QUARTERLY TOURISM SNAPSHOT Q3 2023

An ongoing monitor of the performance of Canada's tourism sector

DESTINATION CANADA

KEY TAKEAWAYS

#1

International tourism spend surpasses 2019 levels

Supported by continued robust domestic spending (103% of 2019), total tourism spending stood at 103% of pre-pandemic levels over the third quarter of 2023. Of note, spending from international markets surpassed 2019 for the first time (105%).

Total revenues from international visitors over the first nine months of 2023 were on par with 2019 levels.

#2

Canada is one of the top desired destinations among US travellers

Canada remains one of the top desired foreign destinations among American travellers. Demand from our key markets continues to be strong. In July and August, search volumes from DC markets exceeded January 2020 by over 10%.

#3

Supply in the tourism sector continues to recover

We have seen steady recovery in both domestic and international flight seat capacities, although both are still below pre-pandemic levels. While Canada had been surpassing global averages, global international air route recovery appears to be catching up.

Amid low unemployment, the active tourism labour force remains below pre-pandemic levels at 97.5%. There are 2.3% fewer active tourism businesses compared to pre-pandemic, a drop from last quarter (1.8%).

STATE OF THE INDUSTRY

Tourism Spend

Source: Statistics Canada, National Tourism Indicators, Q3 2023

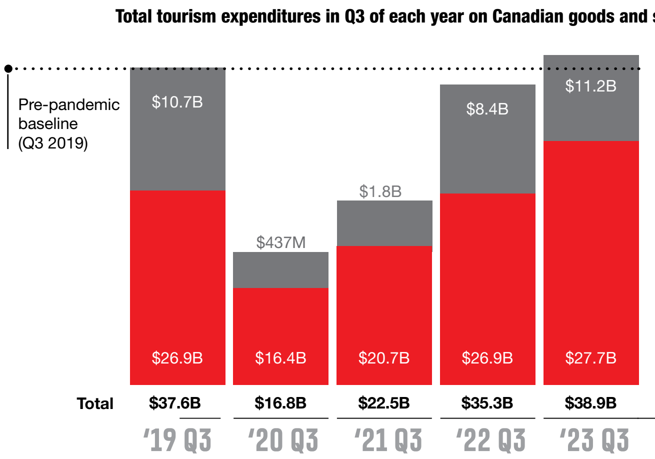
Overall tourism spending continued to surpass pre-pandemic levels in Q3 2023, reaching 103% of Q3 2019 spending in unadjusted-inflation terms. Most notably, tourism spending by international visitors reached 105% of 2019 levels in Q3 2023, surpassing 2019 levels for the first time. Domestic tourism spending recovery was close behind, at 103% of 2019 levels.

Domestic

International

Overall

Total tourism expenditures in Q3 of each year on Canadian goods and services



% OF 2019

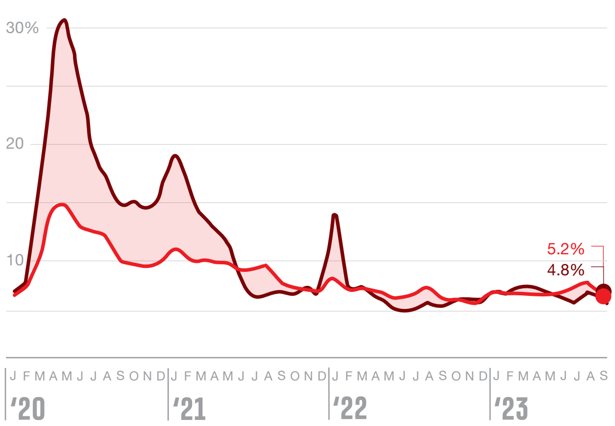
	2023 Q1	2023 Q2	2023 Q3
Domestic	109%	111%	103%
International	94%	96%	105%
Overall	105%	107%	103%

Tourism Employment

Source: Statistics Canada, Labour Force Survey, December 13 2023, via Tourism HR Canada (data extracted January 9, 2024), Statistics Canada tables 14-10-0328-01 and 14-10-0326-01

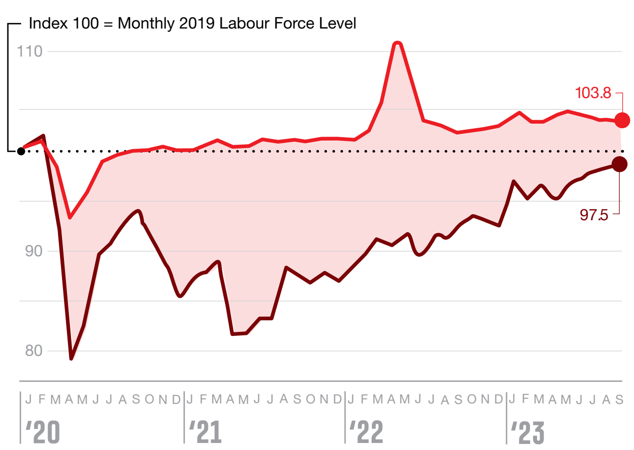
Unemployment Rate

The unemployment rate for the Canadian economy was at 5.2% in September 2023. Unemployment in tourism stood at 4.8% and was 0.4 percentage points lower than it was in September 2021, but 0.4 percentage points higher than September 2022.



Labour Force Active in the Canadian Economy

While the Canadian labour force expanded 5.3% over its pre-pandemic level by September 2023, the labour force active in the tourism sector remained 2.5% below its pre-pandemic level.



Job Vacancy*

6.2% UNFILLED

At the end of Q3 2023, 116,375 jobs in tourism remained unfilled, which equates to 6.2% of tourism jobs.

*Note: Job Vacancy data excludes Transit and Ground Passenger Transportation. Q3 data was suppressed to meet confidentiality requirements of the Statistics Act.

Canadian economy

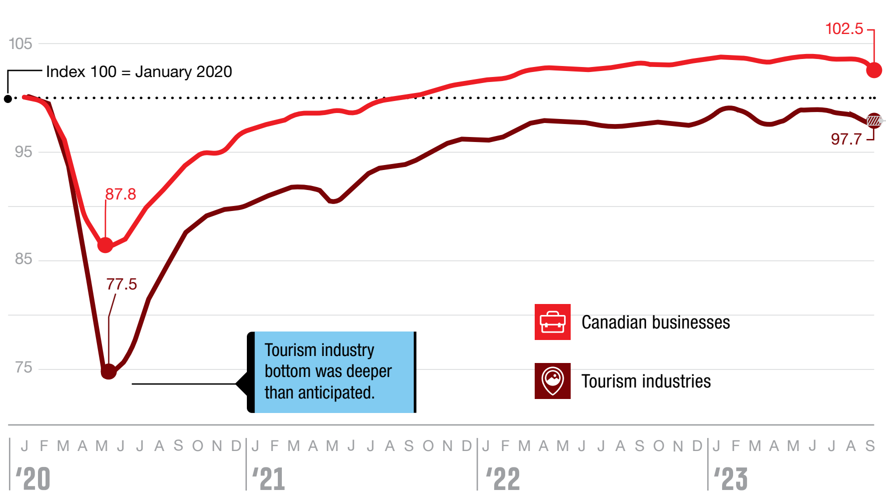
Tourism industry

Active Businesses

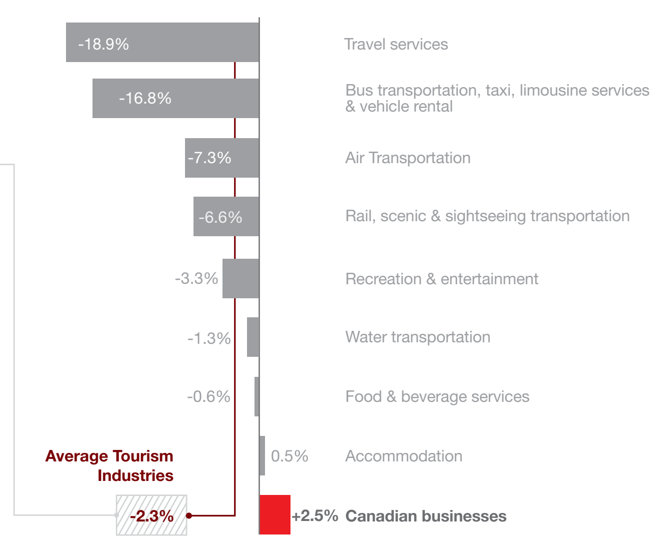
Source: Statistics Canada, Experimental estimates of business openings and closures for Canada (table 33-10-0270-01) (data released December 21, 2023)

Tourism industries faced the most significant declines in active businesses and its recovery has trailed behind the business sector. As of September 2023, tourism remained 2.3% below pre-pandemic levels. Travel services and passenger transportation services remain the most fragile tourism sectors.

Monthly active businesses in Canada



Change in the number of businesses active in tourism industries
2023-September vs 2020-January



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DESTINATION CANADA

TOURISM PERFORMANCE

Domestic Tourism Sentiment

Source: TCI / Resident Sentiment Index© with Rove Destination Insight, Q3 2023

Domestic: Tourism Sentiment

Overall, Canadians' sentiment towards tourism was positive. General Sentiment Towards Tourism was 64 in Q3 2023 – 18 points above the benchmarked norm. The Tourism Growth Support Index was 63 – 3 points above the norm. Compared to Q2 2023, scores for the General Sentiment Towards Tourism, Tourism Growth Support and Resident Consideration indices dropped, while the score for the Tourismphobia index increased. It is possible that the summer high season caused overcrowding issues, so tourisms' negative impact may have been front of mind for respondents and caused a decline in sentiment.

General Sentiment Towards Tourism
64
⬆ **Global Benchmark 46**
Overall sentiment which measures the balance of positive vs. negative consequences of tourism

Tourism Growth Support Index
63
⬆ **Global Benchmark 60**
Net proportion of residents that support the growth of tourism.

Resident Consideration Index
13
⬇ **Global Benchmark 34**
The balance between residents considering that tourism policy takes into consideration its effect on their lives vs. those who do not agree with this.

Tourismphobia Index
3
⬆ **Global Benchmark 4**
The proportion of residents opposed to tourism and its growth.

⬆ Exceeds Global Benchmark ⬇ Does not exceed Global Benchmark

Note: Beginning December 2022, Destination Canada uses the Resident Sentiment Index to monitor sentiment and gauge support from Canadians for tourism. The Index is endorsed by the UNWTO, trusted by leading destinations around the world, with a validated and robust methodology. The Index compares Canada with other countries, providing insights into Canada's unique challenges and identifying areas where it is excelling compared to the benchmarked competition. Any data reported on domestic tourism sentiment prior to December 2022 references a different data product.

Source: Destination Analysts. The State of the American Traveller, Sept 18-23, 2023

US: Travel Confidence and Intent

Travel Confidence

28%
IS IT A GOOD TIME TO SPEND ON TRAVEL?

The proportion of Americans who say it is a good time to spend on travel is 28%. Confidence to spend decreased to 26% in August but has generally been near the 30% range in all months of 2023.

Most Desired Foreign Destinations (next 12 mos.)

1	Italy	17%
2	United Kingdom	13%
3	Mexico	12%
4	Canada	11%
5	Paris	10%

Likely to Take a Trip to Canada (next 9 mos.)

YES 46%

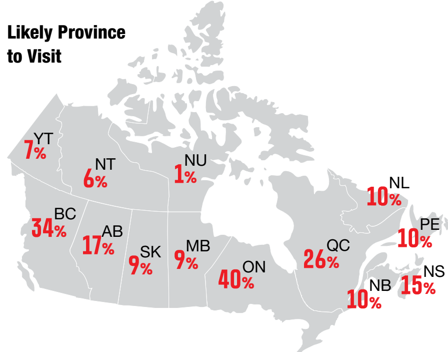
NO 54%

As of September 2023

Likely Month of Travel

2023 / 2024			
Oct 23' 5%	Nov 23' 4%	Dec 23' 6%	Jan 24' 5%
Feb 24' 5%	Mar 24' 7%	Apr 24' 8%	May 24' 9%
Jun 24' 17%	Jul 24'	Aug 24'	Sep 24'

Likely Province to Visit

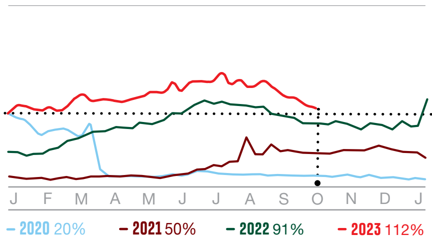


Travel Considerations

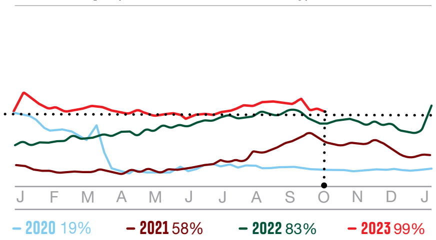
Source: DC Calculations based on Destination Insights with Google, data extracted on January 8, 2024

Web Search Trends for Air & Accommodation to Canada

From United States

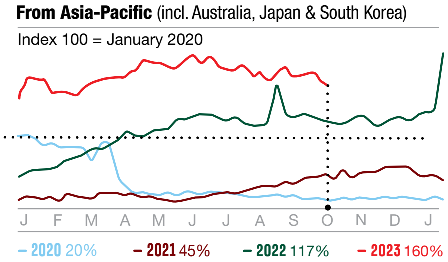


From Europe (incl. UK, France & Germany)



From Asia-Pacific (incl. Australia, Japan & South Korea)

Index 100 = January 2020



In Q3, demand for travel to Canada was higher than 2022 across all markets.

In the US, search volume surpassed the highest 2020 and 2022 levels during early summer months and has remained 10% higher than January 2020 levels.

In Europe demand in Q3 remained above 2022 levels, ending at the same levels of search for Canadian travel as the start of 2020.

Searches for Canadian travel in the APAC region have remained 100% above the 2020 baseline.

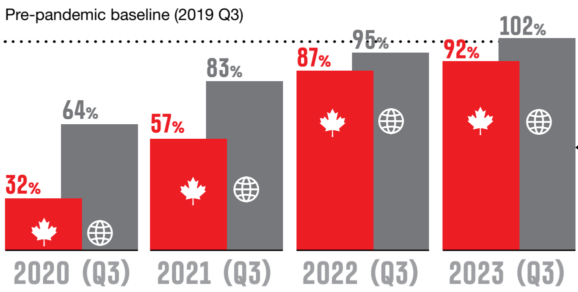
TRAVEL CONNECTIVITY & BOOKINGS

Air Connectivity

Source: International Air Transport Association, OAG Analyzer (data extracted January 8, 2024)

Global Domestic Flight Seat Capacity

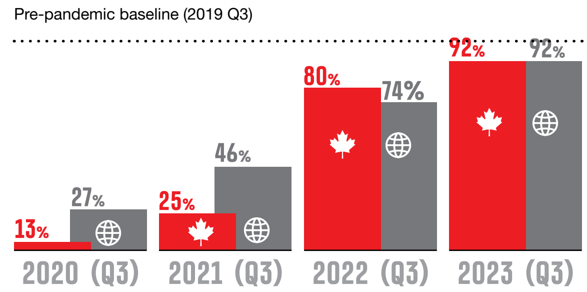
Pre-pandemic baseline (2019 Q3)



In Q3 2023, Canadian domestic air connectivity reached 92% of 2019 levels. Globally, domestic routes in other countries have surpassed pre-pandemic levels, ahead of the domestic route recovery pace in Canada.

Global International Flight Seat Capacity

Pre-pandemic baseline (2019 Q3)



In Q3 2023, Canadian international air connectivity was on par with the global average pace for international route recovery, as global connectivity caught up to Canada following five consecutive quarters of Canada outperforming the global average.

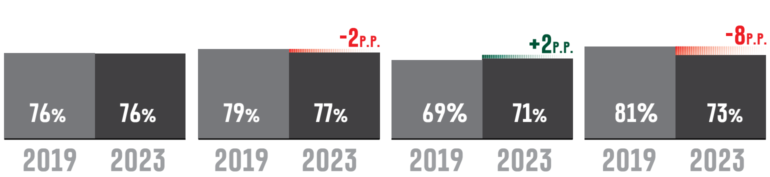
Hotel Occupancy

Source: STR, date extracted on January 9, 2024

On average, occupancy rates in Q3 2023 matched pre-pandemic levels.

Average occupancy in small towns continues to exceed urban and resort occupancy levels.

Occupancy Rate Q3 Data



Int'l Business Events Booking Pace

Source: Destination Canada's National Business Events Pace Report, September 30, 2023 dataset

International business events scheduled in Canada for Year-to-date September 2023

More than
460

International business events delegates/arrivals estimated for Year-to-date September 2023

Nearly
294,000

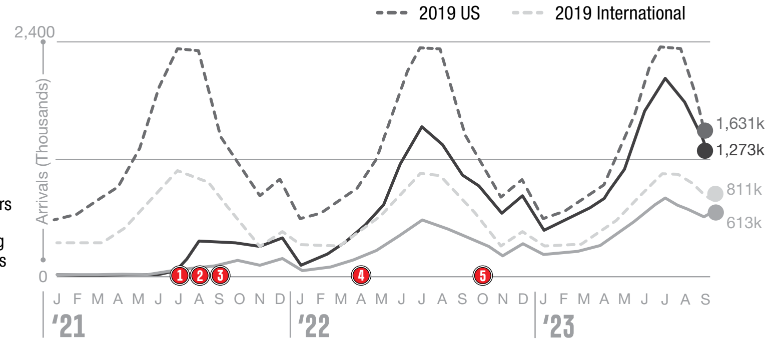
From January-September 2023, international business events reached 79% and international delegate arrivals reached 84% compared to the same pre-covid period. Of the 464 business events year-to-date, the larger amount of business events occurred in June and September. This is typical of BE seasonality, as the majority of business events annually are hosted between April and October.

Arrivals

Source: Statistics Canada, Table 24-10-0055-01

Monthly Arrivals of International Tourists in Canada

1. Announcement of border reopening to US and international travellers
2. Border open to US leisure travellers
3. Border open to all other international leisure travellers
4. Removal of pre-entry testing for fully vaccinated travellers
5. Removal of all remaining COVID-related border restrictions



81%

Year-to-date international arrivals stood at 81% of 2019 levels, with 14.5 million visitors in the first nine months of 2023. This included 10.1 million visitors from the US (84% of 2019) and 4.4 million visitors from overseas (75% of 2019).

Year-to-date arrivals by mode of entry, border counts

Year-to-Date September 2023

Mode	★	🌐	Total
✈	3,611,069 89% vs. 2019	3,706,125 79% vs. 2019	7,317,125 83% vs. 2019
🚗*	6,166,623 84% vs. 2019	604,814 71% vs. 2019	6,771,437 83% vs. 2019
🚢	366,400 47% vs. 2019	40,260 17% vs. 2019	406,660 40% vs. 2019
Total	10,144,092 84% vs. 2019	4,351,199 75% vs. 2019	14,495,291 81% vs. 2019