



Winter 1999

Drop in Asian Tourists Offset by a Record Number of Americans Travelling to Canada

by Monique Beyrouti

Highlights

- World Tourism Organization (WTO) data shows that the growth in international tourist travel fell in 1997 after experiencing sustained growth from 1986 to 1996.
- Canada did not escape this trend. Overseas residents reduced their trips of one or more nights to Canada by 3% in 1997 over 1996. The drop in the number of tourists from Asia was the most remarkable. This downward trend continued in the first quarter of 1998, with the number of overseas residents travelling one or more nights decreasing to 13% (31% fewer Asian tourists).
- However, American trips to Canada increased by 7% in the first quarter of 1998 compared with the same quarter in 1997, reaching a record number of 7.4 million trips. The result was a 5% increase in the total trips taken by all non-residents to Canada in the first quarter of 1998 compared with the same period in 1997.
- Despite fewer travellers from Asia, the travel deficit improved in the winter of 1998 compared with the winter of 1997. The significant increase in expenditures by US travellers to Canada, together with the drop in expenditures by Canadians travelling south of the border made a marked contribution to the improvement in the deficit.

From 1986 until very recently, international tourism experienced a period of rapid growth worldwide. In 1996, for all trips of one or more nights taken anywhere in the world there was sustained growth of 5.6 percent in arrivals¹ and 8.2 percent in international tourism receipts² as compared with 1995. These increases represented 595 million out-of-country trips taken around the world and \$434 billion US in revenue.

¹ World Tourism Organization, *Arrivals of Tourists from Abroad (Thousands)*, Madrid, 1998.
² World Tourism Organization, *International Tourism Receipts (\$US Million)*, Madrid, 1998.



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For international trips with Canada as a destination, the increase was 3.6 percent for arrivals from overseas and 4.3 percent for arrivals from the United States. Spending during these visits increased by 3.3 percent on overseas trips and 10.8 percent on visits from the US. Combining these expenditures with those made by Canadians on trips within the country, overall tourist spending in Canada amounted to \$41.8 billion, an increase of 4.7 percent from 1995, and the number of jobs generated by tourism increased by 2.2% during this period³.

In May 1997, the WTO announced that the tourists most likely to travel outside the East Asia/Pacific region were the Japanese and Australians. With the growing numbers of these tourists to Canada, the country would undoubtedly have benefited from this situation. However, in the second half of 1997, a crisis erupted in Asia's financial markets. As a result, the international tourism industry which had been growing so well was negatively affected, its growth slowing considerably. In the light of recent data from the International Travel Survey (ITS), this article examines the situation of travel to Canada up to and including the first quarter of 1998.

Increased number of trips overall

In the first quarter of 1998, Canada was a destination for 7.9 million international visits. Table 1, which compares

these entries by category with those made in the same quarter in 1996 and 1997, shows that, counting all points of origin and lengths of stay, travel to Canada was up by nearly 5 percent over the first quarter of 1997. Trips of one or more nights coming from the United States increased by 7 percent, while travel from overseas points of origin decreased by 13 percent. The significant increase in the number of trips by Americans more than made up for the reduced number from all other countries, as trips of one or more nights increased overall by 2 percent in the first quarter of 1998 from the first quarter of 1997.

Overseas residents made a total of 521,000 visits while American residents made 7.4 million visits in the first quarter of 1998. Spending associated with these visits totalled \$1.6 billion, an increase of close to 17 percent in relation to the first quarter of 1997 (Table 2). This substantial increase in expenditures can be attributed solely to Americans, as spending by residents of other countries decreased by 4 percent, as shown in Table 2.

Overseas trips down by 13 percent

Table 1 shows that trips of one or more nights in Canada by residents of overseas countries dropped by 13 percent during the first three months of 1998 as compared with the same period in 1997. There had been a marked increase in these visits (14 percent) in the first quarter of

Table 1

Non-Residents Travelling to Canada

	1 st Quarter			Change	
	1996	1997	1998	97/96	98/97
	in thousands			%	
Total trips:	7,020	7,561	7,925	8	5
Origin:					
US:	6,484	6,939	7,404	7	7
same day	4,879	5,245	5,600	8	7
one or more nights	1,605	1,693	1,804	5	7
All other countries:	536	622	521	16	-16
one or more nights	500	572	496	14	-13

Note: Data may not add to totals due to rounding.
Source: International Travel Survey



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Note of appreciation

Canada owes the success of its statistical system to a long-standing partnership between Statistics Canada, the citizens of Canada, its businesses, governments and other institutions. Accurate and timely statistical information could not be produced without their continued cooperation and goodwill.

³ Statistics Canada, *National Tourism Indicators: Quarterly Estimates, First Quarter 1998*, Catalogue no. 13-009-XPB (Ottawa: Minister of Industry), June 1998.

Table 2

Trip Expenditures of Non-Residents Travelling to Canada

	1 st Quarter			Change	
	1996	1997	1998	97/96	98/97
	in thousands \$			%	
Total expenditures:	1,317,481	1,384,565	1,617,781	5	17
Origin:					
US:	801,782	816,189	1,073,520	2	32
same day	221,217	234,293	355,830	6	52
one or more nights	580,565	581,896	717,690	--	23
All other countries:	515,699	568,376	544,261	10	-4
one or more nights	514,741	567,103	543,438	10	-4

-- Amount too small to be expressed.

Source: International Travel Survey

Table 3

**Overseas Trips to Canada by Origin
Trips of One or More Nights**

	1 st Quarter			Change	
	1996	1997	1998	97/96	98/97
	in thousands			%	
Trips of one or more nights:	500	572	496	14	-13
Regions:					
Europe:	242	271	266	12	-2
United Kingdom	80	102	106	28	3
France	47	49	49	4	-1
Germany	45	41	36	-9	-11
Africa	6	8	7	23	-7
Asia:	190	223	153	17	-31
Japan	85	94	67	11	-28
Hong Kong	29	35	25	20	-29
South Korea	19	22	10	15	-55
Taiwan	17	18	16	6	-10
Central America and Other					
North America:	14	17	18	17	5
Mexico	9	12	13	33	8
Caribbean	10	11	10	12	-12
South America	13	15	15	15	0
Oceania:	25	27	28	8	4
Australia	20	21	23	4	10

Note: Data may not add to totals due to rounding.

Source: International Travel Survey

1997 over the first quarter of 1996. Overall, entries from all continents except Oceania⁴ and Central America were lower in the period examined (Table 3). This reduction is in contrast to the rate of increase for overseas trips recorded over more than a decade (Chart 1). Even during the years of recession (1990 to 1993)⁵ which had an effect on tourism as on other areas, there was no decrease in this type of trip, with the exception of the winter of 1992 (and

even then, only by one percent) when the Gulf Crisis was at its peak.

Trips by European residents decreased from 271,000 in the first quarter of 1997 to 266,000 in the first quarter of 1998. It should be noted, however, that in spite of this reduction, they still travelled more than during the winter of 1996. This applies as well to trips from all continents except Asia. Among those European tourists most important to Canada, Germans had the greatest

reduction in the number of trips to Canada in the winter of 1998 compared to one year earlier.

Further, in the winter of 1998, trips of one or more nights by overseas travellers arriving in Canada after passing through the United States were down by more than 28 percent from a year earlier. As direct trips were down by only 4 percent during the same period, the proportion of direct entries increased from 62 to 67 percent. This increase in the proportion of arrivals directly to Canada has an important economic impact because typically, these travellers stay longer in Canada than those who arrive through the United States, and spend more money per visit.

In addition, business trips by residents of overseas countries were down by 23 percent overall. Following this trend, trips mainly for the purpose of visiting family or friends were generally down. In all, there was also a 23 percent decrease in this type of visit.

Total expenditures by foreigners staying one or more nights in Canada in the first quarter of 1998 were \$543 million. This figure, accentuated by a reduction in the number of trips from the first quarter of 1997, was 4 percent lower than the year before.

Provincial characteristics

British Columbia was the only province that received a higher number of visits. On the other hand, it was the only province that had seen a reduction in the number of overseas tourists from the first quarter of 1996 to the first quarter of 1997 (see Table 4). Furthermore, with the exception of Asia, there was an increase in visitors to this province from every point of origin. A large part of the growth in tourism was due to the increased number of visitors from Great Britain. Approximately one out of every five tourists in British Columbia in 1998 was from Great Britain, as compared with one in ten the year before.

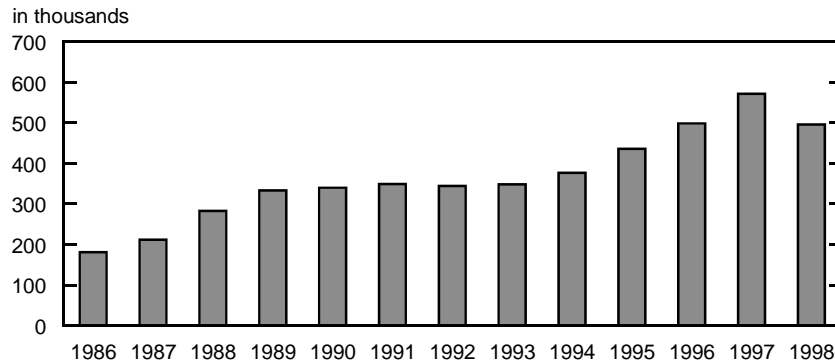
In Ontario, a reduction in the number of visitors from virtually all points of

⁴ The ITS defines Oceania as comprising these countries: Australia, New Zealand, Other Australian Islands and Other not elsewhere stated.

⁵ World Tourism Organization, *Tourism 2020 Vision: Influences, Directional Flows and Key Trends*, Executive Summary, Madrid, 1998.

Chart 1

**Travel by Overseas Residents to Canada
Trips of One or More Nights, First Quarter 1986 to 1998**



Source: International Travel Survey

Table 4

**Overseas Visitors to Canada
Trips of One or More Nights**

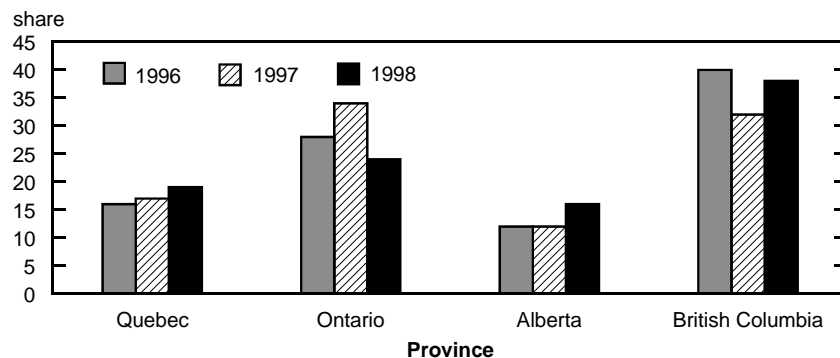
	1 st Quarter			Change	
	1996	1997	1998	97/96	98/97
	in thousands			%	
Province visited:	567	653	579	15	-11
Atlantic provinces	16	19	12	19	-37
Quebec	109	129	115	18	-11
Ontario	197	250	173	27	-31
Western provinces	62	83	84	34	1
British Columbia ¹	183	172	195	-6	13

¹ Includes the Northwest Territories and Yukon

Source: International Travel Survey

Chart 2

**Share of Travel Expenditures by Overseas Residents,
Selected Provinces
Trips of One or More Nights, First Quarter**



Source: International Travel Survey

origin led to a 31 percent overall drop in the number of visits. A large proportion of the tourism receipts in Ontario come from Asian travellers and the decrease in the number of visitors from that continent undoubtedly contributed to the lower overall figures. To add to this problem, Great Britain, the most important source of tourists for Ontario, seems to have spurned that province in favour of British Columbia. In the first quarter of 1997, 29 percent of all money spent by British tourists went to Ontario, compared with only 15 percent during the same quarter in 1998. The result is a major decrease in the share of tourism receipts for Ontario. In addition, over the first three months of 1996, 28 percent of all spending by overseas visitors was done in Ontario. This share had increased to 34 percent by the winter of 1997, but fell to 24 percent for the same period in 1998. Chart 2 clearly illustrates the variation in provincial proportions of tourist spending for the three winter periods from 1996 to 1998.

Situation in the countries of East Asia/Pacific

In 1995, the number of international trips by residents of East Asia/Pacific⁶ exceeded the number of international trips taken by North Americans for the first time⁷, making that region the most important in the world in terms of generating tourists. Also, since 1994, East Asian/Pacific tourists have spent more on travel beyond their own borders than North Americans. This tourist pool is very important for Canada. In fact, in 1996 residents of East Asia/Pacific generated 34 percent of all tourism receipts for overseas visitors spending one or more nights in Canada.

Impact of the Asian financial crisis on international tourism

The slower growth in tourism in 1997 as compared with the excellent results in international tourism in 1996 is testimony to the effects of the financial crisis in Asia. The crisis which struck that area

⁶ East Asia/Pacific region includes Northwest Asia, Southeast Asia, Australia, Melanesia, Micronesia, Polynesia.

⁷ World Tourism Organization, *Arrivals of Tourists from Abroad (Thousands)*, Madrid, 1998.

and is still wreaking havoc has greatly upset economic life for people of the region and, combined with the devaluation of their currency, has resulted in a major reduction in foreign travel by them. Expenditures worldwide by international travellers originating in the East Asia/Pacific region in 1997 were therefore down by 38 percent⁸ compared to 1996. A WTO report shows that the currency crisis has caused most Asian travellers to stay home since last summer.⁹

Impact of the Asian crisis on travel to Canada

While less than catastrophic, the impact on entries of travellers from Asia and, in turn, on their tourist expenditures

in Canada, was felt throughout 1997. As a result, visits of one or more nights by people from that region were down by 9 percent, leading to a 4 percent reduction in expenditures by them that year compared with 1996. Given the great volume of Asian visitors to Canada, this decrease in their number resulted in an overall reduction in the number of entries by overseas tourists (Table 5). When these numbers are examined by quarter and compared with the same quarter of the previous year, the change over the course of 1997 is clearly shown: following a growth of 17 percent in the first quarter of 1997, the number of trips begins to decrease, by 10 percent in the second quarter, by 12 percent over the summer, and finally drops by 20 percent

in the last quarter (Chart 3). As a result, from 1996 to 1997, the Asian share of the Canadian tourism and travel market decreased from 35 percent of all overseas travellers to 32 percent. The decrease in their share of tourist dollars spent in Canada was less important, however—34 percent in 1998 compared with 35 percent in 1997.

At the beginning of 1998, there was a continued decline in the number of trips to Canada by residents of Asia—31 percent fewer than in the first quarter of 1997. Thus, the downward spiral in the number of visitors from the Asian countries providing us with the greatest number of tourists continued. There were 28 percent fewer visits by Japanese residents and they spent 45 percent less nights in Canada. There was a major decrease in the number of nights spent in Canada by all Asian tourists, except for those from Taiwan. Interestingly enough, despite a 10 percent drop in the number of trips by residents of Taiwan, the average number of nights spent in Canada by tourists from that country doubled, from 6.2 nights in the first quarter of 1997 to 12.4 nights during the first quarter of 1998. This increase shows up in the total number of dollars spent in Canada by residents of Taiwan, which increased by 11 percent over this same period.

In the first quarter of 1997, Asians visiting Canada primarily for pleasure represented 42 percent of all visitors, an increase of 9 percentage points over the preceding year. By the winter of 1998, this category of trip purpose accounted for only 28 percent of all visitors.

Americans flock to Canada

Data from the International Travel Survey shows that over the first quarter of 1998, Americans injected 18 percent more money into the Canadian economy than the record amount registered in that quarter the previous winter. Overall, 66 percent of all revenue from travel to Canada in the first quarter of 1998 came from American tourists, as compared with 59 percent a year earlier (see Table 2). Americans represented

⁸ World Tourism Organization, *Expenditure on Travel Abroad (\$US Million)*, Madrid, 1998.

⁹ World Tourism Organization, *The Asian Financial Crisis and its Impact on Tourism*, Madrid, 1998.

Table 5
Overseas Trips to Canada by Continent of Origin
Trips of One or More Nights

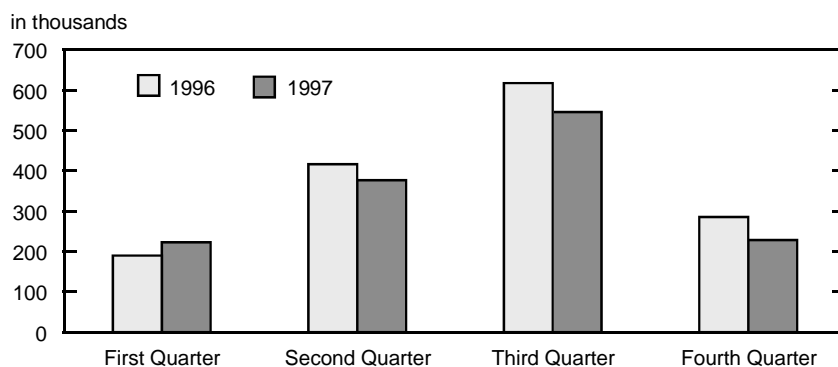
	1996	1997	Change 97/96
	in thousands		%
Trips of one or more nights:	4,377	4,234	-3
Origin:			
Europe	2,288	2,260	-1
Africa	55	59	7
Asia	1,511	1,376	-9
Oceania	191	199	4
Central America and Other			
North America	108	121	12
Caribbean	98	97	-1
South America	126	122	-3

Source: *International Travel Survey*

Chart 3

Asian Travellers to Canada, by Quarter of Travel

Trips of One or More Nights



Source: *International Travel Survey*

three-quarters of all overnight non-resident travellers to Canada in the first quarter of 1997, a figure which grew by 2 percent in the first quarter of 1998.

A number of factors contributed to increased American travel to Canada: the exchange rate, the strength of the US economy, and the continuing impact of the Open Skies Agreement between the US and Canada. The record number of trips resulted in a growth of 32 percent in the travel expenditures of Americans in Canada over this period. Spending during same day visits rose by 52 percent, whereas expenditures during

trips of one or more nights rose by 23 percent.

Most of Canada's regions and provinces benefited from the major increases in tourism receipts from American travellers. British Columbia received more than \$264 million from this source in the first quarter of 1998, an increase of 40 percent over the same quarter a year earlier. Although on a smaller scale, Alberta and Quebec also recorded major increases in American tourism receipts, 22 and 16 percent respectively. It should be noted, however, that these three provinces had recorded decreases in

tourism receipts from American visitors in the first quarter of 1997 compared with the same quarter in 1996. Further, in the winter of 1997 most provinces had recorded decreases in receipts from American travellers compared to a year earlier. Overall, travel to Canada by Americans grew by 7 percent in the first quarter of 1998 compared with the first quarter of 1997 (see Table 1). Expenditures during automobile trips increased by 55 percent. Receipts from this type of trip had increased by 5 percent a year earlier.

An advantageous exchange rate really means a lower price. Lower prices attract travellers in search of a holiday destination, wanting to visit relatives or friends or looking to purchase items at a lower cost. Lower prices, on the other hand, do not seem to have as great an impact on decisions regarding business travel. The most significant growth in the number of overnight visitors, therefore, was achieved in travel for personal pleasure, in visits to friends or relatives and for other reasons such as shopping, whereas there was very little growth in the number of business trips (Table 6). In fact, the proportion of business trips showed a slight decline. All other types of travel remained proportionally the same as a year earlier. Forty-four percent of American trips to Canada during the winter of 1998 were for personal pleasure or holidays, one-quarter of them were for work and one-fifth were to visit friends or relatives. Americans stayed longer and spend more in Canada, compared with the same period a year earlier.

International travel account in the first quarter of 1998

Overall, despite the decrease in travel by Asians to Canada, the deficit in the international travel account improved by 5 percent in the first quarter of 1998 compared with the first quarter of 1997 (Table 7). The effects of the financial crisis in Asia together with the appreciation of the loonie in relation to most European currencies over the last few years made Canada a more expensive destination for people from these countries. During the first quarter of 1998, therefore, expenditures of overseas visitors to Canada decreased by 4 percent from the first quarter of last year.

Table 6

Americans Travelling to Canada, by Purpose of Trip Trips of One or More Nights

	1 st Quarter 1997	Proportion	1 st Quarter 1998	Proportion	Change 98/97
	in thousands				%
Total:	1,693	100	1,804	100	7
Purpose of Trip:					
Business	428	25	434	24	1
Pleasure	727	43	785	44	8
Visiting relatives or friends	331	20	354	20	7
Other	207	12	231	13	12

Note: Data may not add to totals due to rounding.
Source: International Travel Survey

Table 7

Receipts and Payments on International Travel Account (Data Not Seasonally Adjusted)

	1 st Quarter		Change 98/97
	1997	1998 ^r	
	in millions \$		%
Total:			
Receipts	1,681	1,916	14
Payments	4,389	4,487	2
Balance	-2,708	-2,571	-5
US:			
Receipts	872	1,139	31
Payments	2,916	2,876	-1
Balance	-2,044	-1,737	-15
All Other Countries:			
Receipts	809	777	-4
Payments	1,473	1,611	9
Balance	-664	-835	26

^r revised

Note: Data may not add to totals due to rounding.
Source: International Travel Section

Table 8

**Overseas Trips to Canada by Origin
Trips of One or More Nights**

	2 nd Quarter		Change
	1997	1998	98/97
	in thousands		%
Area of residence:	1,131	1,068	-6
Europe:	595	594	0
France	111	96	-14
Germany	99	102	3
United Kingdom	199	213	7
Africa	16	16	0
Asia:	377	307	-19
Japan	149	129	-13
South Korea	42	16	-62
Thailand	8	3	-63
Central America and Other North America	29	36	24
Carribbean	22	24	9
South America	34	36	6
Oceania	58	55	-5

Source: *International Travel Survey*

Table 9

**Spending by Overseas Visitors to Canada
Trips of One or More Nights**

	2 nd Quarter		Change
	1997	1998	98/97
	in millions \$		%
Area of residence:	1,189	1,202	1
Europe:	633	675	7
France	120	106	-12
Germany	107	122	14
United Kingdom	182	235	29
Africa	18	22	25
Asia:	395	349	-12
Japan	175	130	-26
South Korea	44	19	-58
Thailand	5	2	-64
Central America and Other North America	22	33	52
Carribbean	27	16	-41
South America	42	60	44
Oceania	52	47	-10

Source: *International Travel Survey*

The International Travel Survey
Methodology

The number of travellers arriving in Canada is recorded by border authorities at every point of entry to Canada, and indexed according to the category and means of transportation used. Foreign travellers are documented at all but seven points of entry, where the volume of automobile and bicycle traffic is calculated from samples.

Information on expenditures and on the characteristics of international trips are obtained by Statistics Canada through questionnaires distributed by Customs officials on a sample basis. Number of questionnaires completed by travellers:

	1 st Quarter 1997	1 st Quarter 1998
American visitors	4,631	4,976
Overseas visitors	1,257	1,471

For more information on the methodology and definitions used in the ITS, please consult the annual publication *International Travel: Travel between Canada and other countries*, Statistics Canada Catalogue no. 66-201-XPB.

On the other hand, a combination of positive factors attracted more visitors from the US. Overall visits by our southern neighbours increased by 7 percent from the same period in 1997, and they spent 31 percent more money during these visits. Indeed, the increase in spending by Americans in Canada contributed the most to reducing the overall deficit. Canadians, for their part, visited the United States less frequently, and the amount of money they spent south of the border diminished accordingly. The net result was very positive for the travel account balance—a 15 percent reduction in the travel account deficit between Canada and the United States. In all, the international travel account deficit was reduced by 5 percent, reaching \$2.6 billion in the first quarter of 1998.

Continued decrease in the number of Asian travellers in the second quarter of 1998

Revised data for the second quarter of 1998 recently released by the ITS indicates that there were 1.1 million trips from overseas countries, a drop of nearly six percent from the second quarter of 1997. This decrease is directly related to the 19 percent drop in visits by Asians. Visits from Oceania were also down (five percent). During this period, the European market remained relatively stable, while all the other continents showed positive growth (Table 8). Despite the lower overall number of visits by residents from overseas countries, tourism receipts were one percent higher in the second quarter of 1997 (Table 9).

In perspective, there is certainly a sharp drop in the number of visits originating in Asia, but this decrease is lower than the one recorded in the first quarter of 1998. Also, there seems to be a renewed upswing in visits to Canada by residents from other continents.

In terms of the United States market, we are continuing to witness an unprecedented volume of tourist entries into Canada. Indeed, Americans made close to 4 million trips of one or more nights in the second quarter of 1998. During this period, they injected \$1.7 billion into the Canadian economy, an increase of 26 percent over the second quarter of 1997.

Nova Scotia Tourism Benefits from Titanic Connection

by Laurie McDougall

Laurie McDougall is an analyst with the Tourism Statistics Program of Statistics Canada

A lone deck chair. A headstone that reads *J. Dawson*. Not your usual tourism products, but then nothing about the *Titanic* was ordinary. The story of the ill-fated ship that sank in 1912 has been given new life with the release of the academy award winning movie, *Titanic*, in January 1998.

Since the release of the movie, *Titanica* fervour has been growing and Nova Scotia--a location closely connected with the famous ship--has been reaping the benefits. Local tourism operators have been busy offering visitors special *Titanic* theme packages complete with meals re-created from the ship's menu. The provincial government

even launched a *Titanic* Internet Web site earlier this year in anticipation of the renewed interest.

The Halifax *Maritime Museum of the Atlantic*, which houses a permanent and newly expanded exhibit of *Titanic* artifacts, has experienced its busiest year in its 16-year history at this site according to museum officials. An estimated 196,000 visitors toured the museum during the months of January to October, a stunning 129% expansion over the same period in 1997. Hotel occupancy rates for the January to September period of 1998 in the Halifax/Dartmouth area reached 68% compared with 61% over the equivalent months in 1997.

International overnight entries to Nova Scotia reached a record high

Between January and September of 1998, Nova Scotia welcomed 262,000 overnight international visitors (staying one or more nights)¹, 20% above 1997 levels and the highest entry level ever (dating back to 1972) for the province. As revealed in Table 1, Nova Scotia, Newfoundland, Yukon and the Northwest Territories were the only locations in Canada to experience double digit growth rates in international visitors over the eight month period. Canada in compari-

son received 6% more overnight international visitors over the same time frame.

American entries to Nova Scotia surpasses 200,000 for the first time ever

As shown in Table 1, over 200,000 Americans travelled to Nova Scotia directly during January to September, the first time in the history of the International Travel Survey (which dates back to 1972). This number is 23% higher than the same eight months in 1997. The majority of direct US entries arrived in Yarmouth, Nova Scotia, the gateway for ferries from Bar Harbor and Portland, Maine. Starting in May a new faster and larger ferry service began operating between Bar Harbor, Maine and Yarmouth, which may have also helped boost visitor levels. The new *Bay Ferries'* catamaran cut travelling time from the usual 6 hours to 2.5 hours and could accommodate as many as 900 people. According to the year to date figures, Americans flocked to all areas of Canada, taking advantage of the lower Canadian dollar. Nova Scotia claimed the second highest growth rate in US entries for the January to September months (see Table 1).

Overseas visitors also travelled to Nova Scotia in record numbers with close to 60,000 overseas visitors entering the province during the first three quarters of 1998, 11% more than 1997. This situation occurred despite the fact that across the country overseas arrivals slipped 8% over the same period. Since the majority of overseas visitors to Nova Scotia are European, the province was more immune to the impact of the Asian economic crisis on visitation. Nonetheless, the growth in overseas visitation to Nova Scotia follows three previous years of unprecedented expansion in travel from overseas countries.

These international visitation figures do not include those visitors who entered Canada from another province (these figures will be available at a later date). In 1997, for example, over half (54%) of Nova Scotian overnight visitors

Table 1

International Overnight Entries to Canada by Province of Entry

	Overnight Entries January to September 1998			Percentage Change From Previous Year		
	Total	US	Overseas	Total	US	Overseas
	in thousands			%		
Canada	15,539	12,250	3,290	6	10	-8
Nfld	26	5	21	12	58	4
PEI	--	--	--	--	--	--
NS	262	203	59	20	23	11
NB	345	338	6	6	6	27
Que	1,908	1,345	563	5	8	-3
Ont	7,795	6,486	1,309	6	11	-12
Man	244	233	12	4	4	10
Sask	89	86	2	2	2	-5
Alta	715	478	237	6	8	3
BC	3,933	2,882	1,051	4	10	-9
Yukon & NWT	224	193	31	17	16	19

-- Amount too small to be expressed.

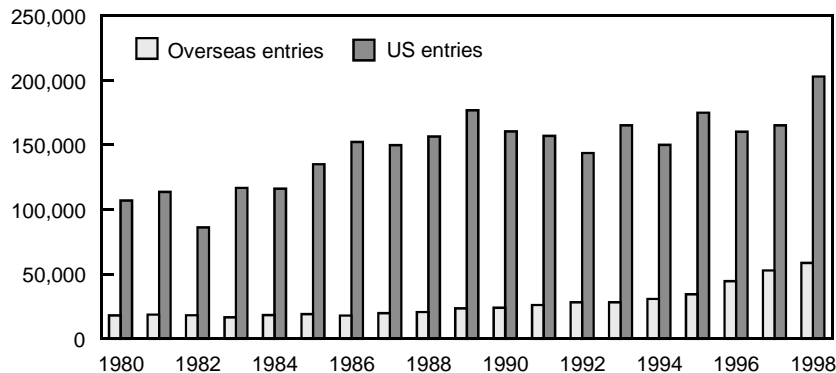
Note: Data may not add to totals due to rounding.

Source: International Travel Survey

¹ Visitors refers to the number of direct entries recorded for Nova Scotia. This figure does not include visitors who travelled to Nova Scotia via other provinces.

Chart 1

Overseas and US Overnight Entries to Nova Scotia, January to September 1980 to 1998



Source: *International Travel Survey*

entered Canada via another province. The bulk of these visitors entered a port in New Brunswick or Ontario; 29% and 17% respectively. Once these province visits figures are available (February 1999), they will provide a better picture of overall visitation to Nova Scotia.

Canadians take more trips to Nova Scotia

Canadians also increased their travel to Nova Scotia in the first half of 1998 (January to June), compared to the same time frame in 1997. Canadians living outside Nova Scotia took an estimated 333,000 overnight trips in the first half of the year, 36% more than they did in 1997. Nova Scotia followed New Brunswick with the second highest increase in non-resident² travel for January to June, 1998. The low value of the Canadian dollar, which encouraged Americans to travel to Canada at the same time convinced many Canadians to explore their own country. The summer quarter, the busiest period for domestic travel, will shed even more light on the potential impact of the Titanic and other factors on the domestic market (these figures were not available at the time of writing).

Conclusion

Throughout the year 1998, a number of factors such as the low value of the

Canadian dollar, improved ferry access, various special events and increased marketing efforts, likely contributed to the overall growth in tourism in Nova Scotia. The actual impact of the Titanic is difficult to isolate; however the various national and provincial tourism indicators for Nova Scotia would suggest that the Titanic did indeed act as a catalyst for visitation.

Canada's Travel Account Deficit (1980-1997): Cause for Concern?

by Nicolino Strizzi, Gerald Bailie and Anne-Marie Hince

In the first half of 1998, Canada's travel account deficit reached a ten year low of \$3 billion, down almost 18% from the same period in 1997. This is a positive sign. But, it should be recognized that Canada's travel account does not measure the financial health of its tourism industry. Canada's travel account simply measures the difference between earnings from visitors travelling

in Canada and spending by Canadian residents travelling abroad. It is therefore misleading to view Canada's persistent travel account deficits as an indication of poor performance by the tourism industry. In fact, Canada's travel account deficits provide clear evidence of the country's strong and sustained economic development, social progress, and high standard of living.

Canada's tourism receipts

Looking back, spending by international visitors in Canada expanded from almost \$3 billion in 1980 to over \$12 billion in 1997. In the early 1980s, the increase in receipts was partly fuelled by lower gasoline costs in Canada and a stronger US dollar relative to the Canadian dollar. In 1986, travel receipts grew by 24% over 1985 to almost \$6 billion, reflecting Expo 86 in Vancouver, a very strong US dollar and fear of terrorism activity in Europe. In 1987, the receipts declined for the first and only time during the 1980-1997 period, down 1.4%. After posting solid growth in 1990, Canada experienced slower growth in tourism receipts in the next two years. Not surprisingly, this was attributed mostly to a strengthening Canadian dollar against the US dollar and the Gulf War's dampening impact on international tourism. This was followed by stronger growth in tourism receipts in 1993, 1994, 1995 and 1996, namely brought about by a strengthened US dollar, the Open Skies Agreement between Canada and the US, robust global economic growth and intensified Canadian marketing efforts. In 1997, tourism receipts grew by a modest 3.3%, mostly reflecting the Asian financial meltdown and declines in German and French tourist arrivals.

Canada's tourism payments

Since 1968, when Canada recorded its last international travel account surplus, Canadian tourists travelling abroad have consistently spent more than international tourists in Canada. In 1983, Canada's travel payments increased by a dramatic 22%, due largely to stronger

² Refers to travel by Canadians from outside that province.

economic growth in Canada and pent-up travel demand following the economic recession. Between 1987 and 1989, spending by Canadians on international travel experienced rapid growth. These travel expenditures reflected solid economic growth in Canada and strong consumer confidence.

Entering the 1990s, travel payments ballooned, up about 30% in 1990, largely caused by a very strong Canadian dollar. This rapid growth in travel payments, however, started to slow in 1991 and continued thereafter with exceptions in 1995 and 1996. In the early nineties, several provinces reduced their coverage of medical expenses incurred by Canadian residents travelling outside their country. The result has been a sharp increase in the cost of purchasing additional coverage from secondary insurers. The only decrease in travel payments occurred in 1994, when payments declined by 4.7% below 1993. The weakening of the Canadian dollar against the US dollar in 1994 and the fear of rising criminal activity against foreign tourists in Florida made the United States a slightly less popular international tourist destination.

US receipts and payments

The United States remains and will continue to be Canada's major source of international tourist receipts and a major destination for Canadian travellers. Yet Canada's travel receipts generated by US visitors accounted for a somewhat smaller share (57%) of all travel receipts in 1997, compared with about two-thirds (66.5%) in 1980. At the same time, travel payments by Canadians visiting the United States were equivalent to 64% of all travel payments in 1997 compared with 68% in 1980. The United States' share of Canada's travel account dropped partly due to the emergence of numerous new tourist destinations globally and increasing international competition for a share of the large and growing tourism pie. Easier and more affordable air travel, brought about by airline deregulation, to most international destinations supported this trend.

Between 1980 and 1988, the travel account deficit with the United States was relatively small, registering a cumulative travel deficit of just roughly \$6 billion over the nine year period. Although the payments were slightly higher than the receipts, the difference was not as

pronounced as in the following years. The only travel account surplus experienced between 1980 and 1997 occurred in 1986 (\$223 million), with an increase of almost 23% in the receipts over the previous year. Expo 86 in Vancouver, terrorism in some European airports and fear of radiation from the Chernobyl nuclear accident made Canada an attractive, safe, and clean vacation destination.

During the 1986-1991 period, a continuous appreciation of the Canadian dollar against the US dollar and the implementation of the GST (although the influence of the latter was benign and softened by the tax rebate program for international tourists) followed relatively small yearly increases in US receipts. Conversely, Canada's travel payments almost tripled during those years, from a low \$4.1 billion in 1986 to a high \$10.3 billion in 1991. From 1992 to 1997, the Canadian dollar weakened against the US dollar. During that period, travel receipts from US tourists increased steadily while Canadians spent less in the United States in 1993 and 1994. Crimes against tourists in Florida in 1993 had a negative impact that lingered during the first half of 1994. Finally, Canadians spent only slightly more in the US during the following years but still somewhat less than the peak during the early 1990s.

Non-US receipts and payments

Looking at the total Canadian receipts and payments for non-US countries, the totals are roughly half those of the United States. Still, travel receipts from countries other than the United States are beginning to catch up with the receipts generated by the United States in Canada during the second half of the period under review. This mostly reflected the rapid growth of European and Asian tourists to Canada, the increasing importance of international business travellers associated with expanding world trade and investment, and cheaper air travel. In 1997, non-US residents spent over \$5 billion in Canada while US residents spent almost \$7 billion. While overseas markets are becoming increasingly important for the

Table 1

Canada's Travel Account 1980-1997 (CND \$ millions)

Year	Travel Receipts	% Change	Travel Payments	% Change	Travel Balance
1980	2,971	--	3,850	--	-879
1981	3,390	14.1	4,062	5.5	-672
1982	3,471	2.4	4,218	3.8	-747
1983	3,713	7.0	5,146	22.0	-1,433
1984	4,218	13.6	5,507	7.0	-1,289
1985	4,733	12.2	6,040	9.7	-1,307
1986	5,868	24.0	6,409	6.1	-541
1987	5,787	-1.4	7,506	17.1	-1,719
1988	6,291	8.7	8,445	12.5	-2,154
1989	6,681	6.2	9,827	16.4	-3,146
1990	7,398	10.7	12,756	29.8	-5,358
1991	7,690	4.0	13,752	7.8	-6,062
1992	7,898	2.7	14,255	3.7	-6,357
1993	8,479	7.4	14,359	0.7	-5,880
1994	9,558	12.7	13,678	-4.7	-4,120
1995	10,809	13.1	13,969	2.1	-3,160
1996	11,759	8.8	15,122	8.3	-3,363
1997	12,141	3.3	15,649	3.5	-3,508

Source: International Travel Section

Canadian tourism industry, the number of non-US overseas visitors will likely decline in the next two to five years as economies in Asia, Europe and Latin America deal with the current financial setback.

In 1997, on the other hand, Canadians spent almost \$6 billion travelling overseas, and over \$10 billion visiting the United States. Canada's only travel account surplus with overseas countries was \$23 million in 1996. The only decreases in spending by Canadian tourists travelling to non-US destinations were a 2.2% decline in 1981, partly due to the economic recession, and a 14.2% drop in 1991. The latter can be partly explained by the robust increase of the year before (28.2%), the negative effects of the Gulf War on international tourism, and the economic recession. The decrease in payments overseas during 1991 did not occur in the case of the United States. Travel to the United States is not as price sensitive as to other countries; accordingly travel to US destinations was not affected as much by the 1982 and 1991 economic recessions.

Summary and Outlook

Since 1980, Canada's travel receipts grew from \$3 billion to over \$12 billion in 1997 and the travel payments went from almost \$4 billion to about \$16 billion during that same period, with the United States generating most of the travel receipts and payments for Canada. Canada's travel account deficit has decreased steadily since its peak in the early nineties. The United States is and will most likely remain Canada's major source market and the most popular tourist destination for Canadian travellers. Despite recent setbacks, the overseas markets will become increasingly important for Canada's tourism industry.

Movements in Canada's travel account deficit will continue to be influenced by economic and non-economic factors, including climate, security concerns, access to warmer destinations, rising per capita incomes, exchange rate movements, declining travel costs and intensified marketing efforts. In the longer term, the aging of baby boomers will become an increasingly important

factor in influencing the direction, rate and magnitude of Canada's travel account deficit.



Characteristics of International Travellers Second Quarter 1998

Americans made a record 3.9 million overnight trips to Canada during the second quarter of 1998, up 11% over the same quarter in 1997. The last time Canada recorded an increase passing the 10-percent mark was in 1986, the year the World Exposition was held in Vancouver. A key stimulant to this growth was the decline in the value of the Canadian dollar which continued to decrease last spring, reaching US\$0.69, compared with US\$0.72 a year earlier.

Surge in spending by Americans staying overnight in Canada

American visitors injected \$1.7 billion into the Canadian economy in the second quarter of 1998, a 26% (\$361 million) increase over the same period in the previous year. They spent 14% more per trip or just over \$450. All provinces west of Quebec saw strong increases, while Quebec and the Atlantic provinces saw more moderate increases.

Automobile trips increased by almost 12%, the largest increase since 1986, when many Americans crossed the border by car to attend the 1986 World Exposition in Vancouver. Air travel continued to climb as well (14%), maintaining the trend that began with the

implementation of the Open Skies Agreement in February 1995. Air travel rose 50% from the second quarter of 1994 to the second quarter of 1998, from 643,000 trips to 958,000 trips. One out of every four overnight trips to Canada by Americans is now by air compared with one out of every five overnight trips in 1994. This increase in air travel has a significant economic impact, because air travellers (half of whom are on business trips) spend far more than double that of land travellers (138% more per trip in the second quarter).

About 40% of all overnight American travellers come from four states (New York, Michigan, Washington and California). Each of these originating states showed second quarter increases, with New York registering the largest growth (18%).

Single-night trips increased 22%, while longer trips showed more moderate growth. Americans spent 7% more nights in Canada.

Fewer Canadians visited the United States

Canadians made 3.5 million overnight trips to the United States in the spring of 1998, a drop of 5% from the same period in 1997, reaching the lowest level since the spring of 1989. Leisure trips declined 12%, while business trips, less affected by exchange rate fluctuations, increased 14%. The majority of destinations preferred by Canadians, such as New York State, Florida, California, Michigan, and Washington State, all saw fewer Canadian visitors.

Nonetheless, Canadians still spent the most in Florida in the spring of 1998, and reported an average trip duration of 38 nights. Canadians injected \$703 million into Florida's economy, almost four times more than California, which enjoyed the second highest level of Canadian spending.

More Canadians visited Europe

Canadians made a record number of 927,000 second-quarter overseas trips, showing preference for the traditional European destinations like the United Kingdom and France, thanks to favourable exchange rates. France in fact,

regained its second-place standing among the most popular overseas destinations and is again ahead of Mexico. The Caribbean and South America saw their popularity drop somewhat.

Drop in overseas visitors to Canada

The 6% drop in the number of visits from overseas travellers in the second quarter of 1998 was the fifth consecutive drop to be recorded.

Beginning in 1997, several foreign currencies lost their value in relation to the Canadian dollar, and several of our leading travel markets in Europe and Asia were strongly affected. The financial crisis that hit Asia later only worsened matters. Mexico is bucking

the downward travel trend by showing a strong increase in trips to Canada.

Western provinces affected little by drop in overseas visitors

Overseas visitors spent \$13 million more in the second quarter of 1998 than in the second quarter of 1997, despite the drop in overseas visits. Almost all regions saw lower spending by overseas visitors. Surprisingly, despite the sharp drop in travellers from Asia to Canada, the western provinces saw spending by all overseas travellers increase by almost 20%. This increase is partly attributable to British and German travellers, who respectively spent 79% and 52% more in the west this year than they did last year during the same quarter.



Travel Price Index Third Quarter 1998

Note to readers

The Travel Price Index (TPI) is an aggregate index of the goods and services used by travellers in Canada. Price movements are derived from the detailed Consumer Price Index (CPI) series.

A technical report on the Travel Price Index is available from the Tourism Statistics Program at (613) 951-1673.

Selected Characteristics of Overnight Trips by Americans to Canada

	Second Quarter 1997	Second Quarter 1998	Second Quarter 1997 to Second Quarter 1998
	in thousands		% change
Trips total	3,480	3,850	11
Mode of transportation:			
Automobile	2,118	2,367	12
Plane	843	958	14
Other	519	525	1
Purpose of trip:			
Business	631	702	11
Leisure	1,883	2,098	11
Visiting friends or relatives	551	635	15
Other	415	414	--
Length of trip:			
1 night	735	893	22
2-6 nights	2,200	2,394	9
7-13 nights	457	473	4
14-20 nights	59	64	7
21 or more nights	28	25	-10
State of Origin:			
New York	427	504	18
Michigan	409	434	6
Washington	372	375	1
California	225	246	10
Spending (millions)	\$1,377	\$1,738	26
Average spending per trip	\$396	\$452	14
Average trip duration (nights)	3.8	3.7	-3

-- Amount too small to be expressed.

TPI rises 2.4% from the same period last year

In the third quarter of 1998, consumers experienced a rise of 2.4% in the cost of the goods and services contained in the Travel Price Index basket, compared with the same period last year. This was the lowest third-quarter increase since 1993. The rise was dominated by a 5.5% increase in the cost of inter-city transportation. The largest third-quarter increase was recorded in 1986, when inter-city transportation had jumped 22.7%.

The cost of traveller accommodation was up 3.8%. Most other TPI components rose during the third quarter. However, consumers got some respite from a drop in automotive vehicle operation costs (-3.3%) and automotive vehicle rentals (-0.7%).

By way of comparison, the cost of all goods and services, as included in the Consumer Price Index (CPI), rose to 108.7. This was a 0.8% increase over the third quarter of 1997.

The Travel Price Index (TPI) and its Components (not seasonally adjusted, 1992 = 100)

Components of the TPI	Third Quarter 1998	% Change	
		Second Quarter 1998	Third Quarter 1997
Inter-city transportation	157.9	6.3	5.5
Local and commuter transportation	121.8	0.5	1.8
Rental of automotive vehicles	115.7	2.4	-0.7
Operation of automotive vehicles	112.8	-0.6	-3.3
Traveller accommodation	143.0	16.4	3.8
Food purchased from stores	108.8	-0.7	1.2
Food purchased from restaurants	110.6	0.5	2.0
Served alcoholic beverages	107.1	-0.2	1.0
Alcoholic beverages purchased from stores	110.1	0.3	1.9
Spectator entertainment	121.7	0.3	3.0
Clothing	104.1	0.8	0.7
Footwear	104.2	-0.8	2.1
Clothing accessories and jewellery	98.4	1.1	1.8
Clothing material, notions and services	110.3	0.4	1.9
Medicinal and pharmaceutical products	106.9	1.3	3.1
Personal care	107.2	0.3	2.1
Photographic equipment	97.5	-2.1	-5.0
Photographic services and supplies	98.9	0.2	6.2
Operation of recreational vehicles	108.4	-0.3	-1.6
Audio discs and tapes	107.0	0.4	4.8
Use of recreational facilities and services	118.1	0.7	2.3
Reading material and other printed matter	120.8	-0.2	-0.2
Tobacco products and smokers' supplies	72.3	1.1	6.6
Travel Price Index (TPI)	123.0	4.1	2.4
Consumer Price Index (CPI)	108.7	0.1	0.8

Sources: *The Consumer Price Index, Catalogue no. 62-001-XPB*; and the *Tourism Statistics Program*

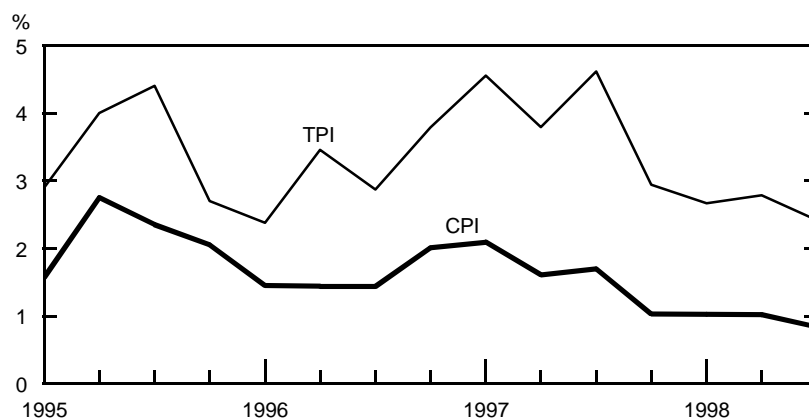
TPI rises 4.1% from last quarter

The Travel Price Index climbed 4.1% in the third quarter of 1998 over the preceding quarter. During the third quarter of 1998, travellers had to pay 16.4% more for accommodation, partly because of generally higher summer rates.

Demand for accommodation services for travellers in Canada was higher this summer than in previous summers because of the low exchange rate for the Canadian dollar. Accommodation costs rose 9.2% in July. Traditionally, hotel and motel rates increase between April and July, but this year, increases were particularly steep. Further, inter-city transportation costs rose 6.3% due to airfare prices, which climbed 7.4% in July over June. The cost of automotive vehicle rentals climbed 2.4%, while the cost of automotive vehicle operation dropped 0.6%. Prices for most other TPI components rose over the last quarter.

During the third quarter of 1998, the cost of all goods and services included in the Consumer Price Index rose 0.1% compared with the previous quarter.

Quarterly Percentage Change in TPI and CPI from Preceding Year



Source: *Tourism Statistics Program*



	Third Quarter		% Change
	1997	1998	
FOREIGNERS TO CANADA (000s)			
From United States	14,804	16,014	8.2
One-or-more-night trips	5,939	6,575	10.7
- By auto	3,886	4,368	12.4
From Overseas	2,001	1,808	-9.6
One-or-more-night trips	1,852	1,708	-7.8
Top Seven Countries:			
United Kingdom	611	629	3.0
Japan	474	398	-16.0
France	379	339	-10.6
Germany	348	327	-6.0
Hong Kong	120	128	6.3
Australia	122	118	-3.2
Taiwan	119	99	-16.6
CANADIANS OUTSIDE CANADA (000s)			
To United States:	15,409	12,160	-21.1
One-or-more-night trips	5,072	4,170	-17.8
- By auto	3,645	2,792	-23.4
To Overseas (one or more nights)	994	1,035	4.1
INDUSTRY			
Airline passengers (Level I) (000s)	6,853	6,651	-2.9
Airline passenger-km (Level I) (000,000s)	19,108	18,805	-1.6
PRICES 1992=100 (not s.a.)			
Travel Price Index	120.1	123.0	2.4
Consumer Price Index	107.8	108.7	0.8
- Food purchased from restaurants	108.4	110.6	2.0
- Inter-city transportation	149.7	157.9	5.5
- Rental of automotive vehicles	116.5	115.7	-0.7
- Gasoline	109.8	98.2	-10.6
ECONOMIC 1992=100			
Gross Domestic Product (s.a.) (000,000s)	872,220	887,396	1.7
- Amusement and recreation (000,000s)	7,466	7,726	3.5
- Accommodation and food services (000,000s)	18,189	18,547	2.0
Personal disposable income per capita (s.a.)	17,638	17,788	0.9
LABOUR (000s)			
Labour force (s.a.)	15,392	15,622	1.5
Unemployed	1,384	1,304	-5.8
Employed	14,008	14,318	2.2
- Accommodation and food services (not s.a.)	944	949	0.4
EXCHANGE RATES (in Canadian dollars)			
American Dollar	1.3848	1.5148	9.4
British Pound	2.2506	2.5049	11.3
Japanese Yen	0.0117	0.0108	-7.8
German Mark	0.7669	0.8610	12.3
French Franc	0.2277	0.2568	12.8

(s.a.) seasonally adjusted.