

5 Minutes for Business

Volume 8 Issue 2

Summer 2015

5 Minutes for Business – June 2015

How to Turbocharge Tourism

Uh-oh! Canada's economy shrank by 0.6% in the first quarter. Consumers stopped spending, business investment is in retreat and inventories are piling up. Wouldn't it be great if we could get foreigners to come spend money here in Canada? That's why tourism is one of the top priorities of the Canadian Chamber of Commerce. We need it now more than ever.

The Governor of the Bank of Canada warned that Canada's first quarter would be "atrocious" and he was right. Consumers have put their credit cards away and spending barely grew, at just 0.1%. More importantly, the hit from falling oil was severe as business investment fell by 2.5% and support activities for the extraction sector plummeted by 30%.

With a weak domestic economy, Canadian business increasingly needs to look for opportunities in international markets. Thank goodness Canada's second largest export industry is tourism because it is gaining strength! It also benefits restaurants, retailers and so many more companies that don't export.

Tourism is a huge industry, larger than agriculture or the auto sector. It supports 170,000 small- and medium-sized businesses across the country, contributes over \$88 billion to the Canadian economy and generates over 627,000 jobs.

It is also one of the rare bright lights in the Canadian economy. In the first quarter of 2015, overnight arrivals to Canada hit 2.32 million, a 6.8% increase compared to the same period last year. Visits from the USA were up 6% and China (+ 23.9%) and Mexico (+ 37.8%) were particularly strong. With a growth rate more than double what we saw last year, is it time to celebrate?

Chamber Events

Business Achievement Awards Gala

Friday, Oct 23, 2015

Pontiac Conference Centre, Fort-Coulonge

Tickets \$55

The performance is good, but it comes after years of stagnation and decline. A decade ago, Canada was among the top five international tourist destinations, and now it is in 16th place. The Canadian Tourism Commission, responsible for marketing Canada as a tourist destination, has watched its budget steadily decline from \$105.9 million in 2009 to just \$58 million in 2014. A few years ago, the CTC stopped marketing in the U.S. to focus on other markets. In May, the Prime Minister announced an additional \$10 million per year to market in the U.S.

The problem is that \$10 million is a drop in the bucket. The government spends around \$90 million per year to market its own programs in Canada. Proctor and Gamble spends \$275 million annually to market Crest toothpaste in the U.S. Canada is way better than any toothpaste, and if only more people knew about its rich cultural attractions, the potential is enormous.

Marketing works. Last year, tourism revenues from countries where Canada is actively marketing itself grew by 13.7%, nearly triple the growth from countries where it doesn't market. An Australian report showed that each \$1 of additional marketing was returning \$16 of revenues from tourists, an extraordinary ROI.

The U.S. tourism industry is currently booming. April had the highest occupancy ever (66.8%) and the highest room demand (99.4 million) ever. U.S. hotels are struggling to keep up with demand. With our cheap loonie and our soft

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5 Minutes for Business – July 2015

The Return of Crisis: What it Means for Canada's Economy

Dark storms are gathering over the global economy. Greece is once again at the precipice, insolvent and in need of another 85 billion to stave off collapse and recapitalize its shattered banks. At the same time, China's stock market is in a 1929-style meltdown. Either one of these events would be a big shock to the global economy, but to have both at the same time is an economic earthquake.

Poor Stephen Harper. He would dearly love to be talking about how Canada had the strongest growth in the G-7, which it did up until 2012, and to tout his government's sound management. But the economy isn't cooperating and, worse, it's being hammered by international forces that are beyond our control.

Let's start with Greece, a country that is insolvent with 26% unemployment, collapsing banks and a debt-to-GDP ratio of 180%. This is now its third bailout as it already received some €40 billion in support. The problem is the bailouts came with tough conditions: brutal spending cuts and tax increases that pushed the Greek economy from a recession into a downward spiral. The country's GDP has contracted by 27% since the start of the crisis, more than the U.S. during the Great Depression.

That's why many believe Greece would be better off if it exited the euro. The government could print drachmas, the former Greek currency, to spend on public works. This currency would plummet in value making Greece competitive in exports and a dream for tourists. But the country would default on its debts, and the financial system would collapse.

The point is either Europe spends limitless sums backing insolvent banks and a bankrupt government in exchange for half-hearted austerity that probably won't work. Or Greece exits the euro. Both scenarios are bad news for European growth prospects.

The other economic superpower is China, where shares have plummeted more than 30% since June. A staggering US\$340 billion has been lent out by brokers for stock purchases, and the downturn is forcing shareholders to sell in order to cover losses. Share prices would be down even further except the government halted trading in 1,300 companies and directed state-owned financial institutions to buy shares. This is likely to have ripple effects, hurting confidence and further slowing China's economy.

What does it all mean for Canada? The outlook for commodities depends very much on global demand. Collectively, the European Union is the world's largest economy. The world's largest consumer of commodities is China. Both are showing signs of weakness, which is why commodities are in retreat and oil prices have dropped back to \$52 a barrel.

Canada's GDP has fallen four months in a row and its exports will decline again in the second quarter. On September 1, Statistics Canada will release the latest quarterly GDP number, which is likely to be negative, meaning Canada will officially be in a recession.

For the federal political parties, this is earth-shaking because it makes the status quo much less acceptable. More importantly, leaders will have to explain what

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How to Turbocharge Tourism

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economy, this is a great time to let the Americans know that we're open for business. That's why the Canadian Chamber is calling for a much larger investment, of around \$120 million annually, to market Canada internationally. Click here to join the conversation on Twitter and learn more on our campaign to Stand up for Tourism!

FOR MORE INFORMATION, PLEASE CONTACT :
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they will do about Canada's weak economy. Stimulus spending is helpful but short-lived. A much better option would be to make the Canadian economy more competitive so that business can win more sales and create more jobs. The Canadian Chamber of Commerce has a plan to turn Canada into an export and innovation powerhouse. It's available here.

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Member Business Profiles on the Chamber Website

The Chamber would like to spotlight your business on the web site. If you would like to have the 'spotlight' on your business, please send a write-up of 250 to 500 words with a photo of you and/or your business.

You can submit it in either English or French, we will provide the translation required.

The chamber would like to have a different member business profiled each month. **We need your assistance to complete this goal.**

Send your profile to info@pontiacchamberofcommerce.ca

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News, article suggestions and letters to the editor are welcomed and encouraged. Content will be edited to fit the space available. We welcome press releases and news from our local business community.

Welcome to the Chamber!

Businesses who have joined the chamber since the last newsletter.

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Les Abrasifs EA Abrasives Inc.
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Check the chamber web site for links to all Chamber businesses.

Support your local businesses!

Would Like to Join the Chamber?

Membership fee of \$125 (plus taxes) entitles you to all chamber benefits. Membership valid from April 1st to March 31st.

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Chamber Business Partnerships

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Being a member of the Pontiac Chamber of Commerce means that you are also affiliated with the Canadian Chamber of Commerce (CCC) — www.chamber.ca and the Quebec Chamber of Commerce (FCCQ) — www.fccq.ca. You and your business can take advantage of benefits listed on their web sites.



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