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Tourism Intelligence Bulletin

Tourism Recovery Continues Amid Growing Concerns

Issue 56: November 2010

The Tourism Intelligence Bulletin monitors the tourism industry round the world. This issue features tourism intelligence gathered in August, September, and early October 2010.

Bulletin Highlights

Tourism Overview: North America

- **Canadians to travel abroad this winter:** More Canadians plan to take trips this winter compared with a year ago, according to the latest Travel Intentions Survey by The Conference Board of Canada. The results suggest travel sentiment improved, but most of the increase in travel demand stems from outbound travel. Growth in domestic travel is likely to remain muted in the short term. **(See "Leisure Travellers," page 4, and "Domestic Travel," page 9.)**

- **U.S. vacation intentions up in August:** U.S. travel intentions were up slightly in August, according to the latest Consumer Confidence Survey report by the U.S. Conference Board, Inc. Still, overall travel intentions have not made much progress since August 2009. Meanwhile, consumer confidence continued its downward path, suggesting Americans are increasingly worried about economic growth prospects and the strength of the recovery. **(See page 4.)**

- **Canadian business confidence steady:** Confidence among Canadian business leaders has remained fairly robust over the past five quarters, according to the Conference Board's Index of Business Confidence survey. The index recovered quickly in the second and third quarters of 2009. Since then, confidence levels have been largely stable, despite declining slightly over the last three quarters. **(See page 5.)**

- **Canadian business travel demand set to rise in 2011:** Canadian businesses plan to increase their travel budgets next year, according to the *2011 Canadian Business Travel Outlook* by The Conference Board of Canada and the Association of Corporate Travel Executives. **(See page 6.)**

- **Canadian airlines enjoy strong demand:** Canadian airlines experienced a strong rebound in demand during the third quarter of 2010. In particular, Air Canada, WestJet, and Porter Airlines, the nation's three largest carriers, reported solid growth in passenger traffic (measured in revenue passenger miles) in September 2010.

In this issue

Canada

The Conference Board of Canada
Insights You Can Count On

Demand was especially strong on international routes. However, WestJet's third-quarter load factor fell from the previous year. **(See page 6.)**

- **Canadian hotel industry recovery still progressing:** The Canadian hotel industry continues to recover; however, the pace of that recovery appears to have slowed. Compared with a year earlier, occupancy levels in August 2010 were up 1.4 percentage points, but average room rates retreated in many markets after showing some positive signs the previous month. **(See page 7.)**

Tourism Overview: International

- **Weak summer for U.K. outbound market:** Thomas Cook and TUI, two major U.K. tour operators, announced substantial cost-cutting measures in the U.K. after weaker-than-expected summer bookings. However, both companies have reported encouraging winter bookings. **(See page 11.)**

- **French air travel volumes showed little improvement:** Passenger traffic on Air France-KLM was down slightly in August 2010 compared with a year earlier. Weakness was especially prevalent on North American routes. Meanwhile, traffic at Paris airports was slightly higher than in August 2009, but remained below pre-recession levels. **(See page 13.)**

- **German travel agencies reported robust growth in bookings:** A number of sources revealed robust growth in German travel agency sales in August. **(See page 14.)**

- **Mexicana ceases operations, leaving gap in Central America:** After ceasing all operations as of August 28, 2010, Mexicana Airlines left a large service gap in many of Central America's markets, particularly Mexico's domestic and international routes. **(See page 16.)**

- **Stable outlook for Japanese outbound travel to North America:** The Japanese were expected to maintain their rate of travel to North America over the October–December period, according to the latest members' survey of the Japanese Association of Travel Agents (JATA). **(See page 18.)**

- **South Korean travel demand soars:** Korean Air and Seoul's Incheon International Airport reported sky-high passenger traffic for the second quarter and summer of 2010. Hana Tour Services, South Korea's largest travel agency, also experienced a dramatic rebound in tourism demand this year. **(See page 19.)**

- **China grants Canada Approved Destination Status:** The governments of Canada and China signed an Approved Destination Status (ADS) agreement in June 2010. The agreement is expected to provide a significant boost to Chinese leisure travel to Canada. **(See page 20.)**

- **Strong demand prevails in Australian outbound travel market:** Australians continued to travel abroad in great numbers in August 2010, according to the Australian Bureau of Statistics. The increased affordability of international tourism has been the main driving force for this trend. **(See page 21.)**

Tourism Leading Indicator Index — Summary Table

The Tourism Leading Indicator Index provides insights into the near-term outlook for the tourism industry by tracking the progress of the economic and non-economic factors that affect travel demand from Canada's key tourism markets, including the domestic market.

The rating for each component of the index indicates how that component is expected to affect travel from the source market over the near term. The overall rating indicates the expected performance of the source market in the near term, relative to the same time period in the previous year.

	Economic Factors		Non-Economic Factors		Overall Tourism Leading Indicator
Travel Market	**General Economic Trends**	**Price Competitiveness**	**Traveller Trends (to/within Canada)**	**Supplier Trends (to/within Canada)**	**For Travel to/within Canada**
Domestic	⇔	⇩	⇧	⇩	+
U.S.	⇔	⇔	⇔	⇧	0
U.K.	⇔	⇩⇩	⇔	⇩	0
France	⇔	⇧	⇧	⇔	+
Germany	⇧	⇩⇩	⇧	⇧	+
Mexico	⇔	⇩	⇩⇩	⇩	– –
Japan	⇔	⇩	⇧⇧	⇩	+
South Korea	⇔	⇩⇩	⇧⇧	⇔	+
China	⇧⇧	⇩	⇧⇧	⇧⇧	++
Australia	⇧	⇧	⇧	⇔	+

Ratings Key:

Economic Factors and Non-Economic Factors: Range from ⇧⇧⇧ (significantly adds to demand) to ⇩⇩⇩ (significantly impedes demand). ⇔ represents neutral effect on demand.

Overall Tourism Leading Indicator: Ranges from +++ (significantly improving) to – – – (significantly deteriorating). 0 represents no change.

Full details about the index for each market begin on page 9. For more information about the methodology used to construct the index, please refer to the **Tourism Leading Indicator Index — Methodology** section at the end of this report.

Tourism Overview — North America (Canada and the United States)

Leisure Travellers

Canadians to travel abroad this winter: More Canadians are planning to travel this winter, according to the latest Travel Intentions Survey by The Conference Board of Canada. The results of the August 2010 survey suggest 62.8 per cent of Canadians plan to take a winter vacation between November and April 2011, up from 58.3 per cent who indicated likewise last August.

However, fewer Canadians plan to stay in Canada for their longest winter vacation. The percentage of Canadians planning to stay in Canada for their longest winter vacation dipped 0.7 percentage points from last year's survey, to 15.7 per cent. Meanwhile, 42.9 per cent of the respondents said they intend to vacation outside Canada, up from the 37.8 per cent who replied similarly last year.

Table 1: Destination of Longest Winter Vacation
(per cent of Canadians)

Destination of Longest Vacation	August 2009	August 2010
All Destinations	58.3	62.8
Canada	16.4	15.7
United States	15.2	17.9
Other International	22.6	25.0
Do not know	4.1	4.1

Source: The Conference Board of Canada.

Gains in disposable incomes and a strong Canadian dollar are likely contributing to the improvement in travel sentiment reported by the August 2010 survey.

Of concern is the declining trend reported in The Conference Board of Canada's monthly Index of Consumer Confidence. In September, the index slipped a further 1.2 points, the fourth consecutive monthly decline. Although the overall index still stands significantly higher than at the height of the recession, worries about the sustainability of the global economic recovery appear to be weighing on the confidence of Canadians.

U.S. vacation intentions up in August: U.S. travel intentions increased 1.5 points in August 2010, according to the Conference Board's latest Consumer Confidence Survey. Preliminary results from the survey indicate that 38 per cent of Americans plan to take a vacation within the next six months, up from 36.5 per cent in June 2010. However, the percentage of Americans planning to take a vacation abroad within the next six months increased by a much more modest 0.2 points, to 7.3 per cent.

Meanwhile, U.S. consumer confidence declined 4.7 points to 48.5 in September, with a 1.8-point drop in the Present Situation Index and a 6.6-point drop in the Expectations Index. Although the National Bureau of Economic Research declared the recession in the U.S. ended by June 2009, a slow recovery combined with a weak labour market has kept U.S. consumers pessimistic about both their present situation and expectations over the near term.

American leisure travellers adopting "new resourcefulness": The *2010 Portrait of American Travelers*, a recent report by Ypartnership and Harrison Group, reveals that American leisure travellers are becoming ever more "resourceful" in pursuing lower prices for their vacations. The study bases its findings on a survey of over 2,500 American households with an annual income over US$50,000. Survey results uncovered that, compared with the previous year, 36 per cent more Americans use coupons, 35 per cent more wait for items to go on sale, and 24 per cent more shop at discount stores.

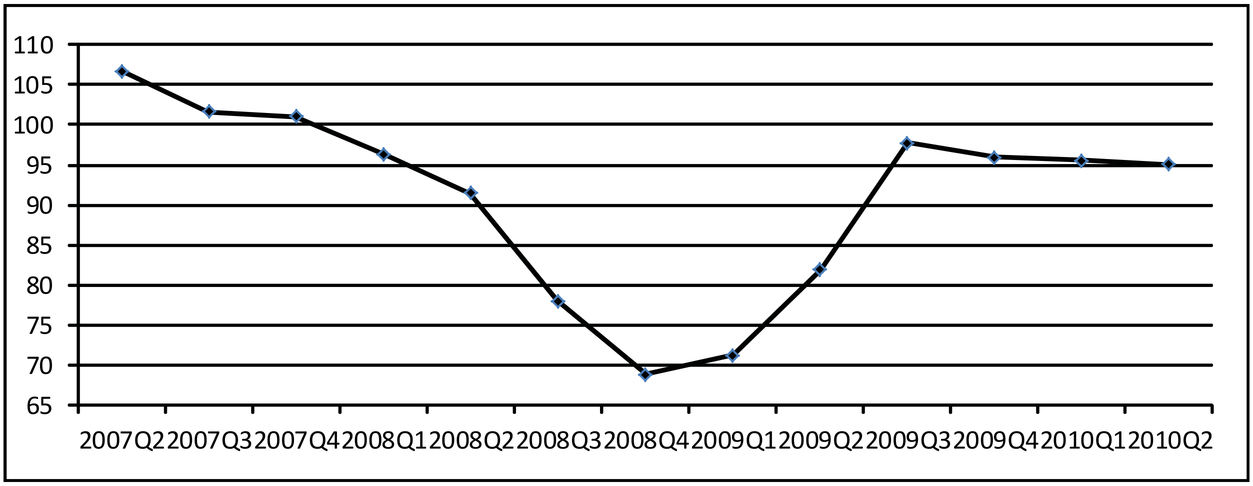
According to the same study, the U.S. leisure travel market is not expected to grow much over the coming year, as the number of Americans planning to take more overnight leisure trips (16 per cent) only slightly exceeded those planning to take fewer trips (14 per cent). Among those planning fewer trips, the main reasons provided were household budget concerns (54 per cent), concerns about job security or the economy (39 per cent), and high airfares (36 per cent).

U.S. leisure travel demand growth to slow down: July 2010 data from Destination Analysts, a market research firm, reveals Americans are planning less leisure travel than they were in January. The portion of American leisure travellers expecting to take more leisure trips in the coming year fell 5.5 points to 27.6 per cent in July. This indicates that, although leisure travel may still increase over the coming year, the pace of growth is slowing. Additionally, the survey shows the portion of American leisure travellers expecting to reduce their travel spending rose to 24.3 per cent, down from 17.7 per cent in the January survey.

Business Travellers

Canadian business confidence steady: The Conference Board of Canada's Index of Business Confidence stood at 95 in the second quarter of 2010, slipping only slightly (–0.6 points) from the previous quarter (2002 = 100). The drop was the third in three consecutive quarters. However, the three declines have not been substantial and, even though some of the optimism has waned, only 3.1 per cent of respondents expect conditions to worsen. The index remains well above its average of 86.7 in 2009.

Chart 1: Index of Business Confidence: Up to Q2 2010 (2002 = 100)



Source: The Conference Board of Canada.

Canadian business travel demand set to rise in 2011: Canadian businesses expect to take more trips and increase their travel budgets next year, according to the *2011 Canadian Business Travel Outlook* by The Conference Board of Canada and the Association of Corporate Travel Executives. The report suggests travel spending in 2011 is expected to increase 4.2 per cent over this year. The main reasons given for this expansion were an increase in domestic trips and an anticipated rise in travel prices. The report reveals that Canadian travel executives expect prices to rise across the industry, affecting air tickets, hotel accommodations, and car rentals.

The National Business Travel Association (NBTA) presented a similar outlook in its *2010 Industry Pulse: Business Travel Buyers' Sentiment*, which found that the North American business travel budgets will expand by 4.5 per cent in 2011. The association cited a greater number of trips and higher prices as the primary reasons for this budget expansion.

Egencia forecasts growth in North American corporate travel demand: In its *2011 Corporate Travel Forecast*, Egencia forecasts continued growth in North America's corporate travel next year. The corporate travel management giant also expects the increased demand to exert upward pressure on corporate travel prices. Other factors, such as the merger of United and Continental airlines and the emergence of transatlantic alliances, will add to the upward pressure on travel prices.

Airlines

Canadian airlines enjoy strong demand in September: Air Canada and WestJet both reported solid growth in passenger traffic during the third quarter of 2010. However, WestJet's load factor—that is, the proportion of its available seats sold and filled—fell from the previous year. Porter airlines, Canada's third largest carrier, reported 96.8 per cent year-over-year growth in traffic in the third quarter. The airline began publicly reporting traffic statistics in August.

Air Canada's system-wide passenger traffic (measured in revenue passenger miles), including mainline and regional operations combined, jumped 11.7 per cent in September 2010 from the previous year. Traffic on domestic routes climbed 3.7 per cent and traffic on transborder U.S. flights rose 9.7 per cent. On international routes, transatlantic traffic rose 14.5 per cent, and transpacific traffic soared by 21.5 per cent. Traffic on Latin American routes grew 16 per cent during the month.

WestJet's passenger traffic grew 8.8 per cent in September from a year earlier. In the third quarter of 2010, traffic rose 11.7 per cent over the previous year. Gregg Saretsky, the carrier's Chief Executive Officer, said the airline was positive about the recovery and that it continues to cautiously expand its network.

Table 2. Airline Revenue Passenger Miles (RPMs) and Capacity — September 2010

Airline	RPMs (in millions)	RPMs 2010 vs. 2009	Capacity 2010 vs. 2009
Air Canada – consolidated traffic (all airlines)	4,657	11.7%	8.4%
WestJet	1,167	8.8%	11.9%
Porter Airlines	53.8	79.9%	53.5%

U.S. air travel demand still growing: Growth in U.S. air travel remained positive in the third quarter of 2010, according to the latest figures from the Air Transport Association of America (ATA). Passenger traffic and revenues among U.S. airlines were up in August for the eighth consecutive month, led by gains in international markets.

The number of passengers travelling on U.S. airlines increased approximately 1 per cent in August 2010 over a year earlier, while the average price of flying one mile rose 14 per cent. Consequently, passenger revenues among U.S. carriers jumped 17 per cent that month. Growth was strongest on transpacific routes, which saw a 44 per cent increase in passenger revenues.

United and Continental finalize merger: Shareholders of UAL Corp. and Continental Inc. approved the merger of the two companies to form the world's largest airline. The new airline adopts the "United Airlines" name and the Continental logo. The company executives expect the merger will deliver over US$1 billion in synergies and have denied claims that it will lead to higher ticket prices, arguing that prices are set by low-cost carriers.

Southwest to buy AirTran: Southwest Airlines announced on September 27 plans to buy its smaller rival AirTran Airways. If the merger is approved by regulators, it will create the largest low-cost carrier in the United States, providing Southwest access to key airports in New York and Washington, and giving the company its first international operations with access to Mexico and the Caribbean.

Hotels

Canadian hotel industry recovery still under way: The recovery in the Canadian hotel industry continued in August, albeit at a slower pace than in July. The latest *National Market Report* by PKF Consulting revealed that occupancy levels in Canada were up 1.4 points over the previous year to 72 per cent in August 2010. Unfortunately, average daily rates were down a slight 0.2 per cent. Still, revenues per available room (RevPAR) increased by 1.8 per cent compared with a year earlier. RevPAR grew the most in Central Canada, particularly Montréal and the Greater Toronto Area.

While the industry's performance improved this year, it was still below pre-recession levels. Looking forward, PKF Consulting projects positive but modest growth in occupancy, average daily rates, and RevPAR for 2011.

U.S. lodging demand in recovery mode, fuelled by corporate demand: U.S. hotel demand continued to recover in the third quarter of 2010, driven by the economic recovery in the United States, according to Smith Travel Research Inc.

RevPAR levels rose 8.1 per cent in August 2010, thanks to a 6.4-point increase in occupancy and a 1.5 per cent increase in room rates. However, this increase in demand still left the industry well below pre-recession levels. Occupancy was 6.6 points lower than in August 2008, while RevPAR was still down 12.6 per cent.

In its August 2010 edition of *The Pegasus View*, Pegasus Solutions confirmed North American lodging demand is recovering, but attributed most of the increase to corporate demand. The report found that business travel average daily room rates (ADR) in August 2010 were up 4.2 per cent from the previous year, while leisure travel room rates were up only 0.4 per cent.

Travel Agents And Other Suppliers

Transat satisfied with third-quarter results: Transat A.T. Inc. posted a profit margin of $53.9 million for its third quarter ended July 31, 2010, compared with $27.2 million in the same quarter of 2009. It boosted its revenues by 5.9 per cent to $867.3 million, attributing this gain to an increase in the number of travellers. In a press release, Transat President and CEO Allen Graham described the international tourism market as resilient and expressed his satisfaction with the company's results, having increased the number of travellers and achieved higher selling prices on the transatlantic market.

However, revenues from Transat's North American subsidiaries decreased 2.1 per cent to $44.1 million, as a result of a drop in average prices, despite a 2.7 per cent increase in the number of travellers. Meanwhile, revenues from its European subsidiaries fell 8.8 per cent.

Looking ahead, Transat's capacity for the fourth quarter is 15 per cent higher than in 2009, while it expects load factors to be similar. Bookings from Canada to sun destinations are up slightly, but prices remain under strong pressure because of intense competition. Overall, Transat forecasts higher revenues in the fourth quarter compared with the previous year.

Tourism Leading Indicator Index

Because of the constantly evolving nature of today's travel environment, it is increasingly important to be able to anticipate fluctuations in travel demand in order to make better business decisions. The Tourism Leading Indicator Index provides insights into the near-term outlook for the Canadian tourism industry, by tracking the progress of the economic and non-economic factors that affect travel demand.

The rating for each component of the index indicates how that component is expected to affect travel from the source market over the near term. Meanwhile, the overall rating indicates the expected performance of the source market in the near term, relative to the same period in the previous year.

Ratings Key:

Economic Factors and Non-Economic Factors: Range from ⇧⇧⇧ (significantly adds to demand) to ⇩⇩⇩ (significantly impedes demand). ⇔ represents neutral effect on demand.

Overall Tourism Leading Indicator: Ranges from +++ (significantly improving) to — — — (significantly deteriorating). 0 represents no change.

For more information on the specific weighting and methodology used to produce the index, please refer to the **Tourism Leading Indicator Index — Methodology** section at the end of this report.

Domestic Travel

Economic		Non-Economic		Overall
General Economic Trend	Price Competitiveness	Traveller Trends (Domestic)	Supplier Trends (Domestic)	
⇔ (⇧)	⇩ (⇩)	⇧ (⇔)	⇩ (⇧)	+

Note: the bracketed figures are from the previous (May 2010) Tourism Intelligence Bulletin.

Economic Trends:

- Although overall employment edged lower by 6,600 in September, the good news is that full-time employment rose by 37,100. Meanwhile, the jobless rate declined 0.1 percentage points to 8 per cent as thousands of Canadian, mainly young people, withdrew from the labour force. Despite sluggish growth in recent months, total employment has increased by 349,000 over the past year—a gain of 2.1 per cent.

- The Canadian economy experienced its first contraction in almost a year in July, as real gross domestic product (GDP) fell 0.1 per cent, with the losses spread equally between the goods- and services-producing sectors. While strong oil prices and recovering world demand provided a positive boost to the mining industry, all other goods-producing industries posted declines. Services sector growth was depressed in July primarily by weakness in the housing sector.

- Uncertainty about the Canadian economy is weighing heavily on consumer confidence. The Conference Board of Canada's Index of Consumer Confidence fell for the fourth straight month in September. Reports of anemic and uncertain U.S. growth and talk of a housing bubble in Canada have overshadowed the fact that the Canadian economy is back to its pre-recession employment and output levels.

Traveller and Supplier Trends:

- The number of domestic enplaned and deplaned passengers at Canada's top 30 airports decreased 0.9 per cent in August 2010 from a year earlier. Despite the slight dip in August, the year-to-date (January–August) figures still indicate slight growth of 1.3 per cent, compared with the same time in 2010.

- Canadian hotel occupancy rates increased 4 percentage points on a year-over-year basis, to 70.4 per cent, in July, and another 1.4 points to 72 per cent in August, according to PKF Consulting. PKF Consulting also reports that the national average room rate increased 1.5 per cent in July to $130.90. On a year-to-date basis, there had been a gradual improvement in occupancy rates across the country; however, many regions are still struggling with declines in average room rate.

- Driven in large part by the high value of the Canadian dollar, Canadian travel to the United States continues to expand dramatically. The latest figures show overnight travel to the United States increased 16.4 per cent in July and was up 12.6 per cent over the first seven months of 2010, compared with the previous year. Meanwhile, overnight travel to other international destinations was up a more modest 3.4 per cent from January to July, compared with 2009.

- Canadian airlines continue to adjust to the changing environment. The latest data snapshot from OAG Aviation Solutions indicates direct air capacity for travel within Canada is slated to decline 2.6 per cent over the first six months of 2011, compared with the same time in 2010.

Overall, the Tourism Leading Indicator suggests that, despite growing economic concerns and weakening supplier trends, modest growth prospects remain for domestic travel over the near term as a result of strengthening travel trends.

United States (to Canada)

Economic		Non-Economic		Overall
General Economic Trend	Price Competitiveness	Traveller Trends (to Canada)	Supplier Trends (U.S. to Canada)	
⇔ (⇔)	⇔(⇩⇩)	⇔ (⇩)	⇧(⇔)	0

Note: the bracketed figures are from the previous (May 2010) Tourism Intelligence Bulletin.

Economic Trends:

- Employment in the U.S. contracted by 95,000 jobs in September. During that month, significant layoffs in the government overshadowed modest gains in hiring by the private sector. While the unemployment rate held at 9.6 per cent, the same as in August, it has now remained above 9.5 per cent for 14 consecutive months.

- The Conference Board's leading economic index for the U.S. increased a slight 0.3 per cent in August, the second consecutive monthly increase. In the past six months, however, the growth in the index has slowed from 4.8 per cent (about a 9.7 per cent annual rate) to 2 per cent (an annual rate of about 4.6 per cent). The weaknesses among the leading indicators have also become more widespread than the strengths in recent months. The behaviour of the leading economic index suggests that economic activity will continue to expand, but at a slower pace in the near term.

- Because of the continued depreciation of the U.S. dollar, the value of the loonie has averaged 12 per cent more in 2010 than it was over the first nine months a year earlier. While Canada's price competitiveness for U.S. travellers is expected to decline slightly in the first quarter of 2011, overall travel costs to visit Canada during this time are expected to be lower because of significant declines in average airfares from the United States.

Traveller and Supplier Trends:

- Overnight U.S. travel to Canada declined 0.9 per cent in August. Despite encouraging signs of growth particularly during June and July, the year-to-date (January–August) figures still indicate a slight decline of 0.4 per cent compared with the same period in 2009.

- Fortunately, direct air capacity between Canada and the United States is expected to increase 3 per cent during the first six months of 2011 over the previous year.

Although traveller and supplier trends have shown signs of improvement in recent months, continuing concerns about the economy are likely to keep growth in overnight visits from the U.S. almost flat over the near term.

Tourism Overview — International

United Kingdom – Current Tourism Trends

U.K. air travel experiencing a slow rebound: British Airways' passenger traffic (measured in revenue passenger kilometres—RPKs) rose by 1.3 per cent in September 2010 from the previous year. Premium traffic volumes (business and first-class) increased by 4.3 per cent, while non-premium traffic (economy-class) edged up 0.7 per cent. The carrier expects strong yield performance from both classes in the months ahead.

Passenger numbers at the British Airport Authority's seven U.K. airports continued to decline in August 2010, slipping 0.6 per cent from the previous year. The number of U.K. domestic passengers fell 2 per cent, North Atlantic passengers declined 2.2 per cent, and passengers on other long-haul routes dropped 3.2 per cent. Passengers on European scheduled flights bucked the trend and recorded a modest 2.4 per cent increase.

Table 3. Percentage Change in Passengers Carried

Carrier	Sept. 2010 vs. Sept. 2009
British Airways	+1.3%
Ryanair	+12%
easyJet	+8%

Weak summer for U.K. outbound market but early signs suggest a more positive winter outlook: Thomas Cook, one of the U.K.'s largest travel companies, reported weaker-than-expected summer bookings. In recently issued statements, the company announced it is seeking substantial cost-cutting measures in the U.K. in light of weak market conditions. Thomas Cook's cumulative U.K. bookings for this summer were down 1 per cent, year-over-year, despite a strong start to the year. However, the company reported that early winter bookings have been encouraging, with an increase of 4 per cent over the previous winter.

In September, TUI also announced cutbacks would be necessary in the U.K. market, reporting weak summer bookings. The company blamed a weak economy, airspace closures, and good weather for the reluctance of U.K. residents to travel far from home. But in more recent statements, TUI indicated that its 2010 summer program had been almost fully sold thanks to late bookings. Peter Long, Chief Executive of TUI Travel, said his company benefited from a “flight to quality” as U.K. holiday-makers sought the security of a major tour operator. In line with Thomas Cook's statements, the company's winter bookings were markedly more positive: cumulative winter bookings were up 17 per cent from the previous year.

Larger travel agencies taking over in the U.K.: The recession cost many U.K. travel agencies a significant portion of their market value while increasing the value of others, according to a report by Plimsoll. The report highlighted the great divide between large and small travel agencies, stating that larger companies have better access to cash and more ability to manoeuvre, cutting loss-making parts of their operations, while many of the smaller companies are running out of cash. Of the 779 agencies analyzed, 286 lost at least one-third of their value, but as many as 308 enjoyed an increase in value. Plimsoll asserts that the post-recession environment is highly competitive and that many smaller operators are likely to be bought out.

United Kingdom — Tourism Leading Indicator Index

Economic		Non-Economic		Overall
General Economic Trend	Price Competitiveness	Traveller Trends	Supplier Trends	
⇔ (⇔)	⇩⇩ (⇩⇩)	⇔ (⇩⇩)	⇩(⇧)	0

Note: the bracketed figures are from the previous (May 2010) Tourism Intelligence Bulletin.

Economic Trends:

- The Conference Board's leading economic index for the U.K. increased 0.2 per cent in July. The six-month leading index rose 3.5 per cent (an annual rate of about 7.1 per cent) that month. Unfortunately, the strengths among the leading indicators have become less widespread in recent months. Meanwhile, real GDP in the U.K. grew at a 5 per cent annual rate in the second quarter, much stronger than the 1.2 per cent growth witnessed over the first quarter.

- Compared with the Canadian dollar, the British pound depreciated 8.8 per cent between September 2009 and September 2010. Unfortunately, this is expected to significantly increase the average cost of a seven-night stay in Canada for U.K. travellers—including airfare, hotels, meals, and other items—by 15.8 per cent in the first quarter of 2011, year-over-year. In comparison, the cost of U.K. travel to other competitive destinations is expected to increase 9.5 per cent. Consequently, Canada's price competitiveness for U.K. travellers is expected to decline in the first quarter of 2011.

Traveller and Supplier Trends:

- Visits from the U.K. had been on a declining trend since April 2009; however, they posted modest year-over-year growth between May and August of this year. As a result, overnight visits for the year are up a slight 0.3 per cent on a year-to-date basis as of the end of August. According to the latest data from the U.K. Office for National Statistics, total outbound travel from the U.K. was down 4 per cent between May 2010 and July 2010, year-over-year. During this period, travel to North America was down 11 per cent, and travel within Europe fell 4 per cent.

- Direct air capacity on scheduled flights from the U.K. to Canada is expected to decrease 9.1 per cent during the first six months of 2011, year-over-year, according to the latest data snapshot from BACK Aviation Solutions.

Despite a slight improvement in travel trends to Canada recently, the Tourism Leading Indicator Index suggests deteriorating price competitiveness and weak supplier trends will dampen U.K. travel trends to Canada over the near term. Consequently, growth in U.K. arrivals is expected to remain quite modest or flat over the near term.

France — Current Tourism Trends

French air travel volumes little improved in August: In August 2010, Air France-KLM reported year-over year declines of 1.2 per cent in passenger traffic (measured in RPKs) and 0.8 per cent in the number of passengers flying on its network. Traffic on its domestic and European routes was down 1.4 per cent, while traffic on its North and South American routes declined 2.1 per cent. However, the airline reported that bookings for the next few months show a positive trend.

Passenger numbers at airports serving Paris grew 1.4 per cent year-over-year to 8.2 million in August 2010, according to the airports' administrative authority, Aéroports de Paris. Passengers on routes serving North America edged up 1.7 per cent, while French domestic passengers declined 0.8 per cent. The number of passengers on European routes increased 3.5 per cent. Despite this improvement, demand for international travel in France remains well below pre-recession levels.

Recession compelled French travellers to change habits: French households travelled more domestically, spent less time on trips, and looked for bargains during the recession, according to Euromonitor, a market research firm. Domestic and short-haul trips held up well, while long-haul travel suffered as travellers sought to cut travel expenses.

The average length of summer holidays in France fell from 12 days in 2008 to 9.5 days in 2009. This trend was expected to continue well into this year's holiday season, as leisure travel was expected to be held back by a weak French labour market and low consumer confidence.

French consumer confidence remains weak: Consumer confidence improved in September 2010, according to the monthly consumer confidence survey from INSEE, France's National Institute for Statistics and Economic Studies. The summary indicator for the survey recorded an overall reading of –35 in September 2010, up 2 points from August. The improvement in confidence followed five consecutive months of decline in 2010.

France — Tourism Leading Indicator Index

Economic		Non-Economic		Overall
General Economic Trend	Price Competitiveness	Traveller Trends	Supplier Trends	
⇔ (⇔)	⇧ (⇩⇩)	⇧ (⇧)	⇔ (⇧)	+

Note: the bracketed figures are from the previous (May 2010) Tourism Intelligence Bulletin.

Economic Trends:

- The Conference Board's leading economic index for France increased 0.9 per cent in July after declining in June. Since January 2010, the leading index had increased at an annual rate of 5.9 per cent. However, the weaknesses among the leading indicators have remained more widespread than the strengths in recent months. The recent behaviour of the leading economic index suggests that economic activity is likely to grow moderately over the near term—but not enough to stimulate travel demand.

- The Canadian dollar has generally been gaining strength against the euro since the start of 2009. Between September 2009 and September 2010, the value of the Canadian dollar increased 16.5 per cent against the value of the euro. As a result, the average cost of a seven-night stay in Canada, including airfare, hotels, meals, and other items, is expected to increase 11.5 per cent for French travellers during the first quarter of 2011. Fortunately, Canada's price competitiveness is likely to increase slightly during the quarter, as the cost of travelling to competitive destinations during this period is expected to increase by 17.7 per cent.

Traveller and Supplier Trends:

- Last year, French overnight visits to Canada declined 3.2 per cent from 2008. This year, however, French travel to Canada has proven to be quite resilient to economic concerns and has posted year-over-year growth in seven of the first eight months of 2010. The latest figures from Statistics Canada revealed that overnight visits from France were up 6 per cent between January and August 2010, year-over-year. The Office of Travel and Tourism Industries (OTTI) reported French travel to the U.S. increased 2.3 per cent over the first six months of 2010, compared with the same time last year.

- During the first six months of 2011, direct air capacity between France and Canada is scheduled to decrease 0.3 per cent over the same time in 2010.

Supported by resilient travel trends and some improvement in price competitiveness, the Tourism Leading Indicator Index suggests growth in French arrivals could continue over the short term.

Germany — Current Tourism Trends

German air traffic continues to improve: Lufthansa's passenger traffic jumped 4.9 per cent (measured in RPKs) in August 2010 over the previous year. The airline noted there was a strong improvement on both long-haul and short-haul routes. Passenger traffic grew 15.3 per cent on domestic and European routes. However, traffic was down 2.2 per cent on routes to North and South America "as a result of more restrictive, yield-focussed management," according to the company.

Passenger numbers at Frankfurt Airport grew 6.6 per cent in August 2010 over the previous year, to a record 5.2 million passengers, according to Fraport Group, the airport's owner and operator. However, passengers on routes to North America fell 0.9 per cent. Growth was driven by strong demand on domestic and continental routes.

German travel agencies report robust growth in August bookings: A number of trade surveys revealed robust growth in German travel agency sales during August. According to the latest TATS survey of German travel agents, flight bookings among German travel agencies jumped 25 per cent in August 2010 over the previous year. This strong growth follows a poor performance in 2009, but there is little doubt that the recovery in the German market has plenty of momentum.

A survey of 1,200 German travel agencies by GfK, a market research firm, indicated that revenues grew 8.7 per cent in August over a year earlier. Cumulative sales for summer bookings were ahead by 6.8 per cent up to the end of August. A rainy August helped boost sales as Germans rushed to book last-minute summer holidays. The same survey also revealed a 15 per cent surge in winter holiday bookings, with demand especially strong for November and December holidays. The results of both the TATS and the GfK surveys were reported by fvw, a travel industry journal.

Meanwhile, TUI Germany announced summer 2010 bookings were up 5 per cent. For the coming winter, the company has a 12 per cent rise in revenues, mostly thanks to a rise in customers. Thomas Cook announced it achieved a 4 per cent increase in bookings in central Europe (including Germany) this summer.

Germany imposes new tax on air travel: As part of a package of spending cuts, the German government has imposed a new "ecological air travel levy" on passengers boarding flights in Germany. Effective September 1, 2010, the tax is to be applied to all travel originating from Germany departing January 1, 2011, or later. It will raise the price of a domestic and intra-European short-haul flight by €8 (C$11), a medium-haul flight by €25, and a long-haul flight by €45. Passengers who use a German airport in transit will be exempt from the tax, as long as the transit time is less than 12 hours.

The tax, which is expected to raise €1 billion annually, came under heavy criticism from the German airline industry. Germanwings, a low-cost German airline and a subsidiary of Lufthansa, announced it expects to eliminate some routes as a result of the country's new air travel tax. The company expressed fears that many of its customers will choose to depart from nearby airports in neighbouring countries.

Lufthansa expands service to Montréal: In response to high travel demand between the two cities, Lufthansa expanded its Munich–Montréal service starting October 2010. The carrier now operates five flights a week in winter in addition to its daily summer flights.

Germany — Tourism Leading Indicator Index

Economic		Non-Economic		Overall
General Economic Trend	Price Competitiveness	Traveller Trends	Supplier Trends	
⇧ (⇔)	⇩⇩ (⇩⇩)	⇧ (⇧)	⇧ (⇔)	+

Note: the bracketed figures are from the previous (May 2010) Tourism Intelligence Bulletin.

Economic Trends:

- During the second quarter of 2010, real GDP growth increased at a 9 per cent annual rate—the strongest quarter of economic growth since reunification in 1990. The most recent Consensus Forecasts report (October 2010) projects real GDP growth for Germany will be 3.3 per cent in 2010, the highest in the European Union.
- The Conference Board's leading economic index for Germany increased 1 per cent in July. Since January 2010, the leading index has grown at an annual rate of 14.3 per cent, and the strengths among the leading indicators have remained widespread in recent months.. The recent behaviour of the index suggests economic activity will likely keep expanding over the short term.
- Canada's price competitiveness for the German market is projected to decline moderately during the first quarter of 2011, hampered by higher travel prices, the new air passenger duty, and the relative strength of the Canadian dollar. As a result, the average cost of a seven-night stay in Canada during the third quarter, including airfare, hotels, meals, and other items, is expected to increase 24.6 per cent over the previous year for German visitors.

Traveller and Supplier Trends:

- Last year, German overnight visits to Canada declined 3.2 per cent. According to Statistics Canada, overnight visits from Germany were up 8.4 per cent in the first eight months of 2010 over the same period in 2009. Meanwhile, the OTTI reported German travel to the U.S. declined a slight 0.2 per cent over the first six months of 2010.
- During the first six months of 2011, direct air capacity between Germany and Canada is scheduled to increase 5 per cent compared with the same period in 2010.

Although there has been some improvement in German economic conditions and supplier trends, significant increases in the cost to travel to Canada are likely to dampen the short-term outlook for German travel to Canada. Still, the Tourism Leading Indicator Index suggests there is some potential for growth in German arrivals over the near term.

Mexico — Current Tourism Trends

Mexicana ceases operations, leaving gap in Central America: Faced with insurmountable financial troubles, Mexicana Airlines announced the suspension of all its operations indefinitely, effective August 28, 2010. The large Mexican carrier focused mainly on the domestic market, but also flew to various regional destinations. As a result, air service in Mexico and Central America is suffering from a severe drop in flight availability. According to OAG (formerly the Official Airline Guide), scheduled seat capacity within Mexico fell 19 per cent in October 2010, whereas frequency declined 22 per cent. For the same month, international air service to and from Mexico fell 6 per cent in capacity and 8 per cent in frequency.

However, scheduled seats to and from Central America were less affected, experiencing a slight 1 per cent decline in seat capacity and a 2 per cent reduction in scheduled flights. In a recent OAG press release, Peter von Moltke, Chief Executive Officer of OAG parent company UBM, said the decline in air service to Latin America created by Mexicana's suspension of operations will be short-lived, as U.S. airlines are now looking to fill it. However, von Moltke conceded the service in Mexico's domestic airline sector will take longer to recover.

Mexico's aviation safety rating receives downgrade: The U.S. Federal Aviation Administration (FAA) downgraded Mexico's aviation safety rating at the end of July. The FFA expressed concerns about Mexican government compliance with international air safety standards. This downgrade from Category 1 to Category 2 does not hurt current service to the United States, but restricts future service to U.S. cities and limits the ability of airlines to implement code-sharing agreements with each other.

Latin American passenger traffic continues to recover: Passenger traffic (measured in RPKs) among Latin American airlines jumped 13.9 per cent in July 2010, year-over-year, according to the Latin American air transport association (ALTA). Year-to-date traffic was also up 14.3 per cent. The number of passengers carried in July rose 10.8 per cent to 12.5 million. Growth was mainly driven by a strong upsurge in traffic on international routes within Latin America.

Table 4. ALTA Airlines*

Revenue Passenger Kilometres (RPKs) and Passengers Carried — July 2010

Regional Destination	RPK change 2010 vs. 2009	Passengers Carried 2010 vs. 2009
Domestic	12.2%	9.7%
Intra–Latin America (scheduled and charter)	26.2%	19.1%
Extra–Latin America (international)—total	8.7%	3.8%
Total	**13.9%**	**10.8%**

Source: Latin American air transport association (ALTA).
**ALTA members include 37 airlines serving the Latin American region.*

Mexican consumer confidence rose in August: Mexican consumer confidence unexpectedly rose 1.3 points in August 2010. INEGI, Mexico's national statistics agency, said its consumer confidence index rose to 88.7 that month, up from 87.4 in July. The figure, though a marked improvement since falling to 77 in October 2009, is still more than 20 per cent lower than the average in 2007. The survey revealed consumers were more inclined to make large household purchases than they were in the previous month.

Mexico — Tourism Leading Indicator Index

Economic		Non-Economic*		Overall
General Economic Trend	Price Competitiveness	Traveller Trends	Supplier Trends	
⇔ (⇧)	⇩ (⇩⇩)	⇩⇩ (⇩⇩)	⇩ (⇧⇧)	— —

Note: the bracketed figures are from the previous (May 2010) Tourism Intelligence Bulletin.

Economic Trends:

- The Conference Board of Canada's leading economic index for Mexico increased 0.3 per cent in July. During the six months ending in July, the leading index increased by a modest 0.5 per cent (about a 1 per cent annual rate). Fortunately, the strengths among the leading indicators have remained widespread in recent months. The recent behaviour of the index suggests that economic activity will continue to recover; however, growth will be slow over the near term.
- Compared with the Mexican peso, the value of the Canadian dollar remained virtually flat between September 2009 and September 2010. However, with travel prices still increasing, the cost of a seven-night stay in Canada for Mexican travellers is expected to increase by a modest 4.4 per cent during the first quarter of 2011, year-over-year. Unfortunately, Canada's price competitiveness during the first quarter is likely to suffer, as the cost of a similar trip to competitive destinations (U.S., Spain, and Italy) is expected to decrease by an average of 5.1 per cent.

Traveller and Supplier Trends:

- By the end of 2009, after the H1N1 flu outbreak and the new Canadian visa requirement for Mexican travellers, overnight travel from Mexico had declined 36.6 per cent. According to Statistics Canada, Mexican overnight visits have continued to suffer in 2010—over the first eight months of the year, they were down a further 35.8 per cent compared with the same period in 2009. Meanwhile, Mexican visits to the U.S. interior (beyond the 40-kilometre U.S. border zone) have increased significantly. According to the OTTI, arrivals were 10.6 per cent higher between January and June of this year than they were a year earlier.
- Direct air capacity between Canada and Mexico is projected to decline 9.5 per cent over the first six months of 2011, compared with the previous year.

Even excluding the effects of the visa requirement, the decline in direct air capacity would likely dampen some of the growth potential from Mexican arrivals over the short term. In light of the degree to which the visa requirement has affected Mexican arrivals since its introduction last year, the downward trend in Mexican arrivals to Canada is likely to continue over the short term.

Japan — Current Tourism Trends

Japan Airlines announces restructuring plan: Having filed for court protection under Japan's corporate rehabilitation law in January 2010, Japan Airlines is implementing a court-administered restructuring plan in an effort to return to profitability. On August 31, 2010, the airline announced it will retire two-fifths of its fleet, drop one in eight overseas flights, and put an end to a quarter of its domestic routes, according to Reuters. Additionally, the airline is considering creating a low-cost subsidiary to compete against cheaper regional rivals. Based on this plan, Japan Airlines expects to achieve a profit margin of 9.2 per cent by March 2013.

Meanwhile, Air Canada has recently announced that it is adding a new daily flight to service the Tokyo-Vancouver route starting January 29, 2011 from nearby Haneda Airport.

The latest figures from Tokyo's Narita International Airport showed that passenger numbers were up by 3 per cent in August 2010 over the previous year. Japanese passengers on international flights increased 9 per cent, while passengers on domestic flights jumped by 35 per cent. Year-to-date passenger numbers were up 9 per cent.

Stable outlook for Japanese outbound travel to North America: The Japanese are expected to maintain their rate of travel to North America over the coming October–December period, according to the latest members' survey of the Japanese Association of Travel Agents (JATA). The survey, conducted from early to mid-August 2010, uses qualitative data to construct a diffusion index for each destination.

The latest travel report from JTB, Japan's largest travel agency, suggested overseas travel would increase 8.4 per cent, year-over-year, from July 15 to August 31, 2010. JTB stated the increase would bring outbound travel back to its "pre-Lehman-shock" levels. Japanese travellers are benefiting from the strength of the yen to find good deals overseas.

Japan — Tourism Leading Indicator Index

Economic		Non-Economic		Overall
General Economic Trend	Price Competitiveness	Traveller Trends	Supplier Trends	
⇔ (⇧)	⇩ (⇩⇩)	⇧⇧ (⇧)	⇩ (⇧)	+

Note: the bracketed figures are from the previous (May 2010) Tourism Intelligence Bulletin.

Economic Trends:

- The Conference Board's leading economic index for Japan increased 0.2 per cent in August. Between February and August 2010, the growth in the leading index slowed to 1.3 per cent (a 2.6 per cent annual rate). In addition, the strengths among the leading indicators have become less widespread in recent months. The recent behaviour of the index suggests the economic recovery should continue, but at a slow pace over the near term.

- Over much of 2008 and 2009, the Canadian dollar depreciated against the Japanese yen, a trend that had helped improve Canada's price competitiveness for this market. Recently, the Japanese yen again resumed its appreciation again the Canadian dollar: in September 2010, it was 3.3 per cent stronger than at the same time in 2009. Despite the strength of the yen, escalating airfares are expected to increase the overall cost of a 10-night stay in Canada by 6.5 per cent for Japanese visitors during the first quarter of 2011, compared with last year. Meanwhile, the cost of a similar trip to competitive destinations (U.S., France, Germany, Italy, and Australia) is expected to decrease by 6.6 per cent.

Traveller and Supplier Trends:

- After falling by 28.4 per cent in 2009, overnight visits from Japan to Canada increased 28.5 per cent during the first eight months of 2010, compared with the same period last year. OTTI figures show that Japanese travel to the U.S. is also gaining, as witnessed by a 20.7 per cent increase over the first six months of 2010, compared with the same period in 2009.

- With Japan Airlines restructuring its operations, the most recent snapshot of air capacity suggests direct air capacity on scheduled flights from Japan will decrease 15.4 per cent over the first six months of 2011. Further investigation into the reorganization plan that Japan Airlines submitted to the Tokyo District Court on August 31, 2010, suggests the airline intends to maintain overall service capacity to North America by optimizing its route network and by aggressively using alliances.

While travel trends in Japan have been improving, concerns over the pace of Japan's economic recovery coupled with declines in direct air capacity and Canada's price competitiveness will may present some challenges for Japan's travel prospects to Canada going forward. Still, the Tourism Leading Indicator Index suggests Japanese arrivals should post moderate year-over-year growth over the near term.

South Korea — Current Tourism Trends

Air travel demand soars to new highs in second quarter and summer: Korean Air posted record-high second-quarter revenue of 2,836.4 billion won (C$2.6 billion), a 36.7 per cent improvement from the second quarter of 2009. The carrier said the global economic recovery was the main driving force behind its strong performance. Passenger traffic grew to a record 14,646 million (measured in RPK) during the quarter, helped by rapid demand for leisure travel to China, Japan, and Southeast Asian regions. The carrier also reported a boost in travel demand to the United States thanks to the visa waiver program for Korean passengers.

Seoul's Incheon International Airport reported a strong increase in passenger traffic for August 2010. The number of passengers travelling through the airport increased 11.5 per cent, year-over-year, to just over 3.2 million, according to statistics posted on the airport's website. Total traffic in the three months of June, July, and August was ahead by 16.6 per cent, year-over-year.

The number of inbound and outbound passengers in Korea this year has topped a record 100,000 per day, according to a news report from JoongAng Daily. The total number of passengers as of August 14 was up 24 per cent from the previous year. According to Hana Tour, the nation's leading tour agency, the number of overseas bookings from August 16 to September 10 was up 81.1 per cent over the previous year. Mode Tour, another local travel agency, also reported a 76.1 per cent increase in bookings during the late season.

Consumer confidence slips in September: The Bank of Korea's Consumer Sentiment Index slipped slightly in September 2010 amid slowing economic growth. The index slid from 110 in August to 109 in September, its lowest level in 14 months. Still, the index remained on the positive side of 100, which indicates a positive balance of opinion between negative and positive assessments of the economy. The Bank stated that weaker growth in the second quarter and concerns about rising inflation were partly responsible for the decline in optimism about the economic recovery.

South Korea — Tourism Leading Indicator Index

Economic		Non-Economic		Overall
General Economic Trend	Price Competitiveness	Traveller Trends	Supplier Trends	
⇔ (⇧)	⇩⇩ (⇩)	⇧⇧ (⇧)	⇔ (⇧)	+

Note: the bracketed figures are from the previous (May 2010) Tourism Intelligence Bulletin.

Economic Trends:

- The Conference Board's leading economic index for South Korea declined 0.7 per cent in July. With the latest monthly decline, the six-month growth rate in the leading index had slowed to a 2.5 per cent annual rate since January 2010. In addition, the strengths among the leading indicators have become less widespread in recent months. The behaviour of the leading index suggests the economy will continue to expand at a modest pace over the near term.

- Compared with the South Korean won, the value of the Canadian dollar remained relatively unchanged between September 2009 and September 2010. Despite the relative strength of the South Korean currency, significant increases in airfares (up 20 per cent) are expected to increase the average cost of a 10-night stay in Canada by 8.8 per cent for South Koreans during the first quarter of 2011, compared with the same time in 2010. Unfortunately, Canada's price competitiveness during this period is likely to decline, as the cost of a similar trip to competitive destinations (U.S., France, Germany, U.K., and Australia) is projected to decrease 5.5 per cent during the quarter.

Traveller and Supplier Trends:

- Overnight visits from South Korea declined 24.9 per cent in 2009 but have since managed to recover, with growth of 19.5 per cent over the first eight months of 2010 compared with the same period last year. Between January and June 2010, travel from South Korea to the United States surged 52.6 per cent, according to the OTTI.

- Direct air capacity from South Korea to Canada is expected to increase by a slight 1 per cent, year-over-year, during the first six months of 2011.

Despite some growing concerns about the strength of the Korean economy and Canada's price competitiveness, a solid pickup in travel trends suggests further growth potential in visits from South Korea over the near term.

China — Current Tourism Trends

Chinese airlines cautiously optimistic: China's three largest airlines—Air China, China Eastern Airlines, and China Southern Airlines—achieved solid growth in profits of 60.3 per cent, 78.7 per cent, and 446.3 per cent respectively during the first half of 2010. But while these carriers expect to keep reaping the benefits of a recovery in demand, they cautioned about the uncertainties lying ahead as the global recovery slows down, according to reports by *Air Transport World*.

The Civil Aviation Administration of China (CAAC) reported that passenger traffic on Chinese airlines jumped 16.1 per cent in August 2010 over the previous year. Passenger traffic on international routes jumped 33.5 per cent to 1.9 million, while domestic passenger traffic rose 14.9 per cent to 24.4 million, according to *Air Transport World*.

Approved Destination Status expected to boost Chinese travel to Canada: The governments of Canada and China signed an Approved Destination Status (ADS) agreement in June 2010. The agreement facilitates the process of obtaining visas to Canada and allows Chinese travel agents to actively market tours to Canada. On August 18, 2010, Canada welcomed the first official Chinese tour groups. As a result, Air Canada President and Chief Executive Officer Calin Rovinescu announced plans to double capacity between Toronto and China this fall, "with up to six daily non-stop flights this summer to Beijing, Shanghai, and Hong Kong."

The agreement is expected to provide a significant boost to Chinese leisure travel to Canada. A 2009 study by researchers at the University of Hawaii estimated that countries signing ADS agreements with China have seen, on average, a cumulative 52 per cent increase in the number of mainland Chinese visitor arrivals over the following three years. However, the study warned that the incremental benefits of ADS become less significant as more and more countries negotiate ADS agreements. The study used data up to 2005 but since that time the number of countries with ADS agreements has surpassed 120.

Still, China is one of the most promising sources of outbound tourist growth in the world. The number of Chinese outbound travellers is expected to increase 7 per cent to 52 million this year, according to a recent forecast from the China National Tourism Administration.

China — Tourism Leading Indicator Index

Economic		Non-Economic		Overall
General Economic Trend	Price Competitiveness	Traveller Trends	Supplier Trends	
⇧⇧ (⇧⇧)	⇩ (⇔)	⇧⇧ (⇧)	⇧⇧ (⇧⇧)	++

Note: the bracketed figures are from the previous (May 2010) Tourism Intelligence Bulletin.

Economic Trends:

- The Conference Board's leading economic index for China increased 0.5 per cent in July. With the latest increase, the six-month growth rate in the leading index continued to remain relatively stable at a 6.8 per cent annual rate since January 2010. However, the strengths among the leading indicators have become less widespread in recent months. Still, despite some recent lost momentum in the global economic recovery, the most recent Consensus Forecasts report (September 2010) projects real GDP growth for China will be 9.9 per cent in 2010 and 9 per cent in 2011.

- The Canadian dollar appreciated 3.4 per cent against the Chinese renminbi between September 2009 and September 2010. As a result, despite more modest (2.6 per cent) growth in average airfares, the average cost of a 10-night stay in Canada—including airfare, hotels, meals, and other items—for Chinese travellers is expected to increase 6.9 per cent during the first quarter of 2011 compared with the same period in 2010. Unfortunately, Canada's price competitiveness may decrease slightly, as the cost of a similar trip to competitive destinations (U.S., France, Germany, U.K., and Australia) is expected to decrease by an average of 3.2 per cent during the quarter.

Traveller and Supplier Trends:

- Chinese overnight visits to Canada increased 0.6 per cent in 2009, but surged 22.6 per cent over the first eight months of 2010 from a year earlier. Meanwhile, travel from China (including Hong Kong) to the U.S. increased 47.7 per cent over the first six months of 2010, compared with the previous year, according to the OTTI.

- Direct air capacity between China and Canada is expected to increase 21.2 per cent during the first six months of 2011 compared with a year earlier.

With travel trends, economic conditions, and supplier trends continuing to expand sharply, the Tourism Leading Indicator Index suggests travel from China, particularly with a boost from ADS, has the potential to continue to grow sharply over the near term.

Australia — Current Tourism Trends

Qantas reports rise in traffic as yields recover: Qantas Airways' latest traffic statistics showed a 6.9 per cent increase in passenger traffic in July 2010 (measured in RPKs). Passenger numbers rose 9.1 per cent over the previous year. Passengers on its international operations (Qantas International and Jetstar International) grew 7 per cent over the previous year, while its passenger yields (revenues per RPK) from this group were up by 11.4 per cent.

Australian outbound travel demand still strong: Departures in August 2010 rose 10.6 per cent from the previous year, according to recently released figures from the Australian Bureau of Statistics (ABS). Outbound travel from Australia has been strong this year because of an increase in the affordability of travel—the result of high competition in the airline industry and the strength of the Australian dollar. After dipping slightly in June, the Australian dollar has since recovered most of its strength against the Canadian dollar and most other world currencies.

Australia — Tourism Leading Indicator Index

Economic		Non-Economic		Overall
General Economic Trend	Price Competitiveness	Traveller Trends	Supplier Trends	
⇧ (⇔)	⇧ (⇩⇩)	⇧ (⇔)	⇔ (⇔)	+

Note: the bracketed figures are from the previous (May 2010) Tourism Intelligence Bulletin.

Economic Trends:

- The Conference Board's leading economic index for Australia increased 0.8 per cent in July. With this increase, between January and July 2010, the leading index increased 4.4 per cent. In addition, the strengths among the leading indicators have been slightly more widespread than the weaknesses in recent months. The recent behaviour of the leading index suggests the economy will continue to expand over the near term.
- The Canadian dollar depreciated 3.9 per cent against the Australian dollar between September 2009 and September 2010. Aided by declining average airfares, the overall cost of a 10-night stay in Canada, including airfare, hotels, meals, and other items, is expected to be down 3.7 per cent during the first quarter of 2011 over 2010. Meanwhile, the average cost of a similar trip to competitive destinations is expected to decrease 2.8 per cent.

Traveller and Supplier Trends:

- Overnight visits from Australia were 14.4 per cent lower in 2009 than in 2008. Since then, overnight visits from Australia have rebounded, posting growth of 12.7 per cent over the first eight months of 2010, compared with the same time period in 2009. Meanwhile, travel from Australia to the U.S. increased 27.7 per cent over the first six months of 2010, according to the OTTI.
- Over the first six months of 2011, direct air capacity between Canada and Australia is expected to remain unchanged, compared with a year earlier.

Economic conditions appear to be improving, as are overall outbound travel trends. Also, Canada's price competitiveness for Australian travellers is expected to improve over the short term, aided by the strength of the Australian dollar and lower average airfares to Canada. As a result, the Tourism Leading Indicator Index suggests that year-over-year growth in travel to Canada should continue over the near term.

Tourism Leading Indicator Index – Methodology

The Tourism Leading Indicator Index provides tourism stakeholders with insights into the near-term outlook for the Canadian tourism industry by tracking the progress of the economic and non-economic factors that affect travel demand.

To derive the overall Tourism Leading Indicator Index, the various component indexes representing economic and non-economic motivating factors are weighted to reflect their relative importance in the travel decision-making process. The ratings used to assess the component indexes of the overall index identify the degree to which each component provides added stimulus or, alternatively, an added impediment to visiting Canada over the near term. The specific rating gradients used to assess the various component indexes of the Tourism Leading Indicator are as follows:

Ratings Used for the Component Indexes of the Tourism Leading Indicator

Symbol	Interpretation
⇧⇧⇧	Significant stimulus to demand
⇧⇧	Moderate stimulus to demand
⇧	Slight stimulus to demand
⇔	No (or little) added stimulus to demand
⇩	Slight impediment to demand
⇩⇩	Moderate impediment to demand
⇩⇩⇩	Significant impediment to demand

Meanwhile, the overall index rating obtained for each source market indicates the expected performance of the source market in the near term, relative to the same time period in the previous year. The specific rating gradients used to assess the Tourism Leading Indicator Index are as follows:

Ratings Used for the Tourism Leading Indicator Index

Symbol	Interpretation
+++	Significant improvement
++	Moderate improvement
+	Slight improvement
0	No change (or little change)
–	Slight deterioration
– –	Moderate deterioration
– – –	Significant deterioration

Leading indicators have been established for Canada's domestic travel market and for each of Canada's key international markets: United States, United Kingdom, France, Germany, Mexico, Japan, South Korea, China, and Australia.

Methodology Used to Develop the Tourism Leading Indicator for Each Source Market:

Economic Factors

A) **General Economic Trend:** The specific assessment of the general economic conditions for each source travel market is derived from the degree to which economic conditions are changing (becoming more favourable or less favourable). It also includes a general assessment of economic conditions, such as GDP growth, employment, and changes in the U.S. Conference Board's leading economic index. Ultimately, the rating provided should represent the degree of positive push (stimulus) or negative pull (impediment) affecting decisions to visit Canada over the near term due to economic conditions in each source market.

B) **Price Competitiveness:** Exchange rates between markets play a significant role in price competitiveness. Other factors considered in the assessment include gas prices, fuel surcharges, security-related charges, or other costs that affect Canada's price competitiveness compared with other competing destinations.

Non-Economic Factors

A) **Traveller Trends:** The assessment of traveller trends to and within Canada considers the source market's level of consumer confidence, regulations, current travel trends, and travel intentions.

B) **Supplier Trends:** Supplier trends indicate the degree to which suppliers are increasing (or decreasing) their product offerings to facilitate travel from the source market to and within Canada. The result of changes in supply can increase (or decrease) growth potential. A key indicator for this component is the availability of direct air capacity to Canada from each source market.

The following table identifies the weighting used for each component of the Tourism Leading Indicator for each source market.

	Economic		Non-Economic	
Travel Market	General Economic Trend	Price Competitiveness	Traveller Trends (to/within Canada)	Supplier Trends (to/within Canada)
Domestic & U.S.	40%	10%	40%	10%
All others	30%	10%	50%	10%

A higher weight on economic factors is given to domestic and U.S. travel because a higher percentage of the travel that occurs in these markets is for non-leisure purposes, which tend to be more closely linked to economic motivations. In addition, the prevalence of shorter, more frequent automobile travel also tends to be more highly correlated with economic factors. On the other hand, the longer average distance and trip duration of overseas trips suggests that non-economic factors tend to play a bigger part in the decision-making process for these trips.