



Highlights

- Shedding of restrictions and entry controls will help boost tourism into Ontario
- U.S. tourists continue to account for large share of visitors to Ontario
- Conflict in Europe may divert tourism dollars from there to Canada in 2022
- Population increased in the fourth quarter largely on stronger immigration
- Shift of residents from non-permanent to permanent residency pushed immigration numbers higher in fourth quarter
- Interprovincial migration remains negative as many people leave the province

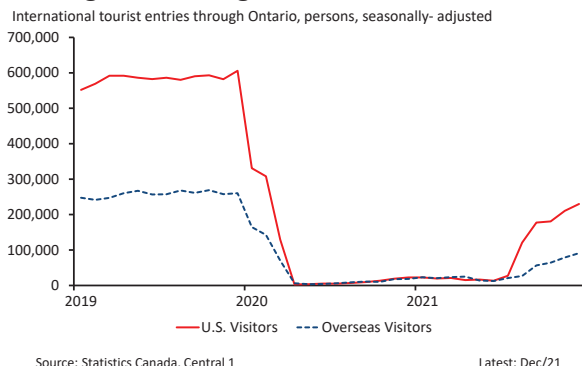
Ontario international tourism recovering, will strengthen through 2022

Bryan Yu, Chief Economist

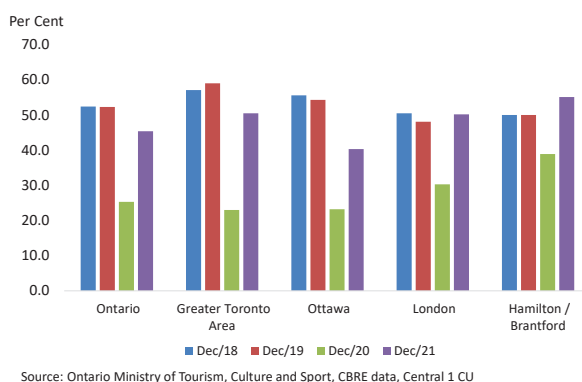
Canada's tourism sector looks to rebound sharply in coming months as broad lifting of COVID-19 provincial public measures across the country, including capacity restrictions on large gatherings and events such as conferences, concerts and sporting events, and removal of onerous testing restrictions on international travel for fully vaccinated travelers boost both in-bound and out-bound travel. Removal of pre-entry test requirements were announced March 17 and take effect April 1. Pent-up demand for travel and high levels of consumers' savings are likely to buoy visits to Canada, while conflict in Europe may also shuffle tourist dollars to Canada.

While conditions are improving, it is a deep hole for the pandemic-battered sector to climb out of. Non-resident tourist visits to Canada rose sharply through the second half of 2021, and by December had 671,938 visits by various modes of entry. While compared to about 83,000 entries in same-month 2020, levels were only 35 per cent of December 2019 levels, which was prior to global travel restrictions taking root. This gap has likely narrowed in early 2022 despite the Omicron wave.

Tourist visits in recovery phase, trend to strengthen through 2022



Occupancy rates still down in large metros, vacancy rates to follow tourism higher



In Ontario similar patterns are in play. Total tourist entries reached 320,770 persons in December which was 37 per cent of levels observed in December 2019. U.S. visits were 37 per cent of December 2019 levels, while overseas visits reached 34 per cent. At 229,800 visitors, the U.S. made up more than 70 per cent of inflows. Inflows into Ontario have remained relatively firm despite more stringent health restrictions, reflecting the role of Toronto as a financial centre and its role as one of the primary entry points into Canada during the pandemic.

Increased inflows of international tourists will provide a needed boost for hotel accommodations and food services which remained below pre-pandemic trends and constrained by Omicron trends in late 2021 and early 2022. Hotel occupancy came in at 45.4 per cent in December, compared to 25.3 per cent in the same

month in 2020, and 52.3 per cent in December 2019. Rates remained highest in Greater Toronto at 50.5 per cent, but this is not abnormal as December 2019 occupancy was 59 per cent. Demand will pick up through 2022.

Ontario's population increased 0.2 per cent in the last quarter of 2021

Edgard Navarrete, Regional Economist

The latest quarterly population estimates were recently released by Statistics Canada for Canada and provinces and territories. According to the latest estimates, Ontario's population at the end of the fourth quarter of 2021 increased 0.2 per cent to 14,951,825. Ontario's q/q population increase accounted for 40.5 per cent of the national increase. Quarter-over-quarter (q/q) population growth in 2021 averaged 0.3 per cent, up from 0.2 per cent in 2020 but still below the 0.4 per cent q/q average prior to the pandemic from 2017 to 2019.

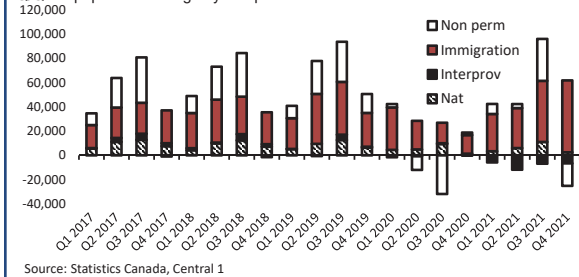
The net population gain at the end of the fourth quarter came from bumps in net natural increase (up 2,481) and immigration (up 59,228) which offset losses from interprovincial migration (down 6,596) and non-permanent residents (down 18,558).

The bump in immigration is coming from immigrants starting to arrive after borders and consular offices remained closed for most of the pandemic. Adding to immigration numbers is the shift of non-permanent residents to permanent residency as the federal government moved to bump up immigration numbers in 2021 and for the next few years.

Non-permanent numbers fell as fewer international students came for in-person classes and many took advantage of online courses. Fewer seasonal workers also contributed to the drop in non-permanent residents.

Immigration largely lifts Ontario's population at the end of the fourth quarter

Q/Q net population change by component



Source: Statistics Canada, Central 1

The shift in interprovincial migration is a trend that has been occurring in Ontario for five consecutive quarters now. Ontario's very stringent public health restrictions, the prevalence of remote work, and lack of affordability of housing have all contributed to many Ontarians packing up and moving to other areas of Canada. Areas like Toronto have seen large outflows of residents; outflows not seen since the 1980s.

With the pandemic largely behind us, population growth will likely ramp up from immigration and non-permanent residents. The only risk to population growth is another unexpected wave of COVID-19 and a high cost of living. Many new immigrants and non-permanent residents first settle in large urban markets. The lack of affordability in these markets for housing, food, transportation and other basic needs may divert immigrants to other regions of Canada or the U.S.

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