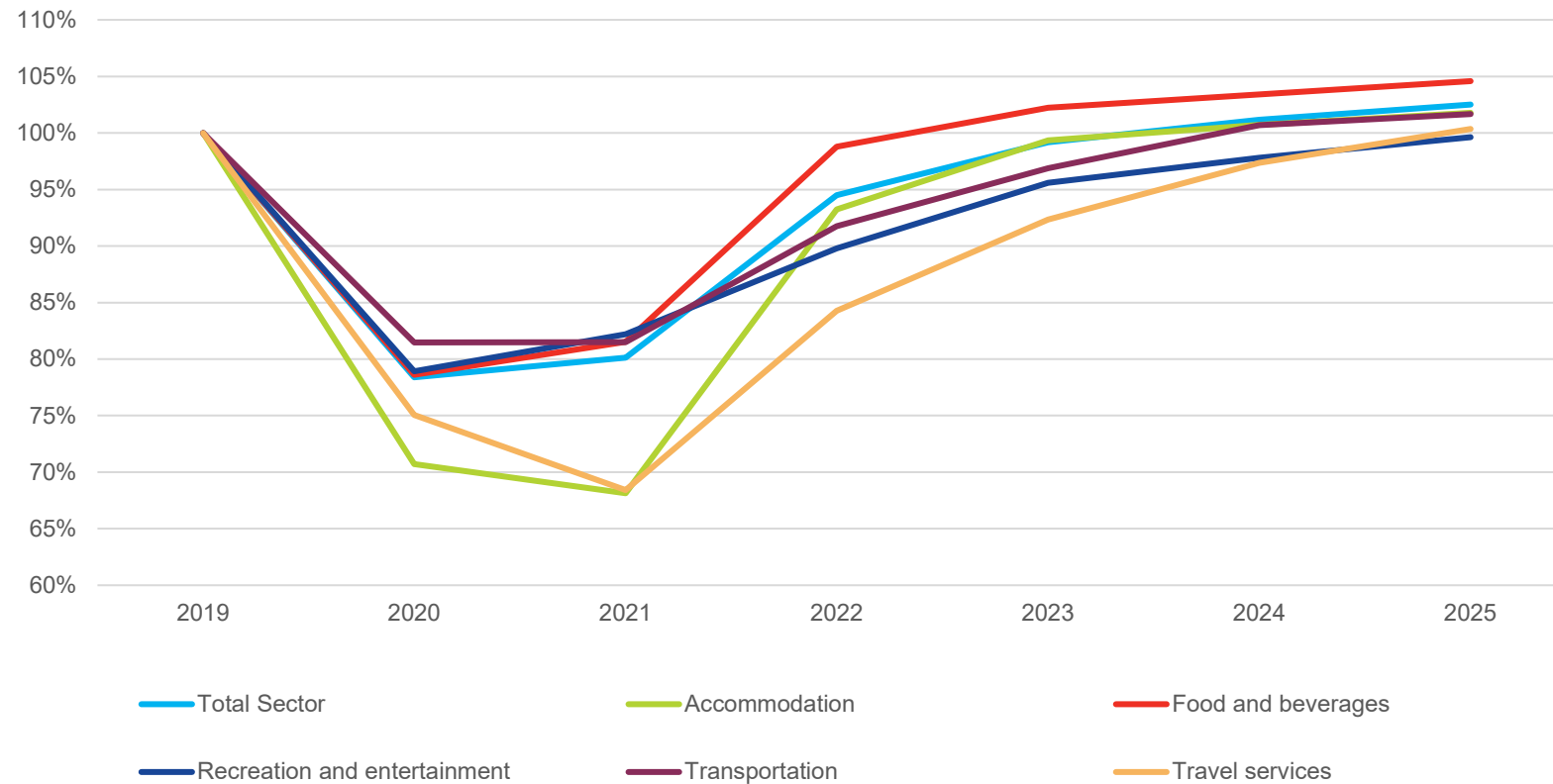


- Because industries within the tourism sector rely on different market segments (ranging from locals to hyper-local, intraprovincial, interprovincial and international markets), the recovery from the COVID-19 pandemic was projected to be uneven.
- While the overall employment level in the sector is forecast to be higher in 2025 than in 2019, as a share of overall employment, tourism is projected to remain below pre-pandemic levels.
- For the tourism sector, regions of the country that are projected to experience stronger economic growth and/or rely less on international travel, are projected to rebound quicker. In a similar vein, tourism industries that rely more on local or regional travel markets are also projected to rebound quicker.
- Interestingly, the pandemic has resulted in some shifts, particularly more regional tourism patterns involving outdoor recreation, in part fueled by increased interest in outdoor activities and purchases made during lockdowns, such as in golfing, biking, and hiking, etc.

Key Insights from the Spring 2022 Projections



Projected Employment Levels in the Tourism Sector (National, 2019=100)



Factors that impacted the recovery in Summer 2022



- Operating Costs for businesses and travel costs for travellers increased at a more dramatic pace than expected
 - Avg. room rates up 42% in July 2022 vs July 2021 and up 17% over July 2019 (CBRE)
 - Avg price (food from restaurants) up 7.3% in July 2022 vs. July 2021 and up 13% over July 2019 (Statistics Canada)
 - Avg. airfare up 58% in July 2022 vs. July 2021 and up over 32% from July 2019 (Statistics Canada)
- The incidence and awareness of travel hassles at airports and airlines including passport delays made headline news over the summer.
- Concerns over the economy and financial well-being (stock market/housing) have become much widespread in recent months (due to inflation and gov't policies aimed to curb it).
- Labour shortages in 2022 not only continued but very likely surged further (2022 Q2 data just released)
- Taken together, the issues represented real barriers that, once again, limited the pace of recovery for the tourism sector.

Travel Intentions Survey Results



- Our regular travel intentions survey (conducted to 2,000 Canadians 4 times per year) showed that, despite a strong uptick in intention in 2022, many issues still limited the rebound.
- Compared to early season expectations, travel intentions dipped as the summer occurred.
- While, travel intentions for the summer were up in 2022 compared to the past 2 years, they were still down from 2019
- Compared to 2019, the biggest drop-off is among lower income brackets (<55K, 55-85K) and younger travellers (18-24, 25-34)
- Of those planning to travel this summer, the largest segment was interested in domestic, but interest in travelling to the US/Overseas experienced a large boost.
- In terms of accommodation planned, hotel/motel use up while private home/cottage/B&B down

Travel Intentions by the Numbers



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Summer (May – October) Travel Intentions, All Trip Purposes, Overnight Trips

(all respondents, per cent; includes non-leisure travellers)

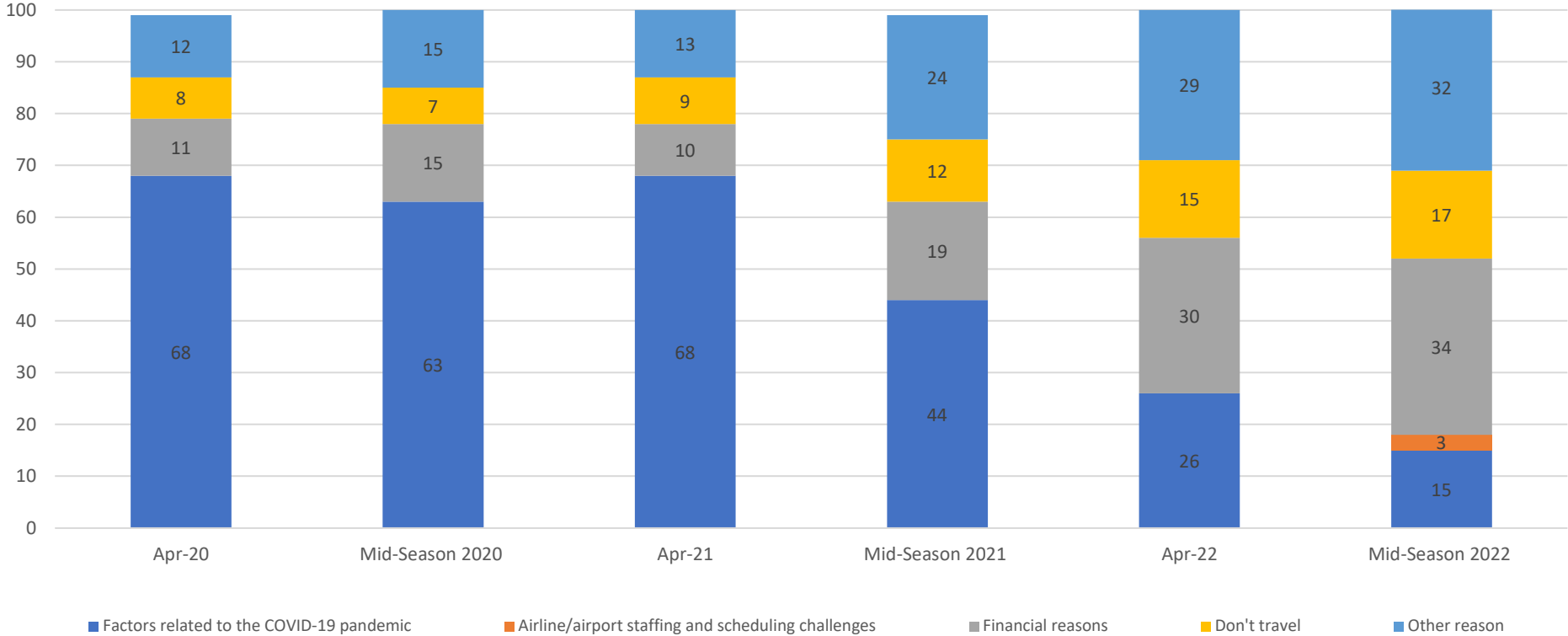
	April 2019	Mid-Season 2019	April 2020	Mid-Season 2020	April 2021	Mid-Season 2021	April 2022	Mid-Season 2022
Yes/probably	79.3	77.5	46.4	46.2	52.8	60.8	70.7	65.4
No	12.1	17.8	32.1	47.1	32.1	32.6	20.4	29.4
Don't know/not sure	8.6	4.7	21.5	6.8	15.1	6.7	8.9	5.2

Travel Intentions Survey Results (con't)



Primary Reason for Not Taking, or Unsure About Taking, an Overnight Vacation Trip This Summer

(per cent of non-travelling or unsure respondents)



Looking ahead



- Recent employment estimates suggest that the tourism sector continues to recover despite the numerous bumps in the road. Pent-up demand for tourism services remains high although there are still obstacles ahead as the COVID-19 pandemic lingers and the global economy deals with high inflation, slower economic growth and potential further fallout from the Russo-Ukrainian war.
- While some of the root causes noted for the high vacancy rates might ease over the short term (such as the number of job postings and weakness in some age-related participation rates), other labour supply factors—including disproportionate impacts to the number of workers in what are considered to be vulnerable groups (i.e., youth, women, and newcomers to Canada), as well as a potential shift in the skills requirements of tourism occupations pre- and post-pandemic—may continue to result in added difficulty to recruit for available tourism positions.
- Combined, these difficulties, as they have already done, have the effect of not only hampering the potential recovery among tourism businesses but also the future growth of the sector through associated reductions in investment.
- For those interested, the full Spring 2022 report can be found at <https://tourismhr.ca/labour-market-information/covid-impact-and-recovery/projections-of-tourism-employment-demand/>

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