Economics | Current Economic Trends

Ontario Economic Briefing

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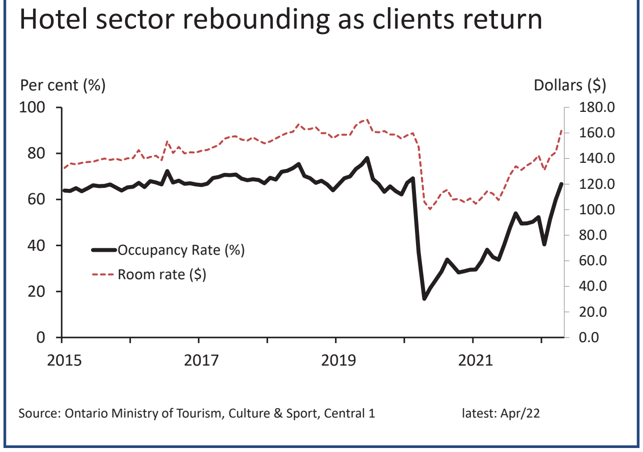
Highlights

- Profits are up for hoteliers but for how long as inflationary pressures a key concern
- The number of consumer insolvency filings increased but were still lower than pre-pandemic level



Revenue growth for Ontario hotels up 22.7 per cent m/m in April

Edgard Navarrete, Regional Economist

Hotel sector data compiled by Ontario points to an improving picture in this sector, at least until the latest data point: April 2022. Occupancy rates continued to climb m/m for three consecutive months and settled at 66.7 per cent in April. Compared to the pre-pandemic occupancy rate from February 2020, the current rate from April 2022 is only 2.5 per cent lower. Demand for travel and leisure is picking up as people want to make up for lost time after nearly 2.5 years of pandemic restrictions.

Room rates have continued to climb, coming in at $161.65 in April, up 11.6 per cent m/m and 43.7 per cent y/y. With revenue growth in April (up 22.7 per cent m/m) and costs sliding (down 4.0 per cent m/m), profits have been climbing — again a welcomed outcome for the accommodation and food services industry.

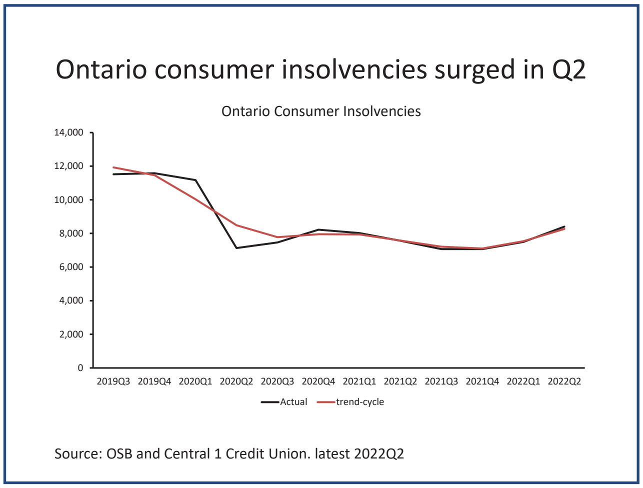
Despite some of the good news up to April 2022, with more data to come for the remainder of 2022, it is likely that inflationary pressures and consumer belt tightening may eat away at current gains for hoteliers. Moreover, attracting talent to mitigate extreme worker shortages in accommodation and food services sectors will likely lift costs significantly and eat away at profits.

Ontario consumer insolvencies surged in Q2

Ivy Ruan, Economic Analyst

After three consecutive quarterly declines, Ontario consumer insolvency[1] filings in Q2 2022 reached 8,406 cases, the highest reading since Q2 2020 and 11.1 per cent higher than the same quarter last year. In June itself, Ontario reported 233 more cases than last month, almost one-fifth of the total national gains. As the government supports that kept many consumers afloat are largely gone, the normalization after a period of excessively low filings during the pandemic could contribute to the increase in cases. While still 24.8 per cent lower than pre-pandemic in Q1 2020, Ontario insolvencies are anticipated to return to near-normal trend in coming quarters — likely at a faster pace amidst pressures from high debt loads, inflation and job losses in some sectors (e.g. tech).

1 Insolvency is a term for when an individual or company can no longer meet their financial obligations to lenders as debts become due. Before an insolvent company or person gets involved in insolvency proceedings, they will likely be involved in informal arrangements with creditors, such as setting up alternative payment arrangements. Insolvency can arise from poor cash management, a reduction in cash inflow, or an increase in expenses.



National business insolvencies jumped by 14.6 per cent in June compared with June 2021. While mining and oil and gas extraction sectors reported the biggest decreases in the number of insolvencies, the drops were largely offset by the gains in construction, transportation and warehousing sectors. As Canada undergoes a housing correction and demand firms up for energy products, the shift in business insolvencies among various sectors will likely continue.

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