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Latest Developments in the Canadian Economic Accounts

Revisions to 2022 and 2023 exports of travel services

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Table of contents

Abstract.....	4
Introduction	4
Travel services exports: Measuring business travel and personal travel	4
Improving the coverage of foreign workers within business travel services exports.....	5
Results: Upward revisions to travel services exports.....	6
Conclusion	8
References	8

Revisions to 2022 and 2023 exports of travel services

by **Diana Wyman, Alec Forbes, and Brian Yach**; International Accounts and Trade Division

Abstract

This article presents revisions to exports of travel services in 2022 and 2023, focusing on the integration of new estimates of expenditures of temporary foreign workers in Canada. These revisions are reflected in the 2023 Annual Trade in Services estimates, released on November 12th, 2024.

Introduction

Recent studies published by Statistics Canada¹ have provided much-needed detail on how the role of temporary foreign workers in Canada's labour market has grown in significance, and on the corresponding growth in expenditures while working in Canada. The integration of these findings into international trade in services estimates produced upward revisions to business travel services exports to Canada in 2022 and 2023. This article provides background on a change in methodology that led to these revisions. It also covers revisions to other components of travel services such as education-related services and personal travel, which were the result of updated data sources.

Travel services exports: Measuring business travel and personal travel

Canada's imports and exports of services are important components in measuring Canada's balance of international payments, which captures Canada's transactions with non-residents. International trade in services are published according to several services categories, namely travel, transportation, government, and commercial services. Unlike the other service categories, travel is not a specific type of service, but is rather a transactor-based component that covers an assortment of goods and services.² This means that travel services exports are classified based on who is involved in the transaction – the non-resident travellers – and summarizes all expenses of goods and services acquired in Canada either for their own use or to give away as these expenditures are associated with their travel to Canada.

Within travel services, the two main categories are personal travel and business travel, and each include tourism and non-tourism components. Personal travel covers goods and services acquired by persons going abroad for purposes other than business and extends beyond tourism to include education-related travel, as well as travel for medical reasons. Education-related travel services covers all expenditures by non-resident students while in a foreign economy for study purposes. This includes expenditures on tuition, food and accommodation, transportation, health services, and entertainment services. International student expenditures represent the domestic receipt of revenue from goods and services acquired/purchased by non-resident students. International student spending in Canada is therefore an export of services from Canada, often referred to as education-related travel services exports. The growth in this area of travel services has been significant and accounted for 60.7% of personal travel and 52.3% of total travel services exports in 2023. Recent estimates show rising tuition for international students in Canada, with a rising cost of living in Canada also pushing up expenses for students. Data on international student expenditures is derived from the following three surveys: Tuition and Living Accommodation Costs (TLAC), Elementary-Secondary Education Survey (ESES), and the Postsecondary Student Information System (PSIS), as well as changes to the Consumer Price Index (CPI).

1. A series of papers by Yuqian Lu and Feng Hou in 2023 on measuring foreign workers' role in the Canadian labour market were key inputs to new estimates on foreign workers' earned income (compensation of employees payments to non-residents) and expenses (business travel services exports). These papers included [Foreign workers in Canada: Differences in the transition to permanent residency across work permit programs \(statcan.gc.ca\)](#), [Foreign workers in Canada: Work permit holders versus employment income records, 2010 to 2022 \(statcan.gc.ca\)](#), as well as [Foreign workers in Canada: Distribution of paid employment by industry \(statcan.gc.ca\)](#).
2. For reference, consult Chapter 10. Goods and Services Account, [Balance of Payments and International Investment Position Manual - Sixth Edition \(BPM6\) \(imf.org\)](#), page 149.

Improving the coverage of foreign workers within business travel services exports

The coverage of international students studying in Canada, and the estimates of their spending, in contrast to international workers, has been considered strong. However, revisions to estimates of education-related travel services do occur on an annual basis as updated information on enrollment, and tuition and other expenses are received and incorporated.

Additional effort during this revision cycle has focused on business travel service exports, specifically improving the methodology behind estimates of expenditures on goods and services by temporary foreign workers in Canada. Previous coverage of this area has been relatively weak. Business travel covers goods and services acquired for personal use by persons whose primary purpose of travel is for business. Coverage for many business travellers is provided by Statistics Canada's [Visitor Travel Survey \(VTS\)](#), which captures both counts of travellers and expenditures by short-stay business travellers as they leave Canada. This survey is used to estimate the expenditures of short-stay business travellers reflected in travel service exports.

Although the Visitor Travel Survey provides information on short-term business travel, it is not intended to capture either the number of temporary foreign workers arriving in Canada, or their expenditures while in the country for work purposes. A second data source, work permits information from Immigration, Refugees and Citizenship Canada (IRCC), is aimed at measuring the flow of temporary foreign workers. However, it does not measure compensation (wages received by temporary foreign workers) and their spending while in Canada nor does it align with balance of payments residency concepts.

In the Balance of Payments (BOP), the definition of residents is different than for citizenship or taxation purposes; it is focused on centre of economic interest. Expenditures of temporary foreign workers qualifying as business travel services in the balance of payments means that their centre of economic interest remains outside of Canada. If a temporary foreign resident has shifted their centre of economic interest from their home country toward Canada; they are considered Canadian residents for balance of payments purposes, and are not captured in international trade in services.

According to Immigration, Refugees and Citizenship Canada, a temporary foreign worker is defined as a foreign national engaged in work activity who is authorized, with the appropriate documentation, to enter and to remain in Canada for a limited period. In Canada, they are grouped in two overarching temporary labour migration programs. The first one is the Temporary Foreign Worker Program (TFWP), which assists employers in filling specific labour market gaps when Canadians and permanent residents are not available. The second is the International Mobility Program (IMP). The IMP seeks to attract foreign workers who can offer significant economic, social, or cultural benefits to Canada; improve the country's competitiveness; or meet its bilateral or multilateral trade agreements. IMP work permit holders can be further classified based on their primary objective in Canada, namely work, study, humanitarian and compassionate (H&C), or permanent residency (PR) purposes.³

In the absence of a data source on foreign worker spending in Canada, the new methodological approach is to measure the compensation earned by temporary foreign workers (with a centre of economic interest outside of Canada) and then estimate the expenditure of those workers in Canada as a share of their income earned in Canada.⁴ In order to measure the compensation and spending estimates of temporary foreign workers within international trade in services in a manner aligned with balance of payments requirements, the relationships between the flow of new work permits and the stock of existing work permits, as well as the income and expenditures by foreign workers, were required. While there was not one complete set of data to estimate expenditures of temporary foreign workers based on international trade in services concepts, a series of papers authored by Lu and Hou in 2023 and 2024 provided the necessary mapping to these concepts to help close this area of undercoverage.

3. [Foreign workers in Canada: Work permit holders versus employment income records, 2010 to 2022 \(statcan.gc.ca\)](#)

4. It should also be noted that while approximately 30% of total international students were reported to have had earned income, expenditures of these students are included in education-related travel exports, which is a component of personal travel (as opposed to business travel).

Lu and Hou's papers leveraged a microdata linkage of the [Non-permanent resident file](#) with the [Longitudinal Immigration database](#) in order to define a population of temporary foreign workers that earned income in Canada at any time during a given year. The authors estimated the number of unique foreign workers per year as well as the compensation paid to non-resident workers up to 2022. The authors focused on work permit holders whose initial work permit was for work purposes. Individuals who obtained permanent residency in the same year that their work permit was issued were excluded from the analysis. In situations where individuals had multiple work permits in a single year, priority was given to the Temporary Foreign Worker Program (TFWP) over the International Mobility Program (IMP) for the analysis. Therefore, each work permit holder was counted only once. The authors also estimated the share of foreign workers that later transitioned to permanent residency. This is important as it serves as a proxy for the share of temporary foreign workers that shift their centre of economic interest to Canada; as noted earlier, a key residency consideration in the balance of payments. These studies defined clear relationships between the number of valid work permits on December 31st (of the corresponding year), the number of work permits that were valid at any time during a year, and the number of unique individuals that worked and earned income by program that year. In order to clarify these relationships, the Immigration, Refugees and Citizenship Canada (IRCC) monthly estimates of 'new issues' of permits allowed for a concordance and distribution of work permits by National Occupation Classification (NOC). The 'new issues' estimates were then used to distribute the annual estimates of valid permits at any time during the year by NOC and by month. The NOC distribution is used when calculating income estimates and is therefore only indirectly related to the revision to business travel services.

Ratios from the research by Lu and Hou were leveraged to derive estimates for compensation paid to foreign workers for reference years beyond those included in the studies. The share of foreign worker income spent on expenditure of goods and services in Canada was then estimated by comparing data with other countries that publish this relationship. The scope of this revision includes revisions for the two years 2022 and 2023.⁵

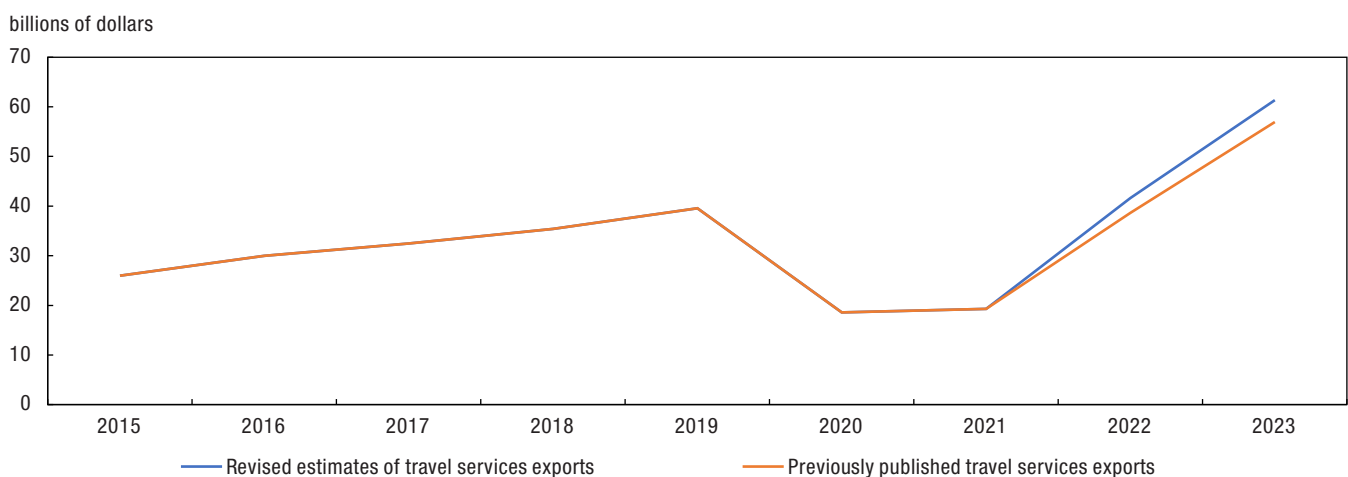
The remaining section of this paper provides the results of the revision to business travel services exports. It also highlights revisions to personal travel services exports, as a result of updated data sources.

Results: Upward revisions to travel services exports

Canada's overall travel services exports reached record high levels in 2022 (\$41.6 billion), and in 2023 (\$61.3 billion). The impact of the increase to business travel services exports, notably resulting from enhanced estimates of foreign worker expenses, combined with the growth in international student expenses and strong international tourism spending in Canada, accounted for the overall increase in international travel services exports for this period.

Chart 1

Exports of travel services, previously published and revised estimates, 2015 to 2023, billions of dollars



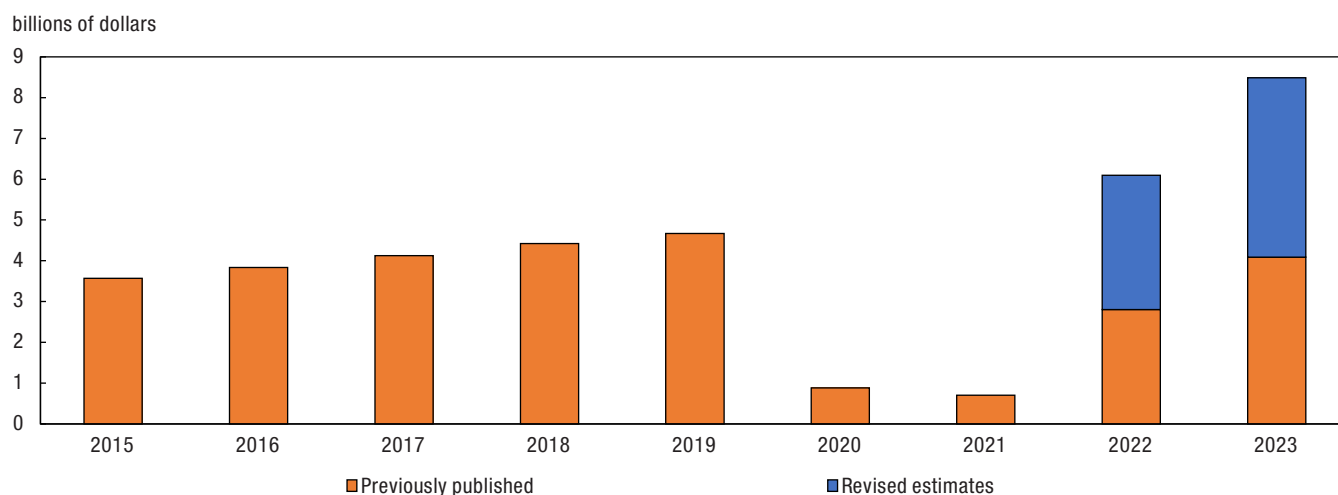
Source: Statistics Canada. Table 36-10-0004-01. International transactions in services, travel by category and geographical area, annual (x 1,000,000).

5. Previous years may also be subject to revisions in the future.

Overall, business travel services exports were revised from \$2.8 billion to \$6.1 billion in 2022 and from \$4.1 billion to \$8.5 billion in 2023, accounting for 14.6% in 2022 and 13.8% in 2023 of total travel services exports. These revisions mostly reflected the enhanced estimates of foreign worker expenditures.

Chart 2

Exports of business travel services - revised estimates (which include expenditures by foreign workers in Canada), billions of dollars



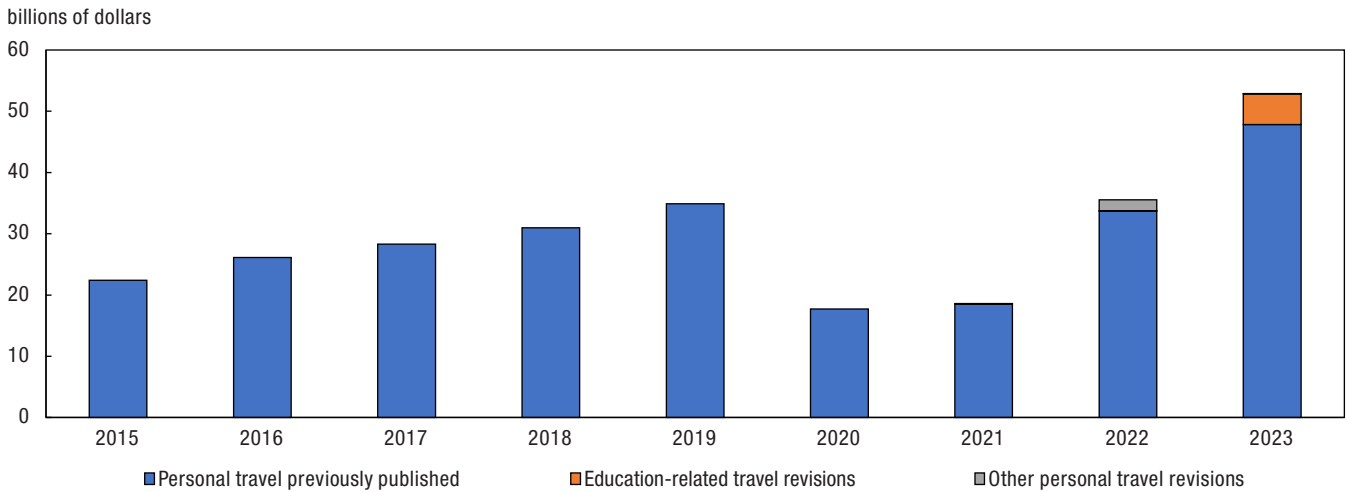
Source: Statistics Canada. Table 36-10-0004-01. International transactions in services, travel by category and geographical area, annual (x 1,000,000).

While the earlier methodology to estimate temporary foreign worker expenses adequately covered industries such as agriculture and care-giving, there was undercoverage related to the recent growth in many other industries, ranging from accommodation and food services, retail services, healthcare, and administrative and technical support. The methodology changes during this annual revision reflect an improvement to the measurement of the number of temporary foreign workers covering all industries, including their earned income, and their expenditure.⁶

In addition to business travel, personal travel services exports were revised from \$33.7 billion to \$35.5 billion in 2022 and from \$47.8 billion to \$52.9 billion in 2023. Most of the revisions to 2022 (\$+1.8 billion) were due to the full integration of the Visitor Travel Survey (VTS) data. Tourism-related travel services (other personal services) exports grew substantially in 2022 and 2023 to \$13.1 billion for 2022 and \$20.6 billion for 2023 as a result of the recovery of tourism in Canada following the COVID-19 pandemic.

Revisions to exports of personal travel services in 2023 (+\$5.0 billion) were due to education-related travel services, as preliminary estimates of international student enrollments in Canada were replaced with more accurate numbers from Immigration, Refugees and Citizenship Canada (IRCC). International student expenditure reached \$22.3 billion in 2022 and \$32.0 billion in 2023, accounting for 53.6% and 52.3% of total travel services exports.

6. [Foreign workers in Canada: Distribution of paid employment by industry \(statcan.gc.ca\)](#).

Chart 3**Exports of personal travel services, including revisions to education-related travel, and other personal travel, 2015 to 2023, billions of dollars**

Source: Statistics Canada. Table 36-10-0004-01. International transactions in services, travel by category and geographical area, annual (x 1,000,000).

Conclusion

This article summarizes major revisions to exports of travel services in 2022 and 2023. The availability of new data resulted in upward revisions to personal travel services, notably spending by international students. Tourism expenditure was also revised upward for 2022. Previously, expenditures of temporary foreign workers in Canada were an area of undercoverage. The improved coverage from an updated methodology for estimates of foreign worker expenditures on goods and services led to an upward revision to business travel exports. While revisions targeted 2022 and 2023, work in this area will continue as updated and new information becomes available and could lead to further refinements of these figures in the future.

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