



John Stackhouse

June 1, 2020

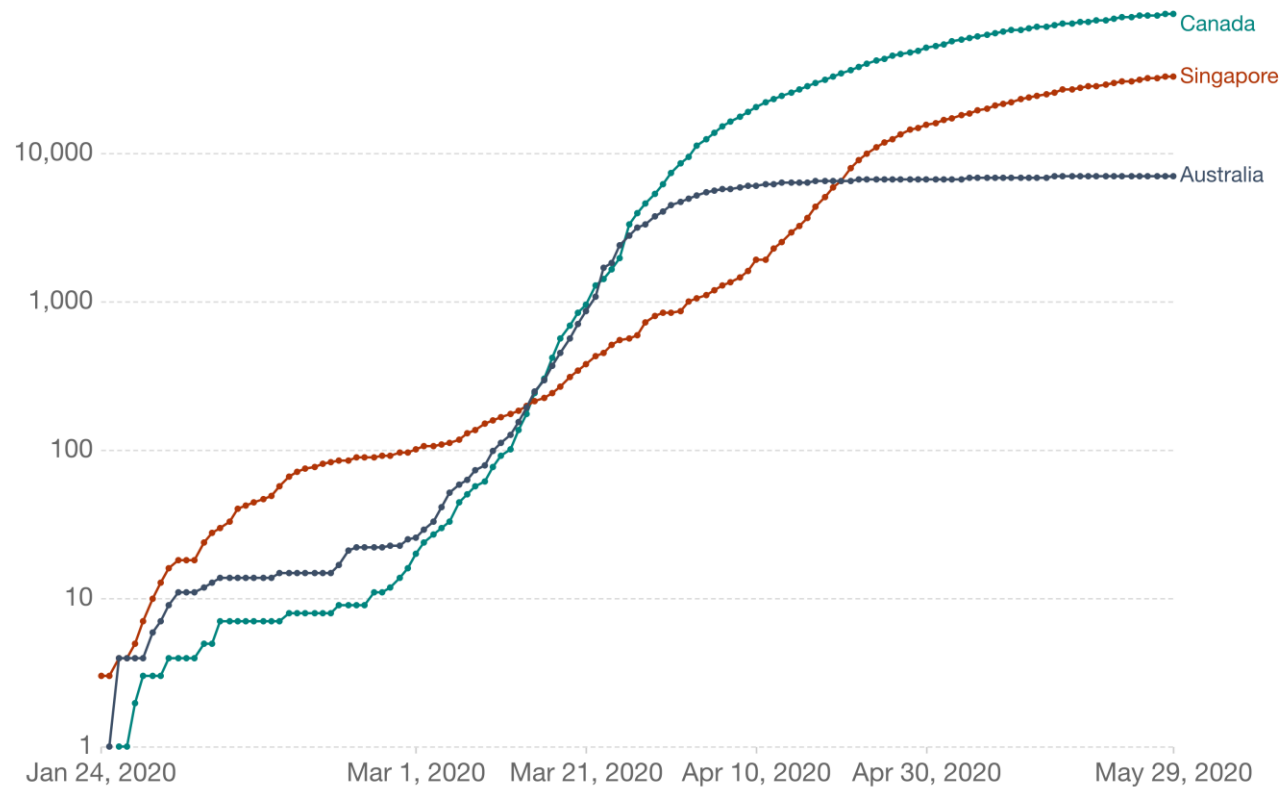


Thought
Leadership

COVID-19 Cases

Note: Logarithmic

Total confirmed COVID-19 cases



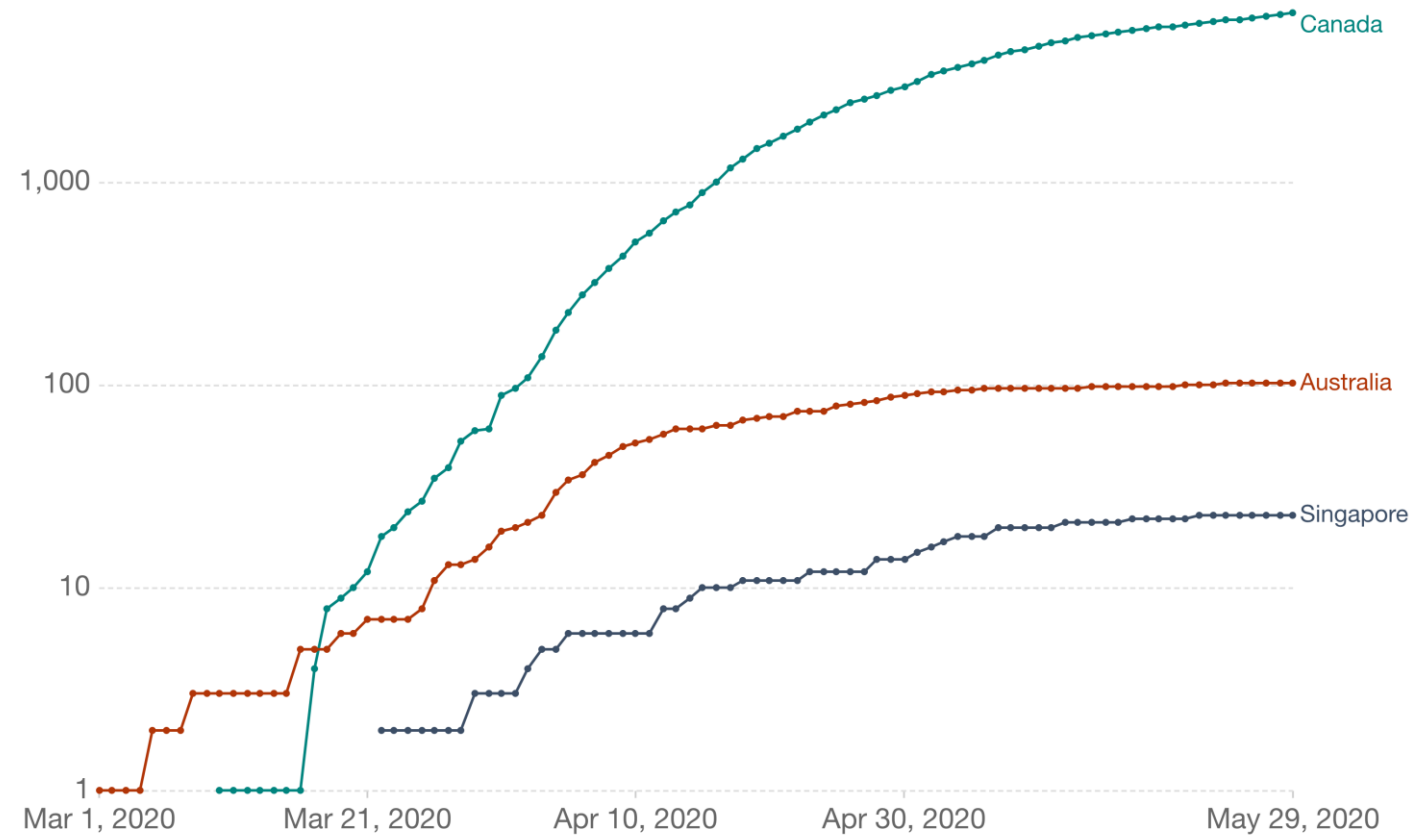
Source: European CDC – Situation Update Worldwide – Last updated 29th May, 11:00 (London time) OurWorldInData.org/coronavirus • CC BY

COVID-19 Deaths

Note: Logarithmic

Total confirmed COVID-19 deaths

Limited testing and challenges in the attribution of the cause of death means that the number of confirmed deaths may not be an accurate count of the true number of deaths from COVID-19.



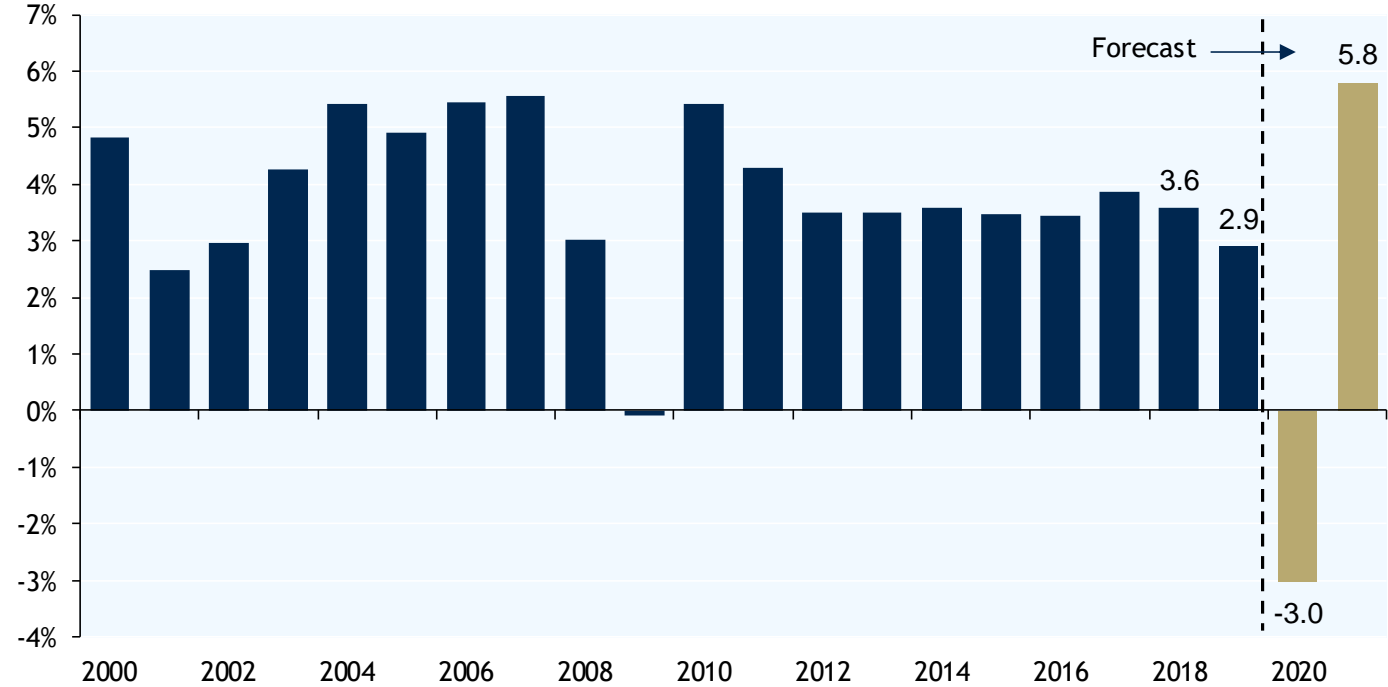
Source: European CDC – Situation Update Worldwide – Last updated 29th May, 11:00 (London time) OurWorldInData.org/coronavirus • CC BY



World economy in sharp downturn

Global GDP growth

year-over-year % change

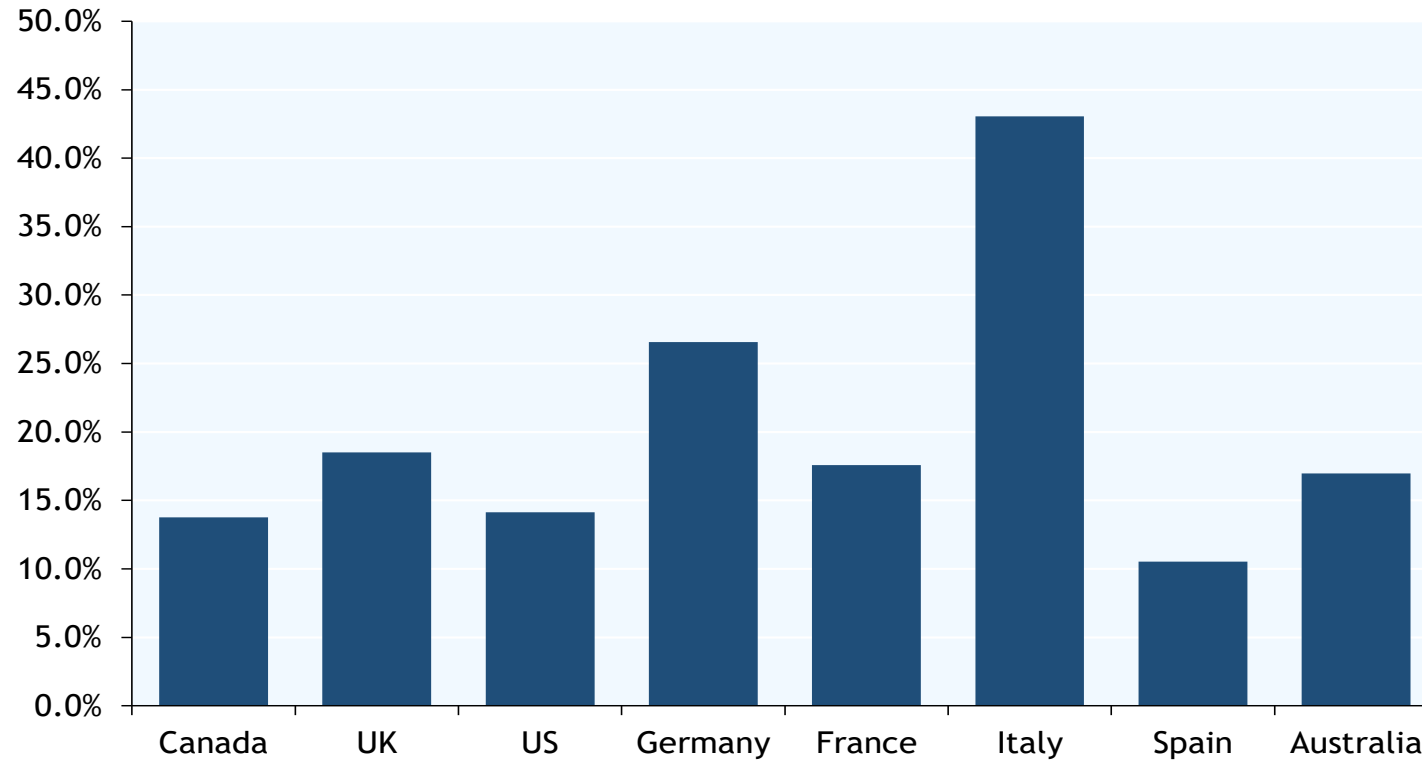


Source: IMF, RBC Economics

Governments are providing record levels of support

COVID-19 total government measures

share of GDP

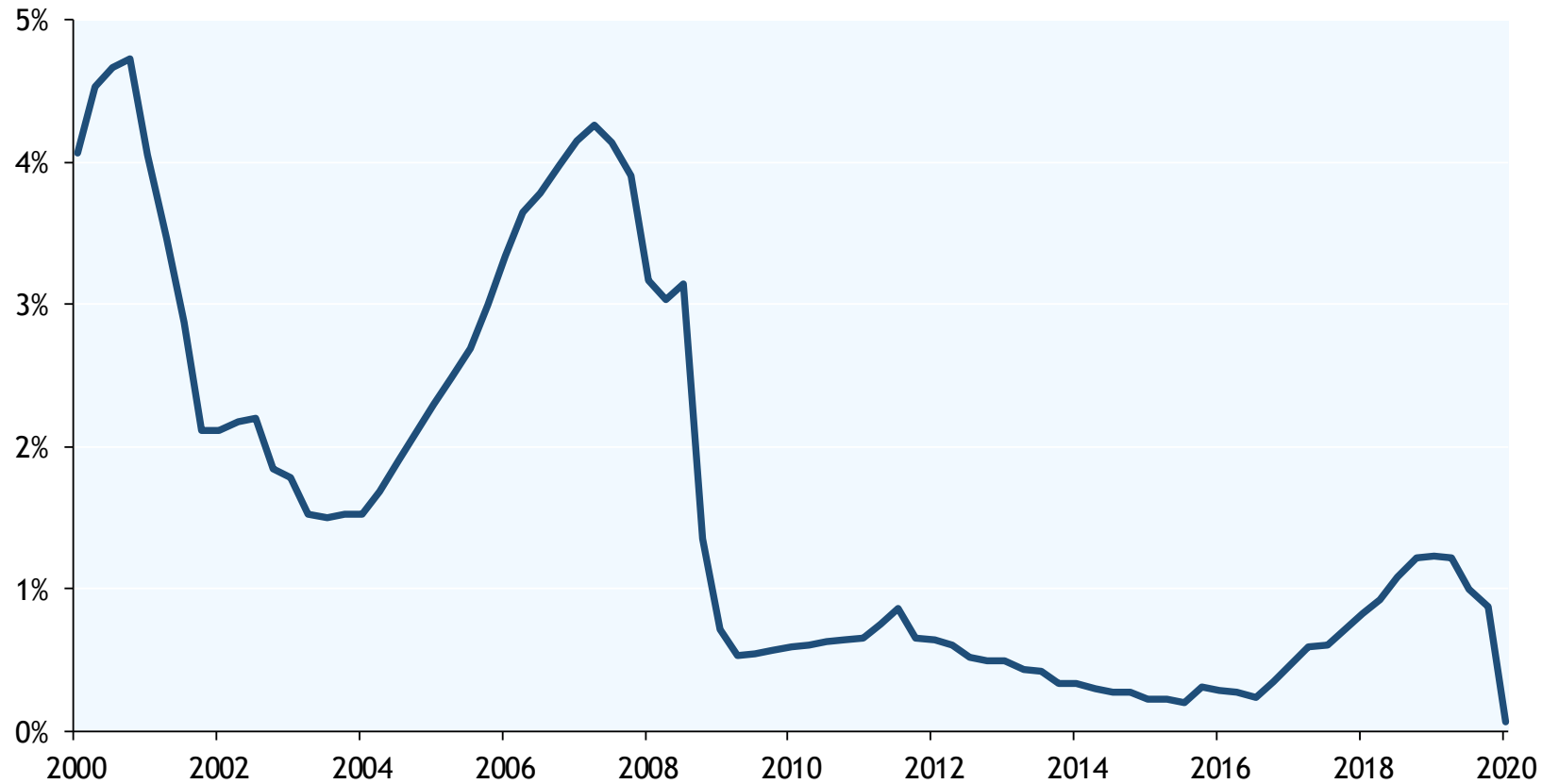


Source: RBC Economics

Central bank policy rates at record lows

Advanced economies: policy rate

end of period

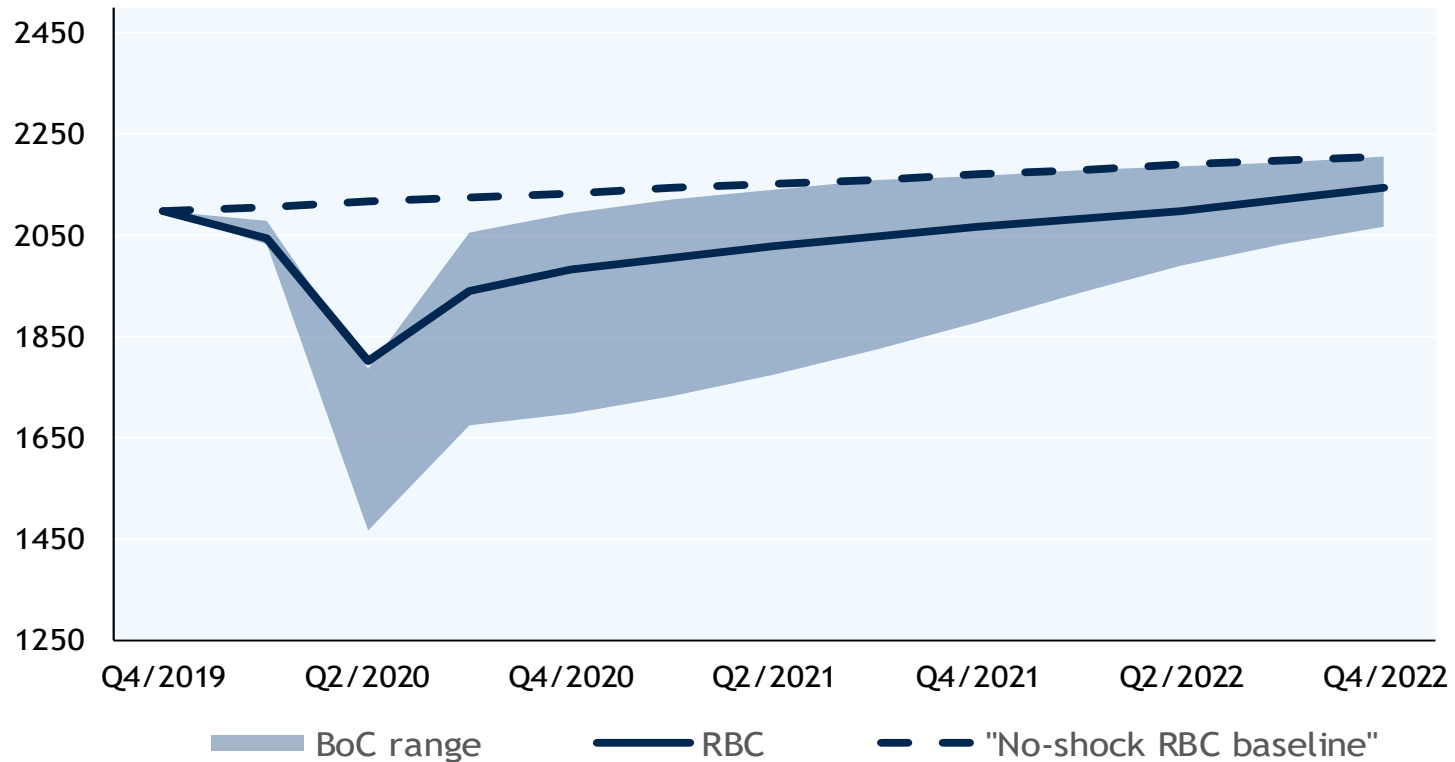


Source: Haver Analytics, RBC Economics

Canada will also struggle to return to pre-virus levels

RBC vs. BoC Real GDP Scenarios

GDP, billions of C\$ 2012

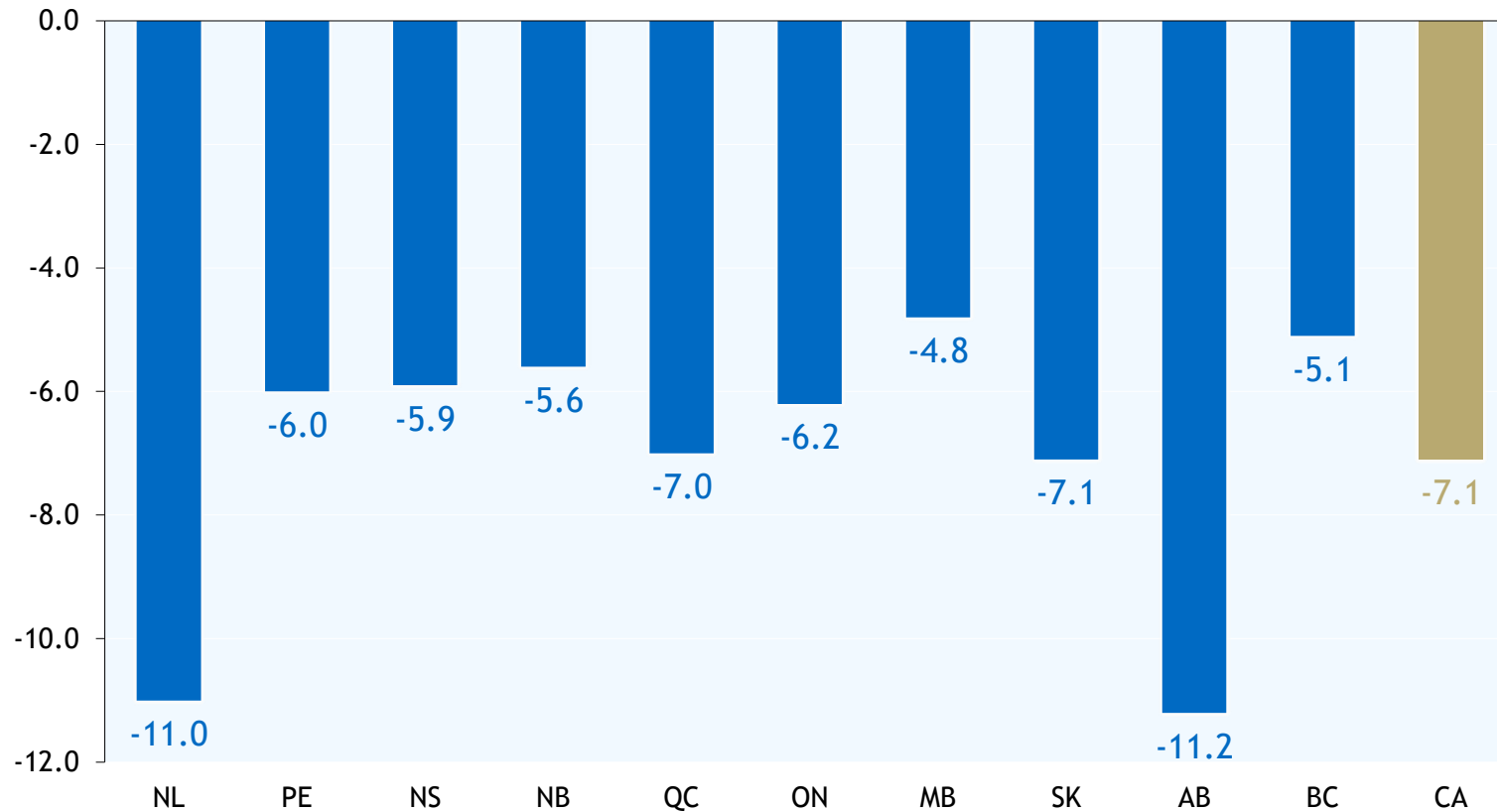


Source: Bank of Canada, RBC Economics

Broad based decline in 2020

Deep recessions all around

Annual % change in provincial real GDP, 2020

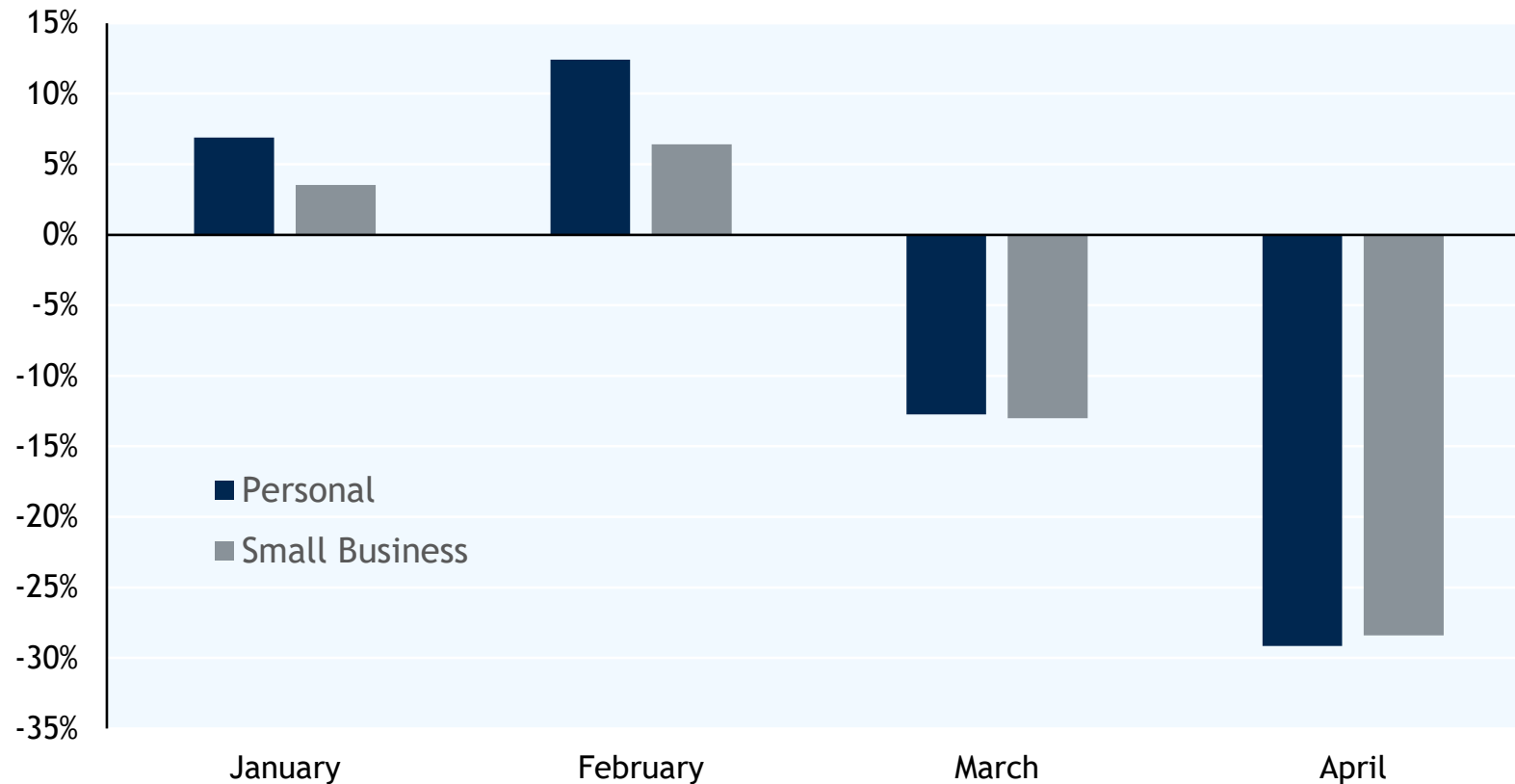


Source: Statistics Canada, RBC Economics

RBC spending tracker: large pullback in April

Despite mid-month pick-up, slow April spending eclipses an already bad March

Year-over-year change in total spending



Source: RBC Economics, RBC Data & Analytics

Small business, big challenges

SMEs are bearing the brunt of the lockdown



1. Small & Medium Enterprises

- Small firms have recorded almost double the rate of jobs losses as mid-and large-sized firms

2. Leisure Industry

- GDP in hardest-hit sectors expected to remain 40% below January levels at year-end

Gauging the mood



- **4 / 5 businesses experienced revenue declines**
- **Businesses laid off 75% of their staff**
- **2 / 3 experienced a revenue decline of 50%+**

Canada's SME support is more generous than the U.S., but mostly renewable

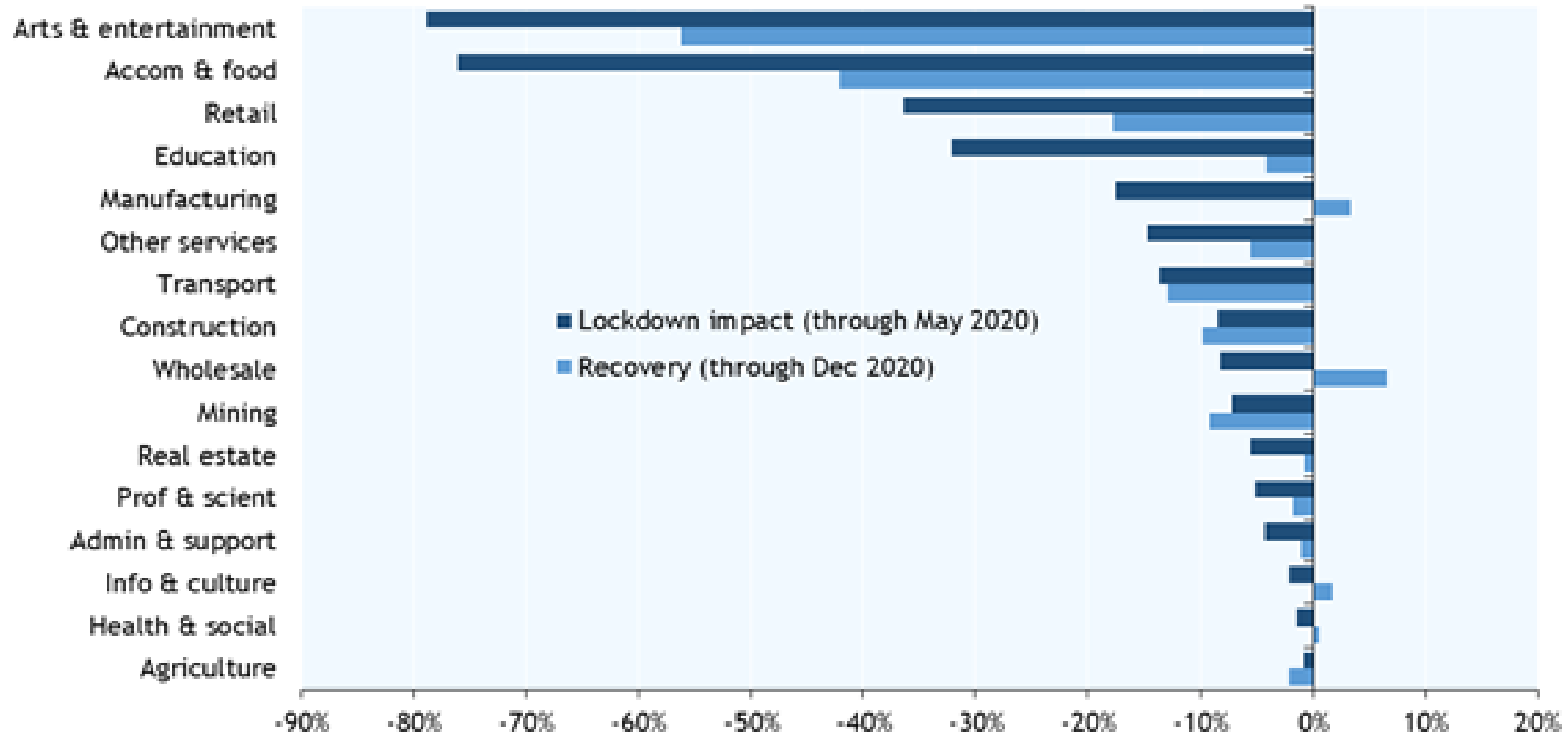


Source: RBC Economics

Most industries won't recover lost output in 2020

Projected GDP by industry

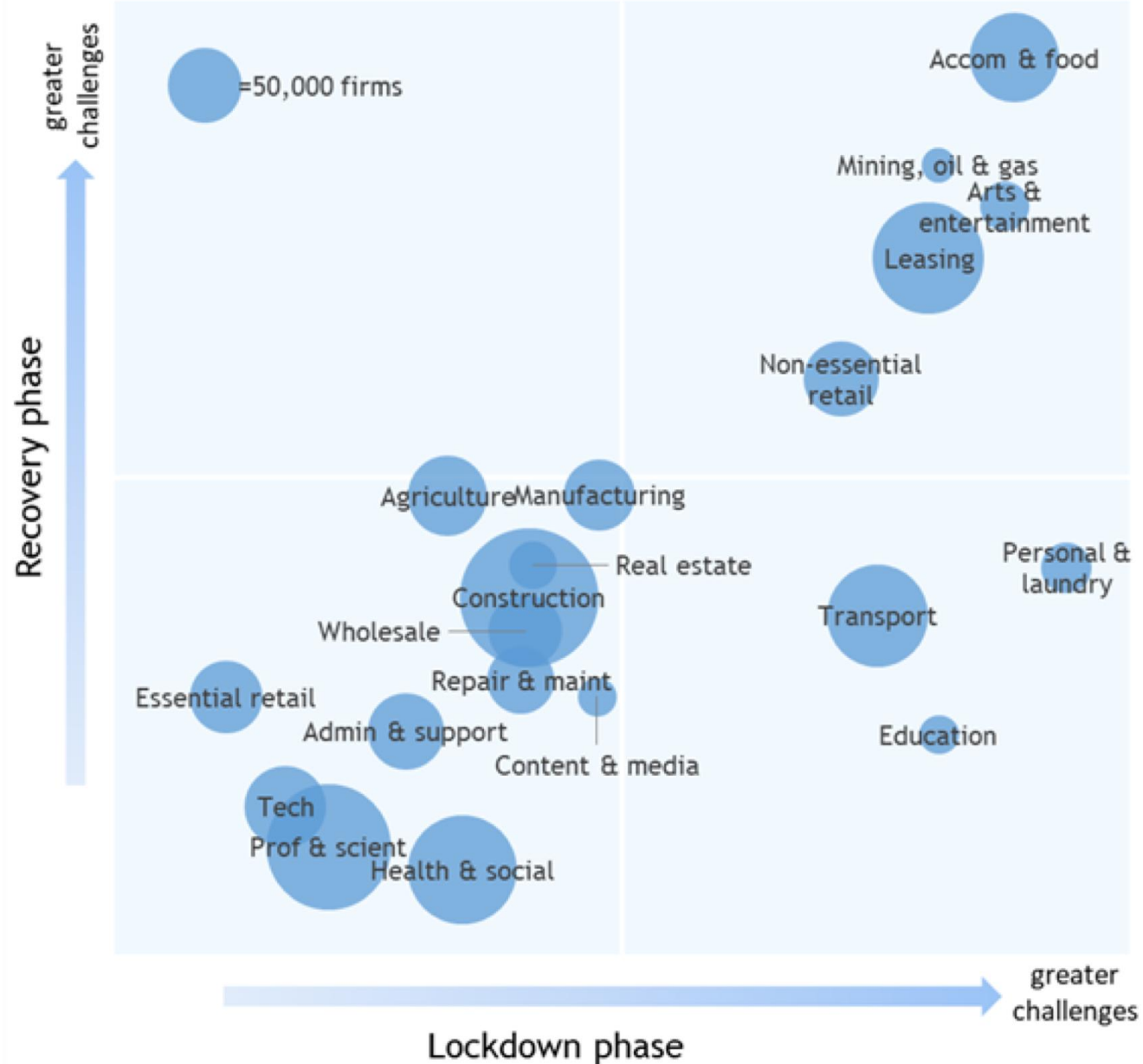
percent change vs. January 2020



Source: RBC Economics

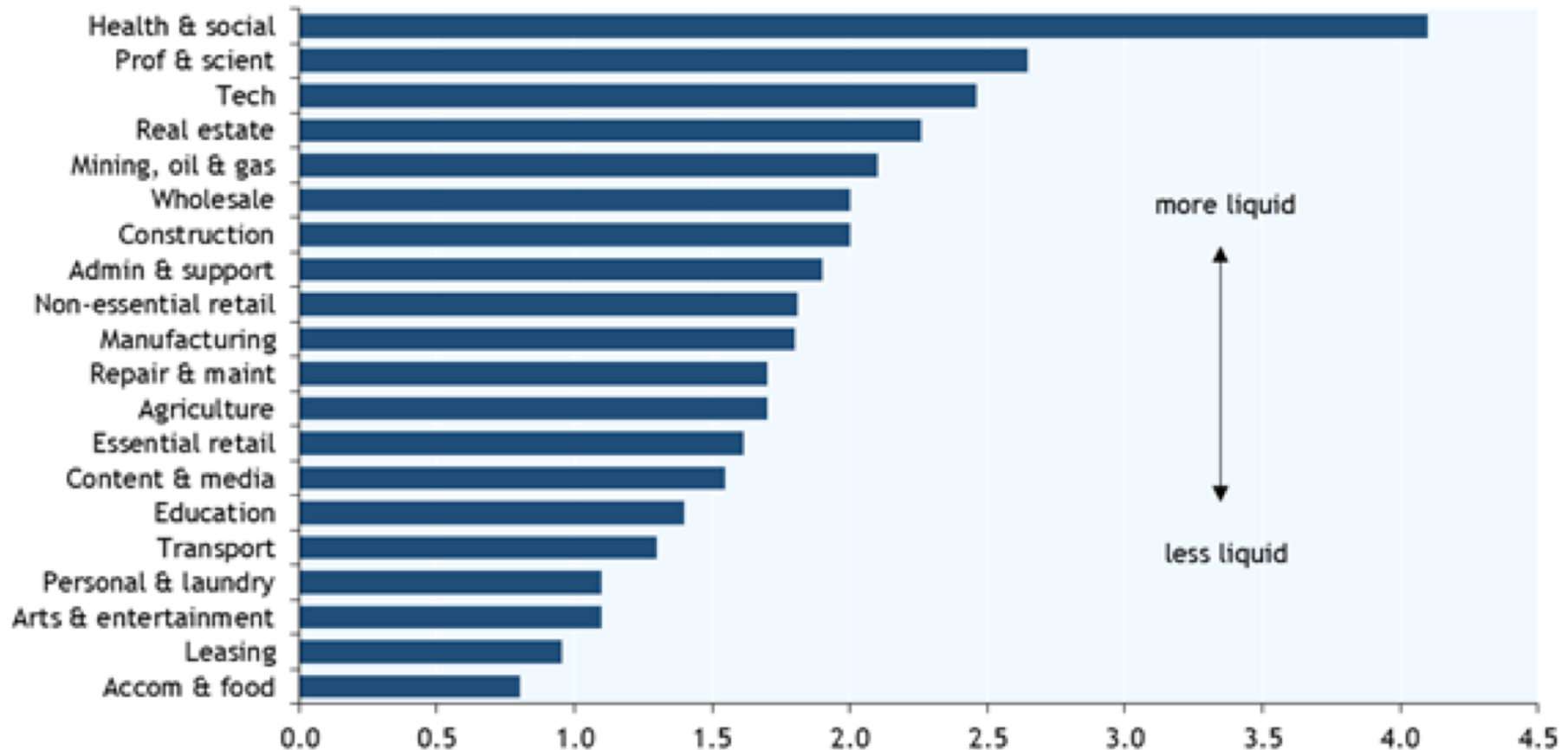
COVID-19 SME Scorecard

incorporated businesses \$30K-5M annual revenue



SME liquidity (short-term assets vs. liabilities)

incorporated businesses \$30K-50M annual revenue



Source: ISED, Statistics Canada, RBC Economics

Leisure industry hit hardest by lockdown

Restaurants, accommodations, entertainment



Value of tourism

- One out of 11 jobs in Canada is directly tied to travel

Leisure industry

- 7.1% contraction in 2020, rebound in 2021

For Canadian tourism, Canadians matter most

80%
of tourism spending is
domestic

Canadians spent
\$ 900M
more abroad per month than
foreigners spend here

Canada's tourism
sector represents
2%
of the economy

During the pandemic,
domestic flights dropped
60%

COVID is leaving its mark on the tourism sector

- 1** Pandemic could cause Canadians to redirect some spending domestically
- 2** Canadians will be reluctant to fly, but they'll drive
- 3** Domestic economic slowdown will hit tourism sector harder than a drop in international travelers
- 4** Financing bridge will be needed to support the sector

Consumers are looking for alternatives

Digital alternatives, e-commerce

- 1 Consumers looking toward at-home alternatives
- 2 Many uncomfortable travelling abroad or attending large venues or public gatherings
- 3 Leisure sector susceptible to discretionary spending and broader economic performance

8 ways COVID will transform the economy and disrupt every business

1. How we work

Fewer offices, less paper, more productivity



We're seeing...

- **75% of Canadians would prefer to work from home more once restrictions ease**

This means...

- **Employers will need to develop new ways to manage distributed workforces**

2. How we shop

More shipping, more local, more expensive



We're seeing...

- 78% of Canadians are more likely to choose Canadian brands/ products as a result of the pandemic

This means...

- Realignment of value chains. More local supplies, potentially higher prices due to lost efficiencies

3. How we watch

More bingeing, more culture, more global



We're seeing...

- Less spending on public entertainment and more on home entertainment
 - Netflix added 16 million subscribers in Q1

This means...

- Arts and culture providers need to find creative ways to deliver entertainment, rather than expect consumers to leave their homes

4. How we share

More bandwidth, more data, more hacks



We're seeing...

- More cyber hacks – 44 records are stolen from breaches each second

This means...

- Greater demand for companies that transmit and store data safely

5. How we travel

More local, more modest, more active



We're seeing...

- Only 32% of Canadians willing to stay at a hotel or resort once the pandemic is over

This means...

- Slow and thinly distributed recovery to tourism, with more road-based vacations to smaller centres

5. How we travel

Airbnb says: more rentals, smaller cities, back to basics



- **There will be a “travel redistribution”**
 - **Focus on smaller cities and communities**
 - **Levelling of the playing field**
- **Airbnb has more homes listed than before crisis**
- **Believes people will rent properties to both stay and WFH**
 - **Mid-April, 50% of bookings were monthly rentals**

6. How we heal

More protection, more screening, more expensive



We're seeing...

- Screening technology such as thermal cameras in airports and train stations, as well as hospitals and clinics

This means...

- Mass shift to remote healthcare through video-consultations

7. How we learn

Remote, interactive, personal



We're seeing...

- 1. 4 million Canadian university students shifting to online learning

This means...

- Traditional course design and pedagogy will turn to alternative delivery methods

8. How we trade

More protectionism, fewer imports, higher prices



We're seeing...

- **Baltic Dry Index** – a key measure of international trade – is down 80% since last summer

This means...

- **Countries re-evaluating economic security and restructuring supply chains, with more talk of economic nationalism**

Small Business, Big Crisis

Charting a path to a small-business recovery



Thank you

