

Spring 2020

COVID-19 and the US-Canada Border: Retail Shopping Destinations for Canadians in Whatcom County

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RESEARCH INSTITUTE
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COVID-19 AND THE US-CANADA BORDER

Retail Shopping Destinations for Canadians in Whatcom County

This report is one in a series of briefings on the economic impacts of Canadians and the border, aimed at improving knowledge about how the COVID-19 crisis will impact economic recovery in Whatcom County.

Spring 2020

See full series of Covid-19 Policy Briefings at cedar.wvu.edu/bpri_covid19/

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BPRI COVID-19 BRIEFINGS

On February 29, 2020, the first death from COVID-19 occurred in Washington State. Over the weeks following, both Washington State and British Columbia implemented various efforts aimed at reducing the spread of the virus. On March 14th, B.C. announced closures of many businesses, made recommendations against non-essential travel, and implemented a voluntary two week self-quarantine on Canadians returning to Canada. Two weeks later, Washington issued a stay-at-home order which went into effect March 23rd. These state and provincial measures aimed at limiting mobility coincided with the bilateral decision by the U.S. and Canada to limit cross-border travel. These restrictions, which went into effect on March 21st, placed limits on all 'non-essential' passenger travel between the two countries, while maintaining the flow of commercial cargo.

This report is one in a series of briefings on the economic impacts of the border in Whatcom County, aimed at improving knowledge of the effects that Canadians have on various aspects of the economy. This is particularly important when considering economic recovery post COVID-19, as cross-border volumes may remain relatively low even after border restrictions and stay-at-home orders are lifted, due to public health concerns. The relatively large number of COVID-19 infections and fatalities in Washington State compared to B.C. is likely to influence Canadian's decisions to engage in discretionary travel to the U.S.¹ The short- to medium-term effects of fewer Canadian visitors will impact particular sectors in certain locations in Whatcom County in different ways. These BPRI briefings are an effort to both quantify and qualify those impacts. Additional reports will consider taxable retail sales (including online sales), fuel tax, and tourism.

ABOUT THE BORDER POLICY RESEARCH INSTITUTE

The Border Policy Research Institute (BPRI) at Western Washington University is a multi-disciplinary institute that undertakes research that informs policy-makers on matters related to the Canada – U.S. border, particularly in the British Columbia – Washington State region. This report was prepared by Director Laurie Trautman and Research Analyst Erin Dahlman-Oeth.

¹ As of May 12th, B.C. had 2,353 confirmed COVID-19 cases and 130 deaths (<http://www.bccdc.ca/health-info/diseases-conditions/covid-19/data>) while Washington had 17,122 cases and 945 deaths (<https://www.doh.wa.gov/Emergencies/Coronavirus>).

KEY TAKEAWAYS

- Canadian shoppers are an important part of Whatcom County's retail sector and accounted for an estimated \$138 million in spending and 11.6% of taxable retail sales in 2018.
- Retail locations with the highest proportions of Canadians are Ross, Silver Reef Casino, Costco, and downtown Blaine.
- Border restrictions related to COVID-19 may have a long-term impact on Canadian shopping behavior in Whatcom County.

BACKGROUND

There are two ongoing research projects in the region that provide key insight into the impact that Canadian shoppers have on the retail economy of Whatcom County. The first is the Passenger Vehicle Intercept Survey, conducted through a partnership of the International Mobility and Trade Corridor Program.² This survey is conducted every five years, in winter and summer, at four ports-of-entry that comprise the Cascade Gateway system of border crossings: Peace Arch, Pacific Highway, Lynden, and Sumas. A variety of survey questions are administered to travelers as they cross the border in both directions, including origin and destination, trip purpose, and frequency of travel.

A second research effort that informs this report is the License Plate Survey conducted by the BPRI. This survey began in 2013 and is conducted roughly three to four times per year. The survey counts the volume of Canadian and American vehicles (according to license plates) in prominent retail parking lots along the I-5 Corridor (see Table 1, page 4, for a list of survey sites in Whatcom County). The purpose of the survey is to gauge where Canadians shop, how Canadian volumes at retail locations compare to overall volumes, and the influence of the exchange rate on Canadian shopping volume.³

Findings from both of these research projects can help to quantify and qualify potential economic impacts of COVID-19 on the retail sector of Whatcom County, during the border restrictions and beyond, and are the basis for this report.

INTRODUCTION

Based on 2018 data, it is estimated that shopping is the primary trip purpose of 24% of *all* Canadian cross-border travelers in the Cascade Gateway.⁴ There are a variety of reasons that Canadians choose to shop south of the border. These include a wider diversity of products

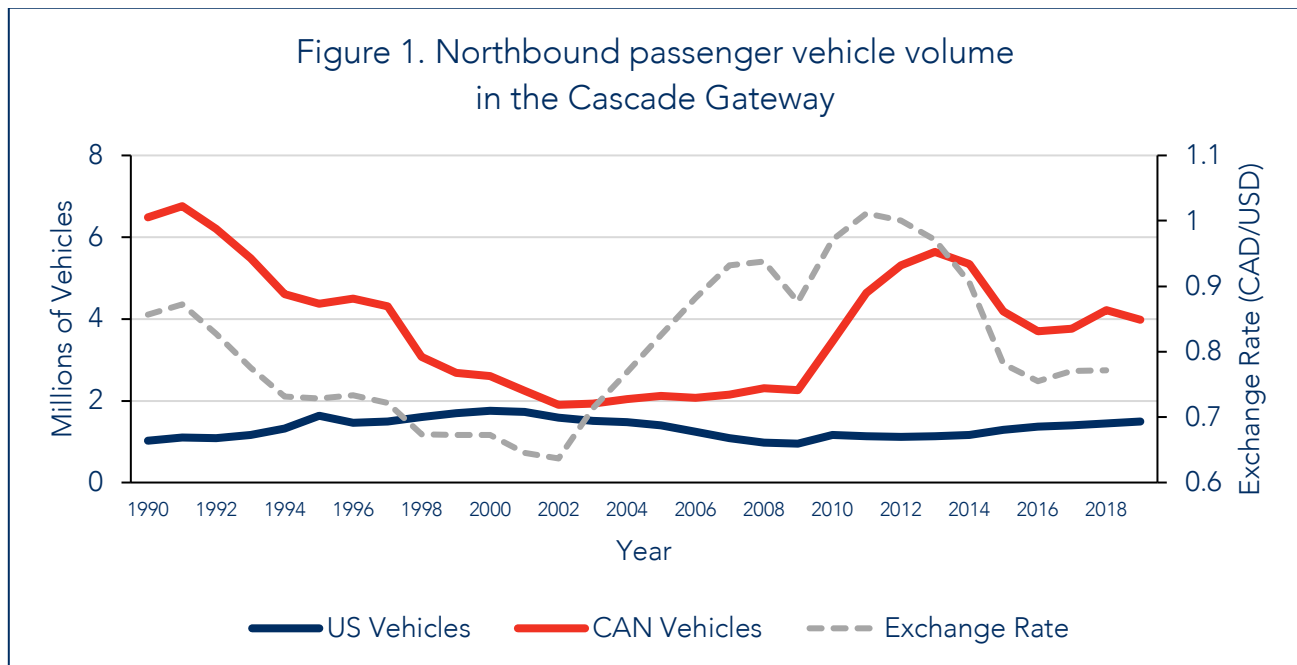
² See <https://theimtc.com>.

³ Data is collected on Thursdays, Fridays and Saturdays during March, June, September, and December. For detailed methodology and previous findings see https://cedar.wvu.edu/bpri_publications/2/. The most recent survey was done in September and December of 2019 and March of 2020.

⁴ See the 2018 Passenger Vehicle Intercept Survey, conducted in partnership with the International Mobility and Trade Corridor Program (<https://theimtc.com/data/>).

available in the U.S., lower average retail prices, and in the case of Whatcom County, less congestion than lower mainland B.C. The exchange rate between the U.S. Dollar (USD) and Canadian Dollar (CAD) is also a powerful determinant of Canadian crossing volume. When the CAD is strong, Canadians tend to come south in greater numbers. The influence of the exchange rate varies throughout time, (see Figure 1 below) and is one of several factors that influence cross-border volume.

Changes in border policies following the 9/11 terrorist attacks weakened the relationship between the exchange rate and cross-border trips for multiple years following 2001. This highlights how external events and policy responses can influence cross-border flows. Between 2010 and 2018, there was a return to an observable correlation between the strength of the CAD and the number of Canadians crossing the border. This correlation has again been disrupted with the COVID-19 health crisis.

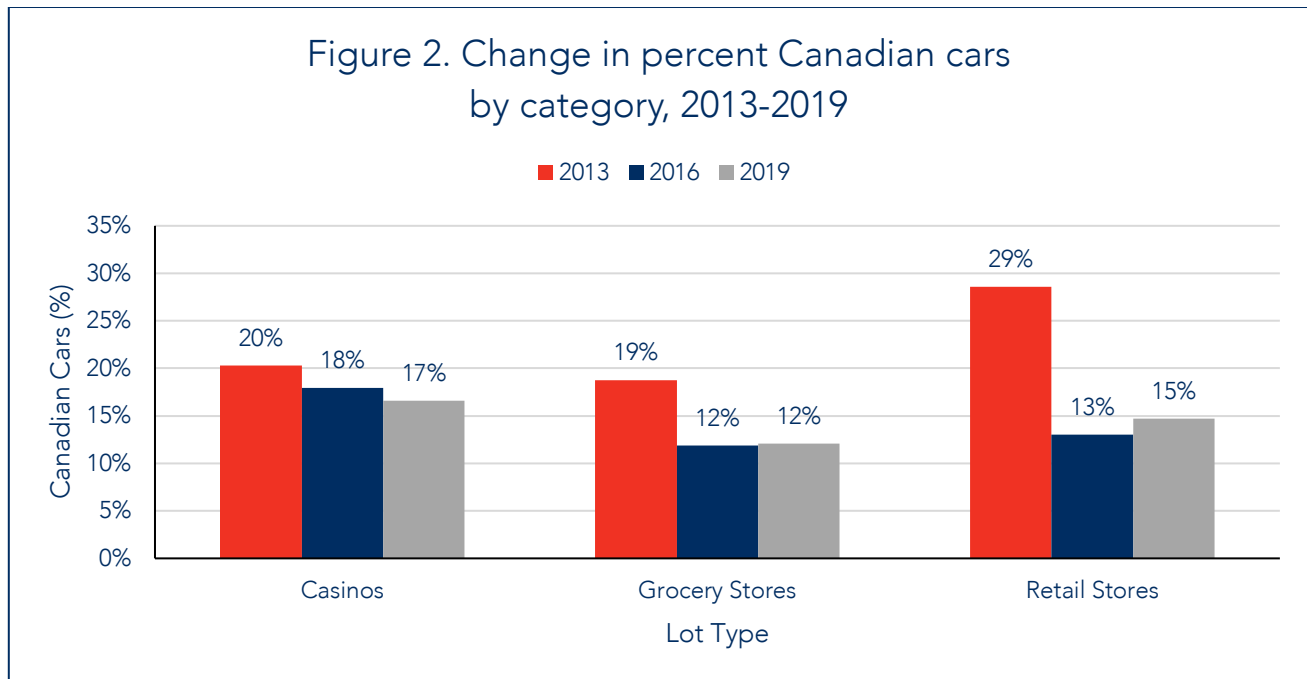


HOW DOES THE EXCHANGE RATE AFFECT CANADIAN SHOPPING?

From 2013 to 2016, when the CAD fell by \$0.21 USD, Canadian vehicle counts at retail shopping locations surveyed fell by 55%. From 2016 to 2019, when the CAD’s value rose by just \$0.02 USD, Canadian traffic rose by about 9%. This positive relationship between the value of the CAD and Canadian shopping patterns is an important indicator of future cross-border spending behavior that may influence Whatcom County. However, the COVID-19 public health crisis may trigger a lasting disruption to that relationship, similar to the post-9/11 time period.

Figure 2 below shows the percentage of Canadian cars in different categories of survey locations during different years. All of these categories saw declines in the percentage of Canadian cars as the CAD weakened from 2013 to 2016, which also largely reflected a reduction in the absolute

number of Canadian cars present at different locations. From 2016 to 2019, when the CAD remained around \$0.77 USD, these percentages were largely unaffected.



In addition to illustrating the impact that the exchange rate has on Canadian visitation to different types of stores, Figure 2 also indicates that as economic recovery from COVID-19 resumes, casinos and retail stores in Whatcom County in particular may experience a disproportionately prolonged impact from the border restrictions. Even after the restrictions are lifted, Canadian shopping habits are likely to be disrupted, and may take some time to resume, given public health concerns.

WHICH WHATCOM COUNTY RETAIL DESTINATIONS ARE CANADIANS VISITING?

The retail locations with the highest proportion of Canadians include Ross, Silver Reef Casino, downtown Blaine, and Costco. Trader Joe's and Sierra Trading Company are also popular destinations for Canadians (see Table 1 below). Canadian vehicles at retail locations overall tend to decrease with distance from the border, and particularly for stores that are located in multiple locations. For example, in 2019 the Bellingham Ross had 45% Canadian vehicles, while the Marysville Ross had only 4%. The same is true for the Bellingham Costco, which had 39% Canadian cars in 2019, compared to 4% for the Burlington Costco. In 2019, 60% of Canadian vehicles in our survey were located in Bellingham, making it the top destination for Canadians.

Table 1. Average Percent Canadian Vehicles in survey locations in Whatcom County (2016 and 2019)

Location		Average % Canadian Vehicles
Blaine	Downtown	28%
	Blaine Center	21%
Birch Bay	The Market	7%
Lynden	Safeway	18%
	Downtown	10%
Ferndale	Silver Reef Casino	43%
	Haggen	7%
	Ferndale Station	5%
	Downtown	3%
Bellingham	Ross	50%
	Costco	36%
	Walmart	38%
	Sierra Trading Post/HomeGoods ⁵	24%
	Trader Joe's	23%
	Bellis Fair Mall	21%
	Bakerview Fred Meyer	18%
	Best Buy/BB&B	4%
	Lakeway Fred Meyer	3%
	Barkley Village	1%

WHICH WHATCOM COUNTY CITIES ARE CANADIANS VISITING?

Data from the Passenger Vehicle Intercept Survey (PVIS) conducted in 2018 indicate that 78% of Canadians entering the U.S. through the Cascade Gateway are traveling to points within Whatcom County. Table 2 below lists the observed distribution of trip destinations in 2018, as well as an estimate of absolute trip volumes to each city. Similar to the findings from the License Plate Survey, the PVIS data indicates that both Blaine and Bellingham are primary destinations for Canadians crossing the border.

⁵ Sierra Trading Post and HomeGoods opened in 2018

Table 2. Destinations and Volume of Canadians, 2018

Destination	Canadians traveling to destination (%)	Estimated Canadian Visitors ⁶ (#)
Blaine	29.5%	2,049,788
Sumas	8.3%	576,720
Lynden	4.0%	277,937
Birch Bay	3.5%	243,195
Ferndale	2.0%	138,969
Bellingham	30.3%	2,105,376
Outside Whatcom County	22.4%	1,556,450
Cascade Gateway Total	100%	6,948,436

HOW MUCH ARE CANADIANS SPENDING AT RETAIL LOCATIONS IN WHATCOM COUNTY?

In 2018, there were 6.9 million Canadians who entered the U.S. through the Cascade Gateway⁷, and 25% of them were *bound for Whatcom County with shopping as the primary purpose of their trip*. While difficult to pinpoint the total dollar amount Canadians spent during their trips, this analysis adopts the metric developed by the U.S. Department of Commerce, which estimates that the average Canadian spends \$80 USD during same day trips to the U.S.⁸ When applied to the number of Canadians making trips to Whatcom County in 2018 for the primary purpose of shopping (1.75 million Canadians * \$80), **annual Canadian expenditures equaled roughly \$138 million. This amounts to 11.6% of all taxable retail sales in the County.**⁹

Note that, for those Canadians who did not identify shopping as the *primary* purpose of their trip during the survey, they may still have engaged in shopping as a secondary trip purpose. For example, if an individual's primary purpose for crossing the border was to visit family or engage in tourism or recreation, it is highly possible that shopping still occurred. Thus these estimates are likely a low-end figure in a range of possible spending. Additional reports will provide a more detailed estimate of Canadian spending on different categories of goods and sectors, including fuel, online sales, and tourism.

⁶ The number of Canadian visitors does not equate to unique individuals, but rather trips made by Canadians (i.e., one person may make multiple trips). This figure includes all trip purposes, not just shopping and is based on an average occupancy rate of 1.735 people/vehicle.

⁷ According to U.S. CBP, 5.6 million vehicles entered the U.S. at the Cascade Gateway in 2018 and findings from the PVIS suggest that 71% of them were Canadian vehicles, which equates to an estimated 6.9 million Canadian visitors. While this report relies on 2018 data for consistency, volumes decreased by 3.6% to 5.4 million vehicles in 2019.

⁸ See reports by U.S. Department of Commerce (<https://travel.trade.gov/>) and Toronto-Dominian Bank (<https://economics.td.com/canada-us-cross-border-spending-reversal-of-fortunes>).

⁹ Total taxable retail sales in Whatcom County equaled \$1.19 billion in 2018. See Washington State Department of Revenue (<http://apps.dor.wa.gov/ResearchStats/Content/TaxableRetailSalesState/Report.aspx>).

Table 3 below displays the estimated dollar amount spent by Canadian shoppers in each city. Bellingham is by far the largest benefactor of Canadian shoppers, followed by Blaine.

Destination	Canadians: Primary Trip Purpose Shopping (%)	Estimated Spending by Canadians (\$)
Blaine	15%	\$ 24,597,461
Sumas	11%	\$ 5,075,137
Lynden	0%	-
Birch Bay	3%	\$ 583,668
Ferndale	14%	\$ 1,556,449
Bellingham	64%	\$ 107,795,250

WHAT ARE THE IMPACTS OF BORDER RESTRICTIONS?

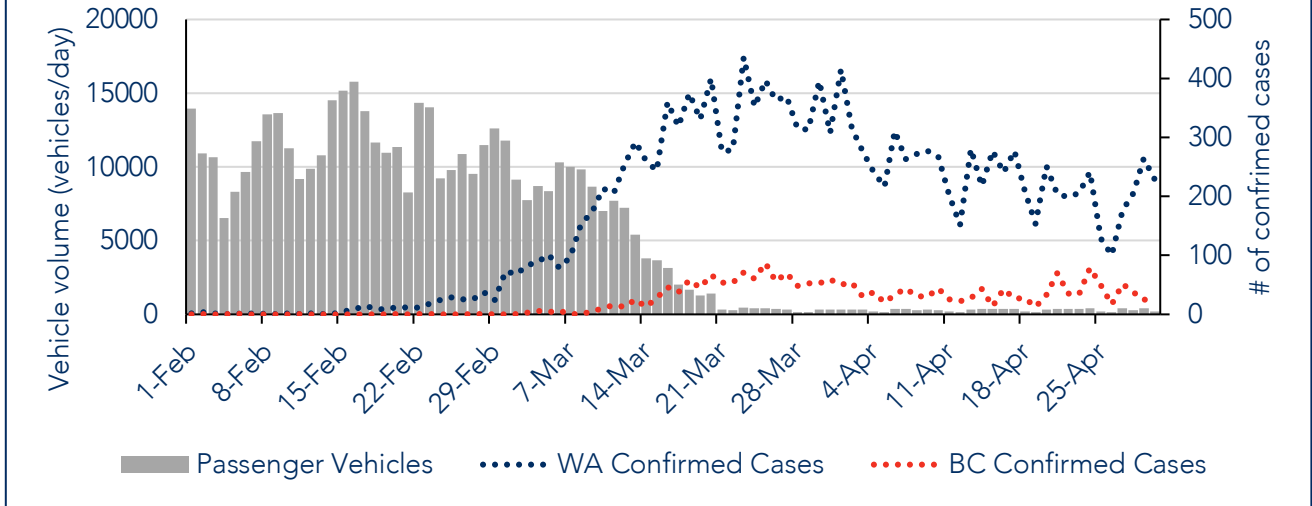
At the time of the March 2020 License Plate Survey (conducted March 20th and 21st), southbound passenger vehicle traffic was already down by 87% compared to 2019, and on the second day of surveying the border was officially closed by both federal governments to non-essential travel. Americans and Canadians were practicing social distancing and self-quarantine, and about one-third of retail operations at the sample sites had either reduced hours or were closed. The March sample size was comprised of 60% fewer vehicles than in previous years. Additionally, data collection sites were only 33% full, compared to 68% full in 2019. There were a small number of Canadian vehicles at surveyed locations in Blaine (4%), Lynden (1%), Ferndale (1%), and Bellingham (1%). No Canadian cars were observed in other cities.

It is apparent that the recent outbreak of COVID-19 and the subsequent acts to dissuade Canadians from traveling to the U.S. (e.g. Prime Minister Trudeau’s comments prior to the announcement to restrict the U.S.-Canada border and BC’s provincial guidance) had a large impact on Canadian shoppers. At the end of February 2020, passenger vehicle volumes were nearly identical with volumes in 2019. However, almost two weeks before the border restrictions were even announced, volumes had dropped by 35%.¹⁰ While the border restrictions have been in place, daily cross-border volumes have remained at around 98% below typical volumes. However, because cross-border traffic was already dropping precipitously prior to the border closure to non-essential traffic (see Figure 3 below),¹¹ public health concerns about COVID-19 were already dissuading most travelers from crossing the border. Federal and provincial officials urged Canadian citizens to purchase their gas and milk within the country for the sake of public safety, and **this could mark the start of a long-term shift in shopping behavior similar to post-9/11 patterns.**

¹⁰ When comparing northbound volumes at the Peace Arch crossing.

¹¹ Based on data from U.S. CBP, Washington State Department of Health, and BC Center for Disease Control.

Figure 3. Southbound Vehicle Volume in the Cascade Gateway & Confirmed COVID-19 Cases in WA and BC



CONCLUSION

It is difficult to predict how the border restrictions and the COVID-19 pandemic will influence cross-border travel in years to come. It is possible that the border restrictions will remain in place long enough for Canadians to adjust their shopping habits and consumer behavior to re-orient away from cross-border shopping. At the time of writing, the restrictions are due to be in place for three months, with additional extensions possible. Even after the restrictions are lifted, concerns about public health and safety could continue to inhibit Canadians from shopping in the U.S.

Existing data suggests that retail locations in Bellingham and Blaine are the most commonly visited stores for Canadian shoppers, and that Canadian shoppers have a significant impact on Whatcom County’s taxable retail sales revenues. These locations, and the County as a whole, may be hardest hit by both the current border restrictions as well as longer-term changes in the consumer behavior of Canadians, should such changes occur. Additional COVID-19 Policy Briefings will consider the impact that Canadians have on different categories of sales tax revenues, including gas stations and online shopping, as well as cross-border tourism and recreation.