



Spring 2002

## China's Tourism Markets: an Overview of Trends, Developments and Prospects<sup>1</sup>

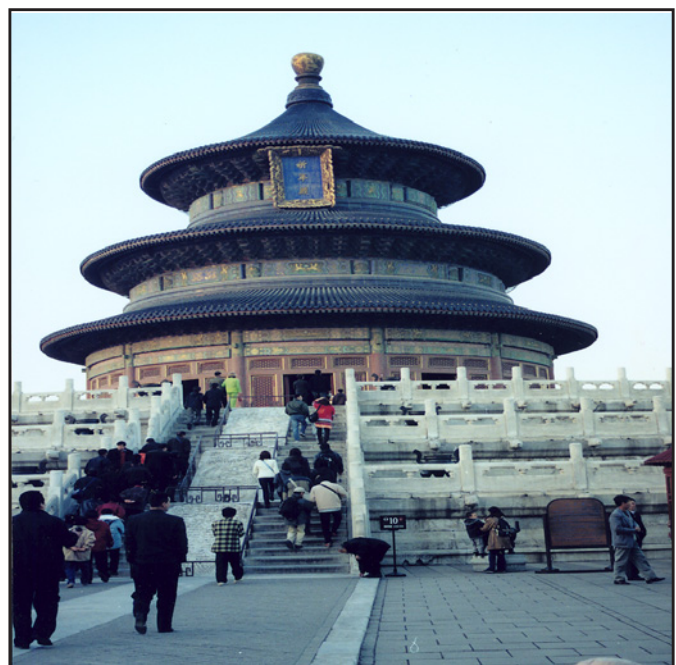
Nicolino Strizzi<sup>2</sup>

With decades of rapid economic growth, ongoing economic reforms, rising incomes and a market of over 1.2 billion potential consumers, China may be among the world's leading economies in the new millennium. There is also much talk of China becoming one of the world's largest sources of international tourists by the year 2020. Not surprisingly, competition is intensifying to grab a larger share of the expected rapid growth in outbound travel from China.

This article explores China's inbound and outbound tourism. It also examines the economic importance of international tourism to the Chinese economy and analyses the prospect of China becoming a major international tourist destination and a major tourist-generating market. A brief description of the Chinese outbound market to Canada concludes the article.

### Data sources

The data for the next section were drawn largely from the China National Tourism Administration (CNTA), China Tourism Annual Report 1999 and National Tourism Administration of the People's Republic of China (NTA), The Yearbook of China Tourism Statistics 2000. Further data were obtained from the World Tourism Organization (WTO)



<sup>1</sup> This article is an abstract from *An Overview of China's Inbound and Outbound Tourism Markets*, written by the same author, Research Report 2001-5, Canadian Tourism Commission (CTC), Ottawa, Canada. Any errors in this article are the sole responsibility of the author and the views do not necessarily reflect those of the CTC or the CTC's Marketing and Research Programs.

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and Statistics Canada's International Travel Survey (ITS).

This article excludes inbound tourists from Hong Kong, Special Administrative Region (SAR) and Macao, SAR as well as from Taiwan and focuses solely on the foreign tourist component to China.

## Travel trends and developments

### Inbound Travel Activity

Data from the WTO show that the foreign part of the international tourist arrivals in China reached over 8.4 million (almost 1.3 per cent of world total) in 1999, up 18.6 per cent from 1998. China ranked as the world's 5<sup>th</sup> most popular tourist destination in 1999 (WTO, 2000).<sup>3</sup>

### Main Source Markets

In 1999, ten countries accounted for almost three-quarters (74.4 per cent or 6,271,300 tourists) of China's more than 8.4 million international tourist arrivals (Table 1). Among the top ten source markets, Japan, with almost 22 per cent (1.86 million) tourists, was the largest provider of international tourists to China. This was followed by South Korea (992,000 tourists), Russia (833,000) and the United States (736,400). Other source markets such as Canada, Thailand, Australia, Indonesia, France, India and Italy accounted for 25.6 per cent of tourist arrivals.

### Tourism Receipts by Source

China earned almost \$14.1 billion (3.1 per cent of world total) from international tourists in 1999, up almost 11.9 per cent over the previous year (all figures are in U.S. dollars unless otherwise stated). This ranked China as the world's 7<sup>th</sup> largest earner of international tourism receipts, excluding transportation fares, in 1999 (WTO,

Table 1

### Origin of international tourists to China, 1999

	1999	Share
	in thousands	%
<b>Total</b>	<b>8,432</b>	<b>100.0</b>
Japan	1,855	22.0
South Korea	992	11.8
Russia	833	9.9
United States	736	8.7
Malaysia	373	4.4
Mongolia	355	4.2
Singapore	353	4.2
Philippines	298	3.5
Great Britain	259	3.1
Germany	218	2.6
<b>Sub-total</b>	<b>6,271</b>	<b>74.4</b>
All other countries	2,160	25.6

Source: China National Tourism Administration (CNTA), 2000

2000). Of the total international tourist receipts earned by China in 1999, about 41.6 per cent (\$5.87 billion) was attributed to spending by foreign tourists. Meanwhile, 42.1 per cent of the tourism receipts came from spending by tourists from Hong Kong, SAR and Macao, SAR. Finally, tourists from Taiwan and other overseas Chinese accounted for the smallest shares of the total, respectively, 15.6 per cent and 0.7 per cent.

International tourism receipts represented 7.2 per cent of China's total international export receipts in 1999 (CNTA 2000).

China's 15 most visited cities hosted some 83.6 per cent (almost 7.1 million tourists) of total international tourist arrivals in China in 1999. Beijing, at almost one-quarter (24.3 per cent or almost 2.1 million tourists) ranked as the most popular Chinese city visited by international tourists in 1999, followed in second place by Shanghai (15.3 per cent or about 1.3 million tourists) (NTA 2000).



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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.

<sup>3</sup> It was recently reported that "Three vessels sailing to Chinese ports from the offshore islands of Quemoy and Matsu marked the first legal direct transport from Taiwan-held territory to the Chinese mainland in 51 years. The passenger ships carried religious pilgrims as well as local government officials and tourists. The voyages were made possible by a law passed earlier this year by the Taiwan legislature permitting limited exchanges of people and goods between the two offshore island groups and the nearby mainland" (*TIME, Canadian Edition*, 2001, p. 9).

## International Tourist Characteristics

### Gender

Of the more than 8.4 million international tourists that travelled to China in 1999, over 5.5 million international tourists (65.6 per cent) were males (CNTA 2000).

### Age

Nearly one-half (49.1 per cent) of total international tourists to China in 1999 were between the ages of 25-44 years (NTA 2000). Those in the 45-64 age bracket represented the second largest group of international tourists travelling to China, accounting for around 33.5 per cent of the total. This might, in part, be attributed to the ageing of populations in China's major source markets, including Japan, Europe, the United States and Canada. It could also reflect the fact that the mature traveller market segment has more income or wealth at their disposal and leisure time to undertake longer and more expensive vacations. Tourists aged 15-24 years (8 per cent), over 65 years (5.9 per cent) and less than 14 years (3.4 per cent) made up the smallest share of travellers to China.

### Trip Purpose

In 1999, according to the CNTA (2000), 44.3 per cent of international trips to China was for sightseeing and holidays (Table 2). This was followed closely by business trips (34.7 per cent) and visiting friends and relatives (8.2 per cent). Next, trips for cultural, scientific and sports exchanges and for other purposes each accounted for 3.6 per cent of the total. Likewise, trips made to China for meetings accounted for 3.3 per cent of the total. Pilgrimage and trips for health care purposes comprised the smallest share of total international trips to China in 1999, respectively, 1.2 per cent and 1.1 per cent.

Table 2  
**Distribution of international travel to China by trip purpose, 1999**

Trip purpose	Share
	%
<b>Total</b>	<b>100.0</b>
Sightseeing and holidays	44.3
Business trip	34.7
Visiting friends and relatives	8.2
Trips for cultural, scientific and sports exchanges	3.6
Other reasons	3.6
Trips for meetings	3.3
Trips for pilgrimages	1.2
Trips for health care purposes	1.1

Source : China National Tourism Administration (CNTA), 2000

### Average Duration and Daily Expenditure

In 1999, international tourists stayed in China seven days on average, up marginally, 0.3 days, from the year before (NTA 2000). The same data also reveal that international tourists spent \$144.58 on average per day in 1999, up \$3 over the previous year.

### Average Trip Expenditure

Among China's top 15 source markets, Canadian tourists ranked as the biggest spenders while travelling in China (Table 3). According to CNTA (2000), average total trip expenditure per Canadian tourist reached almost \$1,696. This was followed closely behind by spending by tourists from Germany (\$1,640), France (\$1,521), Australia (\$1,436) and the United States (\$1,328).

### Spending Categories

Data from the NTA (2000) indicate that, based on a breakdown of international receipts earned by category, long-distance transportation accounted for 29.6 per cent of total international tourism receipts in 1999, followed by shopping (19.7 per cent), and accommodation (14.4 per cent). Next, China's food and beverage sector earned 10.8 per cent of total international tourism receipts, followed by other (7.5 per cent), entertainment (6 per cent) and

Table 3  
**Average spending of international tourists to China, 1999**

Main generating markets	Average spending (US\$)
Canada	1,696
Germany	1,640
France	1,521
Australia	1,436
United States	1,328
Great Britain	1,284
Philippines	1,097
Indonesia	1,034
Singapore	966
South Korea	910
Japan	856

Source : China National Tourism Administration (CNTA), 2000

sightseeing (5.3 per cent). Local transportation (3.8 per cent) and communication (2.9 per cent) earned the smallest shares of the total.

### Seasonality

Over 38 per cent (or 3.2 million tourists) of total international tourists travelled to China between August and November in 1999 (CNTA 2000). International tourists also preferred travelling in the months of April, May and July. Not surprisingly, the winter period, registered the smallest numbers of international tourists.

### Transportation

By mode of transportation, over one-half (53.3 per cent) of the international tourists that travelled to China in 1999 arrived by air, followed by 15 per cent by foot (NTA 2000). The next most preferred mode of transportation for international tourists travelling to China was by motor vehicles (13.6 per cent), followed closely behind by sea (13.4 per cent). Rail, at 4.7 per cent, represented the least popular mode for international tourists travelling to China.

In coming years, the signing of Open Skies Agreements with major source markets should foster the growth in air travel to China. Although still in the planning stages, the building and upgrading of a 5,500 kilometres trans-



Asia railway from Singapore to Kunming should also contribute to the future popularity of this mode of transportation among international tourists.<sup>4</sup>

### *Accommodation*

In 1999, there were 7,035 hotels in China, with 889,430 rooms. By contrast, there were 5,782 hotels in 1998, with 764,797 rooms.

Of the 7,035 hotels in China, only 77 were classified as five-star hotels accounting for 36,160 rooms. Meanwhile, the number of four-star rated hotels reached 204 with 66,689 rooms, followed by 1,292 three-star hotels and 1,898 two-star hotels. The latter accounted for 206,905 rooms and 187,899 rooms, respectively. There were also 385 one-star hotels, with 27,241 rooms. Non-star hotels, at 3,179 establishments and 364,536 rooms, comprised the balance.

WTO (1998) projections suggest that China will become the world's number one international tourist destination by 2020, attracting some 137.1 million international tourists (or 8.6 per cent of world total). If these projections occur, there will be a strong demand for different types of hotels in the longer term, including luxury, upscale, midprice, economy and budget, nationwide. The opening up of more and more Chinese cities and areas to international tourists supports this trend.

### *Hotel Occupancy*

In 1999, overall hotel occupancy rate averaged slightly more than 53 per cent in China. This largely reflected an oversupply of hotels given demand conditions. In fact, China experienced a boom in hotel construction during the last decade. This caused the supply of hotels to rise to 7,035 hotels in 1999 from 1,987 in 1990. Concurrently, the supply of hotel rooms expanded to 889,430 rooms in 1999 from 293,827 rooms during the ten year period.

### *Travel Agencies*

The number of travel agencies in China increased 17.7 per cent to 7,326 in 1999 compared to 6,222 from the year before. Of the 7,326 travel agencies, 6,070 were domestic travel agencies while 1,256 were international travel agencies (NTA 2000).

Revenues for China's travel agencies soared by 29.3 per cent to over \$3.9 billion in 1999 compared to \$3.0 billion in 1998 (NTA 2000).

### *Tourism Employment*

China's tourism industry directly generated over 5.1 million tourism jobs in 1999 (NTA 2000). The accommodation sector was responsible for 85.8 per cent (4.4 million employees) of the total, while the coach and cruise businesses employed some 620,000 people. Employment in China's travel agencies totalled 108,800 people. Indirectly, it was estimated that some 25 million people were employed by China's tourism industry in 1999 (NTA 2000).

### *Tourism Tax Revenues*

According to the NTA (2000), China's tourism enterprises paid almost \$760 million in taxes in 1999, down almost 3 per cent from over \$783 million in 1998.

### *Outbound Travel Activity*

Data from the WTO reveal that China's outbound travel experienced rapid growth during the 1992-1998 period, posting an average annual growth rate of over 23 percent<sup>5</sup>. Much of this growth was attributed to China's rapid industrialization and modernization, robust export performance, rapid job growth, rising per capita incomes and easing of foreign travel restrictions. It also reflected the fact that growth occurred from a small tourism outbound base. The exception was 1994 when growth in outbound tourists dropped slightly (0.2 per cent) to over 3.73 million from 3.74 million from the year before.

Likewise, growth in spending by international Chinese travellers was rapid over the same period, averaging an annual rate of increase of over 78.4 per cent during the 1992-1998 period. For instance, spending on travel abroad by Chinese travellers totalled some \$9.2 billion (almost 2.5 per cent of world tourism spending) in 1998, 266.4 per cent above 1992.

### *Main International Destinations*

Chinese nationals made over 9.2 million trips to overseas destinations in 1999, up nearly 9.6 per cent from the year before. Of these, 84.6 per cent (7.8 million Chinese tourists) travelled to destinations within Asia.

Europe was the next most popular region visited by Chinese tourists in 1999, with 8.9 per cent (823,553) of the total. Among European countries, the top destinations for Chinese tourists were: Russia (437,740), Germany (93,617), France (87,826) and Great Britain (42,807).

The third most visited region, at 4.7 per cent of the total or 429,831, by Chinese tourists was the Americas. Within the Americas, Chinese tourists made 331,596 trips to the United States and 75,937 trips to Canada.

<sup>4</sup> According to Gilley (2000, p. 29), "Like pan-Asian efforts to build a common voice on political, economic and security issues, it will be some time before the trans-Asian railway can be declared a success. Of the 5,500-kilometre network from Singapore to Kunming in southwest China, 4,500 kilometres already exist in various states of repair as part of national railways. The project is intended to link them, upgrade them, build new spurs, and make the whole system function as one". Conservatively, the price tag for the trans-Asian railway project is \$2.5 billion (Gilley 2000).

<sup>5</sup> Bailey (1998, p. 21) noted that "There has always been some official and business travel, but private travel was not technically permitted until 1983 when Chinese nationals were allowed to join organised tours to visit their relatives in Hong Kong". He (1998, p. 22) further observed that "The major breakthrough in outbound travel came in May 1991, when Chinese nationals were allowed to join leisure tours organised by CTS [China Travel Service] to Malaysia, Singapore and Thailand".

### *Trip Purpose*

The primary purpose of trips for Chinese travelling abroad in 1999 was for business, representing over one half (53.8 per cent or nearly 5.0 million) of total trips (CNTA 2000). Trips taken for private or personal purposes comprised the balance (46.2 per cent or almost 4.3 million).

### **Inbound Travel Outlook**

China's inbound travel market has enormous potential to grow. In fact, the prospect of China's inbound travel market growing in the next 10 to 20 years looks promising given the country's varied tourism resources. China's recent membership in the World Trade Organization and Beijing's hosting of the 2008 Summer Olympic Games also support this development. Based on WTO projections (WTO, 1998) China will likely become the major tourist destination by 2020, with the United States the next most important tourist destination. By 2020, it is forecasted that China will attract over 137 million international tourists or 8.6 per cent of the world total.

If these projections are correct, China may pose a serious competitive threat to other regional tourism destinations. That could impede their tourism receipt-generating capacity. The majority of international tourist arrivals in Asia in general and China in particular is likely to continue to be dominated by intra-regional flows rather than long-haul travel.

### **Outbound Travel Outlook**

In the short to medium term, obtaining approved destination status remains a

necessary condition in capturing a bigger slice of the anticipated rapid growth in China's outbound tourism. The easing of travel and foreign exchange restrictions will also influence the growth of future outbound Chinese travel flows. For the longer term, the outlook regarding China's potential to grow as a major new international tourist generator is mixed given mounting domestic political, economic, social and environmental pressures.

If, on the one hand, China continues to generate rapid wealth and per capita income rises and the government eases travel restraints, then it has the potential to become one of the world's largest generators of international tourists. If, on the other hand, wealth and incomes fail to grow rapidly and travel restrictions are not eased, then the majority of Chinese consumers will more likely be slow in adopting and developing consumer-travel behaviour habits and leisure activities. That might depress long-haul leisure travel flows. The trend towards greater intra-Asian travel, especially to closer and cheaper destinations, implies fewer Chinese may travel elsewhere. Product, price, quality, and delivery of tourism goods and services will be the major success factors in attracting new Chinese outbound tourists and encouraging repeat travellers in the next decade and beyond.

### **Chinese Outbound Market to Canada**

In 1999, according to the ITS, growth in Chinese tourists travelling to Canada recovered strongly, rising 15.4 per cent to almost 60,000 tourists from 1998. While high, this was still lower than the pre-Asian crisis high posted in 1997. As

a percentage of total international tourists, the number of Chinese tourists travelling to Canada reached 0.31 per cent in 1999 compared to 0.28 per cent from the year before.

In 1999, growth in Chinese tourist spending in Canada rose by 6.7 per cent to almost CDN \$80 million from the year before. Spending by Chinese tourists in Canada as a share of total international tourist spending reached 0.66 per cent in 1999 from 0.67 per cent in 1998.

A closer look at the travel figures from China to Canada show that the major purpose for travel in 1999 was for visiting friends or relatives. Of the nearly 60,000 trips made by Chinese residents to Canada in 1999, visiting friends or relatives made up 26,300 trips (44.1 per cent). Business travel represented some 32 per cent (19,100 trips) of total Chinese trips to Canada, mainly attributable to the small bilateral trade and investment ties between Canada and China. This was followed by 11,000 trips (18.5 per cent) for other pleasure, which includes recreation or holiday. Other purposes, at 3,200 (5.4 per cent), accounted for the smallest portion of total Chinese trips to Canada.

A complete listing of the references in this article can be obtained from the original report *An Overview of China's Inbound and Outbound Tourism Markets*.

This report is available in both official languages free of charge on the CTC's website: <http://www.canadatourism.com/en/ctc/ctx/partnerships/asianpacific/ChinaReport.pdf>; or from the CTC's Distribution Centre at phone: (613) 954-1724; fax: (613) 952-2320; e-mail: [ctcdistributioncct@ctc-cct.ca](mailto:ctcdistributioncct@ctc-cct.ca).

## World tourism declines in 2001

Combined with the tragic events of September 11, the weakening economies of major tourism generating resulted in the slowing down of the growth in the tourism sector in 2001.

According to the World Tourism Organization (WTO), preliminary estimates indicate that international arrivals were down 1.3% compared to 2000. International tourist arrivals totalled 689 million in 2001, compared to 697 million in 2000.

Experts remind that the year 2000 was an exceptional one for tourism, with special millennium events boosting international arrivals by 7% and, in some cases, causing travellers to advance trips that would have been taken in 2001. WTO estimates that arrivals worldwide increased 3% during the first eight months of 2001, from January to August, or one point lower than the average annual gain of 4.3% in tourist arrivals over the past ten years. During the last four months of 2001, arrivals worldwide dropped 11%. Decreases were recorded in every region: Africa (-3.5%); Americas (-24%); East Asia/ Pacific (-10%); Europe (-6%); Middle East (-30%); and South Asia (-24%).

The only other year in recent times that has shown negative growth in world tourism was 1982, when international arrivals declined by 0.4%. The Gulf War year of 1991 recorded a small increase of 1.2% in international arrivals.

WTO predicts that the tourism industry will pick up its habitual rhythm of growth by the second half of 2002.



## Characteristics of international travellers Third quarter 2001

September 11 may have aggravated the decline in overseas travel to Canada in the third quarter, but overnight travel from the United States was still up 1.4% from the third quarter of 2000. This small increase, however, was well short of the record levels expected for the third quarter based on July and August travel from the United States to Canada.

Canadian travel to overseas countries set a third-quarter record in 2001. Almost 1.2 million Canadians flew to countries other than the United States, a 7.2% increase from the third quarter of 2000. However, this was due mostly to

travel in July and August; in September, Canadians took just 1.9% more trips abroad than they did in September 2000. Canadian travel overseas was the only international flow to rise in September.

## Small increase in American travel despite September 11

After posting increases of 1.7% in July and 12.1% in August (compared with the same months in 2000), overnight travel from the United States collapsed in September (-18.2%). However, the September decline did not completely offset the gains made in the two preceding months. Americans made 6.6 million overnight trips to Canada in the third quarter, up 1.4% from the third quarter of 2000. This quarterly rise is the result of a 4.0% increase in automobile travel and a decline of 3.0% in air travel.

In September, air travel plunged 28.6%. Since the signing of the Open Skies Agreement, the share of American residents travelling by air to Canada grew from 14.9% in the third quarter of 1994 to 20.6% in the third quarter of 2000. This share declined to 19.3% in the third quarter of 2001.

### Percentage change in selected characteristics by travel flow

Third quarter 2000 to third quarter 2001

	United States to Canada	Canada to United States	Overseas to Canada	Canada to overseas
	% change			
<b>Total</b>	<b>1.4</b>	<b>-6.9</b>	<b>-8.8</b>	<b>7.2</b>
Auto	4.0	-3.7	...	...
Plane	-3.0	-17.4	...	...
Other modes of transport	-4.2	-3.8	...	...
Direct	...	...	-7.2	9.6
Via the United States	...	...	-11.6	-9.0
Business	-21.9	-27.2	-19.5	-25.5
Visiting friends and relatives	0.3	-1.3	-13.1	-0.2
Pleasure	6.4	-2.3	-8.3	21.3
Other	-8.1	-14.4	49.8	28.8

... Not applicable.

More than two-thirds of overnight trips to Canada by American residents were for pleasure, and such trips increased 6.4% in the third quarter from the third quarter of 2000. Business travel, however, declined 21.9%. Almost 90% of this drop is the result of fewer trips by air.

### Fewer Canadians travelling south of the border

Canadians made 4.4 million overnight trips to the United States in the third quarter of 2001, down 6.9% from the same period in 2000, continuing the downward trend that started in the fourth quarter of 2000. In the third quarter, almost 50% more Americans visited Canada than Canadians visited the United States.

The states most popular with Canadians saw fewer Canadian visitors - except Washington, which posted a slight 0.9% increase. However, New York remained the most popular state for Canadians, despite 9.2% fewer visits compared with the third quarter of 2000. However their visits were relatively short. In contrast, Florida was much less popular in the third quarter, but it (and Hawaii) attracted longer visits. The average stay of Canadians in Florida was 9.3 nights, compared with 2.8 nights in New York state and less than four nights in other border states such as Washington, Michigan, Maine, Vermont and Montana.

In the wake of September 11, air travel to the United States plunged 43.1%, which resulted in a 17.4% drop for the third quarter. Business travel was also affected, as a large portion of business trips (65.8%) are taken by air. Business overnight trips by Canadians to the United States dropped 27.2% from the third quarter of 2000.

### Travel from overseas slides further

September 11 aggravated the setback in overnight travel from overseas that started in the second quarter of 2001. Overseas residents took 1.7 million overnight trips to Canada in the third quarter, 8.8% less than in the third quarter of 2000. This decrease was the combination of a 7.2% decline in direct entries to Canada from overseas and an 11.6% drop in entries via the United States.

Among the 12 most important overseas markets, all but Mexico (+5.1%) and South Korea (+9.1%) posted declines in overnight trips to Canada in the third quarter. The increase from Mexico resulted in a 4.8% rise in overnight trips from Central and North America, virtually the only region in the world from which more travellers came to Canada in the third quarter of 2001.

### Growth in Canadian travel overseas

Canadians took 1.2 million overnight trips to overseas countries in the third quarter, up 7.2% from the third quarter

of 2000. When travelling overseas, Canadians were less inclined to go through the United States. Trips to overseas via the United States dropped 9.0% in the third quarter, but trips directly to overseas destinations rose 9.6%.

Although travel to the United Kingdom was down 3.8% from the third quarter of 2000, it still remained the most popular overseas destination in the third quarter; Canadians made 267,000 visits. The top five countries visited by Canadians were traditional European destinations. However, three sun destinations that are usually more popular in the winter, Mexico, Cuba and the Dominican Republic, made the top 10 list of destinations in the third quarter.

The number of business trips by Canadians to overseas countries decreased 25.5% in the third quarter to 169,000, while pleasure trips rose 21.3% to 654,000.

Tables as well as various statistical profiles and microdata files of characteristics of international travellers for the third quarter are now available on request.

#### Top 10 overseas destinations visited by Canadians

	Third quarter 2000	Third quarter 2001	Third quarter 2000 to third quarter 2001
	Visits ('000)		% change
United Kingdom	278	267	-3.8
France	179	197	9.5
Germany	109	85	-21.5
Italy	78	76	-2.8
Netherlands	62	59	-3.7
Mexico	45	58	28.6
Ireland	36	56	56.7
Cuba	31	54	76.6
Spain	47	42	-10.2
Dominican Republic	21	42	98.8





## International travel account Fourth quarter 2001 and annual 2001 (preliminary)

Canada's international travel deficit - the difference between what Canadians spend abroad and what foreigners spend in Canada - fell in the fourth quarter to its lowest since the third quarter of 1986. The deficit declined from a revised \$368 million in the third quarter to an estimated \$85 million in the fourth quarter.

This result was mostly due to a drop in spending by Canadian travellers outside the country. From October to December, Canadian residents spent slightly less than \$4.0 billion, down 9.0% from the third quarter and the lowest since the third quarter of 1998. Foreign residents injected \$3.9 billion into the Canadian economy, 2.8% less than in the third quarter; this was the third consecutive quarterly decrease.

The depreciation of the Canadian dollar against many currencies and the events of September 11 were two factors that contributed to the declines in travel spending during the fourth quarter. They also affected the total number of trips taken from and to Canada.

Canadian residents made 9.2 million same-day and overnight trips abroad in the fourth quarter, a 14.4% drop from the third. Travel to Canada by foreign residents fell 8.1% to just under 10.6 million trips.

## Lower Canadian spending in the United States

Canada's travel balance with the United States showed an estimated surplus of \$121 million in the fourth quarter, due to a significant drop in both the number of trips made and the amount of travel spending by Canadian residents.

Canadians took 8.1 million same-day and overnight trips south of the border, down 15.1% from the third quarter. They spent an estimated \$2.4 billion in the United States from October to December, down 9.9% from the third quarter. One factor that may have contributed to these declines is the weakening of the Canadian dollar against the American. During the fourth quarter, the dollar averaged a depreciation of 2.2% against its American counterpart.

Americans spent nearly \$2.5 billion on this side of the border, down a slight 0.5% from the third quarter. Their number of trips fell 8.5% to 9.6 million.

## Travel deficit with overseas countries falls

Canadian residents took 1.1 million trips to overseas destinations in the fourth quarter, down 9.6% from the third. Their spending on those trips fell 7.8% to just over \$1.6 billion.

### Note to readers

*This international travel account analysis is based on preliminary quarterly data, seasonally adjusted unless otherwise stated. Amounts are in Canadian dollars and are not adjusted for inflation.*

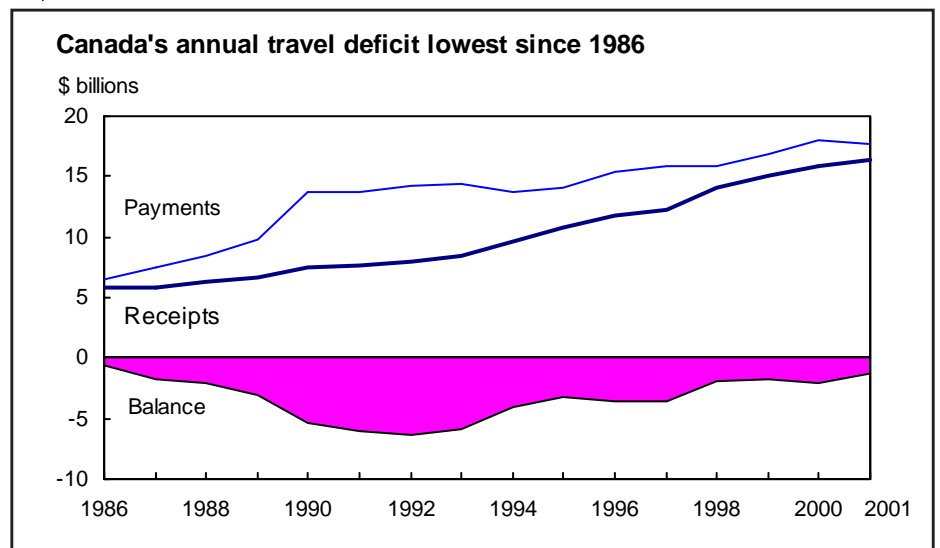
*Receipts represent spending by foreigners travelling in Canada, including education and medical spending. Payments represent spending by Canadians travelling abroad, including education and medical spending. Overseas countries are those other than the United States.*

Overseas travellers spent slightly more than \$1.4 billion in Canada, 6.6% less than they did in the third quarter. They made 4.6% fewer trips in the fourth quarter, down to just under 1.0 million.

Consequently, the travel deficit with countries other than the United States declined from a revised \$243 million in the third quarter to \$206 million in the fourth. During the period, the Canadian dollar depreciated against the major European currencies.

## Travel deficit dropped sharply in 2001

Canada's travel deficit with the rest of the world plummeted from a revised \$2.1 billion in 2000 to an estimated \$1.3





billion in 2001, due in part to the low deficit recorded in the fourth quarter. This was the lowest annual travel deficit since 1986, the year of the world's fair in Vancouver; in 2001, foreign travellers spent a record amount in the country.

Foreign residents spent a record \$16.3 billion in Canada in 2001, up 2.8% from 2000 despite decreases in the final three quarters. However, they took 47.1 million trips to this country in 2001,

3.1% fewer than in 2000. Canadians spent \$17.6 billion and made 43.2 million trips outside the country, down 2.2% and 8.4%, respectively, from 2000.

American spending in Canada rose 5.9% in 2001 from 2000 to nearly \$10.2 billion, but Canadian travellers spent \$10.7 billion, or 5.4% less, in the United States. As a result, Canada's travel deficit with the United States dropped from a revised \$1,686 million in 2000 to \$502 million in 2001.

Overseas residents spent just under \$6.2 billion in Canada in 2001, down 2.0% from 2000. Overseas spending by Canadians rose 3.3% to a record high of just over \$6.9 billion, resulting in a higher travel deficit with overseas countries - \$790 million in 2001, compared with a revised \$446 million in 2000.

<b>International travel account receipts and payments</b>								
	First quarter 2001 <sup>r</sup>	Second quarter 2001 <sup>r</sup>	Third quarter 2001 <sup>r</sup>	Fourth quarter 2001 <sup>p</sup>	2000 <sup>r</sup>	2001 <sup>p</sup>	Third to fourth quarter 2001	2000 to 2001
Seasonally adjusted <sup>1</sup>								
	\$ millions				% change			
<b>United States</b>								
Receipts	2,610	2,606	2,492	2,479	9,618	10,187	-0.5	5.9
Payments	2,930	2,785	2,617	2,358	11,304	10,690	-9.9	-5.4
Balance	-319	-179	-125	121	-1,686	-502		
<b>All other countries</b>								
Receipts	1,657	1,544	1,528	1,426	6,280	6,155	-6.6	-2.0
Payments	1,812	1,730	1,771	1,632	6,726	6,945	-7.8	3.3
Balance	-155	-186	-243	-206	-446	-790		
<b>Total</b>								
Receipts	4,267	4,150	4,019	3,905	15,897	16,342	-2.8	2.8
Payments	4,741	4,516	4,387	3,990	18,030	17,635	-9.0	-2.2
Balance	-474	-365	-368	-85	-2,133	-1,292		

<sup>r</sup> Revised figures.  
<sup>p</sup> Preliminary figures.  
<sup>1</sup> Data may not add to totals due to rounding.



## Travel Price Index Fourth quarter 2001 and the year 2001

### Note to readers

The Travel Price Index (TPI) is an aggregate index of goods and services used when travelling in Canada. Price movements are derived from detailed Consumer Price Index (CPI) series. A technical report on the Travel Price Index is available from the Tourism Statistics Program (613-951-1673).

### TPI unchanged from same period in 2000

For consumers, the prices of the goods and services in the Travel Price Index basket were up a mere 0.1% in the fourth quarter of 2001 compared with the same period a year earlier. This was the smallest advance since the fourth quarter of 1995. The reason for the small increase was a decline in the costs of traveller accommodation and operating a motor vehicle. The cost of traveller accommodation dropped 9.1% between the fourth quarter of 2000 and the fourth quarter of 2001. The events of September 11 and their repercussions, along with the economic slowdown, helped push accommodation prices down 12.0% between September and October 2001.

In addition, the cost of operating a motor vehicle fell for the second consecutive quarter. The 6.5% decline between the final quarter of 2000 and the same quarter in 2001 was the largest decrease in the history of this statistic, which dates back to 1980.

The cost of inter-city transportation rose 5.9% over the same period, while auto rental costs climbed 4.2%. There were also price increases for local and commuter transportation (3.9%) and a number of other components.

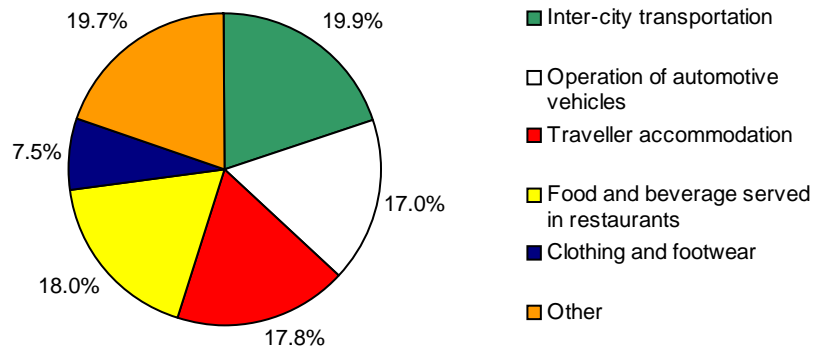
The proportion of total expenditures that Canadians travelling in Canada put into accommodation was down 10.0% in the fourth quarter of 2001 compared with the same quarter a year earlier. The proportion spent on operating motor vehicles declined by 7.0%. However, travellers spent a larger percentage of their budgets on all other items.

In the fourth quarter of 2001, the aggregate price of goods and services as measured by the Consumer Price Index (CPI) was 116.2, up 1.1% from the final quarter of 2000. The real difference between the TPI and the CPI, which was zero in the base year, 1992, widened to 13.5 points in the last quarter of 2000.

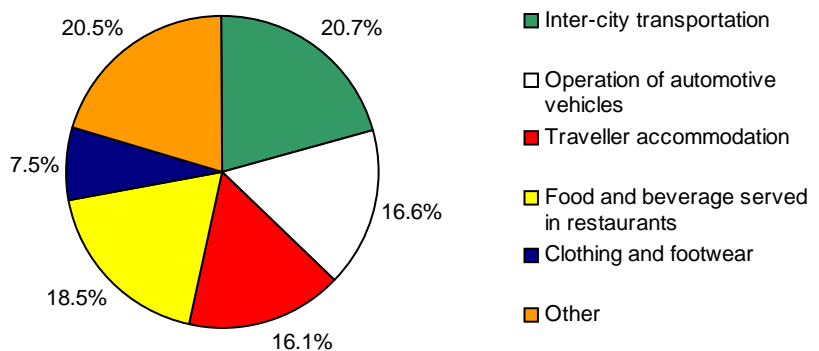
### TPI down 5.6% from previous quarter

In the fourth quarter of 2001, the Travel Price Index was down 5.6% from the preceding quarter. Accommodation

TPI weights by component, year 2001



TPI weights by component, fourth quarter 2001



costs fell by 21.7%, and inter-city transportation by 5.1%. Although accommodation costs generally decline late in the year, reflecting the low season in the tourism industry, period-over-period changes have never been as large as they were in the last quarter of 2001. Since 1996, decreases in accommodation costs between the third and fourth quarters have been particularly large, in the range of 16.5% to 18.3%.

With the exception of the cost of operating a motor vehicle, which dropped 4.2%, the prices of most other components were slightly higher in the fourth quarter of 2001 than in the preceding quarter. The cost of all goods and services in the Consumer Price Index dipped 0.9% between the third and fourth quarters of 2001.

### Average annual TPI 1.5% higher in 2001 than in 2000

The average TPI for 2001 was 131.8, up 1.5% from 2000. This is the smallest advance since 1992, when the TPI was only 0.7% higher than in 1991. The cost of traveller accommodation and the cost of operating a motor vehicle were the only major components of the TPI that declined, as most others posted gains. The net result was the slight increase in the TPI in 2001. The gap between the TPI and the CPI narrowed to 15.4 points in 2001.

#### Selected Components of the Travel Price Index (TPI)

(not seasonally adjusted, 1992 = 100)

Components of the TPI	Fourth Quarter 2001	Year 2001	Percentage Change		
			Third Quarter 2001	Fourth Quarter 2000	2001/ 2000
Inter-city transportation	177.9	174.1	-5.1	5.9	1.0
Local and commuter transportation	134.8	133.4	0.1	3.9	3.7
Rental of automotive vehicles	124.3	122.0	-0.1	4.2	2.8
Operation of automotive vehicles	122.8	128.0	-4.2	-6.5	-0.4
Traveller accommodation	120.5	135.2	-21.7	-9.1	-1.0
Food purchased from stores	116.8	116.9	-0.5	4.0	4.8
Food purchased from restaurants	120.1	118.4	0.8	3.8	3.1
Served alcoholic beverages	116.2	114.9	0.8	2.9	3.0
Alcoholic beverages purchased from stores	117.5	116.6	0.6	2.2	2.3
Spectator entertainment	146.3	141.5	3.5	5.9	5.4
Clothing	104.0	105.3	-2.2	-1.5	0.2
Footwear	106.9	106.5	0.8	-0.7	0.2
<b>Travel Price Index (TPI)</b>	<b>129.7</b>	<b>131.8</b>	<b>-5.6</b>	<b>0.1</b>	<b>1.5</b>
<b>Consumer Price Index (CPI)</b>	<b>116.2</b>	<b>116.4</b>	<b>-0.9</b>	<b>1.1</b>	<b>2.6</b>

Sources: The Consumer Price Index, Cat. No. 62-001-XPB and the Tourism Statistics Program





		Fourth Quarter		Percentage Change	Year		Percentage Change	
		2000	2001		2000	2001		
<b>VISITORS TO CANADA (000s)</b>		<b>CANSIM II</b>						
From United States	V125185	8,853	7,344	-17.0	43,994	42,871	-2.6	
One or more nights visits	V129509	2,625	2,542	-3.2	15,225	15,529	2.0	
- By auto	V125188+V125189	1,565	1,608	2.7	9,457	9,889	4.6	
From Overseas	V125217	837	657	-21.5	4,644	4,275	-7.9	
One or more nights visits	V129521	802	639	-20.4	4,438	4,109	-7.4	
Top Seven Countries:								
United Kingdom		160	139	-13.2	879	848	-3.5	
Japan		107	57	-46.4	508	418	-17.6	
France		67	56	-15.6	404	360	-10.8	
Allemagne		52	46	-12.7	386	340	-12.0	
Australie		36	28	-20.6	174	165	-5.4	
Taiwan		29	15	-47.4	164	117	-28.6	
Hong Kong		23	19	-16.8	142	127	-10.4	
<b>CANADIANS OUTSIDE CANADA (000s)</b>								
To United States:	V125228	9,384	7,123	-24.1	42,666	38,368	-10.1	
One or more nights visits	V129534	2,948	2,352	-20.2	14,648	13,518	-7.7	
- By auto	V125231+V125232	1,419	1,282	-9.6	7,967	7,593	-4.7	
To Overseas (one or more nights)	V125260	944	846	-10.4	4,516	4,832	7.0	
<b>INDUSTRY</b>								
Airline passengers (Level I) (000s)	V11743	5,708	5,093	-10.8	24,480	23,414	-4.4	
Airline passenger-km (Level I) (000,000s)	V11744	15,734	14,168	-10.0	68,517	67,019	-2.2	
<b>PRICES 1992 = 100 (not s.a)</b>								
Travel Price Index	V121654	129.6	129.7	0.1	129.8	131.8	1.5	
Consumer Price Index	V735319	114.9	116.2	1.1	113.5	116.4	2.6	
- Restaurant meals	V735392	115.7	120.1	3.8	114.8	118.4	3.1	
- Inter-city transportation	V735515	168.0	177.9	5.9	172.3	174.1	1.0	
- Renting and leasing of automotive vehicle	V735499	119.3	124.3	4.2	118.7	122.0	2.8	
- Gasoline	V735501	136.7	114.8	-16.0	131.7	128.3	-2.6	
<b>ECONOMIC</b>								
Gross Domestic Product, 1997 prices (s.a.) (00	V2036138	937,063	940,638	0.4	929,556	939,677	1.1	
- Amusement and recreation (000,000s)	V2036434	2,540	2,591	2.0	2,437	2,568	5.4	
- Accommodation and food services (000,00	V2036436	22,668	22,445	-1.0	22,223	22,525	1.4	
Personal disposable income per capita (s.a.)	V498186/V1	20,900	21,389	2.3	20,534	21,206	3.3	
<b>LABOUR (000s)</b>								
Labour force (s.a.)	V159560	16,137	16,344	1.3	16,002	16,253	1.6	
Unemployed	V159713	1,109	1,246	12.4	1,091	1,167	6.9	
Employed	V159599	15,028	15,099	0.5	14,911	15,086	1.2	
- Accommodation and food services (not s.a.)		941	964	2.5	961	976	1.6	
<b>EXCHANGE RATES (in Canadian dollars)</b>								
American Dollar	V37426	1.5257	1.5804	3.6	1.4854	1.5488	4.3	
British Pound	V37430	2.2055	2.2789	3.3	2.2500	2.2305	-0.9	
Japanese Yen	V37456	0.0139	0.0128	-8.0	0.0138	0.0128	-7.4	
German Mark	V37454	0.6769	0.7231	6.8	0.7007	0.7093	1.2	
French Franc	V37453	0.2018	0.2156	6.8	0.2089	0.2115	1.2	
Euro Dollar	V121742	0.8335	0.9099	9.2	0.9087	0.9263	1.9	

(s.a.) seasonally adjusted.