



The tourism trade balance between Canada and the United States, 1991-2003

Éric Desjardins¹

The balance of payments is an important fundamental concept in any open economy since its status “provides information about a country’s economic transactions with non-residents for a specific period of time.”² Since the tourism trade balance is part of the balance of payments, it too is worthy of study. The hotel industry, travel agencies, tourist destinations and transportation operators are all interested in the habits and preferences of international travellers.

This article presents a trend analysis of the tourism trade balance between Canada and the United States using data from the International Travel Survey. Specifically, the article is an attempt to identify the factors or travel characteristics that had the greatest effect on the tourism trade balance since 1991. Pre-1991 data are not considered. The study focuses exclusively on travel between Canada and the United States because the U.S. contributes more than any other country to Canada’s international travel receipts and is the country where Canadian travellers spend the most outside Canada.

Some travel characteristics contribute more than others to changes in the tourism trade balance. In particular, duration, period and purpose of travel have a significant impact. Table 1 shows how these characteristics have influenced the trade balance since 1991. The exchange rate between Canada and the United States and social, economic and political factors such as the events of September 11, 2001, the SARS crisis and the war in Iraq may also have affected travel between the two countries and the tourism trade balance to varying degrees.

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2. Canada’s Balance of International Payments and International Investment Position, Statistics Canada Catalogue no. 67-506-XIE, page 7.



In this issue...

Feature article

The tourism trade balance between Canada and the United States, 1991-2003 1

Trends

Characteristics of international travellers 8

International travel account 11

Domestic travel 12

Travel indicators 14

The International Travel Survey is a quarterly survey that collects information about international travel and travellers. It has two components: frontier counts and questionnaire surveys. The frontier counts component estimates the number of travellers crossing the border, and the questionnaire surveys deal with the characteristics of these travellers and their trips.

The monetary figures presented in this article are in constant Canadian dollars (1997=100). Canadian and American travel price indexes were used to deflate the data. The American travel price index considers variations in the exchange rate between Canada and the United States. Official statistics from the Tourism Statistics Program (Statistics Canada Catalogue no. 66-201) are in current dollars. Consequently, there may be differences between the data in this article and published official data.

The data in this article do not include travel and spending by crew members, military personnel or diplomats and their dependants travelling for job-related or official reasons. Also excluded are travel and spending by immigrants and Canadian residents who travelled outside Canada for more than 12 months. In addition, travel spending does not include education or medical expenses. All international transportation costs are excluded.

Because of the exclusion of certain types of spending (spending by crew members as well as education and medical expenses) and differences in deflation methods, the monetary data presented in this article differ from published data from Canada's balance of international payments (Statistics Canada Catalogue no. 67-001), the National Income and Expenditure Accounts, Quarterly Estimates (Statistics Canada Catalogue no. 13-001) and the National Tourism Indicators, Quarterly Estimates (Statistics Canada Catalogue no. 13-009).

Unless otherwise noted, quarterly data in this article are seasonally adjusted.

Canada's **tourism trade balance** with the United States is the difference between the amount spent by Americans travelling in Canada (receipts) and the amount spent by Canadian residents travelling in the United States (payments).

The tourism trade balance no longer favours the United States

Since 1991, there has been a major shift in the tourism trade balance between

Canada and the United States: it is swinging increasingly in Canada's favour. The trade balance showed a surplus of \$280 million in 2001 and \$1 billion in 2002 (Figure 1). In 2003, the trade balance managed a \$388 million deficit despite the increase in the Canadian dollar's value relative to the U.S. dollar and the SARS crisis, two subjects that will be discussed at greater length later in this article. These figures are excellent by comparison with 1991's record deficit of \$8.5 billion.

Table 1
The tourism trade balance by selected trip characteristics

	1991	2003	Change
	\$ millions, 1997		
Trip duration	-8,489	-388	8,101
Same-day	-1,810	237	2,048
Overnight	-6,679	-626	6,053
Purpose of trip	-8,489	-388	8,101
Business	-843	-460	383
Non-business	-7,646	72	7,718
Period of trip¹	-8,489	-388	8,101
1st quarter	-2,750	-885	1,866
2nd quarter	-2,243	-374	1,869
3rd quarter	-1,289	1,285	2,573
4th quarter	-2,207	-414	1,793

1. Quarterly data are not seasonally adjusted.
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.

This trend reversal is the combined result of an increase in travel receipts and a decline in travel payments. Receipts climbed from \$4.9 billion in 1991 to \$7.4 billion in 2003, up more than 50%. Payments shrank over 40% during the same period, from \$13.4 billion to \$7.8 billion.

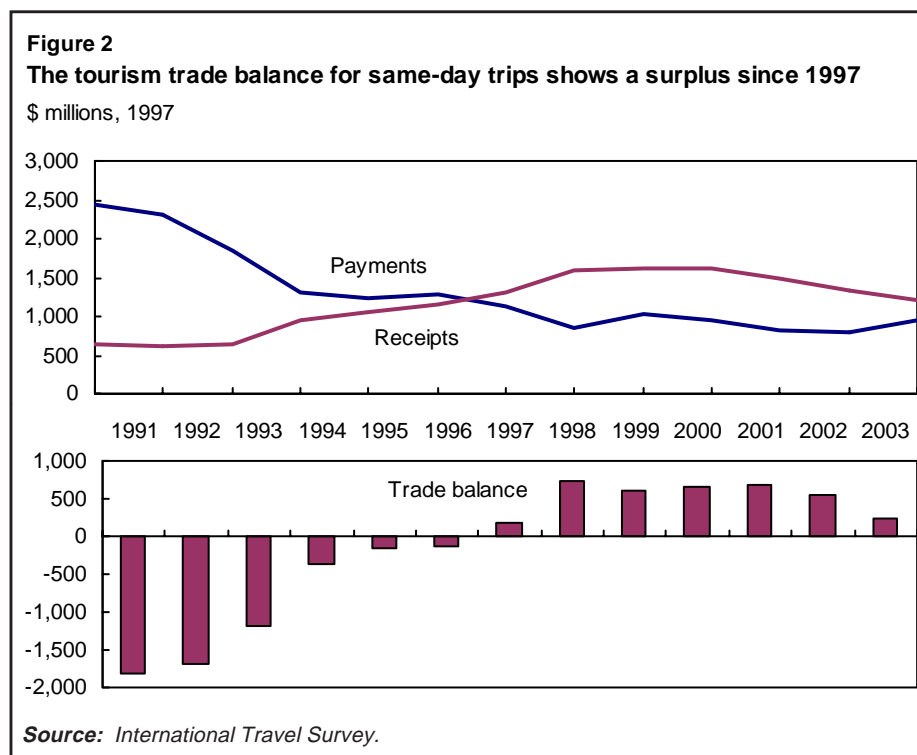
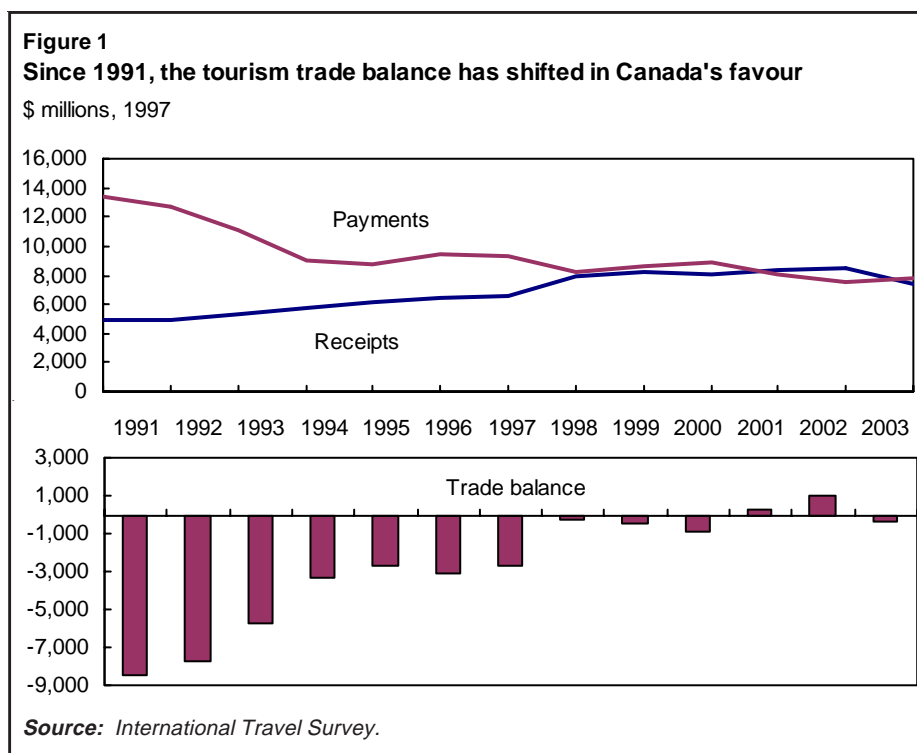
Reversal in same-day travel receipts and payments

Between 1991 and 1996, same-day travel benefited the U.S. economy. In 1991, for example, Canadian residents' same-day travel spending in the United States was almost four times that of Americans in Canada. Since 1997, Canada has had a trade surplus in same-day travel (Figure 2). Since 1991, spending by Canadians on same-day trips in the United States has dropped by over 60%, while same-day travel spending by Americans in Canada has jumped nearly 90%. As a result, Canada's trade balance for same-day travel went from a \$1.8 billion deficit in 1991 to a \$237 million surplus in 2003.

One possible reason for this reversal is the extent of cross-border shopping by Canadians in the early 1990s, following the introduction of the Goods and Services Tax (GST) and the North American Free Trade Agreement (NAFTA). However, the popularity of cross-border shopping among Canadians waned from year to year as the value of the Canadian dollar declined against its American counterpart. The decrease in Canadians' cross-border shopping expenditures helped erase the same-day travel trade deficit during the 1990s.

The impact of overnight travel on the trade balance

In 2003, overnight travel accounted for 84% of Americans' total trip expenditures in Canada, compared with 88% of Canadians' total trip spending in the United States. Even though overnight travel spending did not see as significant a reversal as same-day travel spending, because of its magnitude, its fluctuations had a much greater impact on the trade balance (Table 2). Spending by



Canadians on overnight trips in the United States fell by 37% between 1991 and 2003, from \$10.9 billion to \$6.9 billion. Meanwhile, overnight

spending by Americans in Canada rose from \$4.2 billion to \$6.2 billion, an increase of 47%. As a result, the trade balance for overnight travel went from

a deficit of \$6.7 billion to a deficit of \$626 million between 1991 and 2003.

Canada: An increasingly popular vacation spot

More Americans are taking pleasure trips to Canada. Between 1991 and 2003, the number of overnight pleasure trips by these visitors increased from 9.4 million to 11.1 million. Spending during those trips grew by more than half during the period, from \$2.9 billion to \$4.5 billion (Figure 3). This increase, combined with a 42% decline in overnight spending by Canadians in the United States between 1991 and 2003 (from \$8.3 billion to \$4.8 billion), left the trade balance for overnight pleasure travel with a deficit of \$319 million in 2003. In 1991, Canada had a deficit of \$5.4 billion in overnight pleasure travel.

The biggest contributor to this downward trend was vacations, which in 2003 accounted for more than 60% of overnight pleasure travel by Americans in Canada. The trade balance for this kind of travel showed a deficit of \$29 million in 2003, compared with a \$4.5 billion deficit in 1991.

Despite the increase in the number of Americans taking pleasure trips to Canada since 1991, the recent SARS crisis caused a dramatic decline between 2002 and 2003. In 2003, the number of Americans making overnight pleasure trips to Canada was down 13% from 2002, and spending dropped by 16%. The trade balance for overnight pleasure travel posted a surplus of \$565 million in 2002.

The trade balance for business travel is improving

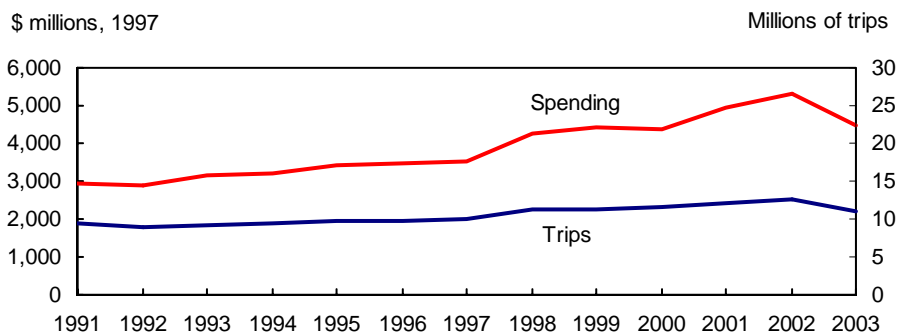
Between 1991 and 2003, the trade balance for business travel went from a deficit of \$843 million to a deficit of \$460 million. The main reason for this decline was that the number of same-day business trips made by Canadian residents to the United States fell from 3.4 million in 1991 to 2.7 million in 2003. Consequently, spending by Canadians during such trips shrank from

Table 2
Receipts, payments and tourism trade balance by trip duration

	Same-day	Overnight	Total
\$ millions, 1997			
Receipts			
1991	634	4,234	4,868
2003	1,194	6,237	7,431
Change (%)	88.3	47.3	52.6
Payments			
1991	2,444	10,913	13,357
2003	956	6,863	7,819
Change (%)	-60.9	-37.1	-41.5
Balance			
1991	-1,810	-6,679	-8,489
2003	237	-626	-388
Change	2,048	6,053	8,101

Source: International Travel Survey.

Figure 3
Spending by Americans on overnight pleasure trips in Canada has increased considerably between 1991 and 2003



Source: International Travel Survey.

\$335 million in 1991 to \$45 million in 2003, an 87% drop (Figure 4).

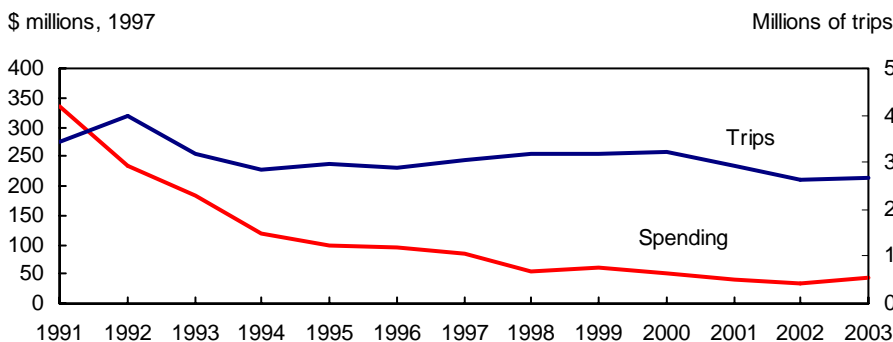
The trade balance for overnight business travel improved slightly during the period, from a \$552 million deficit in 1991 to a \$475 million deficit in 2003. Nevertheless, spending associated with this type of travel, which in 2003 accounted for more than 95% of all business travel expenditures between the United States and Canada, has increased since 1991. Spending by Americans in Canada rose 18% since 1991 to \$1.2 billion in 2003 while spending by Canadians in the United States went up 6% to \$1.7 billion.

Travel is split into two categories: business travel and non-business travel.

Business travel includes trips taken for attending or participating in meetings, conventions, conferences, trade shows, seminars and any other work-related activities.

Non-business travel includes pleasure travel and other travel. Pleasure travel includes trips taken for the following reasons: holidays, vacations, visiting friends or relatives, visiting a secondary home, a cottage or condominium and attending events or attractions. Other travel includes trips for personal reasons (weddings, funerals, medical care), trips for which Canada is a transit point, education travel, shopping trips and trips taken for other reasons.

Figure 4
Spending by Canadians on same-day business trips in the United States
decreased by 87% since 1991



Source: International Travel Survey.

The third-quarter trade balance showed a surplus of \$1.3 billion in 2003, compared with a \$1.3 billion deficit in 1991.

Overseas destinations are drawing more Canadians⁴

Between 1991 and 2003, the number of Canadian residents who travelled overseas rose from 2.8 million to 5.1 million, an 80% increase. The only year in which volume declined was 2002; that was primarily due to the after-effects of September 11, 2001. It wasn't until the fourth quarter of 2002 that travel to overseas returned to the same level as in the third quarter of 2001.

The increase in the number of Canadian residents travelling overseas was present in both business travel and pleasure travel. Between 1991 and 2003, the number of business trips to overseas countries climbed from 423,000 to 549,000, up 30%, while the number of pleasure trips jumped from 2.4 million to 4.5 million, up nearly 90%.

While it is impossible to measure the effect that Canadians' increased interest in overseas destinations had on the trade balance between Canada and the United States, it is possible to determine that the effect was in Canada's favour. No matter what Canadians' reasons are for travelling more to overseas countries—

3. The data given in this section are not seasonally adjusted.

4. Overseas countries include all countries except the United States.

Canadian winters: Americans and Canadians are getting used to them³

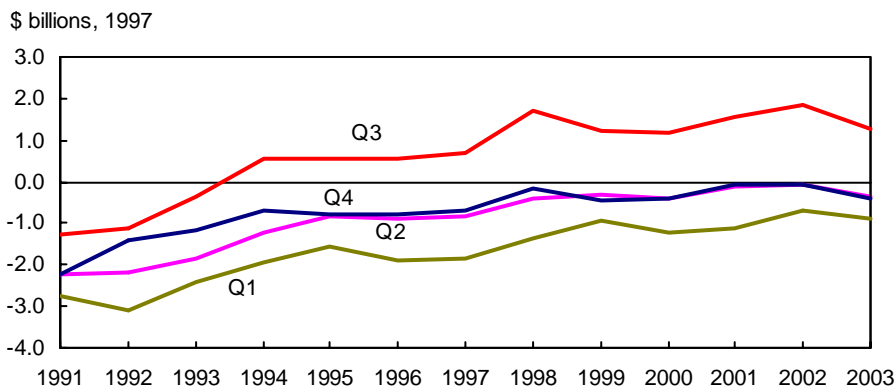
Though still the least popular quarter among American visitors, the first quarter is the period with the fastest growth. In 2003, first-quarter spending by Americans in Canada totalled \$1.2 billion, a sixth of the travel receipts obtained from the United States during the year and a 113% increase from the \$580 million recorded in the first quarter of 1991. Over 6.6 million Americans visited Canada in the first three months of 2003, up nearly 25% from 1991. They also spent more per trip than in 1991. On average, Americans spent \$442 per overnight trip to Canada in the first quarter of 2003, compared with \$332 in the first quarter of 1991.

Canadian residents, on the other hand, made over 9 million fewer trips in the first quarter of 2003 (7.5 million trips) than in the same quarter of 1991 (16.7 million trips). Most of the decrease was in same-day trips, which dropped by almost two thirds between 1991 and 2003. As a result, spending by Canadians fell from \$3.3 billion in the first quarter of 1991 to \$2.1 billion in the first quarter of 2003, a \$1.2 billion decline. Despite the growth in spending by Americans in Canada and the drop in spending by Canadians in the United States, there was an \$885 million trade deficit in the first quarter of 2003. Still, that is a substantial improvement over the

\$2.8 billion deficit for the first quarter of 1991.

As in 1991, the summer (third quarter) was the most popular time of the year for Canadian and American visitors in 2003. In the third quarter, 13 million Americans visited Canada, 36% of the total volume of American visitors to Canada in 2003. They spent \$3.1 billion, up from \$2.2 billion in the third quarter of 1991. Canadian residents, for their part, made 10 million trips to the United States in the third quarter, 30% of all trips in 2003. Spending by Canadians in the United States totalled \$1.8 billion in the third quarter of 2003, down nearly 50% from the third quarter of 1991. Since 1994, the third quarter has been the only quarter with a trade surplus (Figure 5).

Figure 5
Since 1994, the third quarter is the only one with a tourism trade surplus



Source: International Travel Survey.

globalization, devaluation of the Canadian dollar relative to the U.S. dollar, or simple curiosity—the trend has been good for Canada's trade balance with the United States.

A trade surplus followed the events of September 11, 2001⁵

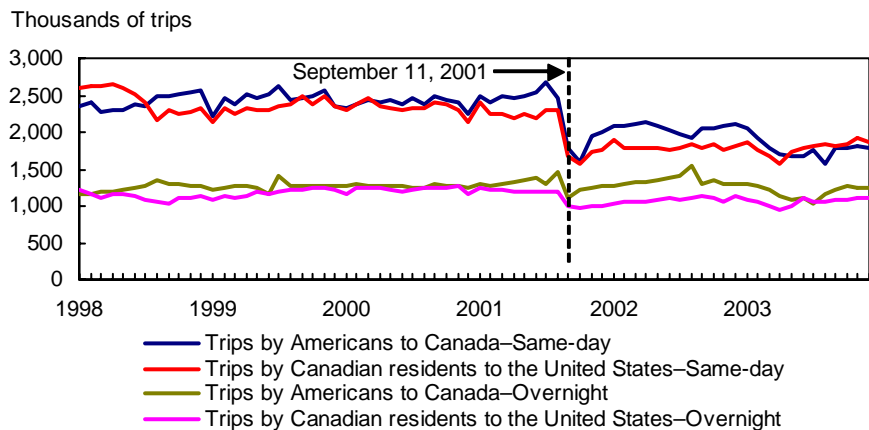
Both Canadian travellers and American visitors were affected by the events of September 11, 2001. The number of Americans visiting Canada and the number of Canadian residents travelling to the United States dropped by more than a quarter between August and October 2001 (Figure 6). During that period, the number of same-day trips to Canada by Americans declined by 35%, and the number of same-day trips to the United States by Canadians was down 32%. In both cases, volumes rebounded in November, though same-day travel to Canada by Americans grew more rapidly. In December 2001, the number of trips to Canada by Americans was 17% below the August 2001 level, compared with 21% for trips to the United States by Canadians.

While the events of September 11 had a negative effect on tourism in Canada, the impact was even more serious in the United States, which gave Canada a short-term advantage in the tourism trade balance. In the first quarter of 2002, Canada had a trade surplus of \$390 million, its best quarterly performance since 1991.

The tourism trade balance benefits from the exchange rate

The value of the Canadian dollar relative to the U.S. dollar has played an important role in the movement of the tourism trade balance (Figure 7). The value of the Canadian dollar went through two different phases between 1991 and 2003. First, from 1991 to 2002, the value of the Canadian dollar declined steadily from .87 to .64 \$US. Then, in 2003, the Loonie climbed to .71 \$US, up 12% from 2002.

Figure 6
The September 11 events had important repercussions on tourism between Canada and the United States



Source: International Travel Survey.

First, the devaluation of the Canadian dollar between 1991 and 2002 pushed Canadian residents to review their spending habits by cutting back on travel spending in the United States. In 2002, Canadians spent an average of \$67 per night in the United States, a 16% decrease from 1991. Second, Americans took advantage of their buying power in Canada. Between 1991 and 2002, their expenditures rose from \$86 to \$112 per night, up 30%. The dollar's decline in value between 1991 and 2002 undoubtedly had an impact on the composition of the travel basket on both sides of the border. The changes to the basket in turn affected the per-night expenditures. With the rise in the value of the Canadian dollar between 2002 and 2003, Canadians' per-night spending in the United States jumped 5% and Americans' per-night spending in Canada fell 2% during the period.

The devaluation of the Canadian dollar also affected the volume of travellers between Canada and the United States: fewer Canadian residents visited the United States, while more Americans travelled to Canada. Between 1991 and 2002, the number of trips to Canada by Americans increased from 34 million to 41 million. In 2003, however, the increase in the Canadian dollar's value

over 2002 contributed to a 5.4 million decline in the volume of U.S. visitors to Canada. There had not been so few American visitors since 1994. Conversely, between 1991 and 2002, the number of trips taken by Canadians in the United States dropped from 79 million to 35 million, a 56% decrease. The rise in the value of the Canadian dollar between 2002 and 2003 would normally have contributed to an increase in the number of Canadians travelling to the United States. However, certain international political events, such as the war in Iraq, seem to have had a short-term negative impact on the tourism industry in the United States. This said, there was little change in the volume of Canadian travellers to the United States between 2002 and 2003.

Figure 7 indicates that the volatility of travel to the United States by Canadian residents relative to the fluctuation in the exchange rate is much greater for same-day travel. The number of same-day trips declined by nearly two thirds between 1991 and 2002, from 60 million to 22 million. The number of overnight trips to the United States fell by almost a third to 13 million during the period. Conversely, exchange rate fluctuations

5. The figures given in this section are monthly.

seem to have a greater effect on the volume of overnight travel to Canada by Americans than on the volume of same-day travel. The number of overnight trips to Canada by U.S. visitors increased to 16 million in 2002, up more than a third since 1991. However, the correlation between the exchange rate and the number of same-day trips to Canada by Americans appears to be weak. One possible explanation of this difference would be that Americans replaced some same-day trips with overnight trips because of their increased buying power.

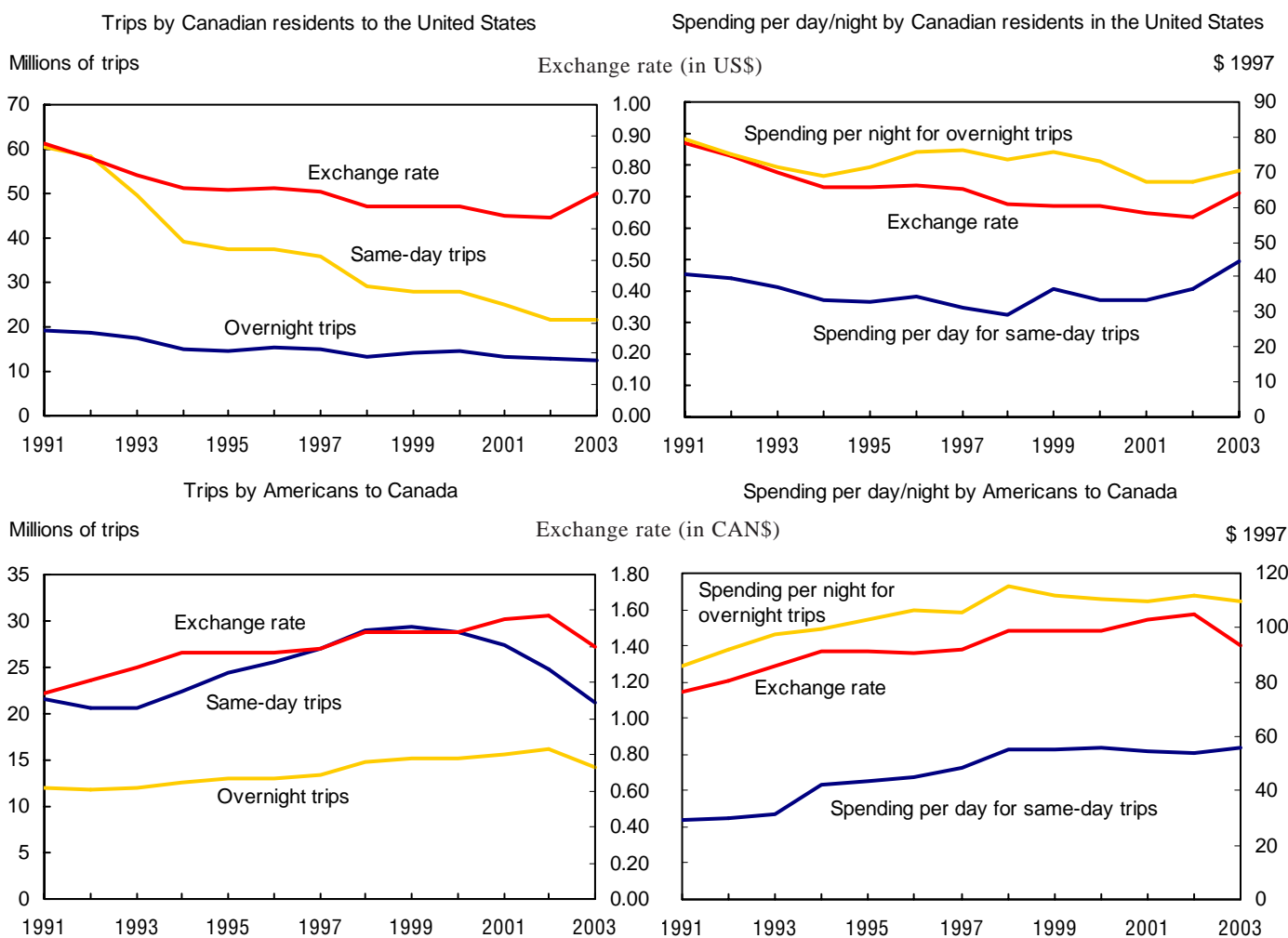
The SARS crisis led to the first quarterly deficit in more than two years

Even though the problems associated with the SARS crisis were confined to a few places in Canada, notably the Toronto area, they had a major impact on the tourism trade balance with the United States. The number of Americans travelling to Canada dropped from 9.5 million to 8.4 million between the first and second quarters of 2003, a 12% decline. Spending shrank 13% during the same period. This contributed to the

first quarterly tourism trade deficit with the United States since the first quarter of 2001. The trade deficit in the second quarter of 2003 was \$166 million.

It is safe to say that in the short term, the SARS crisis had a negative effect on the tourism trade balance. Eight months after it started, however, Americans' apprehensions regarding SARS seemed to have faded considerably. In November 2003, the number of American visitors to Canada was only 3% lower than the pre-SARS level recorded in February of 2003.

Figure 7
The exchange rate has an impact on the number of travellers and their spending per day/night



Source: International Travel Survey.

The impact of the Iraq war on the tourism trade balance is difficult to measure

Because of other significant external factors in 2003, such as the SARS crisis and the appreciation of the value of the Canadian dollar, it is difficult to measure the effect that the war in Iraq had on the tourism trade balance. Between the time the war started in March 2003 and the end of the year, the number of Canadians travelling to the United States grew by 11%, and the number of Americans visiting Canada increased by 1%. In view of the influence that the rise in value of the Canadian dollar had on the volume of travellers, it seems reasonable to assume that the war in Iraq had little impact on the number of travellers and, therefore, little effect on the trade balance.

It is important to note that tourism in Canada was affected by other unexpected events, aside from the rise in the value of the Canadian dollar, the SARS crisis and the war in Iraq. However, those events, such as the mad cow disease and the forest fires in British Columbia, seem to have had little effect on Canada's tourism trade balance with the United States.

Conclusion

As globalization takes on an increasingly important role, it is becoming more difficult to determine the exact causes of change in the tourism trade balance between Canada and the United States. The recent emergence of a trade surplus is the result of a shift in travel characteristics due to social, economic and political changes both within Canada's borders and on a global scale. In addition, the more those factors are concentrated at the national level, with little impact on the international community, the more influence they seem to have on the trade balance.

Among the economic factors, fluctuations in the exchange rate between the Canadian and U.S.

currencies appear to have been the most important contributors to movements in the tourism trade balance with the United States. For one, the exchange rate affects how much travellers spend. It also has an impact on the number of travellers crossing the border. Hence, the decline in the Canadian dollar's value between 1991 and 2002 undoubtedly helped to improve the trade balance with the United States. Other economic events, such as the introduction of the GST and NAFTA, also had long-term repercussions on the trade balance.

In addition, a number of political events, both national and international, contributed to changes in the tourism trade balance with the United States since 1991. However, those events, such as the war in Iraq and the events of September 11, 2001, probably had only a short-term impact on the trade balance.

Except for the SARS crisis, whose repercussions lasted less than a year, the majority of social events since 1991 likely had little effect on the trade balance.

With the appreciation of the value of the Canadian dollar, the war in Iraq and its aftermath and the apprehensions about possible terrorist attacks, it is extremely difficult to forecast what will happen to Canada's tourism trade balance with the United States over the next few years.

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Characteristics of international travellers First quarter 2004 (preliminary)

Canadian residents flocked to vacation sunspots between January and March of 2004, setting a record for overnight travel outside the country in the process.

The number of overnight trips to foreign nations reached a record high of nearly 5 million, up 11.0% from the first quarter of 2003. The number of nights Canadians spent in these countries jumped 17.1%.

The biggest gains occurred in travel to Central and North America (excluding the United States), which rose 25.2%, and to the Caribbean, which was up 16.5%.

The 10 most visited overseas countries all recorded gains. Visits to Mexico, the Dominican Republic and Cuba accounted for more than one-half of all visits to overseas countries.

Visits to Barbados more than tripled to nearly 60,000. Costa Rica alone saw a seven-fold increase in the number of Canadian travellers.

Spending by Canadian residents in overseas countries increased 15.7% to \$2.6 billion, the highest figure ever for a first quarter.

In the opposite direction, however, it was a different story. Canada welcomed nearly 2.6 million overnight visitors between January and March of 2004, down 3.3% from the same period in 2003. It was the lowest first quarter level in four years. Spending by these overnight visitors fell 6.3%.

Top 12 overseas countries visited by Canadian residents

	Overnight visits		First quarter 2004	
	First quarter 2004 ^P	First quarter 2003 ^r to first quarter 2004	Spending	Average number of nights per visit
	'000	% change	\$ millions	
Mexico	421	14.8	499	12.0
Dominican Republic	314	28.5	312	9.2
Cuba	259	7.6	289	10.0
United Kingdom	92	5.3	107	13.9
France	64	16.4	86	15.4
Barbados	60	243.2	86	15.9
Hong Kong	55	29.0	73	16.4
Jamaica	43	23.1	50	8.7
Costa Rica	41	618.2	54	12.4
Australia	41	2.1	115	30.5
Thailand	40	-8.1	65	18.0
Germany	37	-5.0	31	10.0

^r revised^P preliminary**Taking advantage of the gain in the Canadian dollar**

Of the nearly 5 million overnight trips Canadians took abroad between January and March of 2004, over 3 million were to the United States, a 9.6% gain, and just over 1.9 million to overseas nations, up 13.3%.

It was the first time since 2000 that an increase in travel to the United States occurred in the first quarter of the year. The gain coincided with the Canadian dollar reaching its highest quarterly value compared with the U.S. dollar in nearly 10 years.

Visits by Canadians to the dozen most popular states all rose, with the highest gains posted by Pennsylvania (+30.6%) and South Carolina (+21.9%). Canadians made nearly 900,000 trips to Florida, their favourite destination in the first quarter, up 10.8%.

Pleasure trips, which accounted for nearly 57.0% of overnight Canadian travel to the United States, rose 12.1% from the first quarter of 2003. This was five times as large as the modest 2.2% gain in business travel.

The stronger Canadian dollar may also have been a factor in the highest

first quarter level of overnight car trips by Canadians to the United States since 1997. These trips rose 12.6% to 1.5 million. Despite a second consecutive quarterly gain in air trips, the 2004 first quarter level was still lower than in the same quarter of 2001, prior to September 11.

Canadian spending remained stable at about \$2.4 billion despite the increase in travel to the United States. Average spending per trip fell from \$874 to \$799. The number of nights spent in the United States rose 2.4% to 29.5 million from the first quarter of 2003.

American travel to Canada still down

Of the 2.6 million overnight visitors who arrived in Canada between January and March of 2004, nearly 2.1 million came from the United States, a 3.5% decline, while 533,000 came from overseas nations, a 2.6% drop. Travel from the United States stood at the lowest level for a first quarter since 1999.

Virginia (+61.2%) and Maine (+43.7%) posted the largest gains in travel to Canada among the top 12 states of origin. The biggest decline was in travel from Massachusetts (-25.3%).

Overnight trips by air from the United States edged up 1.6% in the first quarter of 2004, whereas car travel was down 6.2%.

Americans spent \$1.0 billion in Canada during the first quarter of 2004, down 4.1%. This spending accounted for nearly 59.0% of total spending by foreign overnight travellers in Canada.

Americans stayed 6.6 million nights in Canada, down 4.7% from the first three months of 2003.

Trips from overseas to Canada are still declining

Canada recorded a third consecutive first-quarter decline in the number of overnight trips from overseas between January and March of 2004. The 533,000 visitors from overseas represented the lowest first quarter level since 1998.

Top 12 U.S. states visited by Canadian residents

	Overnight visits		First quarter 2004	
	First quarter 2004 ^P	First quarter 2003 ^r to first quarter 2004	Spending	Average number of nights per visit
	'000	% change	\$ millions	
Florida	862	10.8	825	14.2
New York	324	16.9	105	2.8
California	280	6.7	252	9.8
Washington	271	10.0	51	2.6
Nevada	230	6.8	198	4.9
Michigan	189	14.6	37	2.7
South Carolina	162	21.9	91	6.7
Georgia	148	15.9	33	2.4
Arizona	143	16.4	133	13.5
Virginia	136	7.2	15	1.9
Pennsylvania	127	30.6	17	2.2
North Carolina	125	12.2	19	2.4

^r revised^P preliminary

Trips from Europe, which accounted for half of all overnight trips by overseas residents to Canada, dropped 6.8% to 270,000. On the other hand, travel from Asia rose 2.2%.

Only three nations among the 12 top overseas markets recorded gains in travel to Canada: Taiwan (+27.0%), Hong Kong (+20.0%) and South Korea (+4.7%). Residents of the United Kingdom, the top overseas market for Canada, took 116,000 overnight trips to Canada, down 6.9%.

Overseas residents spent \$735 million on overnight trips in Canada, down 9.3% from the first quarter of 2003. This drop was partly the result of a 25.1% decline in the number of nights spent in Canada, which fell to 6.6 million.

Overnight travel between Canada and other countries, 2002 and 2003

	Person-trips			Expenditures			Person-nights		
	2002 ^r	2003 ^r	2002 to 2003	2002 ^r	2003 ^r	2002 to 2003	2002 ^r	2003 ^r	2002 to 2003
	'000		% change	\$ millions		% change	'000		% change
Canadian trips abroad	17,705	17,739	0.2	15,592	15,698	0.7	181,192	183,055	1.0
To the United States	13,025	12,666	-2.8	8,457	8,075	-4.5	100,246	97,333	-2.9
To other countries	4,680	5,074	8.4	7,135	7,624	6.9	80,947	85,722	5.9
Travel to Canada	19,964	17,420	-12.7	13,683	11,683	-14.6	122,150	107,698	-11.8
From the United States	16,168	14,232	-12.0	8,412	7,288	-13.4	64,507	56,723	-12.1
From other countries	3,796	3,188	-16.0	5,271	4,395	-16.6	57,642	50,975	-11.6

^r revised

Overnight travel between Canada and other countries

	Person-trips				Expenditures			
	Fourth quarter 2003 ^r	First quarter 2003 ^r	First quarter 2004 ^p	First quarter 2003 to first quarter 2004	Fourth quarter 2003 ^r	First quarter 2003 ^r	First quarter 2004 ^p	First quarter 2003 to first quarter 2004
	'000			% change	\$ millions			% change
Canadian trips abroad	3,824	4,476	4,967	11.0	3,426	4,651	5,008	7.7
To the United States	2,708	2,783	3,050	9.6	1,664	2,420	2,426	0.2
To other countries	1,117	1,693	1,917	13.3	1,762	2,231	2,583	15.7
Travel to Canada	3,261	2,687	2,598	-3.3	1,999	1,890	1,770	-6.3
From the United States	2,624	2,140	2,065	-3.5	1,199	1,079	1,035	-4.1
From other countries	637	548	533	-2.6	800	811	735	-9.3

^r revised

^p preliminary



International travel account Second quarter 2004 (preliminary)

The international travel deficit narrowed for the first time in nearly two years between April and June of 2004, as the increase in spending by foreigners in Canada was the largest since early 2002 and Canadian spending abroad slipped.

The deficit—the difference between spending by Canadians abroad and spending by foreigners in the country—fell \$279 million to an estimated \$1.1 billion in the second quarter of 2004. This was the largest decline in the deficit since the third quarter of 1998.

Foreign visitors to Canada spent \$4.1 billion between April and June, up 6.1% from the first quarter of 2004, and 19.4% higher than the second quarter of 2003. This was the highest level in nearly two years.

At the same time, Canadian residents spent \$5.2 billion abroad, down 0.8% from the first quarter of 2004 and the first decline in a year. However, Canadian spending abroad remained 20.9% higher than it was in the second quarter of 2003.

Canada's international travel deficit had been expanding since the third quarter of 2002. In the first three months of 2004, the deficit jumped to a 10-year high of \$1.3 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 Canadian residents travelling abroad, including education and medical spending.

Overseas countries are countries other than the United States.

Travel deficit with United States falls

Canada's travel deficit with the United States reached an estimated \$497 million in the second quarter of 2004, down from the near seven-year high of \$577 million in the previous quarter. This was the first such decline since the third quarter of 2003.

The drop in the deficit was caused by a 2.6% gain in spending by Americans in Canada, coupled with a 0.7% decline in spending by Canadians in the United States.

Despite an overall 1.8% drop in the number of Americans travelling to Canada, overnight trips were up 3.5% in the second quarter of 2004. This contributed to the increase in spending by Americans in Canada, which reached \$2.4 billion.

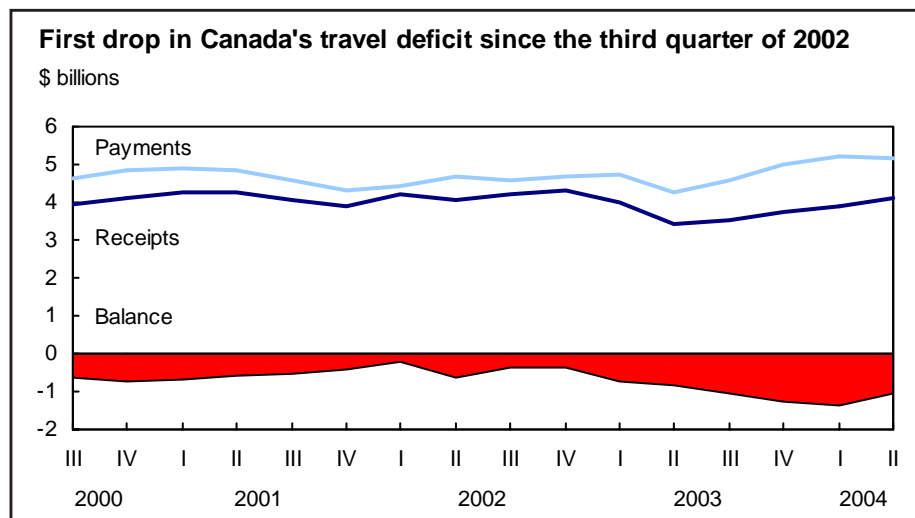
Conversely, spending by Canadians in the United States fell to \$2.9 billion as a result of a 2.4% decrease in same-day trips to the United States. Overall, 0.8% fewer Canadians travelled south of the border during the second quarter compared with the first of 2004.

The value of the Canadian dollar against its American counterpart slipped 3.1% between the first and second quarters of 2004. This may have contributed to the decline in spending by Canadians south of the border and to the increase in spending by Americans in Canada.

Record spending in Canada fuels significant drop in travel deficit with overseas countries

The travel deficit with overseas countries fell to \$571 million in the second quarter of 2004, the second consecutive decrease from its record high of \$810 million at the end of 2003. Record spending by overseas travellers in Canada was mainly responsible for this decline.

Overseas travellers spent an all-time high of \$1.7 billion in Canada in the second quarter of 2004, up 11.3% from the first quarter and 29.8% higher than a year earlier. The record was mostly a result of a 13.8% jump in the number of overseas travellers to Canada compared with the first quarter.



This was the first time since late 2002 that more than 1 million overseas travellers visited Canada.

Canadian residents visiting overseas countries spent \$2.3 billion in the second quarter of 2004, down 1.1% from the record high set in the first quarter, but still 34.3% higher than it was a year ago.

Spending was down despite a 1.3% rise in the number of Canadian residents travelling to overseas countries, which hit a record 1.4 million in the second quarter of 2004.

The value of the Canadian dollar compared with most major overseas currencies was up slightly during the second quarter. Compared with the British pound sterling, however, the Canadian dollar was down 1.3%.



Domestic travel First quarter 2004

Travel in Canada by Canadian residents increased 1.7% to 35.2 million trips in the first quarter of 2004 compared with the first quarter of 2003. Despite this overall increase, the number of domestic trips taken in the first quarter of 2004 was 5.4% less than the seven-year high of 37.2 million trips recorded in the first quarter of 2002. Meanwhile, the number of Canadians travelling to foreign countries increased 8.5% to 10 million during the same period.

Trips to Canada by foreigners fell 8.1% to 6.6 million in the first quarter of 2004. Overall, domestic trips accounted for 84% of the 41.8 million trips taken in Canada in the first quarter of 2004, compared with 83% for the same quarter a year earlier.

The first quarter usually has the lowest number of domestic trips reported during the year. In recent years, it accounted for about 20% of all domestic trips taken during the year.

The 1.7% gain in domestic travel during the first quarter of 2004 was a result of increases in pleasure trips (+5.7%) and trips made to visit friends or relatives (+4.7%). Together these two categories represented 71% of all domestic trips reported in the first quarter of 2004. Meanwhile, business and convention travel declined 10.1% to 4.8 million trips compared with the first quarter of 2003.

In the last seven years, the trend in first quarter pleasure trips has been generally upward, while the reverse is true for business trips. In fact, the peak number of first quarter pleasure trips was

International travel account receipts and payments

	Seasonally adjusted ¹			
	Second quarter 2003 ^r	First quarter 2004 ^r	Second quarter 2004 ^p	First quarter 2004 to second quarter 2004
	\$ millions			% change
United States				
Receipts	2,122	2,337	2,398	2.6
Payments	2,583	2,914	2,895	-0.7
Balance	-461	-577	-497	
All other countries				
Receipts	1,321	1,539	1,714	11.3
Payments	1,702	2,310	2,285	-1.1
Balance	-381	-770	-571	
Total				
Receipts	3,443	3,876	4,112	6.1
Payments	4,284	5,224	5,180	-0.8
Balance	-842	-1,347	-1,068	

^r revised

^p preliminary

1. Data may not add to totals due to rounding.

recorded in 2004, and the lowest in 1998. In contrast, 2004 saw the lowest number of business and convention trips taken in the first quarter since 1998.

Trips including at least one overnight stay stood at 15.8 million in the first quarter of 2004, virtually unchanged from a year earlier. However, same-day trips increased 3.0% to 19.4 million.

In the first quarter of 2004, trips composed of at least one adult and children increased 13.9% to 10.9 million. Trips made by "adults only" fell 3.0% to 24.3 million.

The number of trips involving downhill skiing or snowboarding increased 14.3% to 2.8 million compared with the winter of 2003, and accounted for 8% of all trips.

During the first three months of 2004, Canadian travellers in Canada were away from home 43.5 million nights with an average of 2.8 nights per trip. The average spending per night was \$99.

The number of overnight stays in all types of accommodation rose 1.2%, led by a 4.8% jump in the number of nights spent in non-commercial establishments. The number of nights spent by Canadians in commercial establishments fell 5.0% over the same period. Canadians spent 28.5 million nights in non-commercial accommodation and 15 million in commercial establishments during the first quarter of 2004.

Spending on domestic travel, which reached \$5.6 billion in the first quarter of 2004, fell 3.4% compared with the same quarter a year earlier. However, when taking inflation into account, spending actually decreased by 2.5% to \$5.0 billion (in 1997 dollars).

Canadian travel within Canada

	First quarter 2003	First quarter 2004	First quarter 2003 to first quarter 2004
	trips (millions)		% change
Total trips	34.6	35.2	1.7
Intraprovincial trips	30.7	31.4	2.2
Interprovincial trips	3.9	3.8	-2.6
Same-day trips	18.8	19.4	3.0
Overnight trips	15.8	15.8	0.0
Visiting friends or relatives	12.1	12.7	4.7
Pleasure	11.7	12.3	5.7
Personal ¹	5.5	5.4	-2.1
Business and convention	5.3	4.8	-10.1
	nights (millions)		
Total nights	43.0	43.5	1.2
Non-commercial nights	27.2	28.5	4.8
Commercial nights	15.8	15.0	-5.0
	expenditures (\$ millions)		
Total expenditures	5,776	5,581	-3.4
Transportation	2,259	2,078	-8.0
Accommodation	968	909	-6.1
Food and beverage	1,376	1,403	1.9
Recreation and entertainment	420	427	1.7
Other ²	753	765	1.5
	expenditures (\$ millions, 1997)		
Total expenditures	5,139	5,011	-2.5
Transportation	2,040	1,920	-5.9
Accommodation	844	835	-1.0
Food and beverage	1,200	1,193	-0.6
Recreation and entertainment	377	381	0.8
Other ²	678	682	0.6

1. Including not stated trips.
2. Clothing and other purchases.

Note: Domestic travel is defined as any trip of 80 kilometres or more one way, taken by a Canadian resident to a Canadian destination. Data for trips by Canadian residents abroad and by foreigners to Canada come from the International Travel Survey.



	CANSIM II	First quarter		Percentage change
		2003	2004	
VISITORS TO CANADA ('000)				
From United States	V125185	6,626	6,055	-8.6
One or more nights trips	V129509	2,140	2,051	-4.2
- By auto	V125188+V125189	1,354	1,271	-6.1
From overseas	V125217	574	561	-2.3
One or more nights trips	V129521	562	547	-2.7
Top seven countries				
- United Kingdom		125	116	-7.2
- Japan		56	53	-5.4
- France		53	50	-5.7
- Germany		31	31	0.0
- Australia		29	28	-3.4
- South Korea		26	27	3.8
- Mexico		21	20	-4.8
CANADIANS OUTSIDE CANADA ('000)				
To United States	V125228	7,482	8,041	7.5
One or more nights trips	V129534	2,783	3,044	9.4
- By auto	V125231+V125232	1,369	1,541	12.6
To overseas (one or more nights)	V125260	1,693	1,917	13.2
INDUSTRY				
Airline passengers (Level I) ('000)	V11743	5,011	4,981	-0.6
Airline passenger-km (Level I) (millions)	V11744	14,538	15,154	4.2
PRICES 1992 = 100 (not s.a)				
Travel Price Index	V121654	137.2	*	*
Consumer Price Index	V735319	122.2	123.2	0.8
- Restaurant meals	V735392	124.0	127.2	2.6
- Inter-city transportation	V735515	188.7	184.8	-2.1
- Renting and leasing of automotive vehicles	V735499	124.5	125.4	0.7
- Gasoline	V735501	144.9	138.9	-4.1
ECONOMIC				
Gross Domestic Product, 1997 prices (s.a.) (millions)	V2036138	1,010	1,035	2.5
- Amusement and recreation (millions)	V2035809	9,919	10,145	2.3
- Accommodation and food services (millions)	V2035815+V2035816	22,844	23,221	1.7
Personal disposable income per capita (s.a.)	V498186/V1	22,455	22,998	2.4
LABOUR ('000)				
Labour force	V2091051	16,688	16,940	1.5
Unemployed	V3433877	1,333	1,344	0.8
Employed	V2091072	15,355	15,596	1.6
- Accommodation and food services	V2710158	988	980	-0.8
EXCHANGE RATES (in Canadian dollars)				
American Dollar	V37426	1.5098	1.3178	-12.7
British Pound	V37430	2.4198	2.4241	0.2
Japanese Yen	V37456	0.0127	0.0123	-3.1
Euro Dollar	V121742	1.1234	1.1715	4.3
* Not yet available. (s.a.) Seasonally adjusted.				