May 2005

PERSPECTIVES
ON LABOUR AND INCOME

Tourism

Whether for business or pleasure, travel has become a way of life for many people. Incentives abound, including airline discounts, mileage points that can be accumulated through credit card purchases, and all-inclusive packages to faraway destinations.

Tourism is as good for the country as it is for the individual. It not only boosts the travel industry directly, but also affects related industries such as transportation; food, beverages and accommodation; recreation; retail trade; and other service industries. Increased tourism stimulates the economy by creating jobs, which translates into increased tax revenue for governments. However, if a country receives less money from foreign tourists than its residents spend abroad, the economy may be negatively affected.

The following charts look at inbound and outbound tourists, along with related receipts and expenditures in 2002. The indicators are based primarily on statistics presented in *World Development Indicators*, 2004, published by the World Bank, Washington, D.C., March 2004. Canada is compared with the other G7 countries (the United States, the United Kingdom, France, Italy, Germany, and Japan), Australia, the Russian Federation and China. Ever since the latter two countries adopted more liberal policies on trade and the mobility of goods and services, tourism has improved considerably. Australia was chosen because of its similarity to Canada in regard to its resource-rich base and population.

Definitions

Tourism: the activities of people travelling to and staying in places outside their usual environment for no more than one consecutive year for leisure, business and other purposes not related to an activity remunerated from within the place visited.

Inbound tourists (overnight visitors): tourists who travel to a country other than that in which they have their usual residence.

Outbound tourists: the number of departures that people make from their country of usual residence to any other country.

International tourism receipts: expenditures by international inbound visitors, including payments to national carriers for international transport. These receipts include any other prepayment made for goods and services received in the destination country.

International tourism expenditures: expenditures of international outbound visitors in other countries, including payments to foreign carriers for international transport.

Gross national income (GNI): the sum of value added by all resident producers plus any product taxes (less subsidies) not included in the valuation of output plus net receipts of primary income (wages and salaries and property income) from abroad. Data are in current US dollars.

Purchasing power parity (PPP)-based GNI: gross national income converted to international dollars using purchasing power parity rates. An international dollar has the same purchasing power in GNI as a US dollar has in the United States. PPP-based GNI per capita is aggregate PPP-based GNI divided by total population.

International travel account balance: receipts (or expenditures incurred by inbound tourists) less expenditures incurred by outbound tourists. Per-capita balance is aggregate balance divided by total population.

Countries are divided into four economic groups: low income economies with a per-capita gross national income of US$735 or less in 2002, lower-middle between $736 and $2,935, upper-middle between $2,936 and 9,075, and high income with $9,076 or more. Both China and the Russian Federation are classified as lower-middle income economies, G7 countries and Australia as high income.

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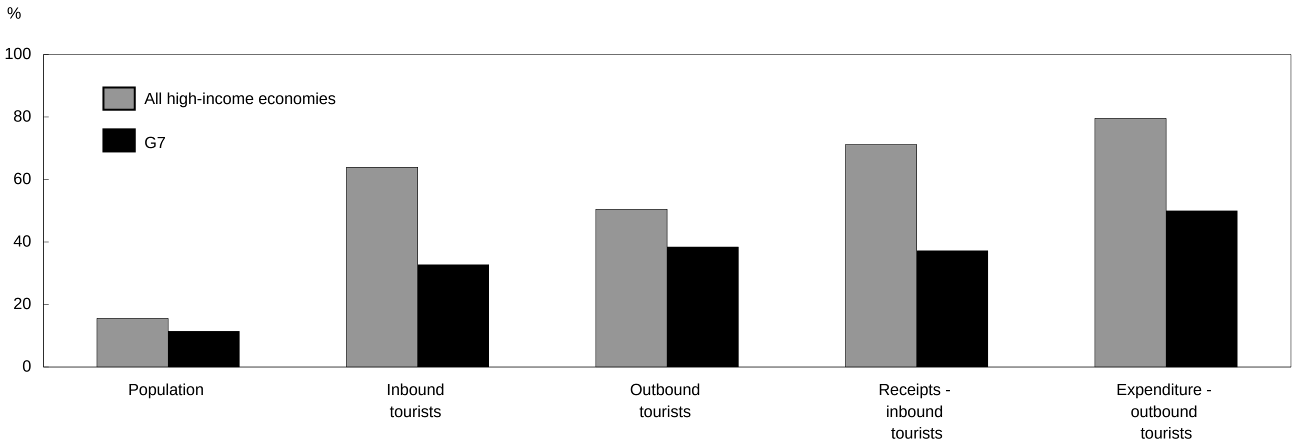
Statistics Canada Statistique Canada

Canada

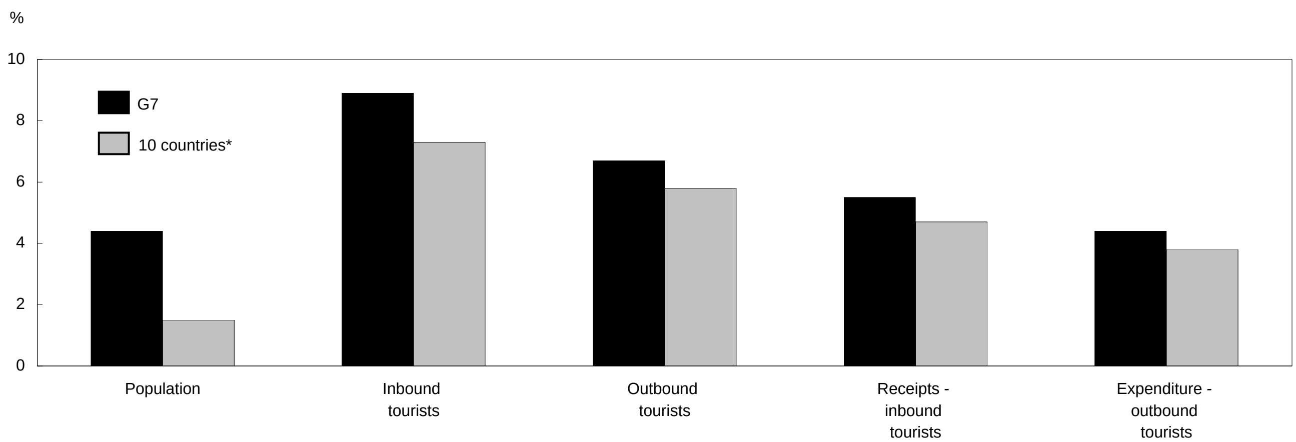
Share of international tourists from high-income economies, 2002



The majority of people who travel internationally are from high-income economies. In 2002, these economies constituted only 16% of the world's population of 6.2 billion but accounted for 64% of all inbound and 51% of outbound tourists. Almost 80% of the US$449.2 billion in outbound tourist expenditures was incurred by travellers from high-income economies, compared with 71% of the $472.5 billion spent by their inbound counterparts.

Of high-income economies worldwide, the G7 countries accounted for the majority (73%) of the population, 76% of outbound tourists, and 63% of outbound tourist expenditures.

Canada's tourism as a percentage of tourism of other countries, 2002

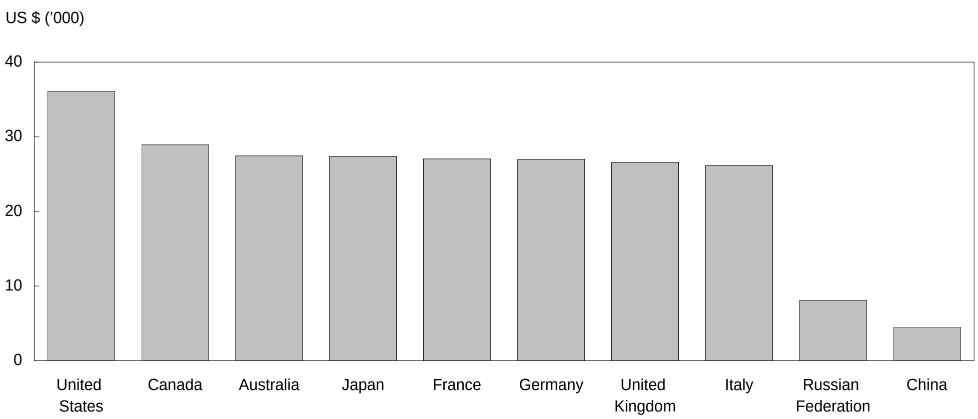


** G7 countries + Australia, the Russian Federation and China*

Canada, with only 4.4% of the G7 population, represented 8.9% of inbound and 6.7% of outbound tourists. Shares of expenses incurred by Canadian inbound and outbound tourists were quite close—5.5% and 4.4% respectively.

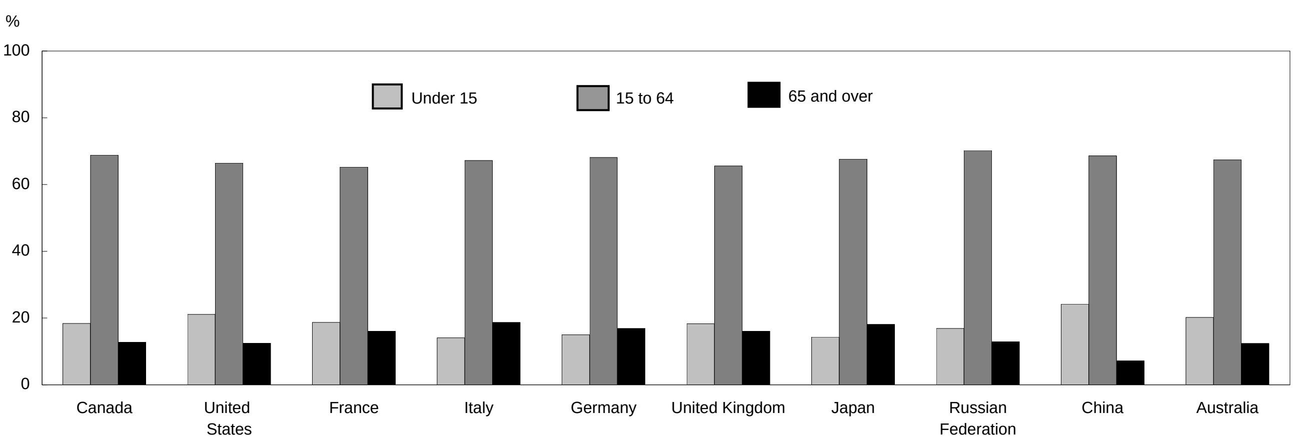
When China, the Russian Federation and Australia were added to the mix, Canada's share of tourism changed little—contrary to its share of population, which fell from 4.4% to 1.5%. This was the result of including China with its population of 1.3 billion.

Purchasing power parity based on per-capita gross national income, 2002



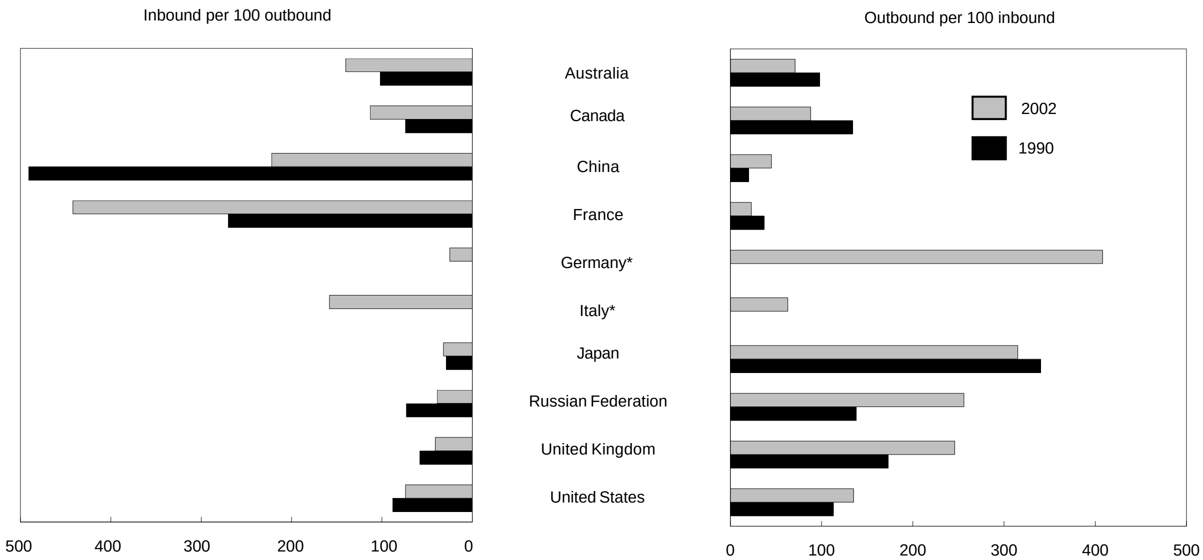
Income level is a key determinant in travelling for pleasure. The higher the overall per-capita income in a country, the more likely its residents are to travel. In 2002, the United States had the highest per-capita gross national income (GNI) at $36,110, followed by Canada at $28,930. Japan had a higher GNI than any of the four European members of the G7. China had the lowest all 10 countries at $4,520. In economic size, based on gross national income, China ranked above the Russian Federation, Australia, Italy and Canada. On per-capita income, population size pushed China to the bottom.

Population by age, 2002



Age is another key determinant in travelling. Generally, younger people and older people tend to travel internationally, while those with family and mortgage responsibilities tend to stick closer to home. The proportion of people 65 and over was higher in Italy, Japan, Germany, France and the United Kingdom (between 16% and 19%), compared with Canada, the United States, the Russian Federation, and Australia (between 12% and 13%). China was lowest with 7%.

Inbound and outbound tourists, 1990 and 2002

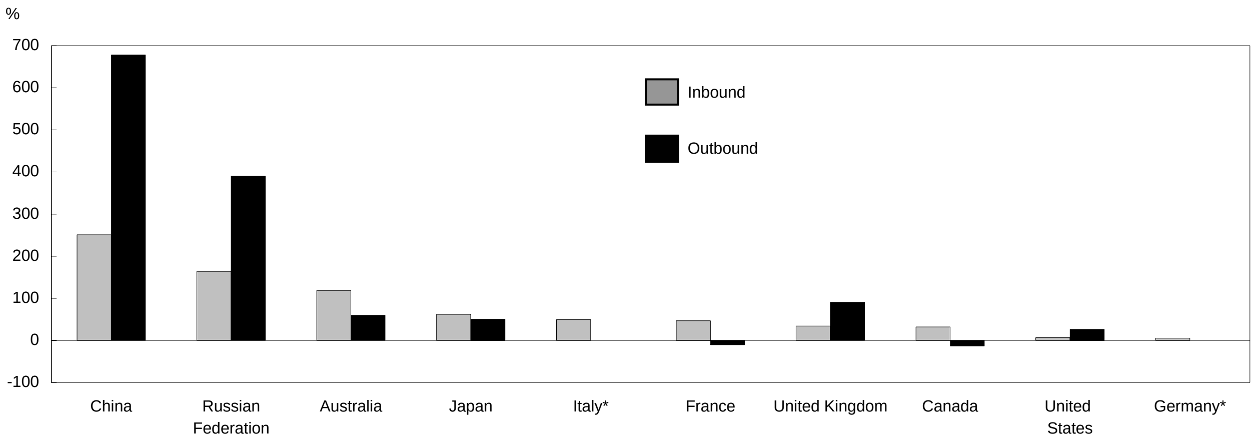


** 1990 data for Italy and Germany are not available.*

Between 1990 and 2002, Canada's tourist balance changed, as the number of inbound tourists per 100 outbound tourists rose from 74 to 113. France and Australia also experienced a rise in inbound tourists, with France's ratio soaring from 270 per 100 to 442. France seems to have been the most popular destination for tourists in 2002. On the other hand, fewer tourists chose to go to the United States, United Kingdom, and Russian Federation. In China, the ratio dropped because of the increase in outbound tourists.

Although Canadians were more likely to travel abroad in 2002 than Australians, Italians, Chinese and French, they were far behind the Germans, Japanese, and Russians. Canada had 88 outbound tourists for every 100 inbound, compared with 408 for Germany, 315 for Japan, and 256 for the Russian Federation. The events of September 11, 2001 may have dampened tourism to the United States and United Kingdom, but did not seem to discourage their residents from travelling abroad. In 2002, the United States had 135 outbound tourists for every 100 inbound, compared with 113 in 1990. The corresponding numbers for the United Kingdom were 246 and 173.

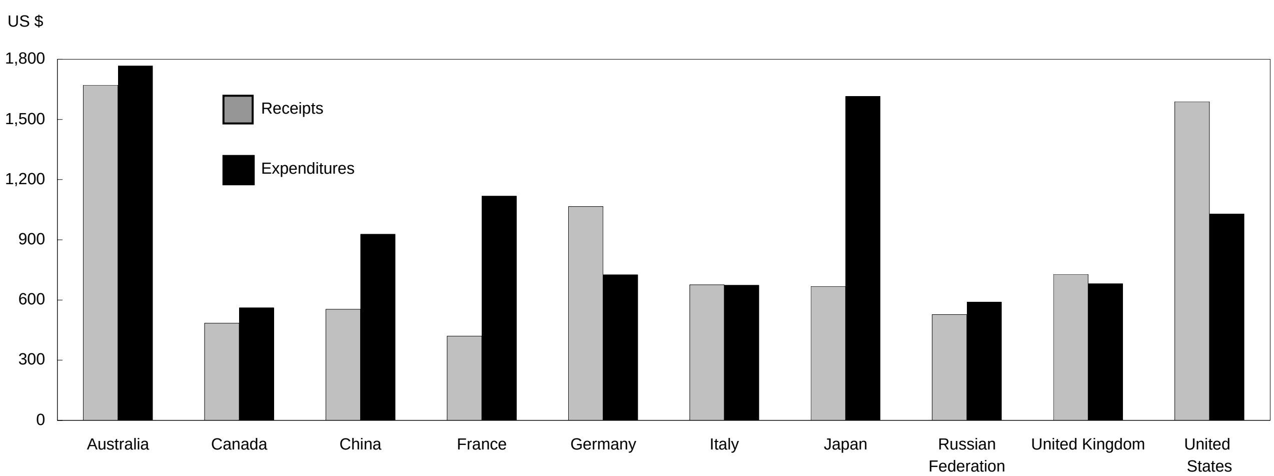
Growth over the 1990-2002 period in number of inbound and outbound tourists*



** 1990 data on number of outbound tourists for Italy and Germany are not available.*

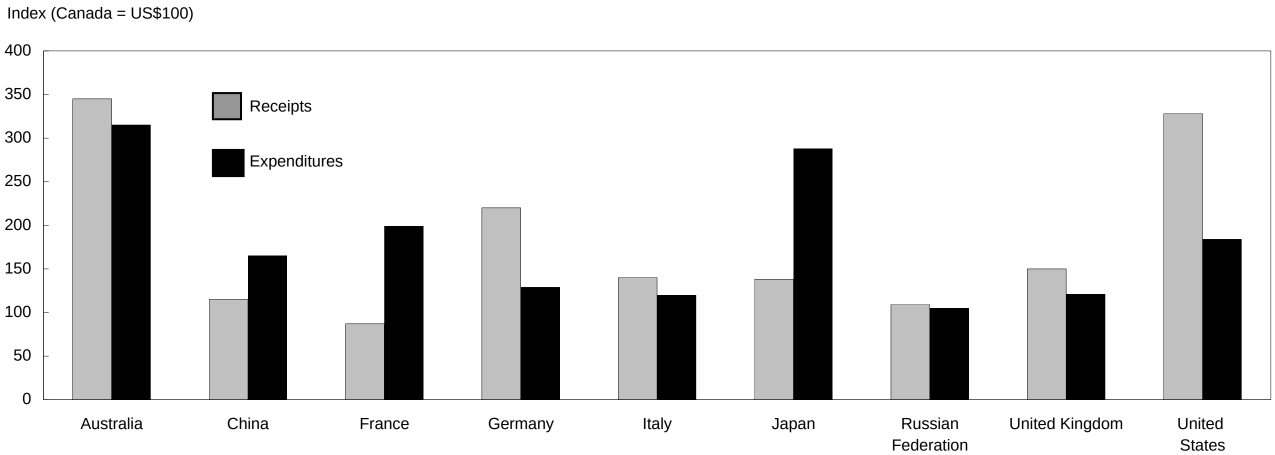
Between 1990 and 2002, the number of tourists coming into Canada grew 32% while those travelling abroad declined 13%. France showed a similar pattern. These percentages seem minuscule when compared with the emerging tourist countries of China and the Russian Federation. Tourists to China skyrocketed 251% while Chinese residents travelling abroad went up 678%. The corresponding rates for the Russian Federation were 164% and 390%.

Mean receipts per inbound tourist and expenditure per outbound tourist, 2002



In 2002, tourists to Canada spent an average of $US 484, compared with $561 spent abroad by Canadian tourists. Tourists to and from Australia spent the most—$1,671 and $1,767 respectively. Next in magnitude were outbound tourists from Japan, followed by inbound tourists to the United States. In 6 of the 10 countries (includes Canada), inbound tourists spent less, on average, than outbound tourists.

Index of mean receipt per inbound tourist and mean expenditure per outbound tourist, 2002



Using $100 spent by a tourist in Canada as an index, inbound tourists to Australia spent an average of $345. The figure was $328 for the United States, $115 for China, and just $87 for France. As for outbound tourists, compared with Canada at an average of $100, Australia spent the most ($315) and the Russian Federation the least ($105). In fact, outbound tourists in all nine countries in the chart spent more than Canadian outbound tourists. Some of the differences can be attributed to variations in cost of living, length of stay, entrance fees and sightseeing costs, and customs or other taxes levied on tourists.

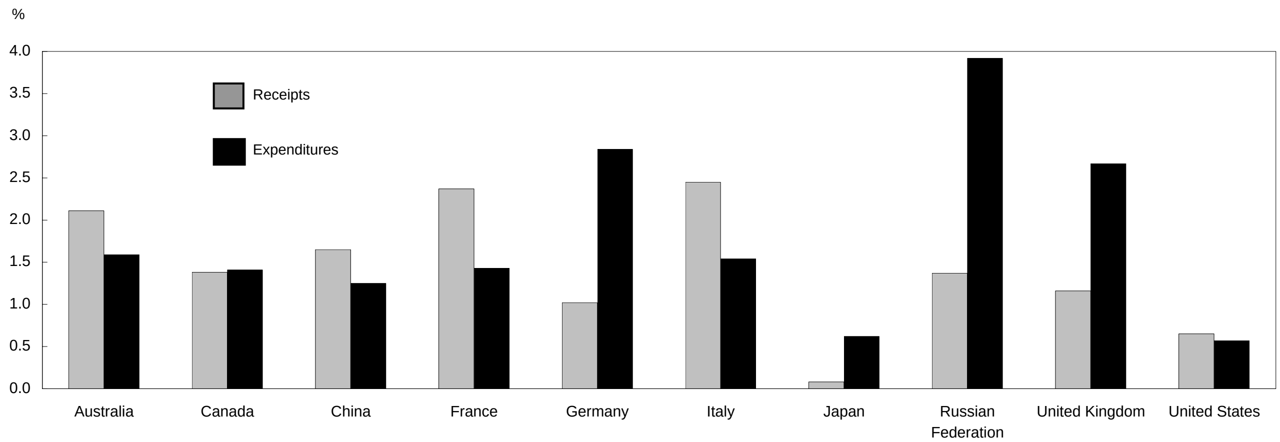
Receipts from inbound tourists as a percentage of exports and expenditures of outbound tourists as a percentage of imports, 2002

Just like exports of goods and services, inbound tourists bring money into the country. Australia appeared to benefit the most from inbound tourists, with receipts representing 9.7% of the value of goods and service exports. Italy was next at 8.6%, followed by France at 8.2%. For Canada, the percentage was only 3.2%, slightly higher than Germany and Japan, but far lower than the leading countries.

In the same way that a country pays to import goods and services, so too it loses money when its residents spend abroad. For the Russian Federation, the outflow of tourists proved economically disadvantageous in 2002, since their expenditures abroad represented 14.1% of the value of imports. The United Kingdom followed at 9.3% with Germany at 8.3%. Canada ranked at the bottom with 3.7%.

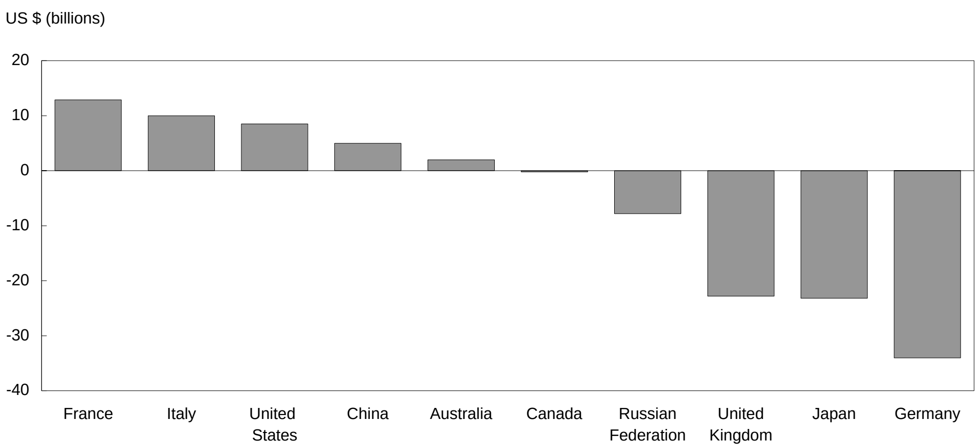
Since the values of exports and imports in Canada were quite close, as were the receipts of inbound tourists and the expenditures of outbound tourists, the receipts-to-exports ratio and the expenditures-to-imports ratio were fairly comparable—3.2% and 3.7%. No other country showed such close ratios.

Receipts from inbound tourists and expenditures of outbound tourists as a percentage of gross national income, 2002



Since tourism boosts a country's economy, receipts from inbound tourists and expenditures of outbound tourists can be linked to gross national income (GNI) in terms of ratios. For Canada in 2002, receipts represented 1.38% of GNI and expenditures 1.41%. Italy benefited the most from tourism with a receipts-to-GNI ratio of 2.45%. The Russian Federation benefited the least with an expenditures-to-GNI ratio of 3.92%. Of the 10 countries considered, France, Italy, China, Australia and the United States had a surplus in their international travel account (receipts-to-GNI ratio greater than expenditures-to-GNI ratio), while the other five countries were running deficits.

Balance* on tourism account, 2002

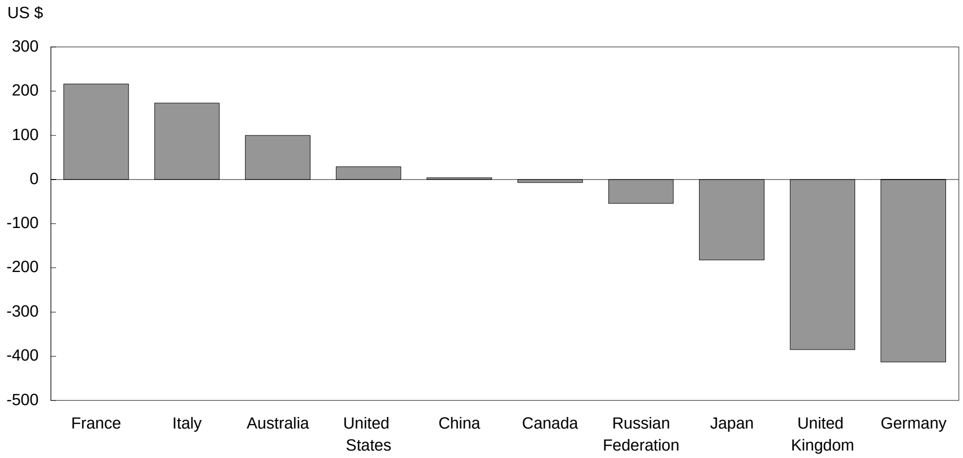


** Receipts from inbound tourists less expenditures of outbound tourists.*

In 2002, France had the largest surplus ($12.9 billion) in its international travel account, followed by Italy with about $10 billion. Canada, on the other hand, had a deficit of $229 million—tiny in comparison with Germany's $34 billion. Germany had a large number of outbound tourists compared with inbound, while the reverse was true for France.

The ranking of countries based on the difference between receipts and expenditures and ranking based on ratios with respect to GNI differ because of different GNI values. Nevertheless, each indicator is useful, depending on whether the net travel account balance or the size of the economy is to be considered.

Per-capita balance* on tourism account, 2002



* *Receipts minus expenditures divided by population.*

Population size may affect country comparison of international account balances. For example, a country with a large population will likely spend more tourist dollars abroad in total than a country with a small population. From that perspective, travel account balance per capita may be a more appropriate indicator. The surplus/deficit situation would not change, but the resulting statistic may be simpler to interpret. For example, Germany's international travel account balance in 2002 put each German into the red by US$413, compared with $385 for someone in the United Kingdom and just $7 for a Canadian. On the other hand, France's international travel account showed a gain of $216 per person compared with $29 in the United States.