

# TOURISM OUTLOOK: UNLOCKING OPPORTUNITIES FOR THE SECTOR

FALL 2023

Canada



Mount Thor Nunavut

CANADA 

# About This Report

Given the ongoing evolution of factors impacting travel, Destination Canada (DC), in collaboration with Tourism Economics, a subsidiary of Oxford Economics, has crafted a revised Tourism Outlook extending to 2030.

The **Fall 2023 Tourism Outlook** was conducted between June and September 2023, and the outlook's assumptions reflect the operating context of that time.

This Tourism Outlook presents the current state and future of tourism in Canada with special attention to the opportunity gap that exists and how to mobilize industry and partners to address barriers to growth and unlock the full potential of Canada's tourism sector.

Unless otherwise specified, all financial values are expressed in current (nominal) CAD.

# Tourism Outlook: Unlocking Opportunities for the Sector

## 1. Tourism Today: Recovery & Rebound

Revenue recovery is imminent and international travel is rebounding.

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## 2. The Years Ahead: Opportunities & Headwinds

The near future holds numerous opportunities, sparking competitive dynamics and constraints that must be addressed.

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## 3. Vision for 2030: Transformative Growth

What path will we choose for the future?



**Fogo Island Inn**  
*Newfoundland & Labrador*

# Executive Summary

## Recovery

Canada's tourism sector has made significant strides since our previous outlook in Fall 2022 and we are now moving past recovery to a much welcome rebound, with tourism spend set to return to pre-COVID levels in 2023, earlier than previously forecasted.

## Choices Ahead

As we move from surviving to thriving, the Canadian tourism sector, including the industries, businesses, communities and people that comprise it, are at a crossroads.

There are clear choices ahead for the sector: staying the current course and risk a slip in global rankings and demand due to constraints upon the sector—or transforming tourism in Canada to truly realize its full potential.

## The Opportunity Gap

The current growth trajectory for Canada is \$140 billion in revenues by 2030, considerably up from the \$105 billion we saw in 2019. However, when we adjust for inflation, there's almost no real growth and we are missing out on an enormous opportunity.

Canada's potential growth trajectory should take us to \$160 billion in revenues by 2030, but capacity constraints are limiting the tourism sector from achieving its full potential. The sector needs to embrace a transformational path to achieve this.

The difference between business as usual and a new approach to tourism is an opportunity gap of \$20 billion in spending annually by 2030. But the difference between \$160 billion and \$140 billion is about more than revenue. It is not just top line growth, its bottom-line growth and real profitability for tourism businesses. It is the difference between strong prosperity that supports well-paying jobs, allows re-investment in our tourism assets and ensures we have new capital flowing into our sector. It is the path forward—and how we can transform the sector to support the wealth and wellbeing of everyone who lives in Canada.



# TOURISM TODAY: RECOVERY & REBOUND

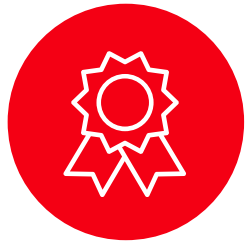


Miles Canyon  
Yukon

# Value of Tourism



Contributed **\$43.6 B**  
to Canada's GDP.<sup>1</sup>



Generated **\$105 B**  
in revenue.<sup>1</sup>



Involves **1 in 10** jobs.<sup>2</sup>

6 Sources :  
1. Statistics Canada; 2019 data published in National Tourism Indicators 2023 Q2  
2. Statistic Canada, Labour Force Survey via Tourism HR Canada



 East Point  
Prince Edward Island

# In Canada, tourism, post recovery, is expected to grow faster than the general economy

## But Canada's tourism growth rate falls short of the global average.

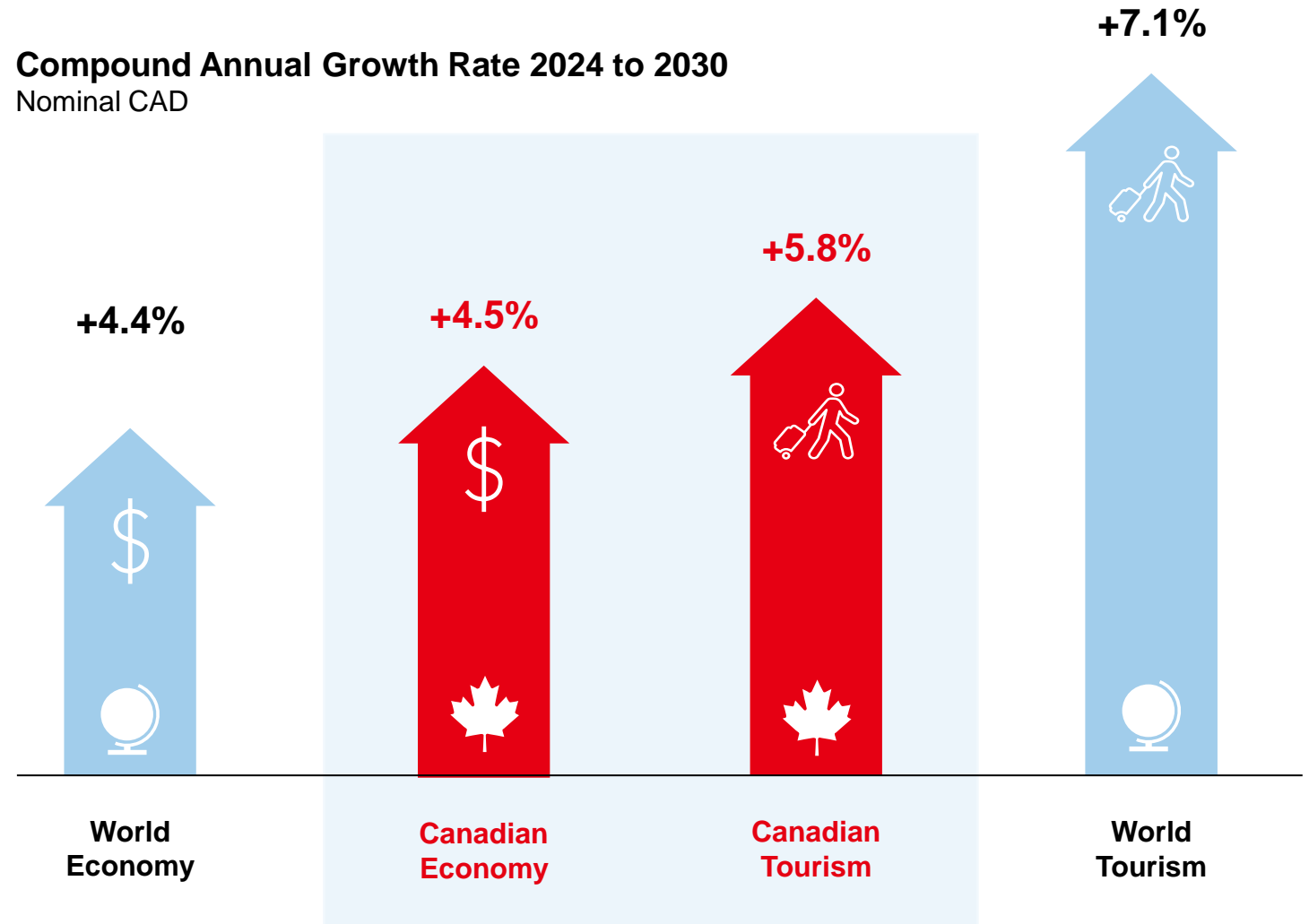
Canada's economy is expected to grow 4.5% per year from 2024 to 2030. Spending within Canada's tourism industry will grow faster than the overall economy, increasing at an annual rate of 5.8%.

However, Canada's tourism industry will not grow as quickly as tourism worldwide.

Across the entire globe, tourism spending is projected to grow at a compound annual rate of 7.1%.

This strong global growth rate for tourism illustrates the fiercely competitive environment we are operating in.

Compound Annual Growth Rate 2024 to 2030  
Nominal CAD



# Tourism remains resilient amidst global challenges



## Geopolitical strife fuels persistent economic and social uncertainties

There are several **active geopolitical tensions** including political instability, civil unrest and wars, which have global implications on travel and tourism, the most recent of which are the conflicts in the Middle-East.

The protracted **Russia-Ukraine conflict** continues to be a pivotal factor on global trade and geopolitical disruptions.

**Further global tensions between the West and China are not expected to abate**, prompting a restructuring of trade partners.



## The global economy is resilient against inflation

The global tightening of monetary policy aimed at curbing inflation is likely to cause a **brief technical recession towards the end of 2023** or the beginning of 2024.

It is anticipated that this downward trend will **ease by 2025, paving the way for continued growth** in the tourism sector.



## Travel enthusiasm remains strong among cautious consumers

**Consumers are continuing to prioritize travel** over other categories of discretionary spending.

**Leisure travel remains a priority**, but business travel is returning at a reserved pace.



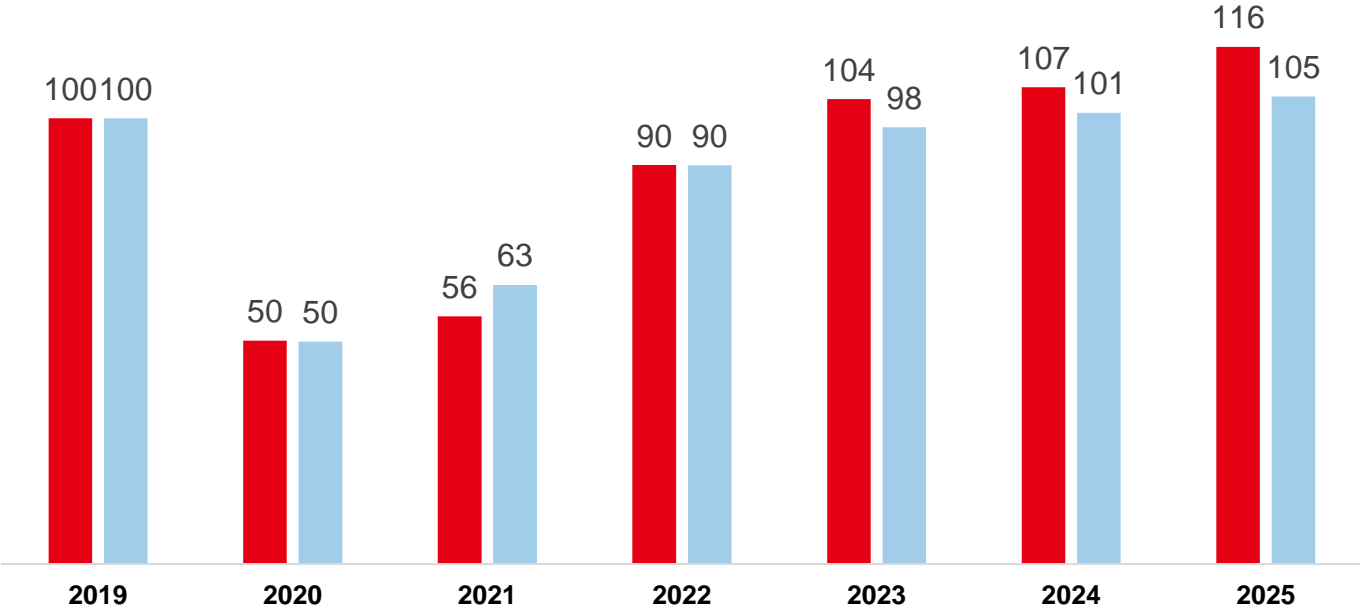
# Strong recovery lifts tourism spending above prior peak



## Total Spending<sup>1</sup> and Overnight Visits

Percent relative to 2019

● Spend ● Visits



**Overall tourism spend from leisure and business travel is projected to exceed pre-COVID levels in 2023, reaching \$109.5 billion (104% of 2019 levels), earlier than previously forecasted and largely driven by inflation.**

By the end of this year, leisure revenue alone will stand well above 2019 levels. However, overall visits are not projected to recover to pre-COVID levels until 2024 when they will reach 101% of 2019 levels.

With the return of visitor levels, focus will be on the tourism sector's capacity to accommodate these guests and to manage sustainable growth.

<sup>1</sup> Includes leisure and business spending while on a trip in Canada, as well as spending from international fares paid to Canadian air carriers and pre-trip expenditures on single-purpose durable tourism goods.

# Domestic activity led revenue recovery, but international is ready to outpace growth trajectory

Breadth of source markets will provide sustained growth

## Domestic (Recovery 2023)

**Strong demand for travel is leading the recovery in spend and visits**

Domestic spend is on track to reach 107% of 2019 levels by the end of 2023 reaching \$82 billion. Canadians are set to spend more on tourism goods and services - engage in more trips - in 2023 than they did pre-COVID.

## United States & Mexico (Recovery 2023)

**Demand for Canada spurred by destination awareness, strong dollar and proximity**

Spending from the US and Mexico are each set to exceed 2019 in 2023 at \$11.2 billion and \$754 million respectively. Arrivals will follow suit in 2024.

## Europe (Spend Recovery 2024)

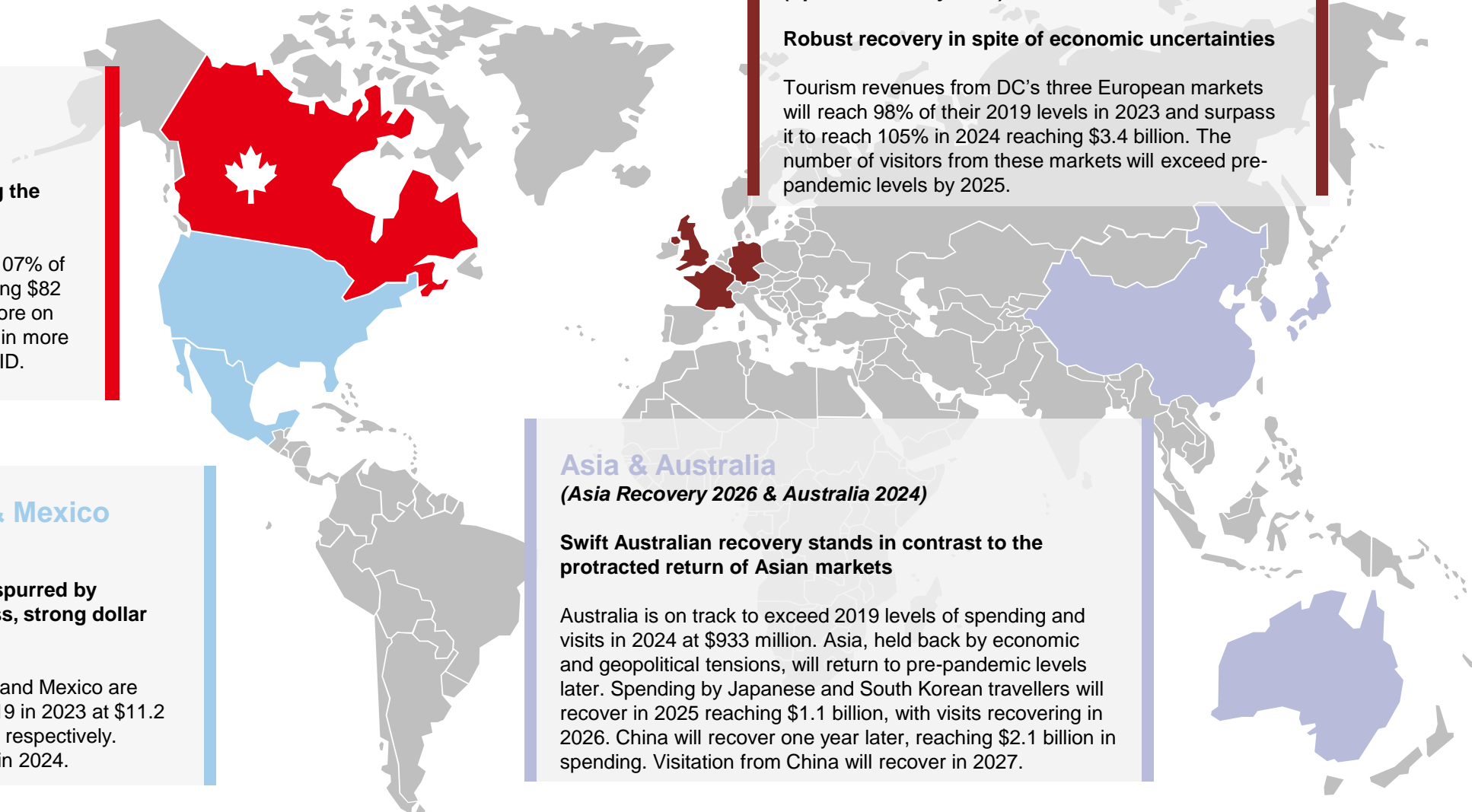
**Robust recovery in spite of economic uncertainties**

Tourism revenues from DC's three European markets will reach 98% of their 2019 levels in 2023 and surpass it to reach 105% in 2024 reaching \$3.4 billion. The number of visitors from these markets will exceed pre-pandemic levels by 2025.

## Asia & Australia (Asia Recovery 2026 & Australia 2024)

**Swift Australian recovery stands in contrast to the protracted return of Asian markets**

Australia is on track to exceed 2019 levels of spending and visits in 2024 at \$933 million. Asia, held back by economic and geopolitical tensions, will return to pre-pandemic levels later. Spending by Japanese and South Korean travellers will recover in 2025 reaching \$1.1 billion, with visits recovering in 2026. China will recover one year later, reaching \$2.1 billion in spending. Visitation from China will recover in 2027.



# Leisure has been the main driver of travel but business travel is picking up

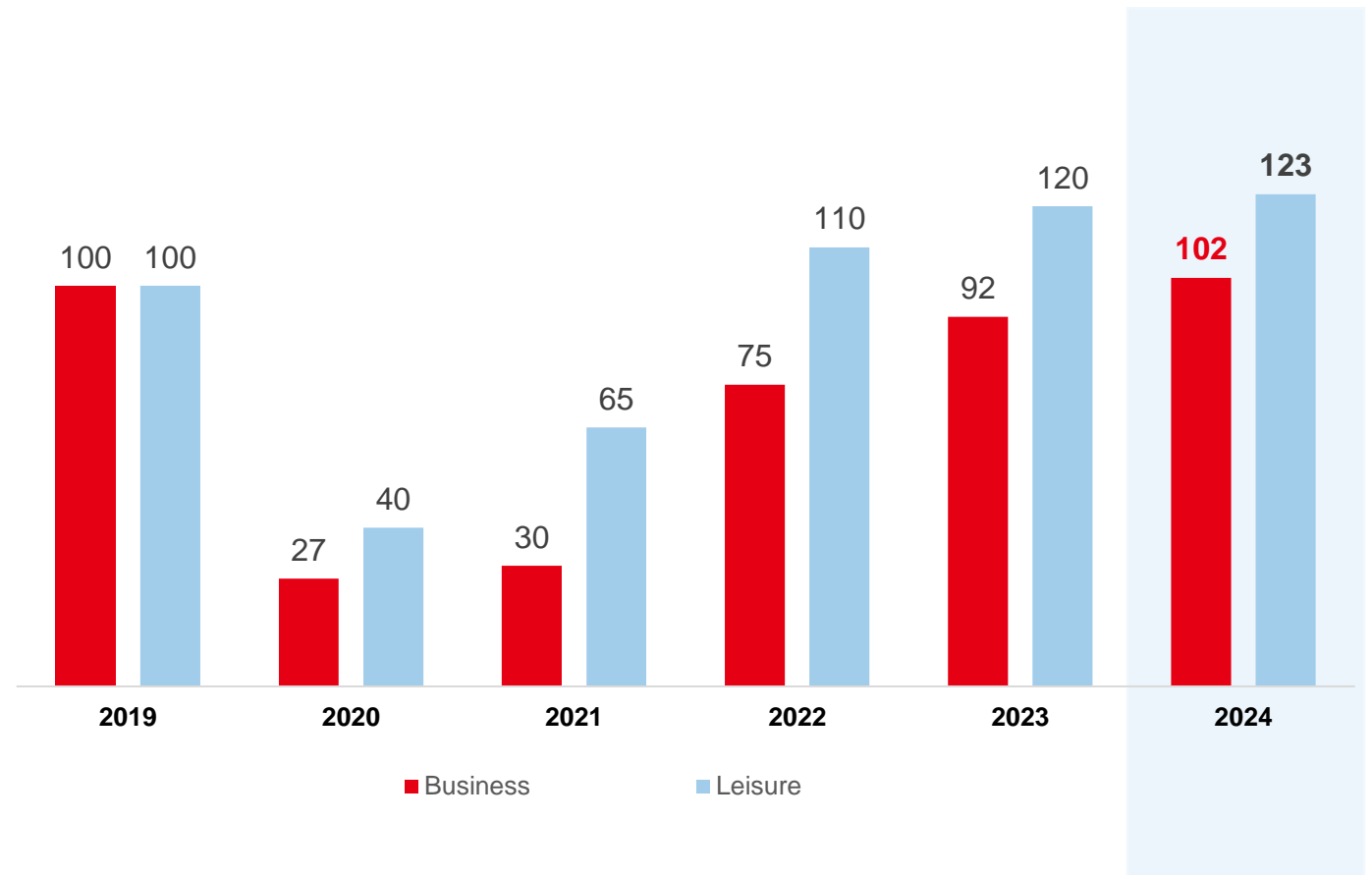
Over the last two years leisure was the main driver of travel, recovering to 2019 levels in 2022 with \$72.4 billion in revenue.

However, business travel is picking up, aligned with an increase in people returning to the office.

Total spending by business travellers will recover to \$14.4 billion in 2024, reaching 102% of 2019 levels, but will still lag behind leisure spending.

**Business and Leisure spending in Canada<sup>1</sup>**  
Percent relative to 2019

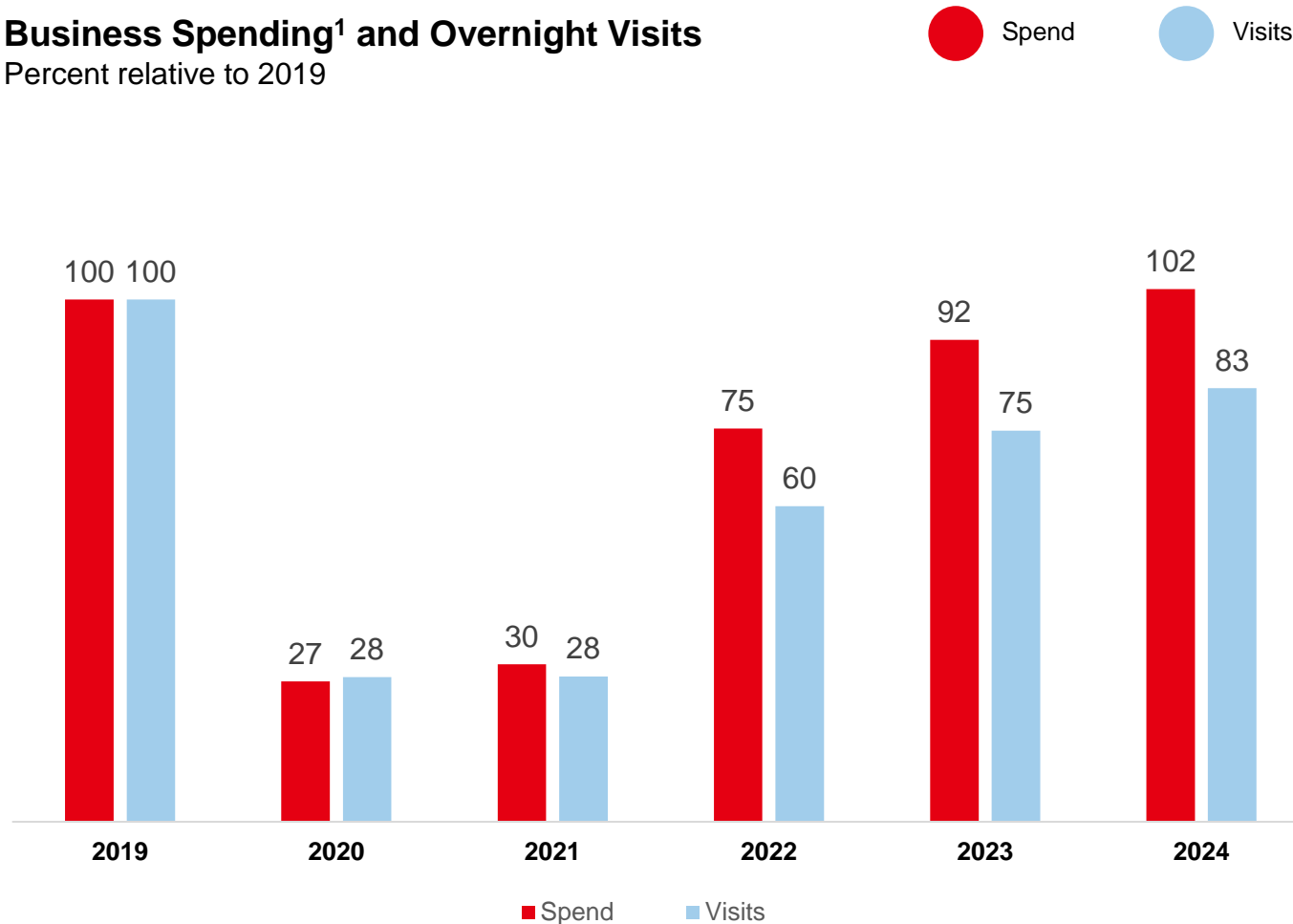
● Business ● Leisure



<sup>1</sup> Includes leisure and business spending while on a trip in Canada, as well as spending from international fares paid to Canadian air carriers and pre-trip expenditures on single-purpose durable tourism goods.

# Business travel visits will take longer to reach pre-pandemic levels

**Business Spending<sup>1</sup> and Overnight Visits**  
Percent relative to 2019



**Overall, the number of guests on business trips to Canada from domestic and international origins will reach pre-pandemic levels in 2026.**

Business events travel, which includes corporate meetings and association conferences or incentives, will recover by 2028.

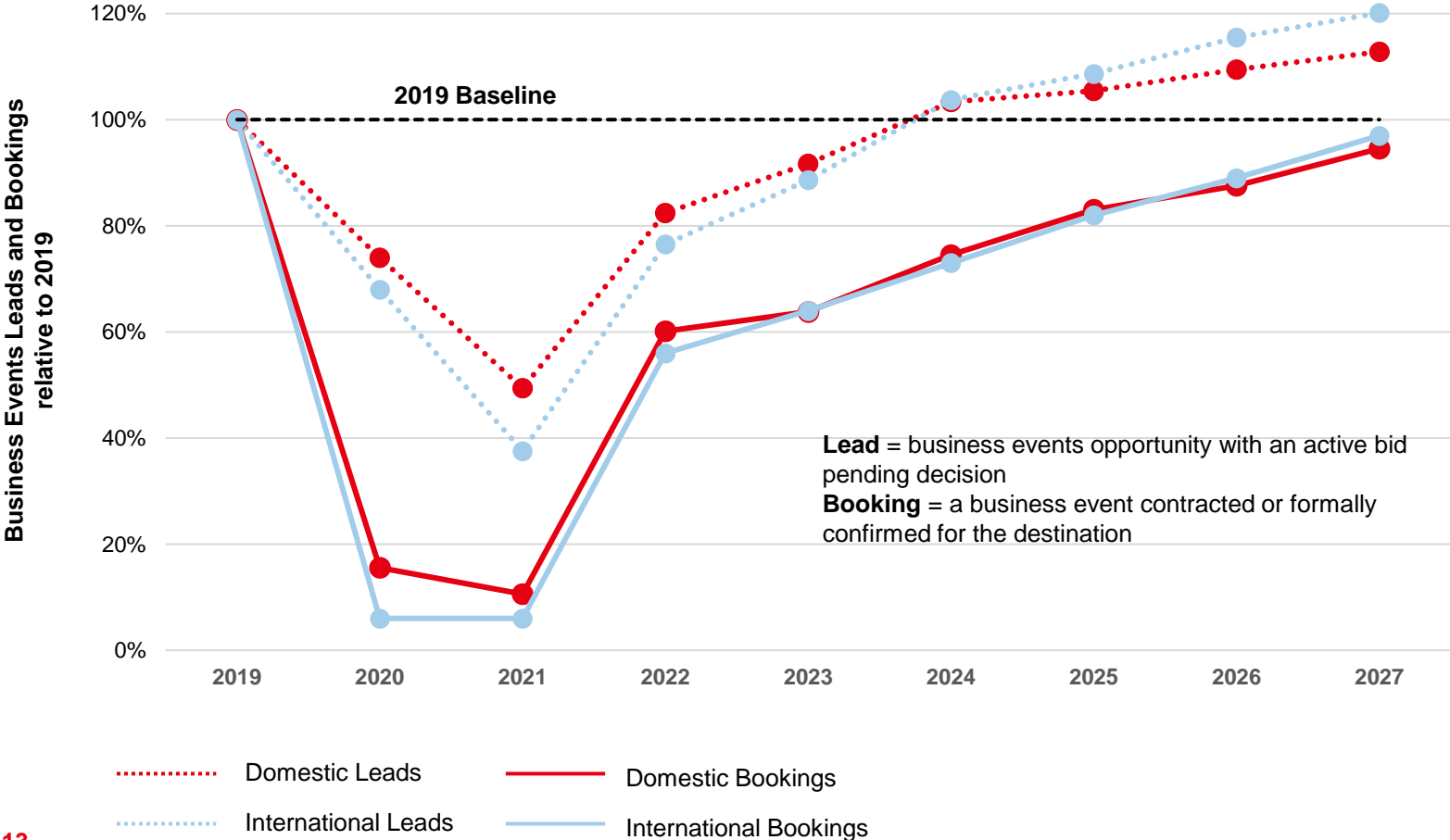
However, while business transient trips of domestic origin will recover by 2024, transient trips of international origin will take longer to recover, stretching into 2030.

Business transient trips includes business development, sales and service calls.

<sup>1</sup> Includes leisure and business spending while on a trip in Canada, as well as spending from international fares paid to Canadian air carriers and pre-trip expenditures on single-purpose durable tourism goods.

# The business events leads pipeline is improving but actual bookings won't recover until 2028

**Business Events Leads and Bookings Generations Forecast, by Source Market**  
Relative to 2019



**Canada's pipeline of leads for business events is expected to recover by 2024, but the resulting bookings will not gain traction until 2028.**

These leads indicate current opportunities on an active bid for a conference or event that is pending a decision on its location.

While lead activity is high and improving, bookings remain well below pre-pandemic levels. Lead generation should reach pre-COVID levels starting in 2024. The resulting bookings will lead to a full recovery of business event bookings over the next three years, by 2028.

This trend is impacting global business events and is not unique to Canada.

# THE YEARS AHEAD: OPPORTUNITIES & HEADWINDS



Saint-Édouard-de-Kent  
New Brunswick



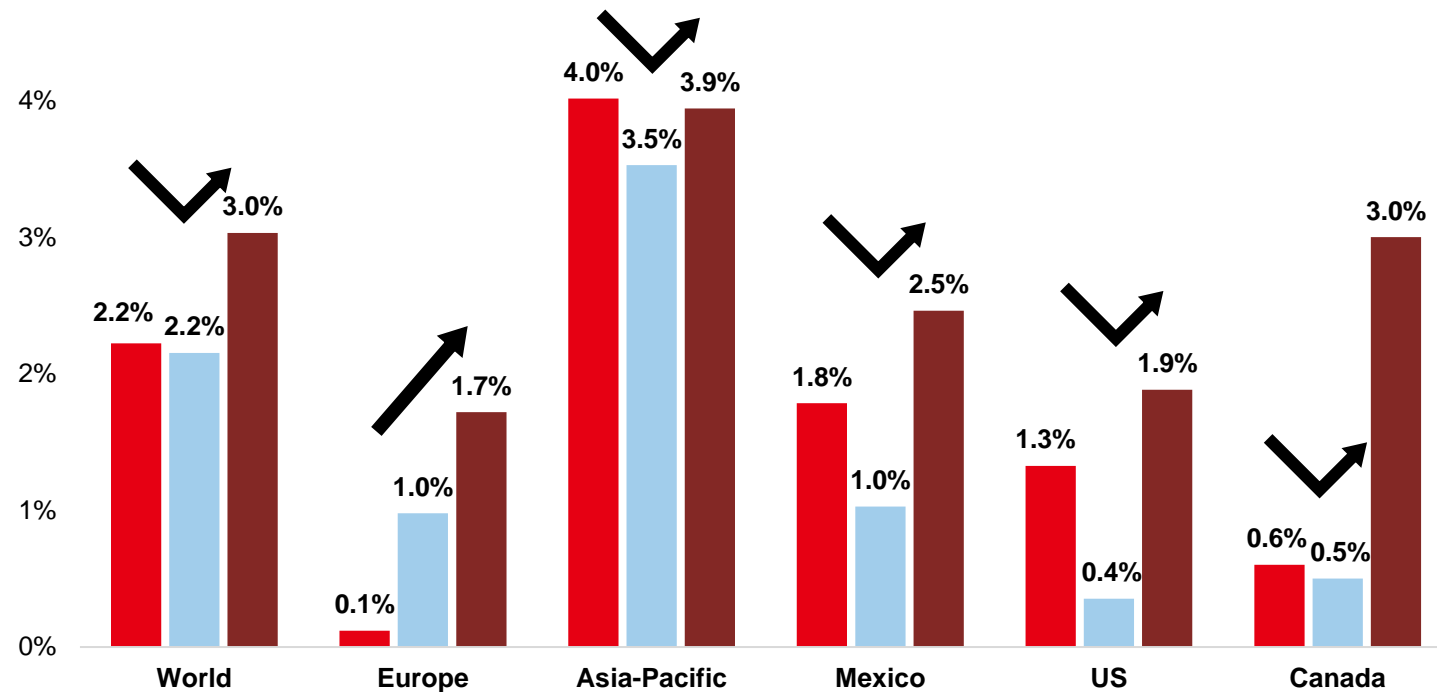
As Canada's tourism sector moves **beyond recovery** and towards a full rebound, our growth trajectory presents both **exciting opportunities**, and complexities that require **a new path forward.**

# Short-term economic headwinds will give way to growth

Higher interest rates have weighed on real disposable incomes, slowing the global economy and GDP growth, this is expected to ease by 2025

## GDP

Percent change from prior year, real



The Bank of Canada and the U.S. Federal Reserve began raising interest rates in March 2022. Both tightened monetary policy at the quickest pace in decades.

In Canada, higher interest rates have weighed on real disposable incomes leading to a pullback in spending in the second half of 2023.

The US economy is proving to have more momentum than anticipated but a mild recession is still expected.

The global economy has performed better than expected in 2023, but the impact of higher interest rates will slow this progress.

**As a result, Tourism will experience a slower rate of growth in 2024, followed by a rebound in 2025.**



# Despite these economic headwinds, opportunities prevail as travel is prioritized



## Travel is a priority

Even in today's economic climate, consumers globally are allocating a larger share of wallet to experiences over goods, with **spending on experiences up 65%**, while spending on things is up 12%, compared to 2019, as of March 2023.

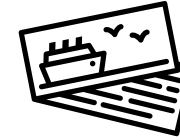
48% of Canadians are prioritizing travel at the expense of other spending.



## Canadians are ready to roam; let's keep their adventure close to home

Despite the anticipated economic slowdown and the allure of international destinations, domestic spending is expected to maintain its growth trajectory.

Domestic travel was vital in the early stages of recovery. In 2022, tourism spending reached 97% of 2019 levels. In 2023, domestic spending will reach \$80 billion, 4.2% more than in 2019.



## Canada a top choice for key international markets

Canada is a **top three** long-haul destination for consideration amongst consumers in five of Destination Canada's key markets (France, UK, Germany, Mexico, USA).

In Mexico, France and Germany, Canada is ranked as the **number one** destination for how much consumers like and respect the nation brand, illustrating Canada's positive reputation.

# Growing global demand as international visitors return



International visits will surpass 2019 levels in 2025, with the US remaining Canada's largest market

**International visits were at 22.1 million in 2019 and these levels will be surpassed in 2025 reaching 23.5 million visitors.**

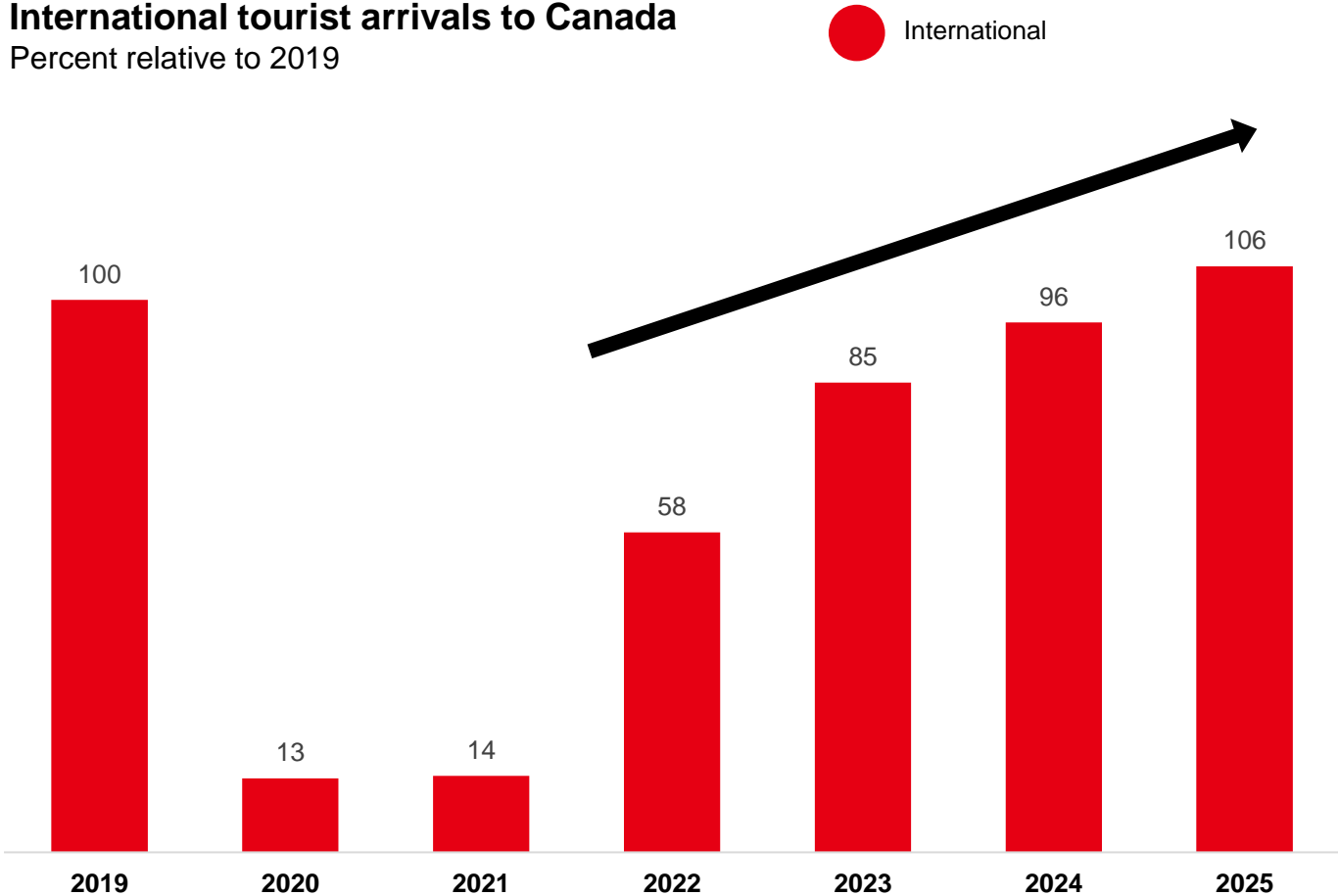
International tourist visits have grown swiftly, climbing 319% in 2022 and a projected 47% in 2023, year-over-year. Growth in visits is projected to increase by 13% next year despite a weak global economic outlook for 2024.

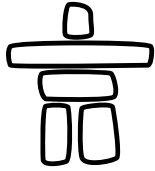
The United States will remain the largest single source of visitors and tourism spending.

By 2030, China will be the largest overseas market for spending and second for visits.

While managing economic headwinds, the United Kingdom remains a solid market for Canada across multiple metrics.

**International tourist arrivals to Canada**  
Percent relative to 2019





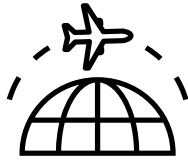
## Canada is losing US market share

While the US will contribute half of future inbound growth in spending, Canada's share of spending in this market has fallen as pent-up demand for long-haul travel pushes Americans to vacation further afield.

Competitive pressures from established and emerging markets will challenge Canada's market share of the US outbound market.

US travellers spent \$11.1 billion in 2019, as Canada achieved a 9.3% market share, but Canada is projected to lose 1.1% of US market share by 2030.

This is equal to losing \$2.4 billion in tourism spending—which is more than total spending from the UK.



## China presents an enormous opportunity but is clouded by uncertainty

China is still in the early stages of outbound travel recovery and Canada was left off China's approved list of destinations for group travel.

Total outbound visits are projected to grow 33% from 2019 to 2030.

China is projected to be Canada's largest overseas market by total spending in 2030.

It is expected that China will represent approximately 1 in 4 global travel dollars by 2033.



## Competitive pressures will challenge Canada's position in the UK

The UK has traditionally been a stable market for Canada, but continued economic turbulence in the UK and increased global competition for visitors may bring challenges.

While the UK will remain one of the largest source markets for Canada across multiple metrics, it will be a competitive battle for visitors.

**On our current path, demand for travel is projected to grow**

**↑ 30% by 2030**

**and will outpace our capacity to host in peak seasons.**

Given the strain we already saw on the tourism ecosystem in 2019, what actions are required to sustain the future of Canada's tourism sector?



# VISION FOR 2030: TRANSFORMATIVE GROWTH



# Canada's serious capacity constraints will limit our growth potential and ability to host guests

Without fundamental change, our lack of accommodation, labour shortage and lack of air access are all barriers to Canada truly fulfilling its potential.

## Supply constraints are real:



### Accommodation

Even with new hotels being built, Canada is on track to have fewer hotel rooms than required as demand will outpace supply in peak seasons.

**By 2030** there is a shortfall of almost **20,000** hotel rooms.



### Workforce

Demand will outpace the number of workers we need to accommodate guests.

**By 2030** the industry will be short **12%** of the workers required to meet the full projected demand.



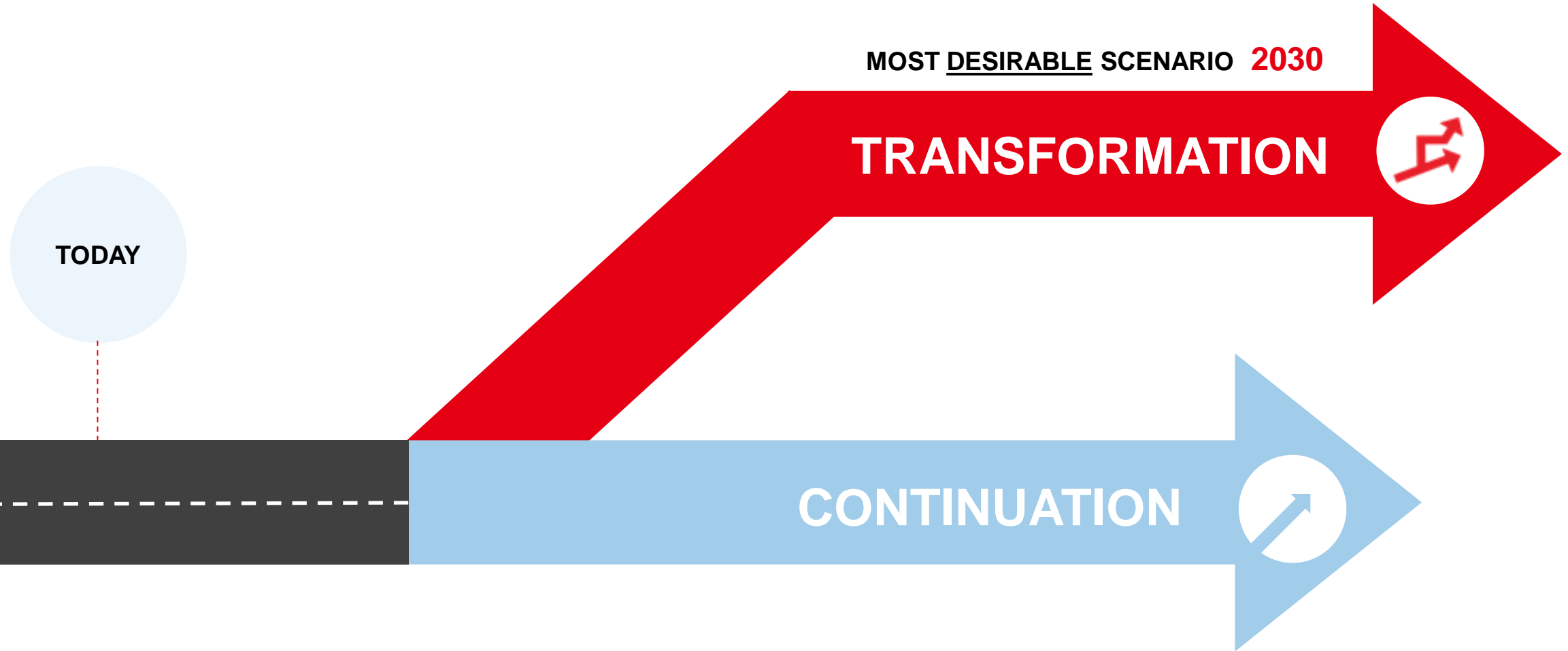
### Air Access

Demand will require increases in number of seats, frequency and seasonality of service on domestic, transborder and other international routes.

**30%** increase in demand for seats to and in Canada from 2023 to 2030.

# Choosing a path for the future of tourism

Given the opportunities and challenges the industry faces, we have a choice on which path we take



# TRANSFORMATION



## SHIFTS DEMAND AND INCREASES YIELD

Demand where capacity exists

Values-aligned, high-yield guests

Market diversification

## UNLEASHES POTENTIAL IN SUPPLY

Utilization of unused capacity (shoulder season)

Consistent more experienced workforce

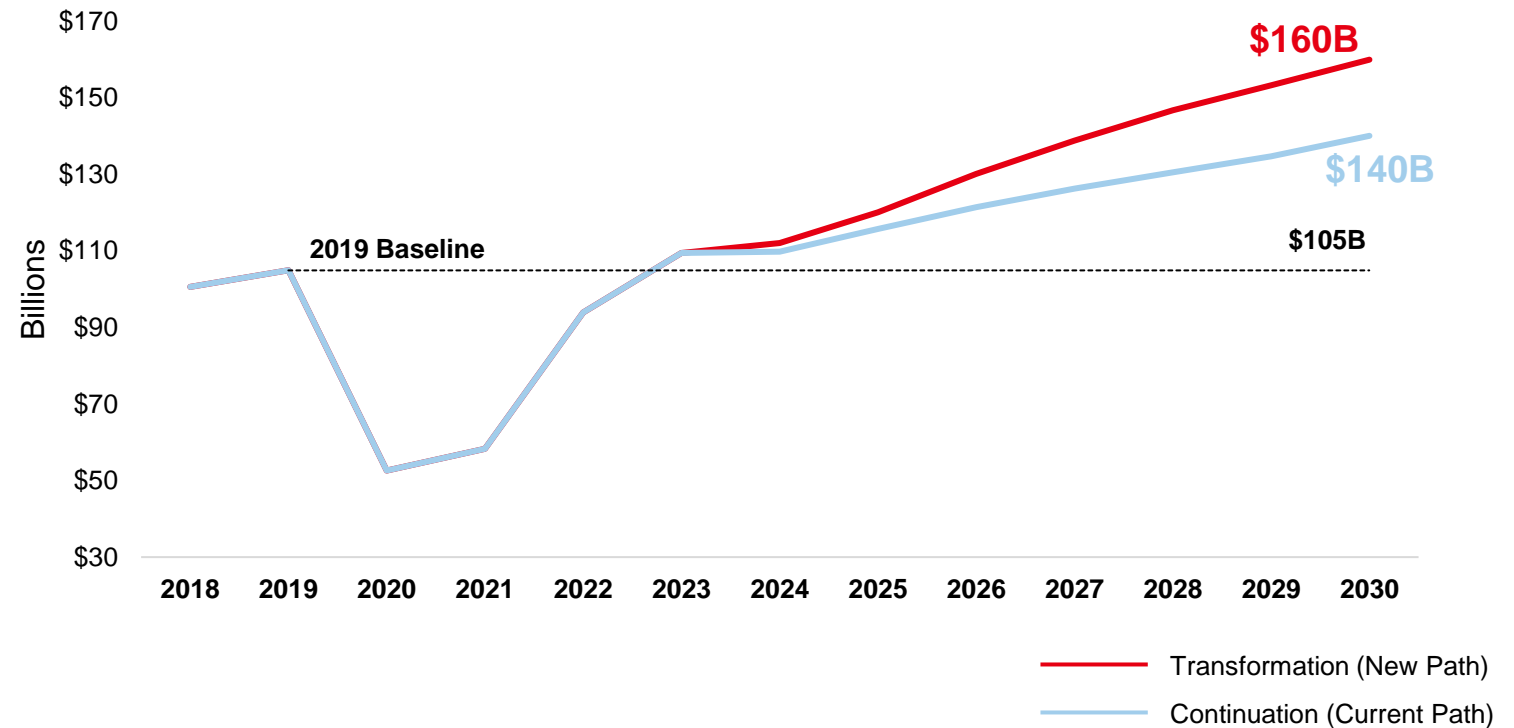
# Our opportunity



Transformation can have a significant impact, addressing constraints and shifting demand to change how growth occurs. These changes include attracting guests outside the summer months when capacity constraints are greatest, investing in employees to increase productivity, developing destinations to attract guests to regions with lower occupancy rates and attracting higher value guests—all of which can increase yield, while reducing the need for workers and accommodation. Canada's potential growth trajectory could take us to \$160 billion in revenues by 2030.


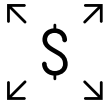


However, without change, tourism will move forward along its long-term trajectory where constraints will limit its potential to \$140 billion, which when adjusted for inflation, shows no real growth.

## Tourism Spending in Canada





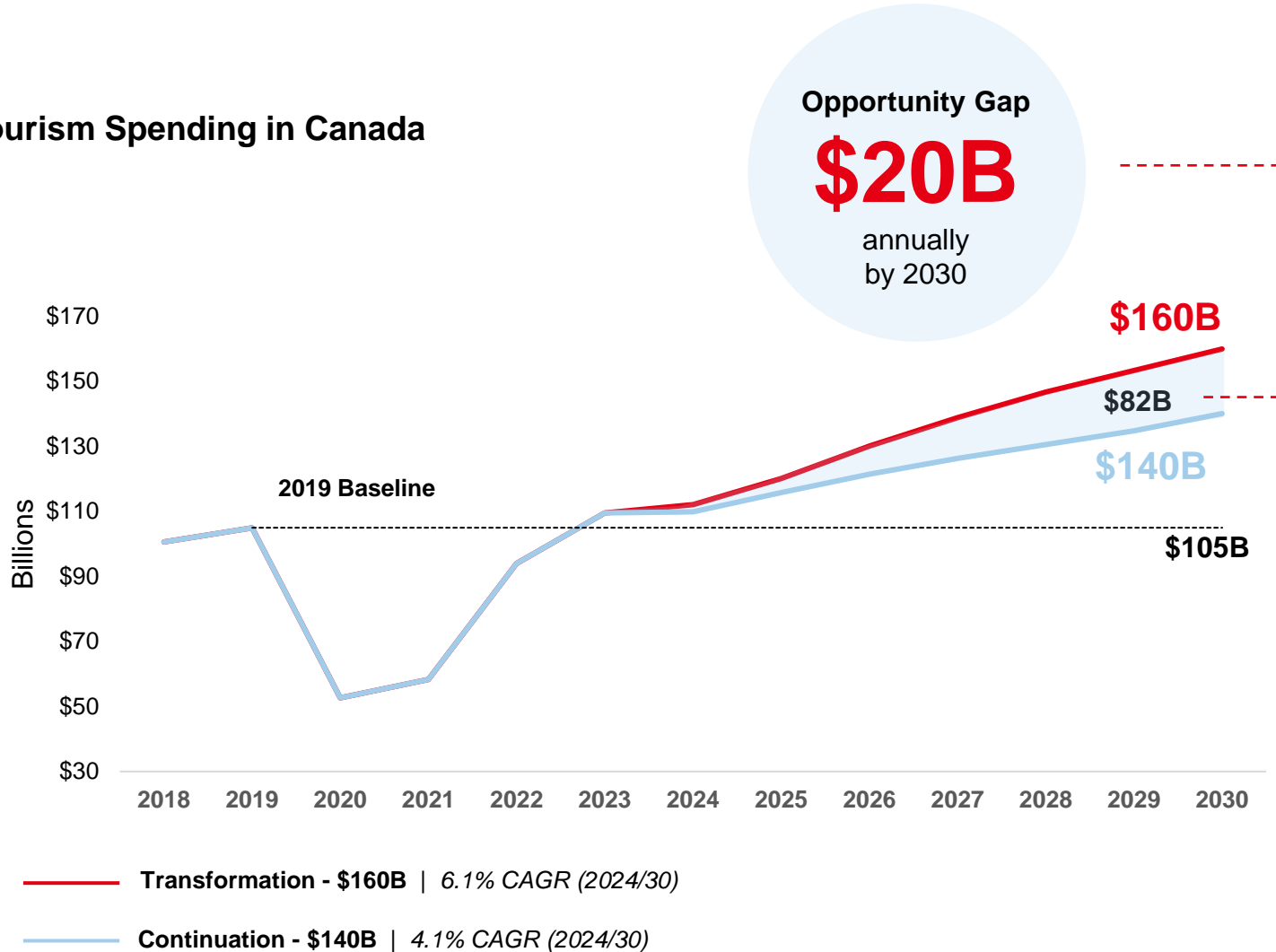
# The tourism sector is an economic powerhouse with the potential to generate \$160 billion in revenue by 2030

	2019	2030
 <b>Total tourism spending (\$B)</b>	\$105.0	\$160.0
 <b>GDP Direct (\$B)</b>	\$43.6	\$66.3
 <b>Jobs Direct</b>	704,100	815,800
 <b>Federal government revenues Direct (\$B)</b>	\$13.1	\$20.3

# The opportunity gap

The tourism sector can generate \$20 billion more per year by 2030

## Tourism Spending in Canada



Through transformation,  
tourism can generate  
an additional

**+\$82  
billion**

cumulatively from 2024 to 2030

# The opportunity gap

## What does transformation mean?

Transforming the industry is an opportunity to close the gap between our current continuation path and a new one.

This yields a gain of \$20 billion annually by 2030 and a cumulative gain of \$82 billion between 2024 and 2030.

Shifting the sector and cultivating this transformational path will have a significant impact, addressing constraints and shifting demand to change how growth occurs, to uplift everyone in Canada.

This opportunity between our transformational growth agenda and the current continuous path is not one that we can afford to lose.



# What does \$20 billion annually create?

Building resiliency through transformation will unleash significant economic benefits



## Business Prosperity

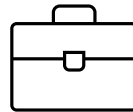
Transformation will drive **actual prosperity** and real growth for tourism businesses from coast to coast to coast.

An additional \$20 billion annually in tourism spending is equivalent to...



**14.2%**

Increase in GDP generated by tourism



**84,000**

More jobs due to tourism



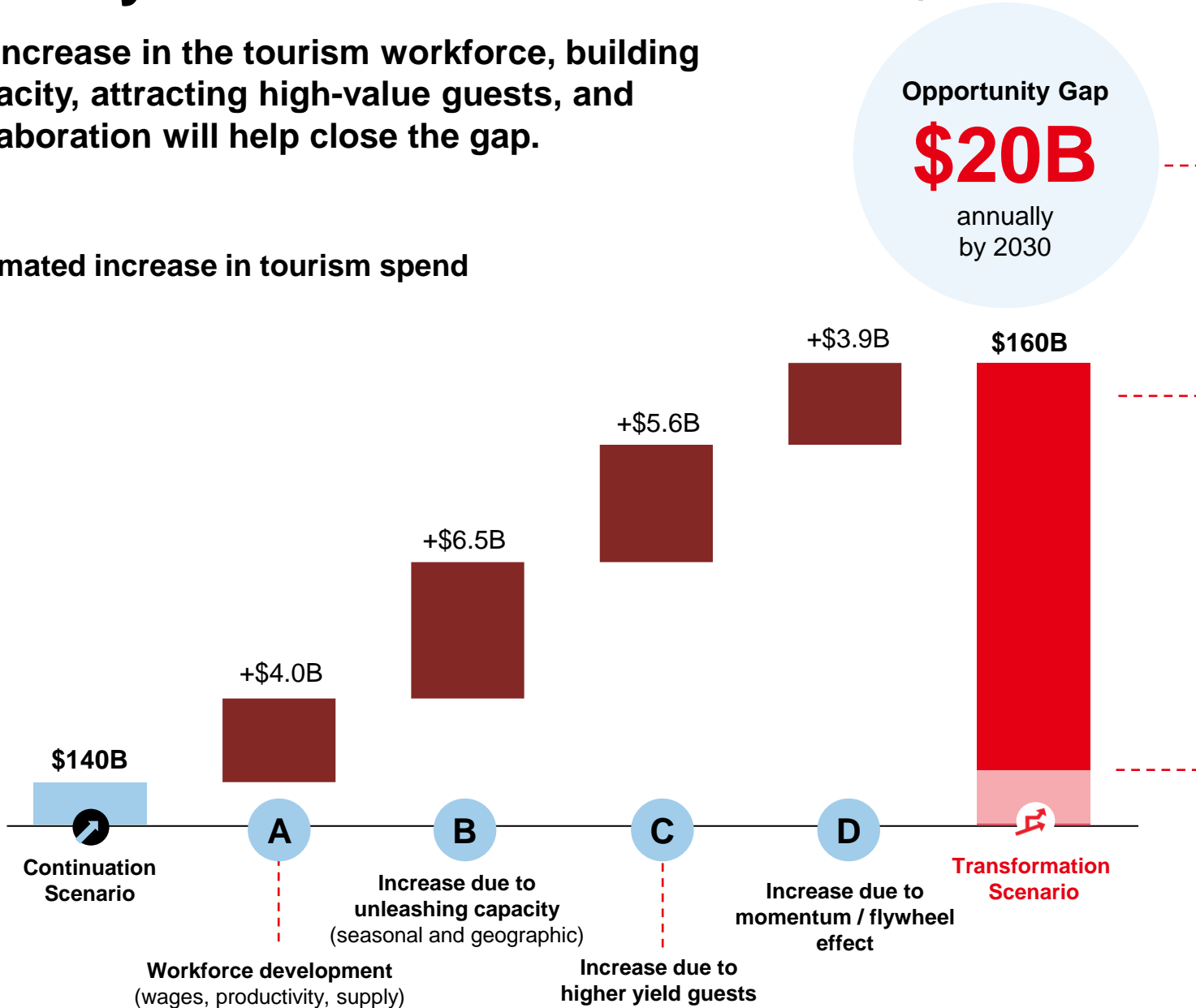
**\$5.3 billion**

More tax revenue for all levels of government

# Industry transformation will close the \$20 billion opportunity gap

An increase in the tourism workforce, building capacity, attracting high-value guests, and collaboration will help close the gap.

## Estimated increase in tourism spend



If our sector acts on key areas that are currently constraining the tourism sector's potential, we can unlock growth, step by step.

- A Workforce development:** A combination of programs that increase the number of available workers and increasing the productivity of the entire workforce so fewer workers are needed.
- B Unleashing capacity:** Intentional destination development that attracts travellers to regions that have capacity to host, while at the same time encouraging guests to travel outside of peak season.
- C Higher yield guests:** Attracting fewer, but higher spending and values-aligned travellers, allowing us to achieve the same level of spending while requiring a smaller workforce and fewer accommodations.
- D Momentum:** By developing destinations and creating new attractions, visitation will naturally grow. As demand increases, momentum on the supply side will build resulting in additional air access, investment and development.

# An ambitious path to the possible

There is an immense opportunity for real growth and transformation, but it requires collective action to address and beat the constraints that are holding back the sector. There are seven key levers that must be moved to shift our industry towards transformation.



## Revenue/ Yield Growth

Growing demand and extending revenue into off-peak times when and where Canada has capacity with a focus on high value guests.



## Brand Leadership

Ensuring Canada has a powerful, highly differentiated brand that inspires values aligned guests who spend on local goods and services, in multiple seasons, across diverse geographies and share Canada's values about sustainability.



## Investment

Attracting and enabling investment in new and existing experiences, Infrastructure, accommodation and expanded services that cater to the needs and desires of both guests and local communities.



## Access

Increasing air access (to and within Canada) and easing border access.



## Workforce & Digital Readiness

The digitization of the industry plays a key role in shaping how businesses of the future operate and compete.



## Environmental Sustainability

Tourism has a significant impact on the environment and Canada is part of the solution.



## Support from Canadians

An aligned industry-wide approach to ensure tourism is contributing to the wealth and wellbeing of all Canadians.

# KEY TAKEAWAYS

1.

## Tourism Today: Recovery & Rebound

Amid inflationary headwinds, tourism spending is showing resilience as Canada will **exceed pre-COVID levels in 2023, reaching \$109.5 billion.**

2.

## The Years Ahead: Opportunities Constrained by Capacity

As we look to 2024 and beyond, opportunities for growth prevail as we enter a critical **competitive stage** to attract travellers and regain market share. However, capacity constraints and challenges are limiting Canada's growth potential.

3.

## Vision for 2030: Transformative Growth

We have a clear choice: if we continue down our current path, we risk leaving opportunity and money on the table—a \$20-billion opportunity. By choosing a transformational path for sustainable growth, we can combat the constraints on our sector and unlock Canada's full potential.

The result—the tourism sector **can bring in \$160 billion by 2030**, generating wealth and wellbeing for all of Canada.