

Canada gets a tourism boost

May 2017

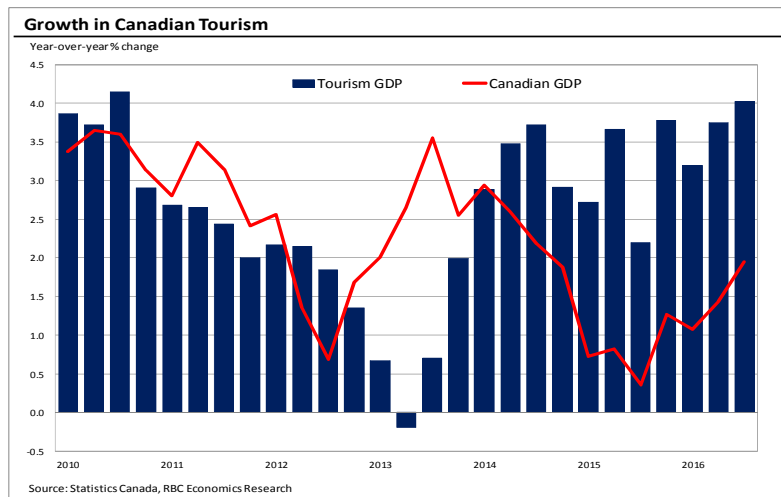
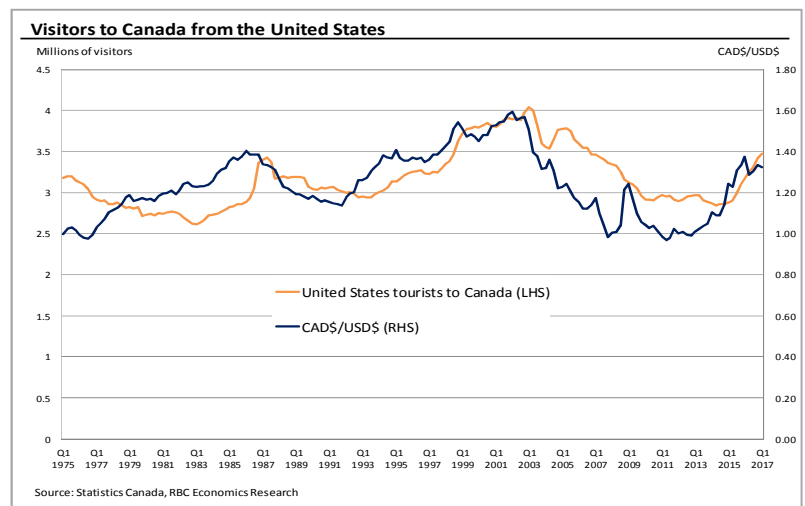
“...a world unto itself, with cosmopolitan cities, ...natural wonders and everything in between”¹

The *New York Times* picked Canada as its top travel destination for 2017—among 52 places—signalling just how attractive the country has become to international travelers². And Americans lured by a low Canadian dollar aren’t the only ones visiting. Last year, a record 1 in 5 tourists came to Canada from countries other than the U.S., double the rate seen only a decade ago. That, alongside the Canadian government’s efforts to promote the country’s 150th birthday, has set the stage for Canada to post a record year for tourism in 2017.

More tourists are (finally) flocking to Canada...

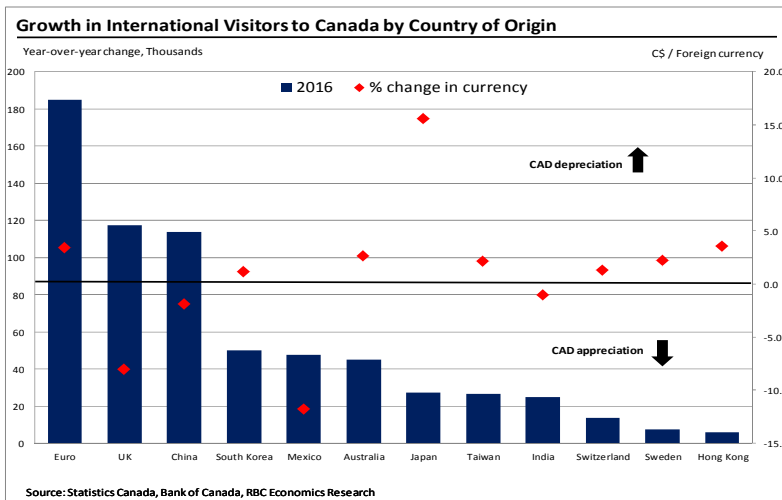
Early 2014 marked a low point for Canadian tourism: visits from the U.S. hit their lowest level in nearly two decades. The tourism industry’s struggles had a few clear causes: more Americans stayed home in the wake of the 9/11 terrorist attacks, and then as a result of the 2008-2009 financial crisis and strong Canadian dollar.

The steep drop in the Canadian dollar that followed the plunge in oil prices in 2014 provided a much-needed boost to the travel sector. Real economic activity generated by tourism, despite accounting for only 2% of Canada’s GDP, has outpaced the broader economy since then. It’s no surprise that tourism GDP recorded its strongest annual advance in more than a decade in 2016, when the Canadian dollar reached multi-year lows against the U.S. dollar. Americans typically make up the bulk of tourists to Canada. But Canada is increasingly a destination of choice amongst a broad range of travelers, more so than can be explained by the currency alone.



...and helping to drive the economy

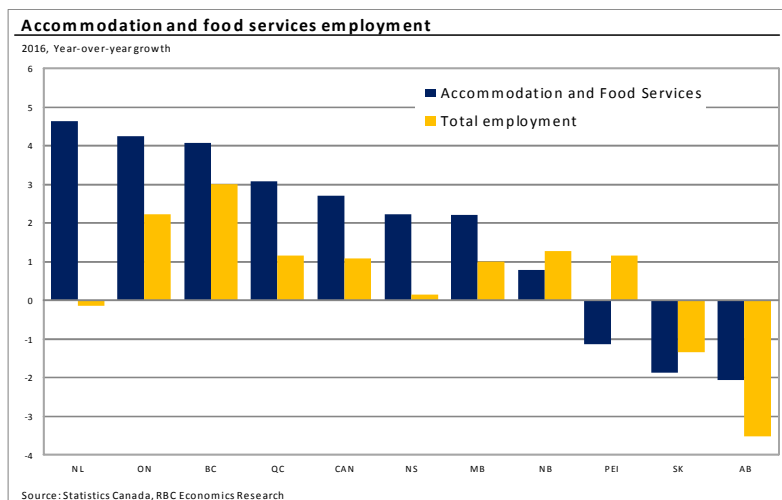
Canada’s travel deficit with the rest of the world declined in 2015 for the first time since 2004, and narrowed further in 2016. Foreigners boosted their spending in Canada to record highs while Canadians’ spending abroad held steady. Underpinning this trend was a shift to a more diverse mix of international visitors. A record 1 in 5 tourists to Canada over the 2014-2016 period were from outside the U.S, close to double the 11% share seen only a decade ago. This increase occurred even with the Canadian dollar holding up against currencies of countries that provided the greatest increases in visitors.



Visitors from China and South Korea jumped by 164K (23%) in 2016 from the prior year, despite relatively small bilateral currency moves. European tourists, meanwhile, accounted for close to 10% of visitors in 2016 as their numbers swelled by nearly 185K (11%) from 2015. The Canadian dollar weakened against the euro over this period, but for countries like Mexico and the United Kingdom, sharp currency depreciations did not deter residents from coming to Canada in droves. Mexican tourists surged by 47K (23%) (no doubt helped by the lifting of a Canadian visa requirement) while visits from the U.K jumped 16% (118K) to an 8-year high.

Three provinces benefit the most

Ontario, British Columbia and Quebec attracted the bulk of non-U.S visitors last year: 90% of foreign tourists arrived at these destinations, where the country’s largest airports are located. But foreign tourists are extending their visits across the country alongside domestic travelers, as evidenced by an uptick in employment in tourism-related sectors. Job growth in accommodation and food services outpaced total employment gains in most provinces in 2016. Nearly every province saw its share of tourism-related employment increase to near-record highs, with jobs in the sector making up anywhere from 7-11% of total employment.



Prospects remain bright for 2017 as the country’s sesquicentennial celebrations, and a 375th birthday bash for Montreal, are expected to continue to attract record numbers of foreign visitors. International visitors to Canada are up 3% so far this year with those from countries other than the United States accounting for more than one-third of the 2.8 million visitors in the first quarter, a 13% boost from a year ago.

Looking ahead to a banner year

A strong marketing push to promote celebrations for Canada’s 150th anniversary, led by a now-permanent \$38 million in federal annual spending through Destination Canada, likely contributed to the recent rise in international visitors and caught the eye of international media. The upswing in tourism is a welcome boon to economic growth and, encouragingly, appears to be more than a low-loonie story. Free admission to national parks and historic sites alongside celebrations in Ottawa and elsewhere are likely to draw more visitors. A boost in immigration levels led by a push to attract and retain foreign students and skilled workers may have also piqued the curiosity of foreigners. The bulk of visitors to Canada are still going to come from the United States, given the geographic proximity and our attractive dollar. But conditions favour Canada becoming a wider draw as well.

Notes

1. ‘52 Places to Go in 2017’. New York Times, January 4, 2017 www.nytimes.com/interactive/2017/travel/places-to-visit.html
2. Ibid

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