



Tourism Intelligence Bulletin

Travel Demand Holding Up Despite Natural Disasters and Rising Oil Prices

Issue 57: May 2011

The Tourism Intelligence Bulletin monitors the tourism industry around the world. This issue features tourism intelligence gathered in February, March and early April 2011.

Bulletin Highlights

Tourism Overview: North America

- **Canadian travel sentiment improves:** Canadians are more likely to travel this summer than last summer, according to the latest Travel Intentions Survey by the Canadian Tourism Research Institute at The Conference Board of Canada. The results suggest travel sentiment is higher than it was a year ago, in spite of the recent uptick in oil prices. (See “Leisure Travellers,” page 4, and “Domestic Travel,” page 10.)
- **U.S. vacation intentions predict uptick in travel:** The latest travelhorizons survey released by the U.S. Travel Association and Ypartnership suggested U.S. travel intentions were improving. Ypartnership’s quarterly Traveler Sentiment Index soared in the first quarter of 2011 to its highest level since April 2007. The indicators measuring the affordability of travel, interest in travel, time available for travel, and money available for travel all increased significantly over the previous quarter. (See page 4.)
- **Canadian business confidence soars:** Confidence among Canadian business leaders has soared to its highest level in six years, according to The Conference Board of Canada’s Index of Business Confidence. Encouraged by the near-term outlook for the economy, the majority of respondents expected their companies’ financial positions to improve over the next six months (See page 5.)
- **U.S. business travel expected to grow in 2011:** U.S. firms are forecast to increase their travel spending in 2011, according to the Global Business Travel Association (GBTA). Despite this growth, business travel spending is not yet expected to return to its pre-recession level. (See page 6.)
- **High energy prices spell trouble for airlines:** Political unrest in North Africa and expanding global demand have sent oil prices back to over \$100 per barrel, spelling trouble for airlines around the world. The International Air Transport Association (IATA) subsequently downgraded its 2011 airline industry profits outlook. (See page 7.)

In this issue

Bulletin Highlights	1
Tourism Overview: North America.....	4
Tourism Leading Indicator Index.....	9
Tourism Overview: International	11
Appendix: TLI Index Methodology	28



- **B.C. hotels suffer Olympic withdrawal symptoms, but others rejoice:** A year after the Olympic Games were hosted in Vancouver, hotels in British Columbia experienced a massive drop in revenues during the first two months of 2011, pulling down national revenue per available room (RevPAR). The latest National Market Report by PKF Consulting revealed that overall occupancy levels in Canada fell flat in February 2011, and RevPAR and average daily rates were significantly lower. But although RevPAR fell in B.C., it grew in almost every other province. (See page 8.)

Tourism Overview: International

- **U.K. tour operators report weak bookings:** In their trading updates, Thomas Cook and TUI downgraded their overall outlook for the U.K. market, blaming weak consumer sentiment in Britain. Both companies saw sluggish bookings for winter 2010–11, due to a combination of weak demand and cancellations in response to the political unrest in North Africa. Meanwhile, cumulative bookings for summer 2011 were only marginally better than in 2010. (See page 13.)
- **French to cut back on travel spending this summer:** Faced with the feeling that their purchasing power has diminished, French travellers are planning to cut back on travel spending this summer, according to a recent survey by Benchmark Group. While the number of trips taken is not expected to change, respondents said they will travel on a smaller budget, with accommodation identified as the main target for spending cuts. (See page 14.)
- **German appetite for travel still growing, despite setbacks:** While the Japanese earthquake and the unrest in North Africa have softened travel demand slightly, a strong German economy continues to boost the Germans' appetite for travel. The mood among travel agencies in Germany dropped slightly in March, according to the latest monthly survey by Dr. Fried & Partner, but the confidence index remains at a high level. (See page 16.)
- **Mexican air travel remains sluggish:** Passenger numbers at Mexico City International Airport fell in February 2011, according to the airport's website. The decline was particularly large for passengers on international routes. (See page 17.)
- **Japanese outbound tourism is also expected to take a hit:** Not only is fallout from the earthquake keeping foreigners away from Japan, but many destination marketing organizations also expect the Japanese to cut back on their outbound travel. Thailand, Taiwan, South Korea, and various destinations in the United States are bracing for a drop in Japanese tourists this year. (See page 19.)
- **Overseas travel spending by Koreans soars:** South Korean overseas spending reached a record high in 2010, said the Bank of Korea in a statement on April 10. The surge in overseas expenditure was bolstered by a strong currency and a healthy domestic economy. (See page 21.)
- **Chinese international travel ready for takeoff:** The Chinese market for international travel is expected to grow rapidly over the next 10 years, according to a report released by the Boston Consulting Group (BCG) on March 30, 2011. The company expects China to become the third major source of foreign tourists to North America, behind the U.K. and Japan. (See page 22.)
- **Australian outbound trip intentions at record high:** Australian overseas travel intentions reached a record high in January 2011, according to a report released by Roy Morgan Research. Empowered by their strong currency, a record number of Australians said they were planning to travel abroad in the next 12 months. (See page 24.)

■ **Massive growth expected in Indian outbound travel:** IPK International, a leading tourism consulting group, projects strong growth in the Indian outbound travel market over the next 10 years. (See page 25.)

■ **Brazil's rising middle class opens up large potential market:** TAM Airlines, one of the largest airlines in Brazil and South America, expects a rapidly rising middle class to result in a large new market for air travel demand in Brazil. (See page 26.)

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.

Travel Market	Economic Factors		Non-Economic Factors		Overall Tourism Leading Indicator
	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	↑	↓	↔	↓	0
Japan	↓	↔	↓ ↓	↓ ↓	--
South Korea	↑	↑	↑ ↑	↓	+
China	↑	↑	↑ ↑	↑ ↑	++
Australia	↑	↓	↑ ↑	↔	+
India	↑ ↑	n.a.	↑	↑ ↑	++
Brazil	↑	n.a.	↑ ↑	↔	++

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

Canadian travel sentiment improves ahead of summer season: Canadians are more likely to travel this summer, according to the latest Travel Intentions Survey by the Canadian Tourism Research Institute at The Conference Board of Canada. The results suggest travel sentiment is higher than it was a year ago, in spite of the recent uptick in oil prices. In February 2011, 80.5 per cent of Canadians polled said they were planning to take a vacation between May and September 2011, up from 78 per cent in the online survey conducted in February 2010.

Trip intentions for domestic destinations rose 1 percentage point to 49.5 per cent, while plans for travel to the United States rose 0.7 points to 14.2 per cent. However, intentions for travel to other international destinations fell as political unrest and natural disasters plagued various regions of the world.

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

Destination of Longest Vacation	February 2009	February 2010	February 2011
All Destinations	77.1	78.0	80.5
Canada	48.4	48.5	49.5
United States	14.3	13.5	14.2
Other International	10.6	12.9	12.5
Do not know	3.8	3.1	4.3

Source: The Conference Board of Canada.

The results suggest growth prospects for the domestic travel market may finally be stabilizing, following three years of subdued trip intentions. Meanwhile, the continued strength in the value of the Canadian dollar is increasing interest in travel to the United States. Interestingly, a higher-than-usual proportion of surveyed Canadians had not yet decided the destination of their longest summer vacation.

Stabilizing economic conditions may be behind improved Canadian travel sentiment. The Conference Board of Canada's monthly Index of Consumer Confidence suggests Canadians are more confident about overall job prospects, although they remain uncertain about their personal finances. The index tumbled 5.6 points in March 2011, following an 8.3 point gain over January and February. Although the overall index stands significantly higher than it was at the height of the recession, it remains around 15 points below its long-term average, and has not shown a consistent trend since the third quarter of 2009.

U.S. vacation intentions predict uptick in travel: The latest travelhorizons survey released by the U.S. Travel Association and Ypartnership suggested U.S. travel intentions were improving. Of the U.S. residents polled in February 2011, 59 per cent said they planned to take a leisure trip in the next six months, up from 56 per cent a year earlier.

Ypartnership also reported that its quarterly Traveler Sentiment Index soared in the first quarter of 2011 to its highest level since April 2007. The index rose to 95.2 in the first quarter (Q1 2007 = 100), up from 87.2 in the final quarter of 2010. The indicators measuring the affordability of travel, interest in travel, time available for travel, and money available for travel all increased significantly over the previous quarter.

Meanwhile, U.S. travel intentions to foreign destinations grew 0.6 points in February 2011, according to the latest Consumer Confidence Survey report by The Conference Board, Inc. in the United States. Results showed that 11.8 per cent of Americans polled planned to take a vacation to a foreign destination within the next six months, up from 11.2 per cent in December 2010. These figures are adjusted to account for seasonal fluctuations in travel demand. However, U.S. domestic travel intentions tumbled 4.9 points during the same period, according to the survey.

U.S. consumer confidence took a turn for the worse in March 2011. After a sharp 7.2 point surge in February, The Consumer Confidence Index reversed course, declining 8.6 points to 63.4 (1985 = 100), with a 16.4 point drop in the Expectations Index. The Present Situation Index bucked the trend with a 3.1 point rise, indicating that while consumers are concerned about the near future, the economy continues to grow. The Conference Board noted that consumers are worried about rising inflation and slower income growth.

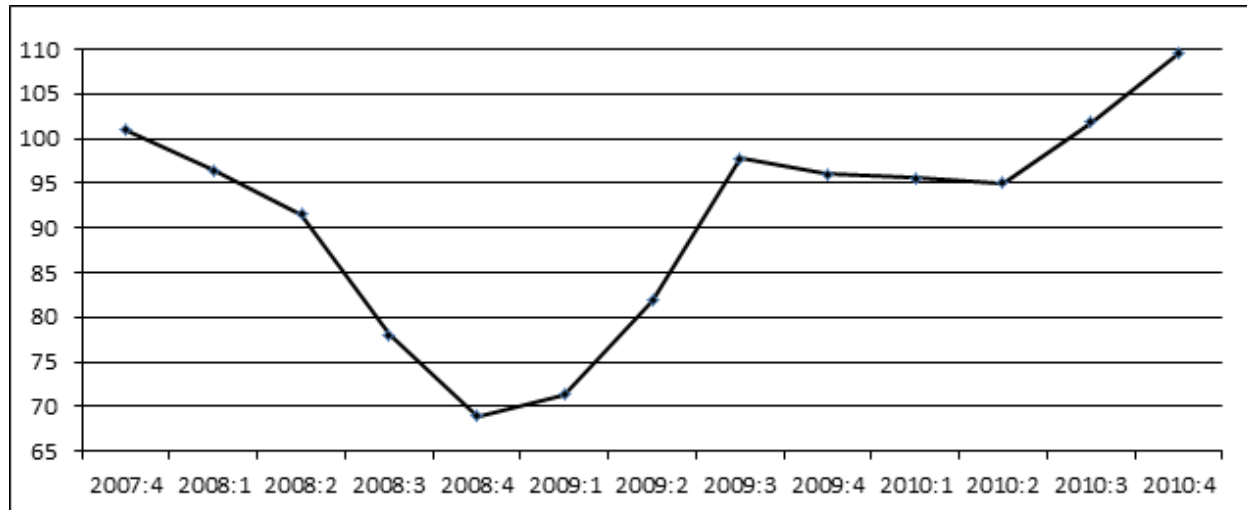
Marketers invest more in social media, but question its effectiveness: Travel operators continue to explore new ways of reaching customers through social media. JetBlue, for instance, has been sending weekly tweets with sale fares to its followers on Twitter. Travelocity launched a marketing campaign that invited Facebook users to vote on a vacation destination for the company's "roaming gnome." As a result of the campaign, its Facebook fans more than tripled, and the company reports having generated 10,000 additional bookings.

However, effective use of social media remains a challenge for the industry. In a new report from the World Federation of Advertisers and WPP research firm Millward Brown, the overwhelming majority of marketers surveyed were committed to increasing investment in social media over the next 12 months. However, only 23 per cent of respondents believed they were getting a good return on their investment, while 18 per cent described their return as "average," and 9 per cent described it as "poor."

Business Travellers

Canadian business confidence soars: Confidence among Canadian business leaders has soared to its highest level in six years, according to The Conference Board of Canada's Index of Business Confidence. The index stood at 109.5 in the fourth quarter of 2010, climbing 7.6 points from the previous quarter (2002 = 100). Encouraged by the near-term outlook for the economy, the majority of respondents expected their companies' financial positions to improve over the next six months, while only 6.9 per cent said they expected a decrease in profitability.

Chart 1: Index of Business Confidence: Up to Q4 2010
(2002 = 100)



Source: The Conference Board of Canada.

Shaky start to the year for North American premium air travel: Within North America, demand for premium air travel fell 8.3 per cent in January 2011, according to the latest premium traffic monitor by the International Air Transport Association (IATA). In 2010, North American business and first-class passenger volumes increased by 2.4 per cent. However, having fallen by 5 per cent in 2008 and 20.1 per cent in 2009, premium air traffic remains far below peak levels.

Canadian business outlook remains bullish: Canadian businesses remain optimistic about the economy, according to the Bank of Canada's quarterly Business Outlook Survey. Of the businesses surveyed, 60 per cent reported seeing a pickup in sales growth over the past 12 months, and 51 per cent expected this trend to continue over the next 12 months. While the strength of oil and other commodity prices has raised expectations for input costs and inflation, only 15 per cent of businesses expected price growth to exceed the Bank of Canada's target range of 1 to 3 per cent.

U.S. business travel forecast to grow by 5 per cent: U.S. firms are forecast to increase their travel spending by 5 per cent in 2011, according to the Global Business Travel Association (GBTA). This expected growth is double that of 2010, which followed two years of decline. Nevertheless, it would fall short of bringing 2011 business travel spending back to 2008 levels. The GBTA (formerly NBTA) also predicts the average cost per trip in the first quarter will be \$538, or 6 per cent below the same period in 2008.

Travel agents expect increased bookings in 2011: A recent survey by the Travel Leaders Group, a leading travel management company, revealed that 39.7 per cent of polled corporate travel agents forecast that bookings would increase in 2011, 36.3 per cent forecast they would remain unchanged from 2010, and only 7.8 per cent predicted a decline. By comparison, only 28.6 per cent of respondents forecast an increase in bookings in last year's survey.

Airlines

High energy prices spell trouble for airlines: Political unrest in North Africa and expanding global demand have sent oil prices back to over \$100 per barrel, spelling trouble for airlines around the world. The International Air Transport Association (IATA) has downgraded its 2011 airline industry profits outlook to \$8.6 billion, down from the \$9.1 billion estimated in December. This downgrade, which is based on an average expected oil price of \$96 for 2011 as a whole, represents a 46 per cent fall in net profits compared with 2010.

Airfares are set to reach an all-time high soon, according to the latest Business Travel Monitor from American Express Business Travel. The report estimates airfares rose 7 per cent in 2010, leaving them just 6 per cent shy of all-time highs in 2008. With the recent surge in oil prices, it won't be long before the previous record is broken, according to American Express Business Travel.

Canadian airlines maintain demand growth despite fuel surcharges: Air traffic demand has proven resilient so far in the face of rising airfares across the board. Air Canada, WestJet, and Porter all reported continued growth in passenger traffic during the first quarter of 2011. However, domestic traffic appears to be weakening in favour of international routes.

In March, Air Canada announced a reduction in its capacity growth for 2011 in response to rising fuel costs. It now expects 2011 capacity to grow between 4.5 per cent and 5.5 per cent, instead of the previously announced range of 5.5 per cent to 6.5 per cent. The carrier has also been introducing fuel surcharges in many markets. In early April, Calvin Rovinescu, Air Canada's chief executive officer, stated that advance bookings were encouraging in all sectors and noted that the market has been effectively absorbing the fare increases.

Air Canada's system-wide passenger traffic (measured in revenue passenger miles), including mainline and regional operations combined, rose 4.2 per cent in March 2011 from the previous year. The demand was uneven, however, with traffic on domestic and transatlantic routes slipping 1.2 per cent and 2.3 per cent, respectively. On the other hand, traffic on transborder U.S. flights rose 11.8 per cent. Traffic also grew 10 per cent on transpacific routes and 7.8 per cent on Latin American routes. In the first three months of the year, Air Canada's overall passenger traffic was ahead by 5.7 per cent.

WestJet's passenger traffic grew 13.3 per cent in March over a year earlier, setting an all-time record for the airline. In the first quarter of 2010, traffic rose 11.7 per cent over the previous year, while the load factor rose 0.3 points to reach 82 per cent. In line with Air Canada's position, the carrier said it is pleased with the ability of consumer demand to absorb higher airfares as fuel costs rise.

Table 2. Airline Revenue Passenger Miles (RPMs) and Capacity — March 2011

Airline	RPMs (in millions)	RPMs 2011 vs. 2010	Capacity 2011 vs. 2010
Air Canada – consolidated traffic (all airlines)	4,411	4.2%	7.6%
WestJet	1,552	13.3%	12.1%
Porter Airlines	48.4	21.0%	22.5%

U.S. air travel demand off to good start in 2011: U.S. air travel demand continued to grow in the first two months of 2011, according to the latest figures from the Air Transport Association of America (ATA). Passenger revenues among U.S. airlines rose in February for the 14th consecutive month, reflecting a strengthening economy and higher average airfares due to soaring energy prices.

The number of revenue miles flown on U.S. airlines increased 2.1 per cent in February 2011 over a year earlier, while the average price of flying one mile jumped 10.8 per cent. Accordingly, passenger revenues among U.S. carriers rose 13 per cent that month. U.S. domestic revenues grew 11.5 per cent, but growth remained strongest on international routes, which saw a 17 per cent increase in passenger revenues.

Hotels

B.C. suffers Olympic withdrawal symptoms in 2011: A year after the Olympic Games were hosted in Vancouver, hotels in British Columbia experienced a massive drop in demand during the first two months of 2011, pulling down the national RevPAR levels.

The latest National Market Report by PKF Consulting revealed that overall occupancy levels in Canada were roughly the same as last year, standing at 56.1 per cent in February 2011. However, and in an almost perfect reversal of February 2010's results, average daily rates and revenue per available room (RevPAR) tumbled 13.7 per cent, compared with a year earlier. The decline in RevPAR was solely attributable to the decline in demand following last year's Olympic Games in Vancouver. While RevPAR in British Columbia fell 55.3 per cent year-over-year, it rose 10.1 per cent in Central Canada, 14.9 per cent in Atlantic Canada, and 11.7 per cent in Alberta. Overall demand appears to be improving, though the market distortion from the Olympic Games makes it difficult to confirm this underlying trend.

In its 2011 Market Outlook report, PKF Consulting expects a 3.6 per cent increase in the national average RevPAR compared with 2010, coupled with a 2.5 per cent rise in average daily rates and 1 point climb in occupancy. Should this materialize, it would bring RevPAR to \$80, still \$3 short of its 2008 level. Halifax is projected to lead all the major cities in RevPAR growth (up 5.1 per cent), followed by Québec City (up 4.5 per cent) and Niagara Falls (up 4.4 per cent). Vancouver, having hosted the Winter Olympic Games in 2010, is the only city where RevPAR is expected to fall in 2011 (-5.6 per cent).

U.S. lodging demand making strides, but has a long way to full recovery: The recovery in U.S. lodging demand maintained its momentum in February 2011, according to Smith Travel Research, Inc. RevPAR levels rose 7.9 per cent, thanks to a 5.2 per cent increase in occupancy and a 2.5 per cent increase in room rates. However, this increased demand has not been enough to restore RevPAR to pre-recession levels. RevPAR in February 2011 remained 14 per cent below February 2008 levels.

In a forecast update, the firm projects the U.S. hotel industry will see growth in all three key performance measures in 2011, thanks to stronger hotel demand fundamentals. STR expects RevPAR to rise 6.1 per cent to \$59.78. In contrast to the case in 2010 when higher occupancy was the leading source of RevPAR growth, most of the growth in 2011 is expected to come from higher average daily rates, which are forecast to rise 4.2 per cent to \$102.2. Meanwhile, the occupancy rate is forecast to increase 1.8 per cent to 58.6 per cent.

Travel Agents And Other Suppliers

Google obtains approval to acquire ITA, with strings attached: On April 8, 2011, the U.S. Justice department approved Google's long-sought acquisition of ITA, a major travel search software company. However, the Justice Department imposed certain five-year restrictions on how Google uses the software, under which Google must continue to develop and license the software to other companies.

Expedia and Kayak, two of the biggest opponents to the deal, fear that Google may abuse its power by denying licences to certain companies and favouring their partners and advertisers in travel search results. They argue such an outcome would reduce choice for consumers and increase prices. Google retorts by arguing that ITA does not directly control the prices, but merely displays search results.

Transat reports more bookings but lower profits: Transat A.T. Inc. posted an operating loss of \$14.6 million for its quarter ended January 31, 2011, compared with \$12.4 million in the same quarter of 2010. It still managed to raise its revenues by 2.2 per cent to \$810.2 million, thanks to an increase in the number of travellers to sun destinations. In a press release, Transat President and CEO Jean-Marc Eustache described the quarter as “difficult” because of ongoing intense competition in the sun destinations market.

Revenues from Transat's North American subsidiaries increased 2.9 per cent to \$18.8 million, thanks to 1.8 per cent increase in the number of travellers. Meanwhile, revenues from its European subsidiaries fell 0.9 per cent.

Looking ahead, Transat's capacity for the second quarter is 9 per cent higher than in 2010. The company reported higher bookings and higher load factors, but similar prices compared with the same time in the previous year. Bookings from Canada to sun destinations are up slightly, but prices remain under strong pressure because of competition.

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 in Canada edged lower by 1,500 in March, the good news is that full-time employment rose by 90,600. Meanwhile, the jobless rate declined 0.1 percentage points to 7.7 per cent as more women and young people (those under the age of 25) withdrew from the labour force. Despite a slight dip in the jobless rate, youth unemployment has remained high—above 14 per cent since 2009.
- The Canadian economy continued to post strong performance in January, as real gross domestic product (GDP) increased 0.5 per cent. Manufacturing posted the strongest growth, at 2.8 per cent. Meanwhile, a dip in synthetic crude production resulted in a modest 0.5 per cent dip in the mining, oil, and gas sector. With the rebound in manufacturing, the services sector is also benefiting. In particular, the finance, insurance, and real estate sector posted solid growth to start the year.
- Concerns over current finances appear to be weighing heavily on consumer confidence. The Conference Board of Canada's Index of Consumer Confidence reversed course in March, falling 5.6 points from the previous month. The balance of opinion worsened on all four questions asked, with responses to current and future finance questions being the most pessimistic. As well, the response to the question on major purchases was lower in March.

Traveller and Supplier Trends:

- The number of domestic enplaned and deplaned passengers at Canada's top 32 airports increased 2 per cent in December 2010 from a year earlier. The full-year figures for 2010 suggest that the number of domestic enplaned and deplaned passengers grew a modest 1.6 per cent, compared with 2009.
- Canadian hotel occupancy rates increased 2 percentage points on a year-over-year basis, to 60.3 per cent, for 2010, according to PKF Consulting. The consulting firm also reported that the national average room rate increased 2.1 per cent last year to \$127.57. Over the first two months of 2011, there continued to be a gradual improvement in occupancy rates across the country; however, average room rates in Canada were down, largely the result of the post-Olympic effect in B.C.
- 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 11.1 per cent last year and continued to be up a further 5.7 per cent in January this year. Meanwhile, overnight travel to other international destinations expanded by a slightly more modest 5.9 per cent last year but was up 7.4 per cent in January, compared with last year.
- Canadian airlines continue to adjust to the changing environment. The latest data snapshot from BACK Aviation Solutions suggests direct air capacity for travel within Canada is slated to increase 3.6 per cent over the summer of 2011, compared with the same time in 2010.

Overall, the Tourism Leading Indicator suggests that, despite growing financial concerns and an appreciating Canadian dollar that continues to stimulate outbound travel, modest growth prospects remain for domestic travel over the near term as a result of a strengthening Canadian economy.

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 (November 2010) Tourism Intelligence Bulletin.

Economic Trends:

- U.S. consumer confidence took a bit hit in March. The decline in confidence was likely due to the increase in gasoline prices and the disaster in Japan. Still, excluding housing, many other indicators suggest the U.S. recovery is progressing well. Pent-up demand by households boosted retail sales in February by more than 1 per cent—the strongest since October. As well, households appear to be making progress in paying down debt, a key factor in freeing up more discretionary income for spending. Another development that will help boost big-ticket purchases is that banks have started to increase lending. In March, the economy created 216,000 new jobs, and the unemployment rate dropped to 8.8 per cent.
- The Conference Board's leading economic index for the U.S. continued to increase in February, posting growth of 0.8 per cent from January. In the past six months, the growth in the index has increased in pace from 1.8 per cent (about a 3.6 per cent annual rate) to 3.9 per cent (an annual rate of about 8 per cent). In addition, the strengths among the leading indicators have remained more widespread than the weaknesses in recent months. The behaviour of the leading economic index suggests that economic activity will continue to expand, and may even pick up pace modestly over the near term.
- Because of the continued depreciation of the U.S. dollar, the value of the loonie averaged 10 per cent more in 2010 than in 2009 and continued to strengthen sharply over the first few months in 2011. Despite strong increased costs to travel within the U.S. by air this summer, Canada's price competitiveness for U.S. travellers is expected to continue to decline over the third quarter of 2011, the result of a weaker U.S. dollar and significant increases in average airfares to Canada.

Traveller and Supplier Trends:

- Overnight U.S. travel to Canada increased a slight 0.7 per cent last year. While overnight non-automobile (primarily air) travel from the U.S. posted solid growth of 4.4 per cent, automobile travel continued to decline in 2010, by 1.8 per cent. Despite encouraging signs of economic growth, overnight automobile travel keep declining in January 2011; however, travel from non-automobile travel increased 8.2 per cent over the same month last year.
- While the level of direct air capacity between Canada and the United States over the summer is expected to remain on par with last year, the capacity provided by non-Canadian (primarily U.S.) carriers is expected to decline 3.8 per cent, compared with last summer.

Although economic and traveller trends have shown signs of improvement in recent months, continued concerns about the economy and eroding price competitiveness 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

Traffic growth remains sluggish in the U.K.: Passenger traffic on British Airways (measured in revenue passenger kilometres—RPKs) grew by 11.9 per cent in March 2011, largely as a result of the strike that disrupted British Airways operations for seven days in March 2010. Removing the effect of the strike, passenger traffic is estimated to have continued the same trend as in February, when it grew 1.2 per cent year-over-year. This subdued growth leaves British Airways' passenger traffic 6 per cent below the levels reached in 2007.

The carrier responded to rising oil prices by further increasing its fuel surcharge on long-haul flights. For economy passengers, the fuel surcharge on long-haul flights of less than nine hours will be increased from £75 to £85 (about C\$134), and on flights of more than nine hours, it will increase from £88 to £98. Business and first-class passengers will pay an extra £20 increase in the fuel surcharge on all long-haul flights.

Premium traffic volumes (business and first-class) of International Airlines Group (IAG), the airline holding company formed by the merger between British Airways and Iberia, rose by 18.1 per cent in March, while non-premium traffic (economy) increased by 6.7 per cent. The company said the rebound from the strike accounts for only half of the growth in premium traffic.

IAG's North America passenger traffic rose 9.7 per cent March 2011, slightly stronger than the company's 8.8 per cent growth in overall traffic. The Asia-Pacific market experienced the highest growth, at 19.9 per cent.

Passenger numbers at the British Airport Authority's (BAA) six U.K. airports grew 0.9 per cent in March 2011. Growth was particularly strong on domestic and European scheduled flights, which grew 1.5 per cent and 2.8 per cent, respectively. On the other hand, North Atlantic passengers increased by just 0.2 per cent, while passengers on other long-haul routes dropped 1.3 per cent.

In a press release, BAA said Heathrow's growth was not significantly affected by the Japanese earthquake and political unrest in North Africa, as traffic between Heathrow and these areas represents a relatively small portion of the airport's overall traffic volumes.

However, the Easter effect and last year's British Airways strike make March year-over-year comparisons difficult to interpret. During January and February 2011, traffic at BAA's six U.K. airports had grown 1.8 per cent. Passenger numbers at Heathrow have been particularly positive, growing at 2.6 per cent over the same time period.

Table 3. Percentage Change in Passengers Carried

Carrier	March 2011 vs. March 2010
British Airways	+6.3%
Ryanair	+8%
easyJet	+11.9%

British travellers spared another hike in air passenger departure tax: In its 2011 budget, the U.K. government postponed a further increase in the air passenger duty (APD) until April 2012. APD, an excise duty levied on passengers flying from a U.K. airport, has been increased repeatedly over the past six years. In the most recent hike in November 2010, the U.K. government raised it from £45 to £60 for economy passengers travelling from the U.K. to Canada, and from £90 to £120 for premium classes.

The temporary freeze received a lukewarm reception, as industry spokesmen pointed that U.K. travellers are still, by a considerable margin, the most heavily taxed in the world. Charles Starmer-Smith, the travel news editor at The Telegraph, pointed out that, to meet the Treasury's target of £3.8 billion in APD receipts by 2015, future increases in APD are likely to be severe. The duty's impact has been detrimental to Britain's travel industry. In an article from March 25, Starmer-Smith observed, "British air passenger numbers are dwindling—down from 81 million in 2007 to 63 million in 2010. Our travelling horizons have also narrowed: Heathrow, our flagship airport, has fallen from first to fifth place in Europe in terms of the number of destinations served."

Tour operators report weak U.K. bookings: In a late March trading update, Thomas Cook downgraded its overall outlook for the U.K. market, blaming weak consumer sentiment in Britain. The operator said its cumulative U.K. bookings for winter 2010–11 were down 5 per cent, as a result of a combination of weak demand and cancellations in response to the political unrest in North Africa and the Middle East. U.K. bookings for summer 2011 were up 1 per cent at the time of the update, while travel prices were up 4 per cent, thanks to a cut in capacity and a leaning towards all-inclusive holidays.

In its own trading update, TUI presented a slightly more positive picture. Faced with cancellations from the turmoil in Tunisia and Egypt, the company said the flexibility of its business model allowed it to swiftly shift capacity to alternative destinations including Spain, Greece, and Turkey. The company's U.K. winter bookings were unchanged from the previous year, but it described underlying demand as satisfactory, particularly for its differentiated products. Looking ahead, U.K. bookings for summer 2011 were up by 2 per cent.

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 (November 2010) Tourism Intelligence Bulletin.

Economic Trends:

- The Conference Board's leading economic index for the U.K. increased 0.6 per cent in February, capping three consecutive months of solid gains. The six-month leading index rose 2.2 per cent (an annual rate of about 4.4 per cent) that month. Fortunately, the strengths among the leading indicators have remained widespread in recent months. But real GDP in the U.K. declined at a 2 per cent annual rate in the final quarter of 2010, much weaker than the 2.9 per cent growth witnessed over the third quarter. The behaviour of the leading economic index suggests that economic activity will likely expand at only a modest pace over the near term.
- Compared with the Canadian dollar, the British pound appreciated 2.4 per cent between March 2010 and March 2011. Fortunately, this should offset some of the increases expected in travel prices to Canada over the summer. In particular, the average cost of a seven-night stay in Canada for U.K. travellers—including airfare, hotels, meals, and other items—is expected to increase 1.9 per cent in the third quarter of 2011, year-over-year. In comparison, the cost of U.K. travel to other competitive destinations is expected to increase 6.2 per cent. Consequently, Canada's price competitiveness for U.K. travellers is expected to improve in the third 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 September of last year. Still, overnight visits for last year were up only a slight 0.4 per cent, dragged down by a weak fourth quarter. During January of this year, U.K. visits were down 4.4 per cent from January 2010 levels. According to the latest data from the U.K. Office for National Statistics, total outbound travel from the U.K. was down 7 per cent between November 2010 and January 2011, year-over-year. During this period, travel to North America was up 7 per cent, while travel within Europe fell 8 per cent.
- Direct air capacity on scheduled flights from the U.K. to Canada is expected to edge down by a slight 0.5 per cent during the summer of 2011, year-over-year, according to the latest data snapshot from BACK Aviation Solutions.

Despite a slight improvement in Canada's travel price competitiveness and improvement in the U.K. economy, the Tourism Leading Indicator Index suggests weak supplier and travel 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

Underlying trend remains positive for air travel: In March 2011, Air France-KLM reported small year-over-year gains of 1 per cent in passenger traffic (measured in RPKs) and 1.2 per cent in the number of passengers flying on its network. The carrier said its traffic results were hurt by the timing of Easter, the Japanese earthquake, and political unrest in North Africa. Traffic on its domestic and European routes was up 3.4 per cent, while traffic on its North and South American routes grew 2.8 per cent. Traffic on the Americas network has grown mildly over the past two years, and now stands just 2.4 per cent short of its level in 2008.

Passenger numbers at airports serving Paris grew 5.9 per cent to 5.8 million in February 2011, year-over-year, according to the airports' administrative authority, Aéroports de Paris. Passengers on routes serving North America increased 5 per cent, French domestic passengers rose 11.1 per cent, and passengers on European routes increased by 9.2 per cent. The February 2010 strike at Paris-Orly had a negligible impact on these growth figures.

French to cut back on travel spending this summer: Faced with the feeling that their purchasing power has diminished, French travellers are planning to cut back on travel spending this summer, according to a recent survey of 1,321 French consumers by Benchmark Group. In the survey, which ran from January 27 to February 15, 20 per cent of respondents said they were planning to travel on a smaller budget, up from 10 per cent who indicated likewise a year earlier. Accommodation was identified as the main target for spending cuts. However, the number of trips and the average length of stay are expected to remain unchanged.

When it comes to the choice of destination, 30 per cent of travellers are planning a trip abroad, consistent with previous years. While Tunisia was ranked as the third favourite destination in 2010, it was demoted to tenth place this year, following the political unrest in the country. Most traffic to North Africa was diverted to more stable destinations in the Mediterranean, such as Greece and Turkey. Meanwhile, trip intentions to Canada and the United States stood at 10 per cent. Survey results were reported by TourMaG.com, a French online travel trade website.

French consumer confidence resumes downward trend: After improving slightly in the fourth quarter of 2010, consumer confidence has been declining since the beginning of this year, according to the monthly consumer confidence survey from INSEE, France's National Institute of Statistics and Economic Studies. The index recorded an overall reading of 83 in March 2011, slipping two points from February and six points since November 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 (November 2010) Tourism Intelligence Bulletin.

Economic Trends:

- The Conference Board's leading economic index for France increased 0.9 per cent in January, the second consecutive month. Since August 2010, the growth in the leading index has strengthened—increasing at an annual rate of 6.9 per cent. As well, the strengths among the leading indicators were more widespread than the weaknesses in recent months. Meanwhile, real economic growth in France increased at a 1.4 per cent annual rate over the last quarter of 2010. The recent behaviour of the leading economic index suggests that economic activity is likely to continue to grow, and could even pick up pace over the near term.
- The Canadian dollar has strengthened considerably against the euro since the start of 2009. However, the pace of growth has slowed recently, with the value of the Canadian dollar increasing only 1.4 per cent against the value of the euro between March 2010 and March 2011. Coupled with only marginal increases in average airfare, the average cost of a seven-night stay in Canada, including airfare, hotels, meals, and other items, is expected to increase 1.2 per cent for French travellers during the third quarter of 2011. Unfortunately, Canada's price competitiveness is likely to decline slightly during the quarter, as the cost of travelling to competitive destinations during this period is expected to decline by 0.4 per cent.

Traveller and Supplier Trends:

- Last year, French overnight visits to Canada rebounded with growth of 7 per cent, compared with 2009. Over the last quarter of 2010, French travel to Canada was resilient in the face of economic concerns, posting growth of 7.5 per cent. The latest figures from Statistics Canada revealed that overnight visits from France were up 2.7 per cent in January 2011, compared with the same month in 2010. The U.S. Office of Travel and Tourism Industries (OTTI) reported French travel to the U.S. increased 11.4 per cent in 2010, compared with 2009.
- During the summer of 2011, direct air capacity between France and Canada is scheduled to increase 3.1 per cent over the same time in 2010. According to BACK Aviation Solutions, all of that growth is expected to come from Canadian carriers.

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

Germany — Current Tourism Trends

Lufthansa sees continued strength in passenger traffic: In its latest annual report, released in March, Deutsche Lufthansa AG presented a cautiously optimistic outlook for 2011. The airline expects a continued recovery in air travel demand as economic growth returns to normal. While further oil price rises were anticipated, the carrier said its hedging policy should limit the effect on earnings.

However, Lufthansa cautioned about the effect of the new German and Austrian air traffic tax, which the company said may have an adverse effect on demand for the airlines.

In a press release in April, Lufthansa revealed that developments in Japan and political trouble in North Africa had a significant impact on its traffic in March. In that month, the carrier's passenger traffic grew 1.1 per cent (measured in RPKs) over the previous year, driven by strong intra-European demand. Passenger traffic grew 4.9 per cent on European routes and rose 3.3 per cent on routes to North and South America.

Passenger numbers at Frankfurt Airport declined by 0.9 per cent in March 2011 over the previous year, to 4.3 million passengers, according to Fraport Group, the airport's owner and operator. Passengers on routes to North America fell 9.4 per cent. The earthquake in Japan and turmoil in North Africa were partially responsible for this drop, but the main contributor was the Easter effect, as the holiday fell in March last year. Prior to March, passenger numbers at Frankfurt airport were up 8.1 per cent in February and 5.2 per cent in January.

German appetite for travel still growing, despite setbacks: While the Japanese earthquake and the unrest in North Africa have softened travel demand slightly, a strong German economy continues to boost the Germans' appetite for travel.

The mood among travel agencies in Germany dropped slightly in March, according to the latest monthly survey by Dr. Fried & Partner. The overall confidence index fell to 111, down from a high of 116 points in February. Yet the index remains at a high level, according to fww, the German travel industry journal that reported the results.

While growth in bookings has softened since January, Thomas Cook and TUI reported solid winter and summer 2011 sales in their late-March travel updates. TUI Germany reported winter bookings rose by 4 per cent and revenues by 8 per cent. Looking forward, summer bookings were up 11 per cent at the end of March while revenues rose 14 per cent. Bookings have been especially strong for the company's differentiated vacation packages, which cater to specific tourist markets.

Meanwhile, Thomas Cook announced summer 2011 bookings were up 4 per cent in its central European markets. However, the company's winter 2010–11 bookings were down 2 per cent in central Europe, having been severely affected by cancellations that followed the political upheavals in North Africa.

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 (November 2010) Tourism Intelligence Bulletin.

Economic Trends:

- During the last quarter of 2010, Germany's real GDP growth increased at a 1.5 per cent annual rate—a much more gradual expansion than that of the previous quarter. As well, the Conference Board's leading economic index for Germany increased by a modest 0.4 per cent in January. But although the growth of the six-month leading index slowed to a 7.7 per cent annual pace between July 2010 and January 2011 (from a 12.5 per cent pace over the previous six months), the strengths among the leading indicators remain widespread. The recent behaviour of the index suggests economic activity will continue to expand at a moderate pace in the near term.
- Average fares from Germany to Canada are expected to increase 7.6 per cent during the third quarter, propped up by the new air passenger duty. But the relative strength of the euro should help keep other travel costs from increasing significantly. Overall, 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 3.3 per cent over the previous year for German visitors. With the average cost of a similar trip to competitive destinations expected to increase 8.5 per cent, Canada's price competitiveness for the German market is projected to increase moderately during the third quarter of 2011.

Traveller and Supplier Trends:

- Last year, German overnight visits to Canada rebound sharply, posting growth of 7.3 per cent compared with 2009. However, according to Statistics Canada, overnight visits from Germany retreated 3.1 per cent over the last quarter of 2010 and declined a further 9.3 per cent in January 2011, compared with the same period one year prior. Meanwhile, the OTTI reported German travel to the U.S. increased 2.3 per cent during 2010.
- During the summer of 2011, direct air capacity between Germany and Canada is scheduled to increase 2.8 per cent compared with the same period in 2010. According to BACK Aviation Solutions, all of that growth is expected to come from Canadian carriers.

There continues to be improvement in the German economy, price competitiveness, and supplier trends. But weakening travel trends 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

Aeromexico announces aggressive investment plan: Aeromexico, Mexico's largest airline, announced it will invest \$1.3 billion over the next two years to buy 20 new aircraft, as well as to upgrade technology and improve customer service. The carrier is planning to open new South American routes and increase frequency to other destinations, including San Francisco and Miami.

Air travel remains sluggish: Passenger numbers at Mexico City International Airport fell 1.8 per cent in February 2011 over the previous year, to 1.67 million passengers, according to the airport's website. The situation was worse for passengers on international routes, where traffic fell by 8.9 per cent.

Additionally, two Mexican airport operators reported a drop in passenger traffic in March 2011, according to Dow Jones Newswires. The operators blamed the fall on the Easter holiday moving to April this year. However, the same operators had also reported sluggish growth in February.

Grupo Aeroportuario del Sureste (GAS), which runs the Cancun airport among others, said its overall traffic fell 2.3 per cent. Grupo Aeroportuario del Pacifico (GAP) said its passenger traffic fell 5.1 per cent. However, international air passenger traffic fared better, with GAS reporting a 0.1% increase in March, and GAP reporting a 3.6% drop.

Latin American passenger traffic remains steady in February: Passenger traffic (measured in RPKs) on Latin American airlines registered a 1.2 per cent rise in February 2011, year-over-year, according to the Latin American and Caribbean air transport association (ALTA). Year-to-date traffic was up 2.1 per cent. The number of passengers carried in February posted minor 0.1 per cent growth, remaining steady at 10.3 million. Growth was mainly driven by traffic on domestic and intra-Latin American routes, while traffic fell 6 per cent on international routes outside Latin America.

Table 4. ALTA Airlines*

Revenue Passenger Kilometres (RPKs) and Passengers Carried — February 2011

Regional Destination	RPK change 2011 vs. 2010	Passengers Carried 2011 vs. 2010
Domestic	1.5%	0.3%
Intra-Latin America (scheduled and charter)	10.7%	6.8%
Extra-Latin America (international)—total	-6.0%	-14.6%
Total	1.2%	0.1%

Source: Latin American and Caribbean air transport association (ALTA).

* Reporting Airlines: Aerolineas Argentinas (and Austral), Aeromexico, Avianca, Copa Airlines, GOL, LAN Group (including Aires as of January), Mexicana (until August 2010), Mexicana Click (until August 2010), Pluna, Grupo TACA, TAM, TAM Mercosur, Varig Log, and Volaris.

Mexican consumer confidence slips in March: The seasonally adjusted Mexican Consumer Confidence Index slipped 0.4 points in March 2011, according to Reuters. INEGI, Mexico's national statistics agency, said its index fell to 92.7 that month, down from 93.1 in February. Consumers were more hopeful about the economy, but said they were more wary about purchasing big-ticket items. While the index is still around 10 points lower than its pre-recession levels, it has been on a steady upward trend since October 2009, minor hiccups notwithstanding.

Mexico — 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 (November 2010) Tourism Intelligence Bulletin.

Economic Trends:

- The Conference Board of Canada's leading economic index for Mexico increased 0.8 per cent in January. During the six months ending in January, the leading index increased by a solid 4.1 per cent (about an 8.4 per cent annual rate)—up significantly from the previous six-month period. As well, the strengths among the leading indicators have remained widespread in recent months. The recent behaviour of the index suggests that, despite some recent volatility, economic activity is likely to continue to expand at a modest pace over the near term.
- Compared with the Mexican peso, the value of the Canadian dollar remained virtually flat between March 2010 and March 2011. 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 2.6 per cent during the third quarter of 2011, year-over-year. Unfortunately, Canada's price competitiveness during the third quarter is likely to suffer slightly, as the cost of a similar trip to competitive destinations (U.S., Spain, and Italy) is expected to decrease by an average of 2.2 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 continued to decline a further 28 per cent in 2010. On a more positive note, arrivals during the last quarter of 2010 were up 18.3 per cent, and during January 2011 continued to expand a further 2.5 per cent, compared with the previous year. Meanwhile, according to the OTTI,

Mexican visits to the U.S. interior (beyond the 40-kilometre U.S. border zone) plunged during the last quarter of 2010 but remained up 1.5 per cent overall in 2010, compared with 2009.

- Direct air capacity between Canada and Mexico is projected to increase 2.6 per cent over the summer of 2011, compared with the previous year. However, according to BACK Aviation Solutions, this slight increase is purely attributed to the tremendous 36.5 per cent growth in capacity by Canadian carriers, while capacity from non-Canadian carriers will decline nearly 75 per cent.

While recent gains in Mexican visits to Canada suggest the market may have already bottomed out from the visa requirement, a sustained recovery will face strong headwinds over the summer. The Tourism Leading Indicator Index suggests that declining price competitiveness and declining air capacity by non-Canadian carriers will dampen much of the growth potential from Mexican arrivals over the short term.

Japan — Current Tourism Trends

Earthquake and tsunami wreak havoc in Japan: The number of foreign visitors to Japan shrank dramatically in the wake of the March 11 earthquake and subsequent tsunami. From March 11 to March 31, the number of foreigners entering Japan tumbled 75 per cent compared with the previous year, according to the Tokyo Regional Immigration Bureau. Fear of radiation from the Fukushima nuclear accidents has kept tourists away, and the medium-term outlook for tourism in Japan remains bleak.

Some airlines have already reduced capacity to Tokyo, while others are likely to follow. Aaron Karp, Air Transport World's senior editor, expects a major slowdown in travel to Tokyo over the next several months. He added that traffic may take at least one year to recover. In a Q&A session on ATW's website, Karp said, "There's a lot of uncertainty now because people don't know how bad the radiation exposure element is going to be and what sort of perception there will be about how safe it is to be in Tokyo... but within a year things could be relatively back to normal."

Japanese outbound tourism also expected to take a hit: Not only is fallout from the earthquake keeping foreigners away from Japan, but many destination marketing organizations also expect the Japanese to cut back on their outbound travel.

Thailand may lose 12 per cent of Japanese visitors in 2011, according to an estimate by Kasikorn Research Centre. The research centre now expects about 850,000 Japanese tourists to visit Thailand this year, down from its previous forecast of 1.2 million.

In a similar study, Taiwan's Tourism Bureau forecast a 20 per cent drop in Japanese visitors over the second quarter.

In a statement on March 15, the Korea Tourism Organization said the number Japanese tourists to Korea is expected to decline by about 36 per cent this year.

U.S. destination marketers were similarly concerned. Mark Liberman, president and CEO of LA Inc., the Los Angeles convention and visitors bureau, said the Japan disaster is likely to have a negative impact on visitors, though no estimates were provided. "We have already seen airlines adjusting their schedules to meet the decrease in demand," Liberman said.

The Hawaii Tourism Authority is bracing for a serious decline in Japanese travellers, following an estimated 18 per cent decline in Japanese visitors in March. Hawaii relies on Japan for almost a quarter of its tourists, and so the loss of Japanese travellers is expected to take a heavy toll on the state's economy.

Haneda captures international traffic from Narita: A new international terminal at Haneda Airport may have been responsible for a sizable decline in international traffic market share at Tokyo's other airport, Narita International Airport. The latest figures showed that passenger numbers at Narita were down by 9.2 per cent in February 2011 over the previous year. Japanese passengers on international flights slipped 7.3 per cent. On the other hand, passengers on domestic flights jumped by 15.7 per cent.

Haneda estimates it will handle 8 million international passengers in 2011, up from 5 million in 2010, according to Air Transport Intelligence. This increase of 3 million constitutes roughly 10 per cent of Narita's annual passenger traffic.

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 (November 2010) Tourism Intelligence Bulletin.

Economic Trends:

- The final release of economic data for the last quarter of 2010 confirmed the Japanese economy contracted by 0.3 per cent. The contraction was led by weakness in private consumption. Prior to the March 11 earthquake and tsunami, domestic demand continued to face headwinds, but there were expectations for a mild economic recovery during the first quarter of 2011. While the most recent Consensus Forecasts report (March 2011) suggests that economic growth of 1.4 per cent is possible in 2011, these figures will likely be revised downward as more recent economic indicators become available.
- 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 against the Canadian dollar: in March 2011, it was 6.1 per cent stronger than at the same time in 2010. Even with the strength of the yen, the overall cost of a 10-night stay in Canada is expected to decrease 1.7 per cent for Japanese visitors during the third 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 2.7 per cent.

Traveller and Supplier Trends:

- After falling by 28.4 per cent in 2009, overnight visits from Japan to Canada rebounded in 2010, posting growth of 18.2 per cent, according to Statistics Canada. However, the pace of growth over the last quarter of 2010 was more modest (6.4 per cent), and visits declined 10.2 per cent in January 2011 compared with the same month last year. OTTI figures show that Japanese travel to the U.S. grew 16 per cent in 2010, compared with 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 15.1 per cent over the summer of 2011. According to BACK Aviation Solutions, Canadian carriers are expected to increase capacity by 4.3 per cent while non-Canadian carriers reduce capacity by 47.2 per cent.

Even excluding the effects of the March 11 earthquake and tsunami, the decline in direct air capacity by non-Canadian carriers would have likely dampened much of the growth potential from Japanese arrivals over the short term. Although travel trends in Japan had been improving, the lingering effects on the psyche of Japanese residents worried about the long-term impacts on the people and land in the vicinity of the nuclear plants will likely result in a significant cutback on outbound travel—including to Canada.

South Korea — Current Tourism Trends

Korean Air finishes 2010 on a high note: Korean Air posted an operating profit of 188.8 billion South Korean won (C\$167 million) for the fourth quarter of 2011, a 22.6 per cent increase from a year earlier, according to a press release. The carrier attributed this success to growth in short-haul traffic on international routes. Korean Air's international traffic grew 6.5 per cent during the quarter, with particularly robust growth in markets such as China and Southeast Asia. The carrier said it remains optimistic about its international passenger segment in 2011 and will increase capital expenditures by 33 per cent to expand its business.

Earthquake disrupts air travel in March: The massive Tōhoku earthquake and tsunami in Japan had a sizable impact on Seoul's Incheon International Airport passenger traffic for March 2011. The number of passengers travelling through the airport fell 3.3 per cent, year-over-year, to nearly 2.7 million, according to the statistics posted on the airport's website. By contrast, traffic in the first two months of the year was ahead by 8.5 per cent.

Koreans spent record amount abroad last year: Korean overseas spending reached a record high in 2010, said the Bank of Korea in a statement on April 10. Taking advantage of the strength of the won, Koreans spent 20.3 trillion won abroad in 2010, up 15.4 per cent from 2009.

Overseas spending had been posting double-digit growth for four consecutive years until growth stalled in 2008 and fell 5.8 per cent in 2009. The surge in overseas expenditure in 2010 was bolstered by the 6.2 per cent expansion of the Korean economy, the fastest growth the country has seen in eight years.

Consumer confidence falters in March: The Bank of Korea's consumer sentiment index took a turn for the worse in March 2011 and fell to its lowest level in two years, according to The Korea Times. The index stood at 98, down 7 points from February. A reading below 100 implies that pessimists about the performance of the economy outnumber optimists. While the earthquake in Japan was cited as a factor, concerns about inflation remain the primary cause, as the economy is grappling with an adverse combination of high inflation and slower growth.

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 (November 2010) Tourism Intelligence Bulletin.

Economic Trends:

■ The Conference Board's leading economic index for South Korea expanded a slight 0.1 per cent in February. This latest monthly increase followed five consecutively strong monthly gains. With the latest monthly increase, the six-month growth rate in the leading index picked up to a 12.2 per cent annual pace since August 2010. In addition, the strengths among the leading indicators have been widespread

in recent months. The behaviour of the leading index suggests the economy will likely grow at a moderate pace over the near term.

- Compared with the South Korean won, the value of the Canadian dollar increased 3.3 per cent between March 2010 and March 2011. With the relative strength of the Canadian dollar, the average cost of a 10-night stay in Canada is expected to increase by 5.5 per cent for South Koreans during the third quarter of 2011, compared with the same time in 2010. Fortunately, Canada's price competitiveness during this period is likely to increase slightly, as the cost of a similar trip to competitive destinations (U.S., France, Germany, U.K., and Australia) is projected to increase 8.1 per cent during the quarter.

Traveller and Supplier Trends:

- Overnight visits from South Korea declined 24.9 per cent in 2009 but managed to rebound in 2010, with growth of 17.9 per cent, according to Statistics Canada. Over the first month of 2011, visits from South Korea continued to grow, increasing 7.3 per cent compared with January 2010. Last year, travel from South Korea to the United States surged 48.9 per cent, according to the OTTI.
- Direct air capacity from South Korea to Canada is expected to decrease by 2.7 per cent, year-over-year, during the summer of 2011. According to BACK Aviation Solutions, Canadian carriers are expected to maintain capacity over this period while non-Canadian carriers reduce capacity by 3.8 per cent.

Despite some growing concerns about the weakness in supplier trends, improvement in the Korean economy and Canada's price competitiveness, coupled with continuing strong travel trends, suggest further growth potential in visits from South Korea over the near term.

China — Current Tourism Trends

Chinese airlines continue to enjoy solid growth in traffic: China's three largest airlines—Air China, China Eastern Airlines, and China Southern Airlines—reported solid growth in passenger boardings of 45 per cent, 47 per cent, and 15.4 per cent respectively in 2010. Looking forward, these carriers expect to keep improving their financial positions as the domestic economy expands and the renminbi appreciates, but have warned about the negative impact of rising energy prices and the rapid expansion of high-speed rail across the country, according to reports by Air Transport World.

The Civil Aviation Administration of China reported that passenger traffic growth on Chinese airlines slowed to 6.8 per cent in February 2011 over the previous year, according to Xinhua, China's official press agency. Analysts have blamed the slowdown on February being a traditionally off-season travel time for China's civil aviation industry. Air passenger volumes on international routes rose 10.2 per cent year-over-year, while domestic volumes rose 6.6 per cent.

Chinese international travel ready for takeoff: The Chinese market for international travel is expected to grow by 17 per cent annually over the next 10 years, according to a report released by the Boston Consulting Group (BCG) on March 30, 2011. While Hong Kong and Macau currently capture over two-thirds of mainland China's outbound travel, rising income in China is expected to increase demand for long-haul travel. BCG estimates that in 2020, the Chinese will be making 20 million trips to long-haul destinations. In North America, the company expects China to become the third major source of foreign tourists behind the United Kingdom and Japan.

Capitalizing on the anticipated surge in Chinese travellers became an important topic at the International Tourism Exchange (ITB) Berlin travel trade show in March 2011. During a panel discussion, industry experts explored ways to entice Chinese consumers to travel to Europe, the Xinhua News Agency reported in March. Experts observed that, in addition to sightseeing tours, a growing number of Chinese travellers are interested in shopping for luxury goods. Social media were deemed an important tool for attracting Chinese consumers, as Chinese websites like RenRen, a Chinese version of Facebook, have become immensely popular. In addition, showing mutual respect was considered instrumental in attracting visitors, especially by having signs and menus in Chinese.

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 (November 2010) Tourism Intelligence Bulletin.

Economic Trends:

- The Conference Board's leading economic index for China increased 0.3 per cent in January, following a large decline the previous month. With the latest increase, the six-month growth rate in the leading index continued to moderate, increasing at a relatively modest 5 per cent annual rate since July 2010. As well, the weaknesses among the leading indicators have remained more widespread than the strengths in recent months. While it may be too early to tell, the trends of the leading indicators suggest that economic growth will continue at a more modest pace over the near term.
- The Canadian dollar remained virtually unchanged against the Chinese renminbi between March 2010 and March 2011. Coupled with modest (1 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 2.5 per cent during the third quarter of 2011 compared with the same period in 2010. Fortunately, Canada's price competitiveness could increase slightly, as the cost of a similar trip to competitive destinations (U.S., France, Germany, U.K., and Australia) is expected to increase by an average of 4.6 per cent during the quarter.

Traveller and Supplier Trends:

- Aided by the boost of receiving ADS, Chinese overnight visits surged 20.4 per cent in 2010. According to Statistics Canada, over the first month of 2011, Chinese visits have continued to expand sharply, growing 36.5 per cent compared with the same month in 2010. Meanwhile, travel from China to the U.S. increased 52.8 per cent in 2010, according to the OTTI.
- Direct air capacity between China and Canada is expected to increase 36.1 per cent during the summer of 2011, compared with a year earlier. According to BACK Aviation Solutions, Canadian carriers are expected to increase direct capacity by 20 per cent over this period while non-Canadian carriers increase capacity by over 60 per cent.

Despite more moderate economic conditions, the Tourism Leading Indicator Index suggests travel from China, aided by strong travel and supplier trends and improving price competitiveness, has the potential to continue to grow sharply over the near term.

Australia — Current Tourism Trends

Qantas off to a good start in 2011: Qantas Airways saw its passenger traffic (measured in RPKs) jump 5.1 per cent in February 2011 over the previous year. Traffic on its international operations (Qantas International and Jetstar International) grew 4 per cent over the previous year. The airline expects its profit for the first half of 2011 will be adversely affected by the Japan earthquake and tsunami, as well as the Queensland floods and other significant weather events in the region.

Outbound trip intentions reach record high: Australian overseas travel intentions reached a record high in January 2011, according to a report released by Roy Morgan Research on April 5. Bolstered by their strong currency, which has been reaching all-time highs in April, 10 per cent of Australians 14 years or older said they were planning to travel abroad in the next 12 months. This figure, up from 9 per cent in the January 2010 survey, represented the highest level of intention for overseas travel since the survey was launched in April 2000. The survey, which involved 19,000 Australians and ran from November 2010 to January 2011, showed a surge in interest for destinations including Canada, the U.S., Hawaii, and the U.K.

This is spelling trouble for Australia's domestic tourism market. In addition to the strong currency, earlier research by Roy Morgan revealed a change in attitudes among younger Australians. Of Australians under 30 years old, 15 per cent now say it only feels like a holiday if they have left Australia, up from 9 per cent a decade ago. Young Australians are choosing to forgo shorter domestic trips over the weekend and save for an overseas holiday instead.

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 (November 2010) Tourism Intelligence Bulletin.

Economic Trends:

- The Conference Board's leading economic index for Australia increased 0.1 per cent in January, the fourth monthly increase. With this modest increase, the growth in the leading index slowed to a 3.4 per cent annual rate between July 2010 and January 2011. In addition, the strengths and weaknesses among the leading indicators appear to have been roughly balanced in recent months. The recent behaviour of the leading index suggests economic growth will likely be modest over the near term.
- The Canadian dollar depreciated 5.5 per cent against the Australian dollar between March 2010 and March 2011. Despite the depreciation, the overall cost of a 10-night stay in Canada, including airfare, hotels, meals, and other items, is expected to be up 6.7 per cent during the third quarter of 2011 over 2010. The increase is largely attributed to surging airfares, which are expected to increase 37 per cent compared with last summer. Meanwhile, the average cost of a similar trip to competitive destinations is expected to decrease 3.3 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 14.3 per cent in 2010. According to Statistics Canada, visits from Australia have continued to increase in 2011, posting growth of 20.2 per cent in January, compared with the same month last year. Meanwhile, travel from Australia to the U.S. increased 25 per cent in 2010, according to the OTTI.

- Over the summer of 2011, direct air capacity between Canada and Australia is expected to remain unchanged from a year earlier.

While higher airfares are eroding Canada's price competitiveness and economic growth appears to be moderating somewhat, the Tourism Leading Indicator Index suggests continuing strong outbound travel trends are still capable of supporting some growth in Australian visits over the near term.

India — Current Tourism Trends

Analysts projecting massive growth in Indian outbound travel market: IPK International, a leading tourism consulting group, expects strong growth in the Indian outbound travel market in 2011. According to the 2010–11 World Travel Trends Report, presented at the ITB Berlin travel trade show in March, IPK consulting said the number of Indians travelling abroad could grow fivefold by 2020. The company's Travel Confidence Index for India in 2011 stands at a "very high" 113 points.

Cox and Kings, a U.K.-based travel agency with offices in India, also foresees rapid growth in the Indian outbound travel market. This market could expand to \$40 billion over the next five years from the current \$12 billion, according to a senior official at the company quoted in a recent press release.

The Indian luxury travel market will likely grow by 15 per cent in the next five years, according to a February 2011 press release from the International Luxury Travel Market (ILTM), a premium-travel think-tank. Small Luxury Hotels of the World CEO Paul Kerr said bookings from India grew 129 per cent in 2010 and are expected to keep growing as "the Indian luxury market comprises regular guests rather than aspirational travellers saving for a one-off luxury holiday."

International air travel still going strong in 2011: After growing 17.8 per cent in 2010, international passenger numbers at Air India continue to increase in 2011. According to figures released by the Directorate General of Civil Aviation, Air India saw the number of passengers grow 6 per cent on its international routes in January 2011 and 4.2 per cent on its low-cost subsidiary Air India Express.

Tourism Toronto woos Indian market: Tourism Toronto conducted its first ever marketing campaign in India, according the February issue of Inbound Tourism, a monthly Indian travel newsletter. The five-day media initiative, which ran from January 31 to February 4, targeted New Delhi and Mumbai, promoting Toronto as an attractive vacation destination. Roughly 65,000 Indian tourists visited Toronto in 2010, up 28.7 per cent from 2009. In June 2011, Toronto will be the first North American host of the International Indian Film Academy Awards, described as India's version of the Oscars.

India — Tourism Leading Indicator Index

Economic		Non-Economic		Overall
General Economic Trend	Price Competitiveness	Traveller Trends	Supplier Trends	
↑↑	n.a.	↑↑	↑↑	++

Note: since this is the inaugural Tourism Leading Indicator Index for India, no figures are available for price competitiveness or for previous issues.

Economic Trends:

- According to the most recent Consensus Forecasts report (March 2011), India's real GDP grew an estimated 8.6 per cent in 2010 and will expand by 8.2 per cent in 2011. High food costs are one of the main factors behind India's stubbornly high rate of inflation—estimated at 10.3 per cent in 2010 and projected to be 7.2 per cent in 2011. Although the government recently unveiled ambitious targets to reduce deficits, higher-than-expected oil prices will hurt its fiscal accounts. Still, measures in the budget aimed at supporting farming and encouraging more foreign investment were seen as positive by the global economic community.
- The Canadian dollar appreciated 3.5 per cent against the Indian rupee between March 2010 and March 2011. However, since the most recent Short-Term Competitive Outlook report for the third quarter of 2011 featured the inaugural Competitive Price Index for India, no year-over-year comparison of travel prices is available.

Traveller and Supplier Trends:

- Overnight visits from India increased 18.5 per cent in 2010, compared with 2009. According to Statistics Canada, overnight visits from India grew a further 1.6 per cent in January 2011, compared with the same month in 2010. Meanwhile, travel from India to the U.S. increased 18.5 per cent during 2010, according to the OTTI.
- Over the six months from April 2011 to September of 2011, the level of direct air capacity between Canada and India is expected to increase from 0 to 62,586 seats. All of this increase is expected from non-Canadian carriers.

Economic conditions in India appear to be solid, as are overall outbound travel trends. Without knowing the change in Canada's price competitiveness, the Tourism Leading Indicator Index cautiously suggests that year-over-year growth in travel to Canada should continue at a brisk pace over the near term aided by the tremendous growth in the level of direct air capacity available.

Brazil — Current Tourism Trends

Rising middle class opens up large potential market: TAM Airlines, one of the largest airlines in Brazil and South America, expects 10.7 million Brazilians to fly for the first time in 2011, according to a report by Sparksheet. Among them, 8.7 million are expected to come from the Brazilian middle class, which has been rapidly growing since 2002. The airline expects roughly 6 million Brazilians to move from Class C, defined as households earning between US\$700 to US\$3,000, to Class B, those earning over US\$3,000 a year. This new class's potential remains largely untapped, as TAM's research shows that 53 per cent of middle-class Brazilians have never travelled by air.

While most new travellers will be flying domestically, outbound travel has been growing at an impressive pace. Rising disposable income and a strong currency fuelled a 52 per cent growth in outbound travel spending in 2010, according to the World Tourism Organization. Miami and other U.S. destinations captured the lion's share of Brazilian tourist money.

TAM-LAN merger likely to be completed in 2011: LAN Airlines president was quoted telling a local newswire that his company expects the proposed merger between his company and TAM Airlines to be completed in 2011, according to Reuters. Having received approval from the Brazilian authorities, the merger process is currently under investigation by a Chilean antitrust regulator. The regulator initially estimated that the probe would take about six months to complete. However, in late March, the head of the antitrust tribunal told a Chilean newspaper there's a possibility a ruling could be ready as early as mid-May.

LAN Airlines, Chile's flagship carrier, and TAM are two of South America's largest airlines. Their merger would place the newly formed company, LATAM, among the 10 largest airlines in the world.

Air traffic jumps in February: Passenger traffic by Brazilian airlines rose in February 2011, fuelled by a strong economy, according to the country's civil aviation authority (ANAC). ANAC said total traffic grew 9.3 per cent year-over-year in February, to reach 5.8 billion passenger kilometres.

TAM Airlines, which controlled 85.8 per cent of the international market in February, saw its traffic on international routes climb 11.6 per cent.

Brazilian consumer confidence slips in March: Consumer confidence dropped in March 2011, as creeping inflation began to soften public expectations about the economy, according to the Getulio Vargas Foundation (FGV). FGV's Consumer Confidence Index fell to 120.1 points, down from 122.6 in February. With the inflation rate now standing at 6.1 per cent, consumers are worried about rising interest rates. Of the survey respondents, 69 per cent said they expect higher interest rates in the next six months, up from 65 per cent in February. Still, the figure stands well above the historical average of 107 points, suggesting Brazilians remain confident about their financial prospects.

Brazil — Tourism Leading Indicator Index

Economic		Non-Economic		Overall
General Economic Trend	Price Competitiveness	Traveller Trends	Supplier Trends	
↑	n.a.	↑↑	↔	++

Note: since this is the inaugural Tourism Leading Indicator Index for Brazil, no figures are available for price competitiveness or for previous issues.

Economic Trends:

- According to the most recent Consensus Forecasts report (March 2011), real GDP growth for Brazil was reported to be 7.5 per cent in 2010. Looking forward, economic growth is forecast to moderate to 4.1 per cent in 2011 and 4.4 per cent in 2012. Inflation is expected to remain a concern, with consumer prices anticipated to increase 5.7 per cent in 2011. As well, recent intervention by the central bank has raised interest rates to 11.75 per cent. The likelihood of further increases to interest rates remains high over the short term.
- The Canadian dollar depreciated 2.8 per cent against the Brazilian real between March 2010 and March 2011. However, since the most recent Short-Term Competitive Outlook report for the third quarter of 2011 featured the inaugural Competitive Price Index for Brazil, no year-over-year comparison of travel prices is available.

Traveller and Supplier Trends:

- Overnight visits from Brazil surged 29.8 per cent in 2010, compared with 2009. They continued to expand sharply in January 2011, increasing a further 19.5 per cent compared with the same month in 2010, according to Statistics Canada. Meanwhile, travel from Brazil to the U.S. increased 34.2 per cent during 2010, according to the OTTI.
- Over the summer in 2011, the level direct air capacity between Canada and Brazil is expected to decline by a slight 0.5 per cent. All of this decline is expected to come from Canadian carriers, as non-Canadian carriers do not now provide any non-stop service.

Economic conditions in Brazil appear to remain positive, as are overall outbound travel trends. Without knowing the change in Canada's price competitiveness, the Tourism Leading Indicator Index cautiously suggests that year-over-year growth in travel to Canada should continue at a solid pace over the near term aided by the continued strength in outbound travel trends.

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.

Travel Market	Economic		Non-Economic	
	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.