



Tourism Outlook Briefing - 2009

Canadian Tourism Research Institute/
The Conference Board of Canada

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Westin Harbour Castle, Toronto

Tuesday, September 9, 2009

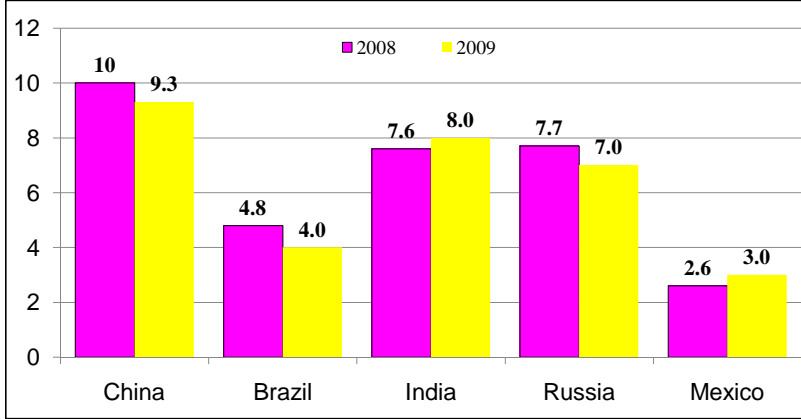
The World at a Glance

- The world economy is burdened with the sharpest financial crisis in decades
- Commodity prices have likely peaked
- The slump in economic activity in Europe is due to the high value of the euro and a severe downturn in housing markets in the UK, Spain and Ireland
- The rapid depreciation of the US dollar has helped correct dangerous imbalances in the global economy
- Inflation has become a serious problem in Asia Pacific



Economic Growth in BRIC Countries Plus Mexico

(% change in real GDP)



Source: Consensus Economics.

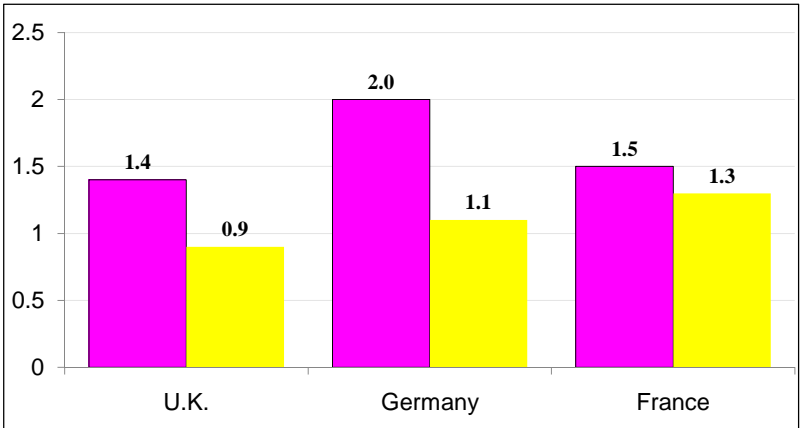
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Economic Growth in Europe, 2008

(% change in real GDP)



Source: Consensus Economics.

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U.S. Outlook

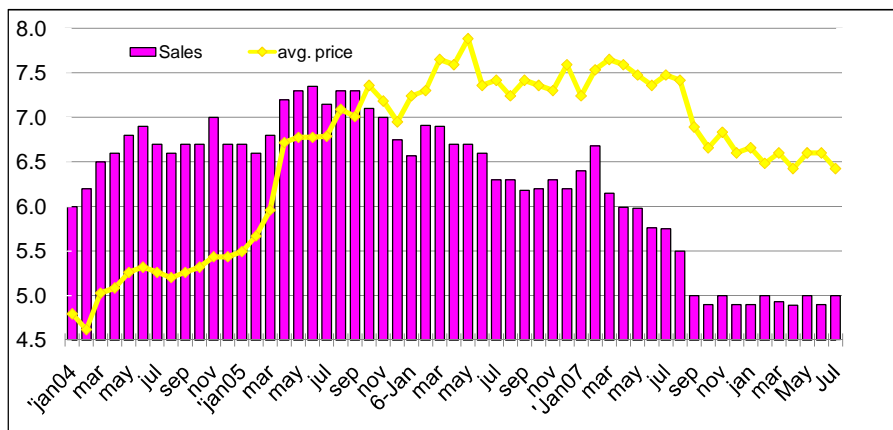
- U.S. domestic economy is in recession – but exports are bolstering overall GDP
- Declining home prices restrain consumer spending this year and next
- Inflationary pressures have surfaced
- Strength in exports, investment spending
- Economy remains slow for some time to come.

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U.S. Existing Home Sales and Prices (millions, \$)



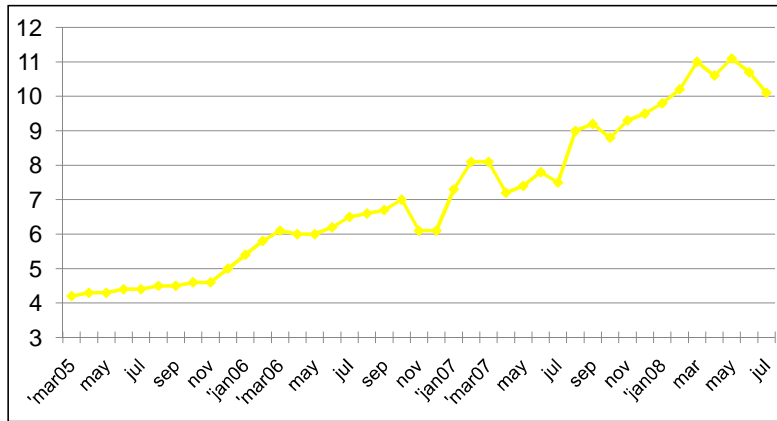
Source: National Assn. of Realtors.

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Inventory of New Homes (months supply)



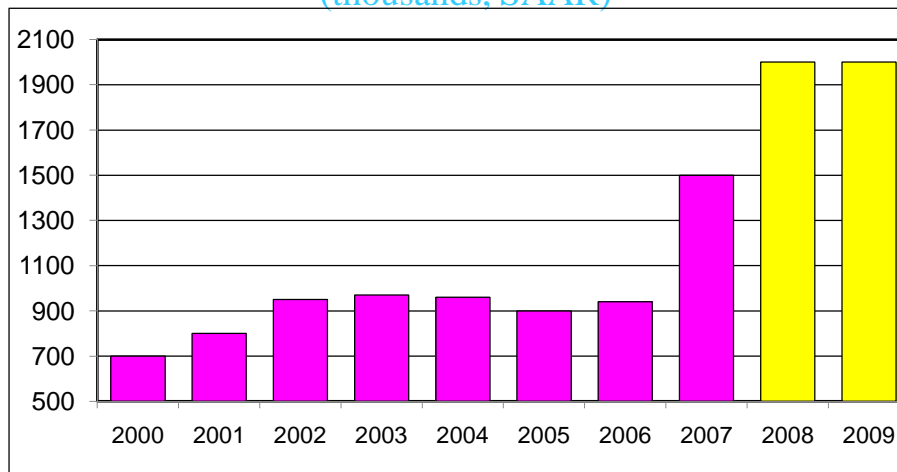
Source: Census Bureau.

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Foreclosures Surge (thousands, SAAR)



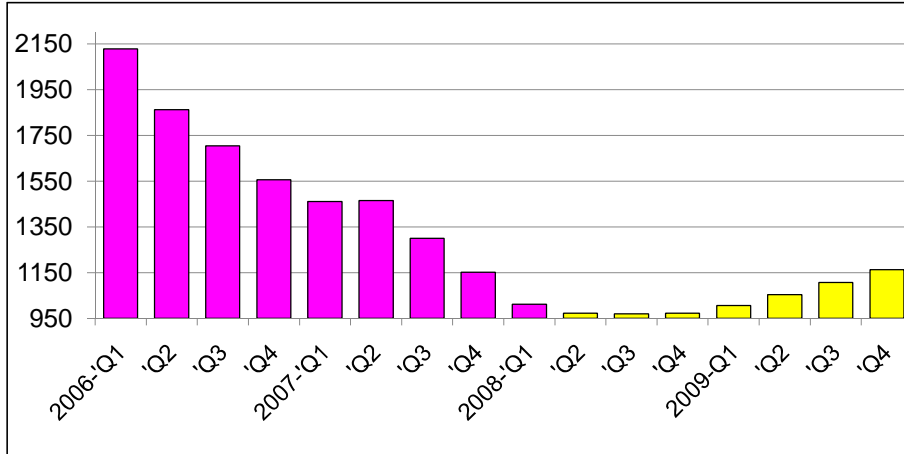
Source: Moody's Economy.com.

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U.S. Housing Starts (thousands)

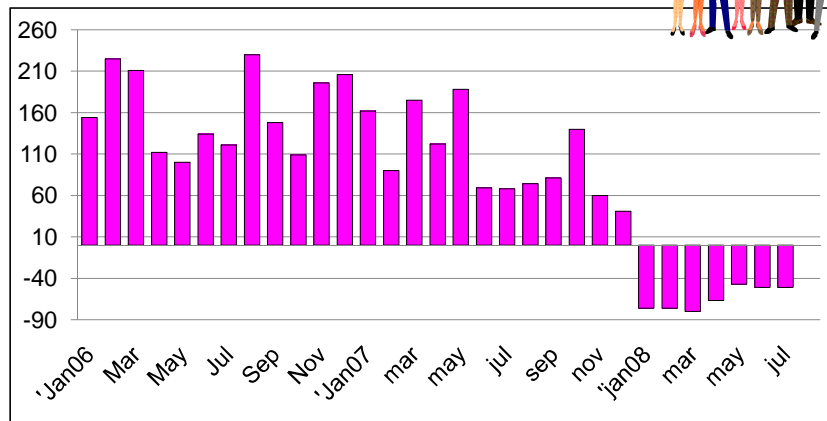


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U.S. Labour Market (Change in U.S. Employment, 000s)



Source: Bureau of Economic Analysis.

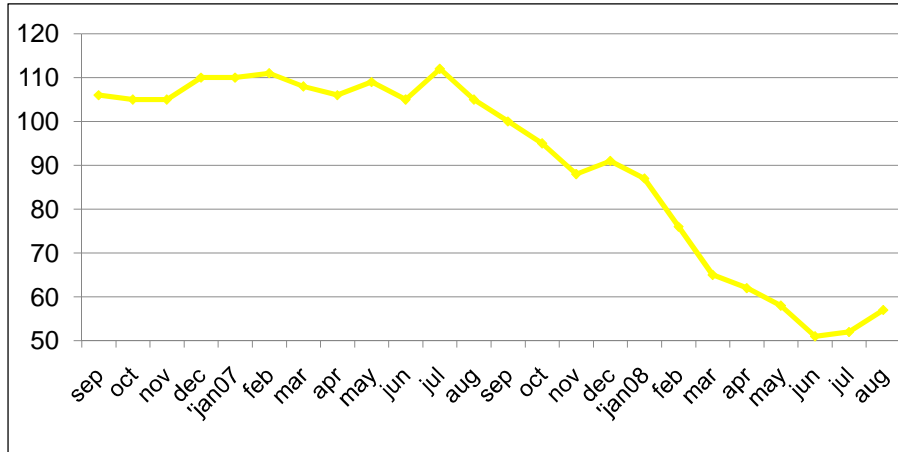
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U.S. Consumer Confidence

(1985=100)



Source: The Conference Board Inc.

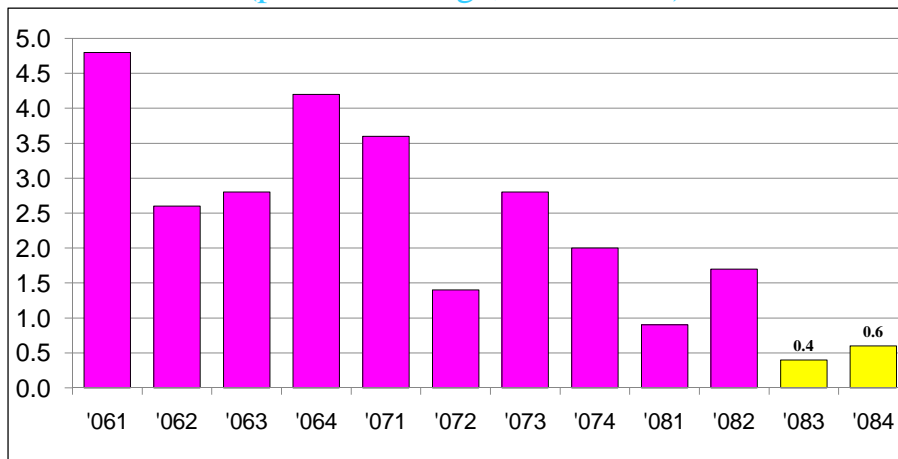
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U.S. Real Consumer Spending Growth

(per cent change, annualized)



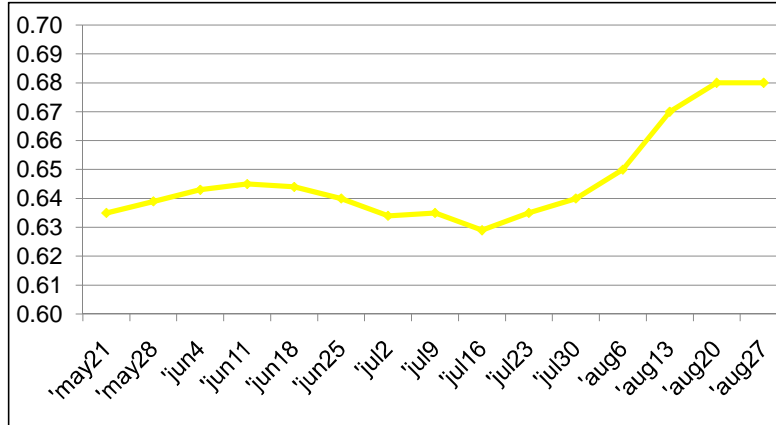
Source: BEA; CBoC

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U.S. Dollar Appreciating (Euro/US dollar)



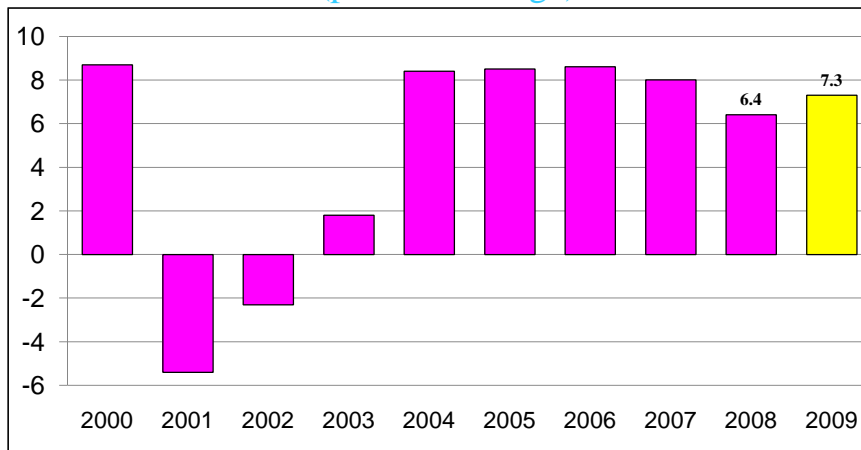
Source: Moody's Economy Inc.

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US Exports (per cent change)



Source: BEA; CBoC

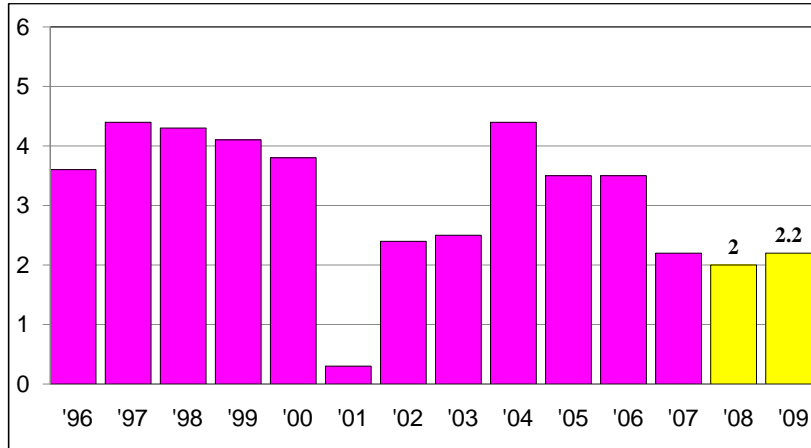
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U.S. Real GDP (per cent change)



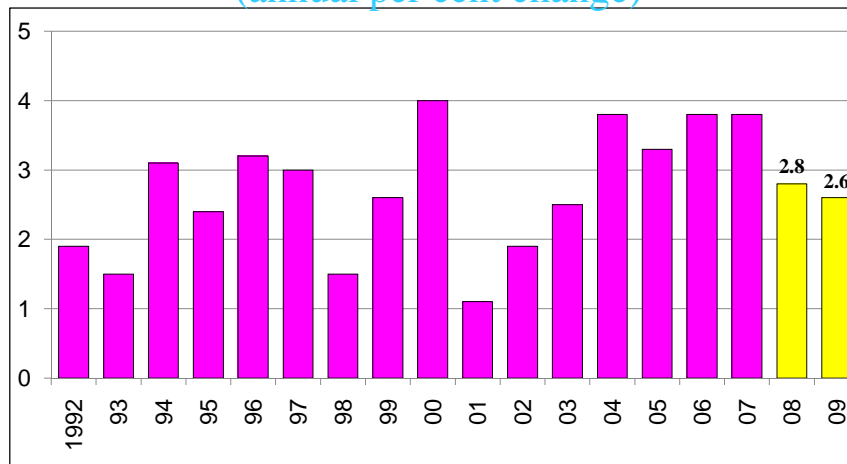
Sources: BEA; CBoC.

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World Real GDP Growth (annual per cent change)



Source: Consensus Economics.

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Canadian Outlook

- Central Canada suffering from U.S. slowdown -- autos, wood products, construction materials, tourism
- But strong commodity prices underpin the national economy
- Surge in the loonie poses further challenges to export sector, but helps to constrain inflation
- Labour market tightness is here to stay
- Growth of only 1 per cent is expected in 2008; climbing to 2.4 per cent in 2009

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Top Foreign Holders of U.S. MBS (billions)

<u>Country</u>	<u>MBS</u>	<u>% of Total US Securities</u>
Cayman Islands	72.4	15
UK	44.1	7
Netherlands	27	9.6
Luxembourg	22.4	4.1
Germany	22.3	10.5
Japan	19.8	1.8
Jersey	17.4	41.4
Ireland	10.5	4.5
China	9.5	1.4
Canada	8.4	2.2

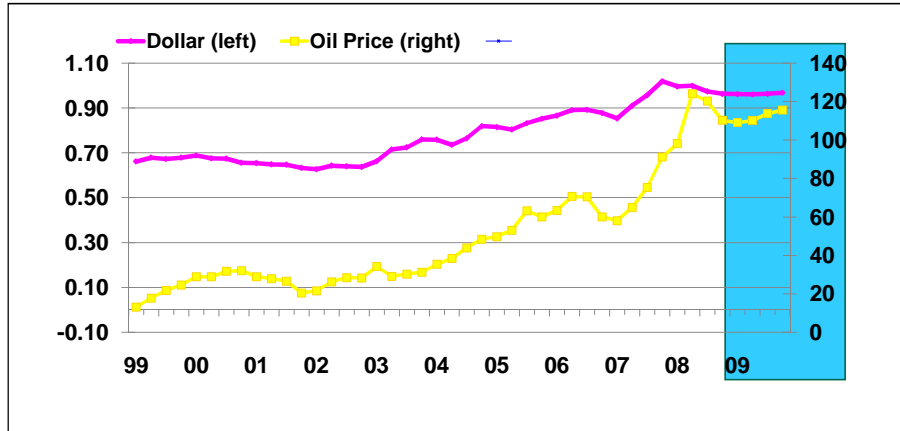
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The Loonie and the Oil Price

WTI \$US, \$US/\$C



Sources: The Conference Board of Canada; U.S. Energy Information Administration; Statistics Canada.

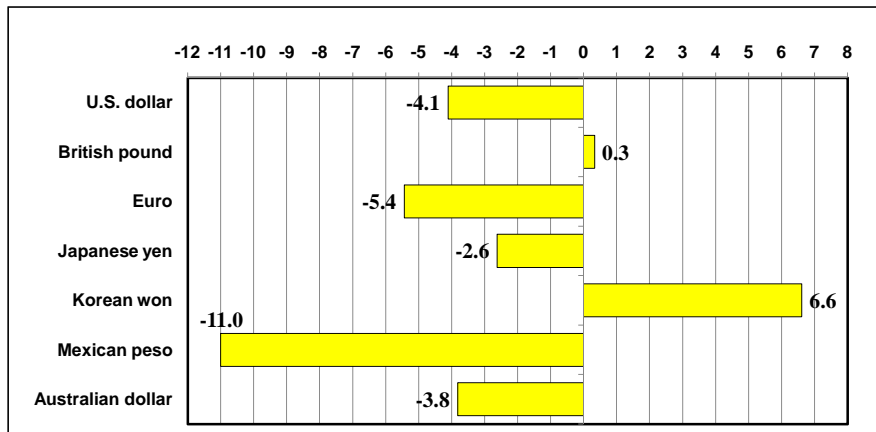
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Loonie Backs Off: Canadian \$ appreciation, in per cent, vs. major currencies

(January to August 2008)



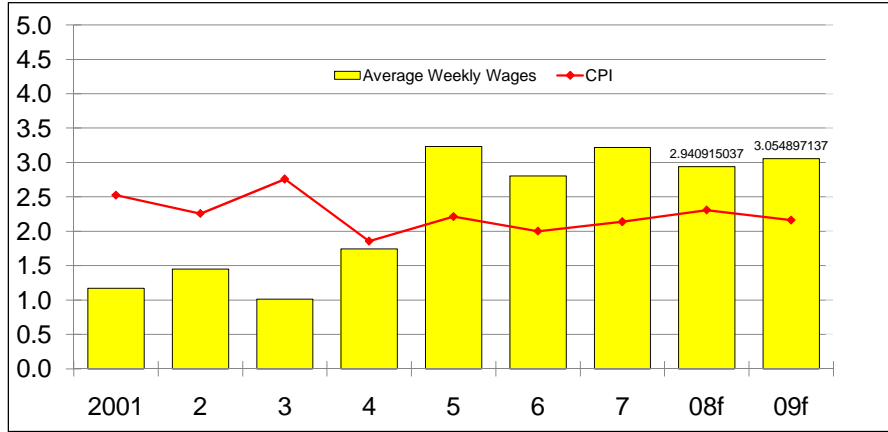
Sources: The Conference Board of Canada; Bank of Canada.

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Growth in Industrial Composite Average Weekly Wage versus CPI (per cent change)

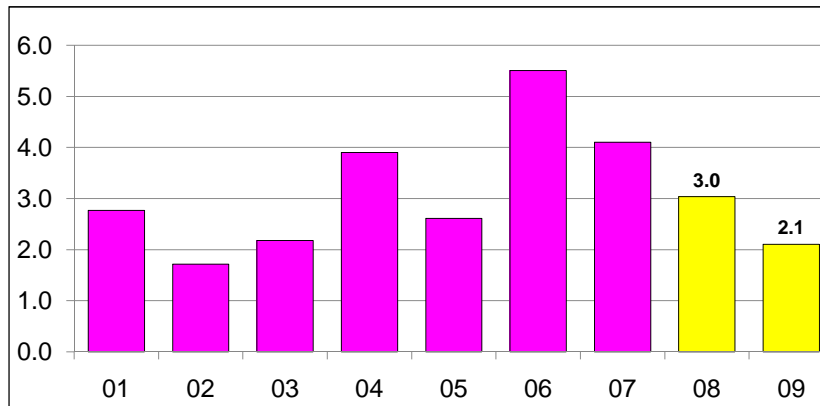


Source: The Conference Board of Canada; Statistics Canada

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Real Disposable Income Growth percent, Canada 2001–09

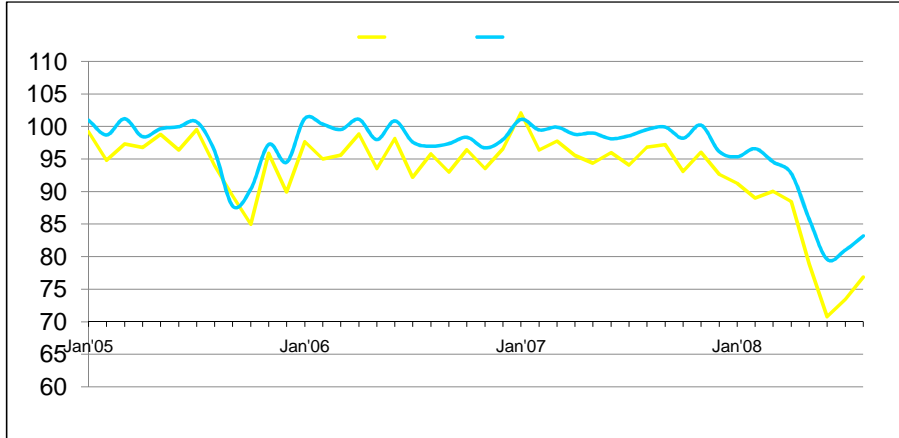


Sources: The Conference Board of Canada; Statistics Canada.

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Index of Consumer Attitudes, Canada Jan 05–Aug 08 (2002 =100)



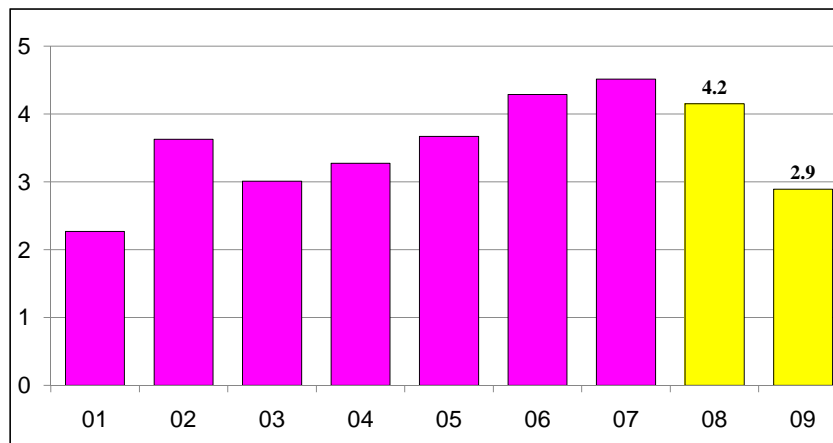
Source: The Conference Board of Canada.

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Real Consumer Spending Growth Canada 2001–09



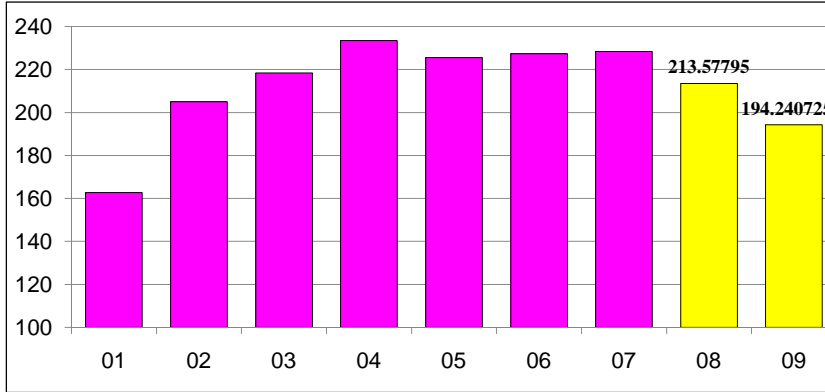
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Housing Starts (000s) Canada 2001–09



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Regional Outlook 2008–09: Highlights

The deteriorating demand from the U.S. will hurt the trade sector in Central Canada – especially autos.

Quebec will fare better than Ontario due to strong global demand for aerospace

The outlook in British Columbia is tempered by the weakness in the forestry and manufacturing sectors.

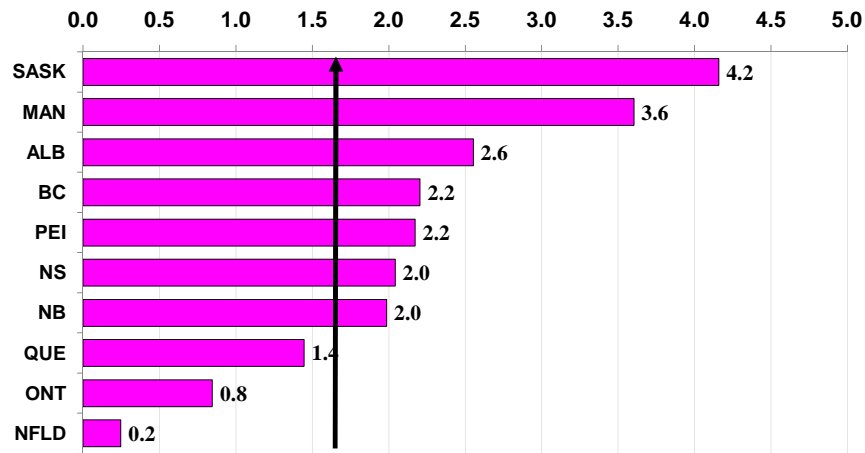
High grain and other commodity prices will support GDP growth in the Prairie provinces

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2008 Real GDP Growth by Province (per cent, basic prices, 2002 \$)



Canada

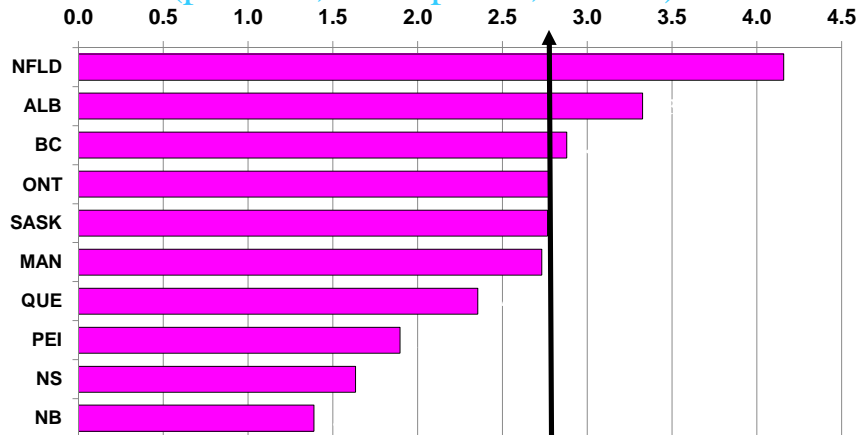
Sources: The Conference Board of Canada; Statistics Canada.

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2009 Real GDP Growth by Province (per cent, basic prices, 1997 \$)



Canada

Sources: The Conference Board of Canada; Statistics Canada.

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Ontario Outlook: Highlights

Ontario is teetering on the brink of a recession

Ontario will post the first trade deficit on record in 2008

Auto sector is still restructuring

Solid income growth keeps consumer spending strong

Investment outlook deteriorates in 2009

High commodity prices have boosted mining output

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Toronto's Outlook 2007–08 Highlights

Manufacturing output is forecast to fall 6.1 per cent this year—the fourth decline in a row.

Toronto's housing boom is over – new construction and resale

New building construction remains strong

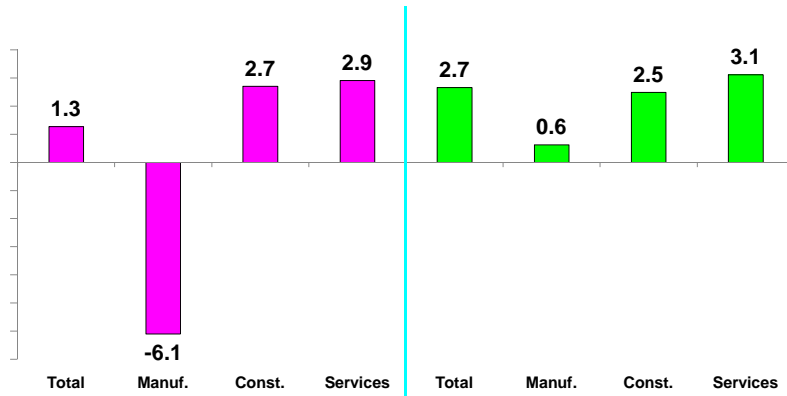
Service Sector keeps the economy afloat

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GDP Growth by Industry Toronto, 2008



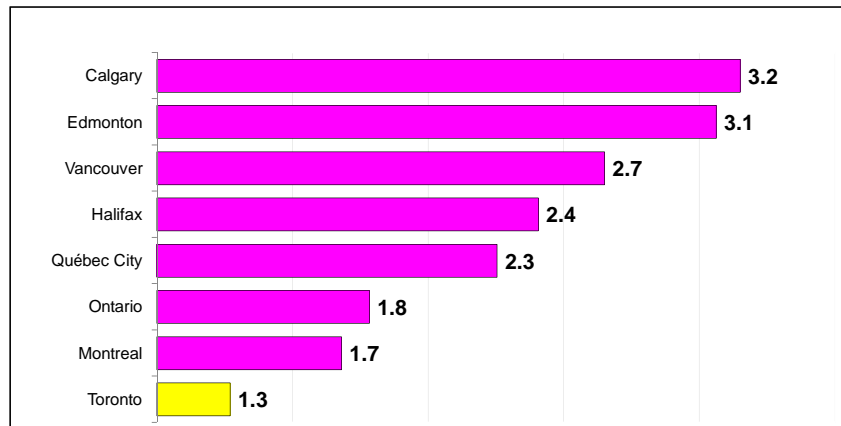
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Toronto and Other Markets (Real GDP Growth, 2008)



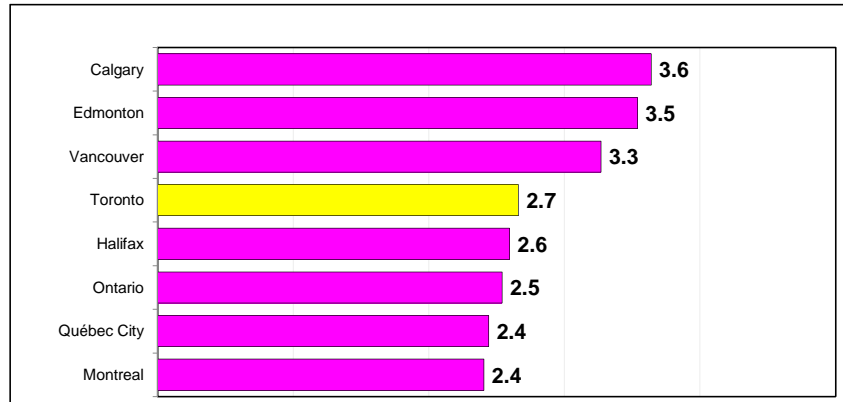
Source: The Conference Board of Canada.

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Toronto and Other Markets (Real GDP Growth, 2008)



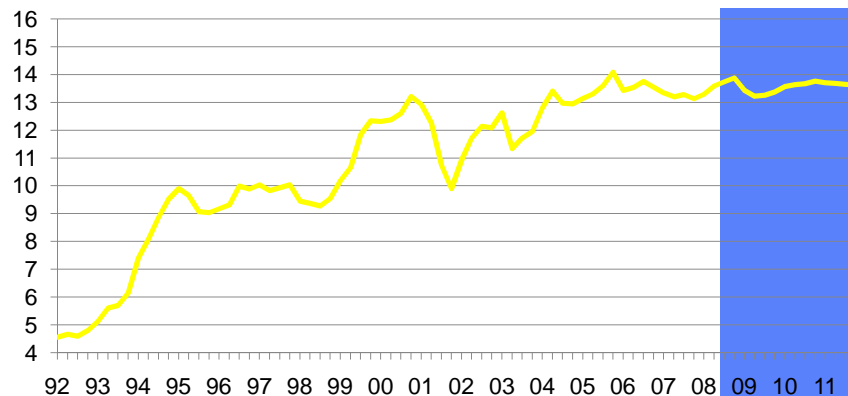
Source: The Conference Board of Canada.

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Pre-Tax Corporate Profits (per cent share of nominal GDP)



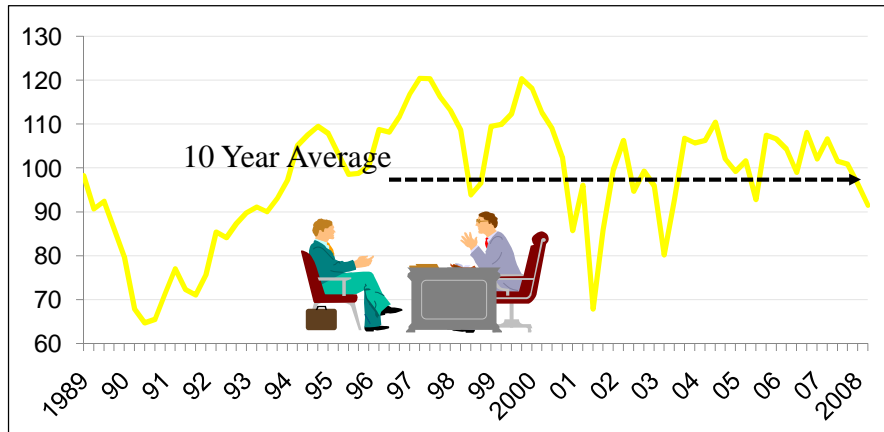
Source: Statistics Canada; The Conference Board of Canada.

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Index of Business Confidence 1989:1 to 2008:2 (2002=100)



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Conclusions

- The wealth effect of high commodity prices is starting to wear off
- Inflation will remain under control
- Domestic economy will provide most of the stimulus to tourism – albeit less than previous years
- Regional divergence continues to manifest itself
- Tight labour markets will continue to pose challenges to businesses
- Economy is well poised for growth over the medium term

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Tourism Outlook

Tourism Outlook

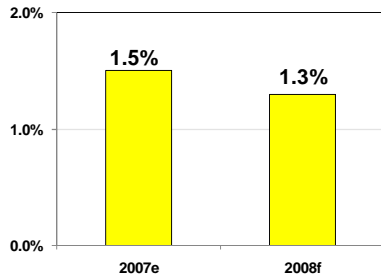
Agenda

- Tourism in Toronto
 - Current/Future Projections
 - City/Provincial Comparison
- Focus on international markets
- Business travel trends
- Leisure travel trends
- Summary



Tourism in Toronto - 2008

Growth in overnight person-visits to Toronto



2008 (vs. 2007)

↓ US travel market (-6.1%)

↑ Overseas markets (4.4%)

↑ Business convention/conference & tradeshow (4.3%)

↑ Non-convention business (3.6%)

↑ Domestic leisure (2.7%)

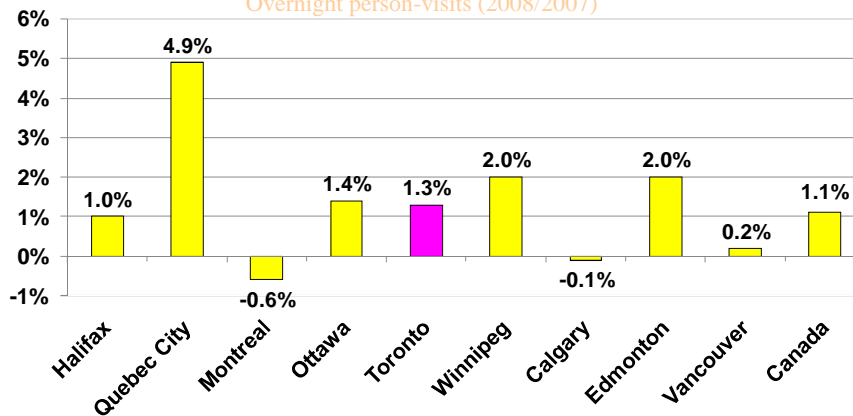
Source: The Conference Board of Canada.

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Tourism Growth Projections – 2008

Overnight person-visits (2008/2007)



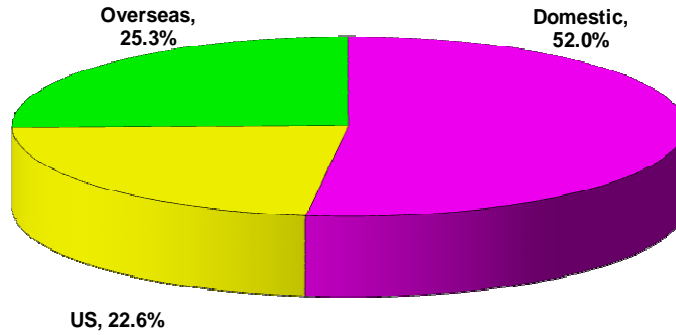
Source: The Conference Board of Canada.

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Tourism in Toronto - 2008

Share of room nights sold in hotels/motels/B&B's



Sources: The Conference Board of Canada; Statistics Canada.

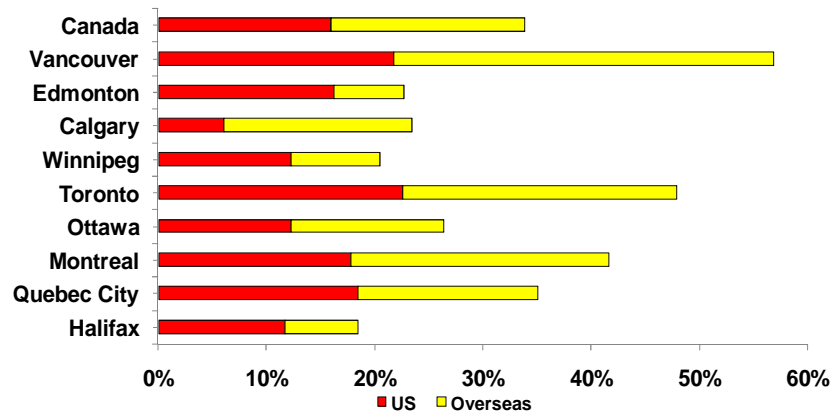
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International Tourism - 2008

International share of room nights sold in hotels/motels/B&B's



Sources: The Conference Board of Canada; Statistics Canada.

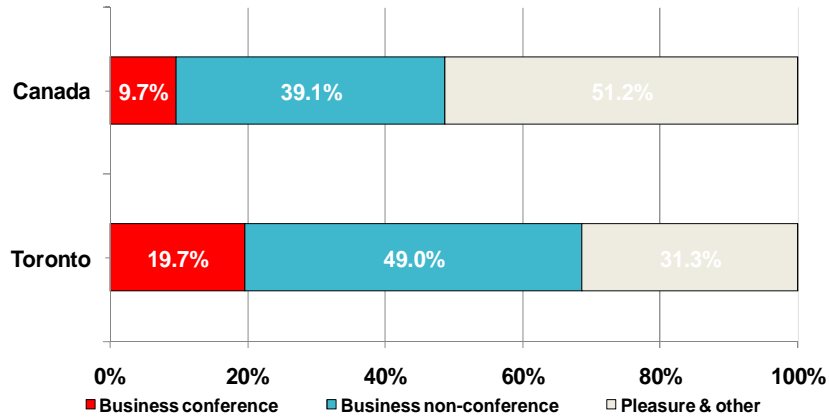
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Tourism in Toronto - 2008

Composition of domestic room nights sold in hotels/motels/B&B's



Sources: The Conference Board of Canada; Statistics Canada.

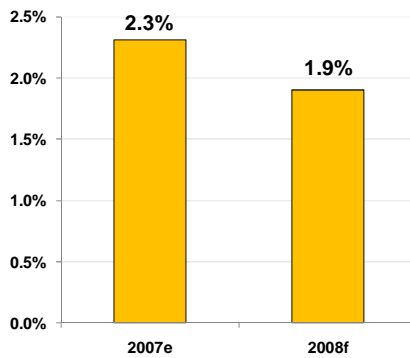
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Tourism in Toronto - 2008

Growth in room-night sold in Toronto - Tourism



Source: The Conference Board of Canada.

2008 Growth Contribution

- ↓ US travel market (-1.2%)
- ↑ Overseas markets (1.2%)
- ↑ Domestic business (1.3%)
- ↑ Domestic leisure (0.6%)

Supply: ↑2.2% GTA
(PKF Consulting)

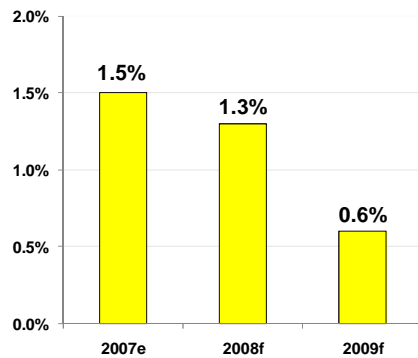
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Tourism in Toronto – 2009

Growth in overnight person-visits to Toronto



2009 (vs. 2008)

- ↓ US travel market (-4.7%)
- ↑ Overseas markets (3.7%)
- ↑ Non-convention business (2.8%)
- ↑ Domestic leisure (1.6%)
- ↑ Business convention/conference & tradeshows (1.5%)

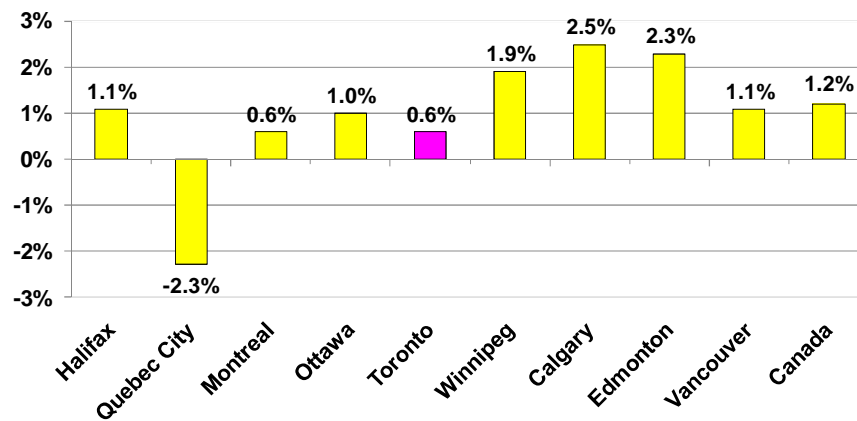
Source: The Conference Board of Canada.

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Tourism Growth Projections - 2009



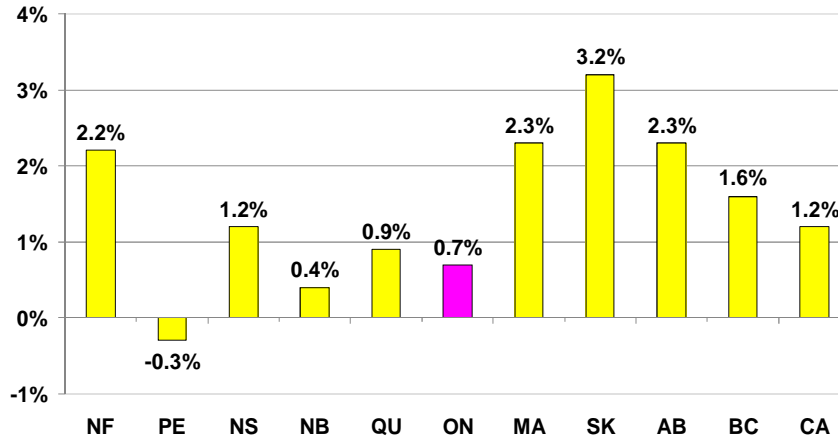
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Tourism Growth Projections - 2009



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Tourism in Toronto Summary Projections for 2008-2012

Toronto	2008f	2009f	2010f	2011f	2012f
Total ('000s overnight province visits)	10,018	10,082	10,455	10,756	11,069
	1.3	0.6	3.7	2.9	2.9
Domestic	6,673	6,771	7,025	7,215	7,421
	3.0	1.5	3.7	2.7	2.9
Business	771	789	822	849	880
	3.9	2.3	4.1	3.4	3.5
Pleasure	2,039	2,071	2,144	2,208	2,271
	2.7	1.6	3.5	3.0	2.9
United States	1,895	1,806	1,859	1,893	1,924
	-6.1	-4.7	2.9	1.8	1.6
Overseas	1,450	1,504	1,570	1,648	1,724
	4.4	3.7	4.4	5.0	4.6
Total Expenditures (\$ millions overnight)	4,232	4,353	4,640	4,889	5,153
	3.7	2.9	6.6	5.4	5.4
Travel Price Index	1.63	1.28	1.73	1.45	1.36

Source: Statistics Canada, The Conference Board of Canada

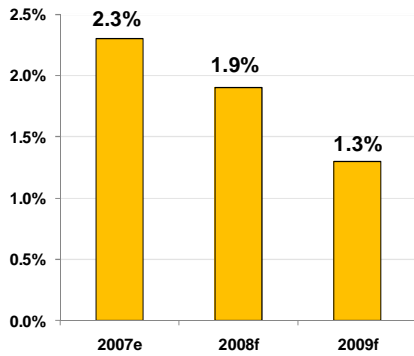
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Tourism in Toronto - 2009

Growth in room-night sold in Toronto - Tourism



2009 Growth Contribution

- ↓ US travel market (-1.0%)
- ↑ Overseas markets (1.0%)
- ↑ Domestic business (1.0%)
- ↑ Domestic leisure (0.3%)

Supply: ↑2.4% GTA

(PKF Consulting)

Source: The Conference Board of Canada.

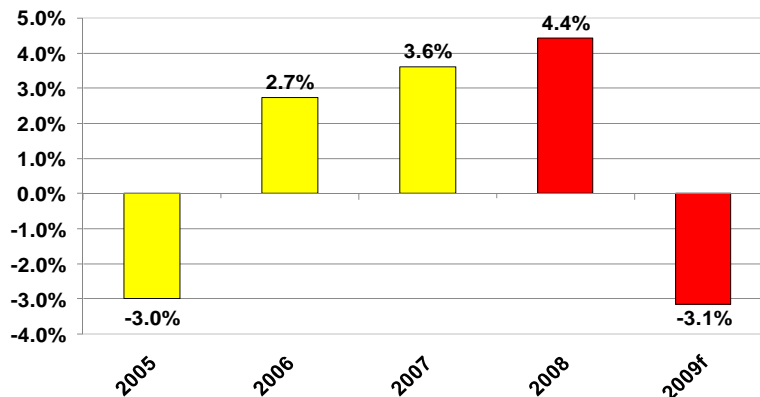
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Direct Air Capacity from Canada

Growth in Direct Air Capacity on Scheduled Flights to Toronto



Ontario/Quebec = 43% share and growth in 2008 is 3.9%, 2009 is -7.5%

Sources: BACK Aviation Solutions; The Conference Board of Canada.

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U.S. Travel Market

Current issues facing travel to Canada

- Weaker economic drivers, including;
 - Unfavourable exchange rates/competitive prices
 - Weaker consumer confidence
 - High gas prices
- Border issues (real or perceived)

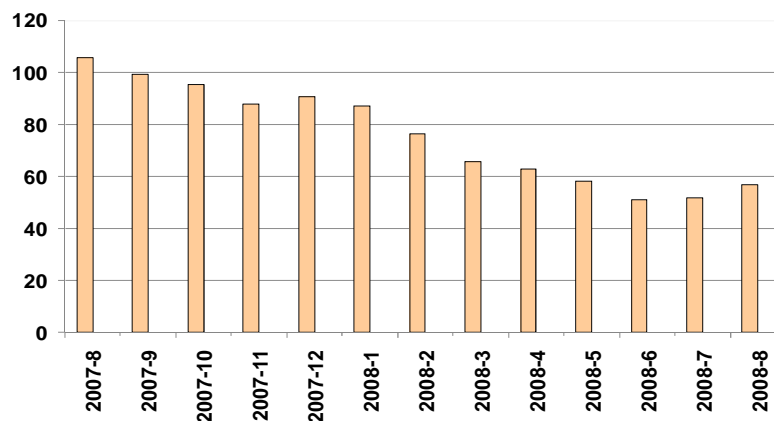
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Consumer Confidence Index

(1985=100)



Source: The Conference Board, 2008.

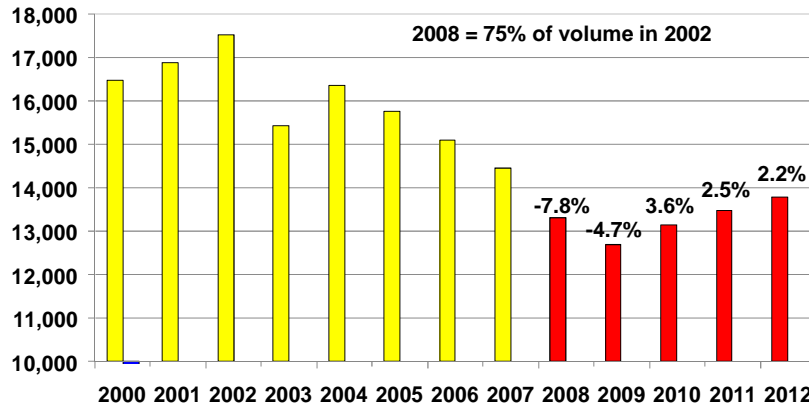
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Overnight US travel to Canada

(000's province-visits)



Sources: The Conference Board of Canada; Statistics Canada.

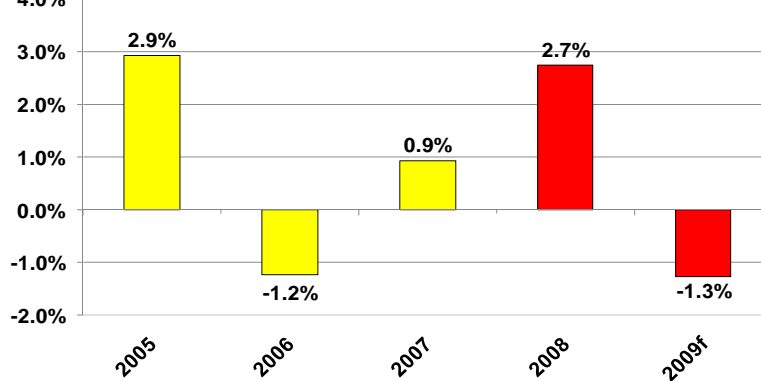
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Direct Air Capacity from the U.S.

Growth in Direct Air Capacity on Scheduled Flights to Canada



Toronto = 40% share and growth in 2008 is 2.7%, 2009 is -2.5%

Sources: BACK Aviation Solutions; The Conference Board of Canada.

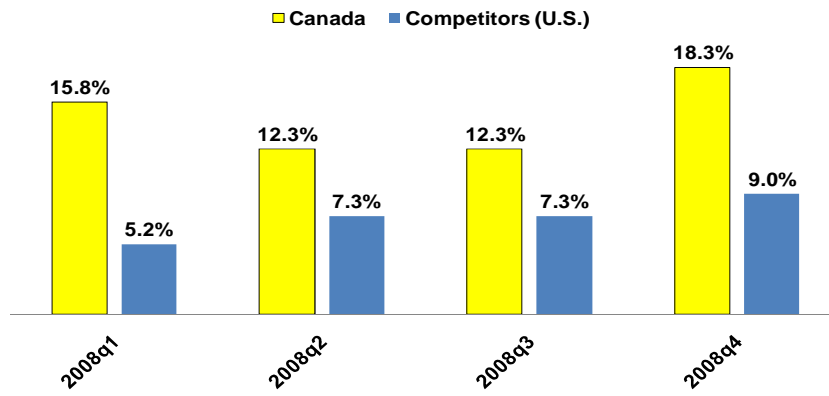
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Cost of air travel from the U.S.

Year-over-year increase in the cost of a four-night stay, priced in U.S. dollars



Ontario/Quebec more competitive than Canada last 3 quarters of 2008

Sources: CTC, Short-Term Competitive Outlook; The Conference Board of Canada.

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US Travel Market Projections

United States	2008f	2009f	2010f	2011f	2012f
Visits ('000s overnight)	13,321	12,693	13,152	13,485	13,786
(percentage change)	-7.8	-4.7	3.6	2.5	2.2
By Mode:					
Air	3,802	3,707	3,877	3,997	4,125
(percentage change)	-5.9	-2.5	4.6	3.1	3.2
Other	9,520	8,987	9,275	9,488	9,661
(percentage change)	-8.6	-5.6	3.2	2.3	1.8
By Purpose:					
Business	2,000	1,982	2,018	2,044	2,071
(percentage change)	-1.4	-0.9	1.8	1.3	1.3
Non-Business	11,321	10,711	11,134	11,440	11,716
(percentage change)	-8.9	-5.4	4.0	2.8	2.4
Expenditures (\$ millions)	6,545	6,317	6,732	7,089	7,428
(percentage change)	-7.0	-3.5	6.6	5.3	4.8

Source: Statistics Canada, The Conference Board of Canada

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International Market Focus

Overseas travel markets

- Some key markets for Toronto (and Ontario)

UK*	Japan*
Germany*	France*
Mexico*	Australia*
South Korea*	China*

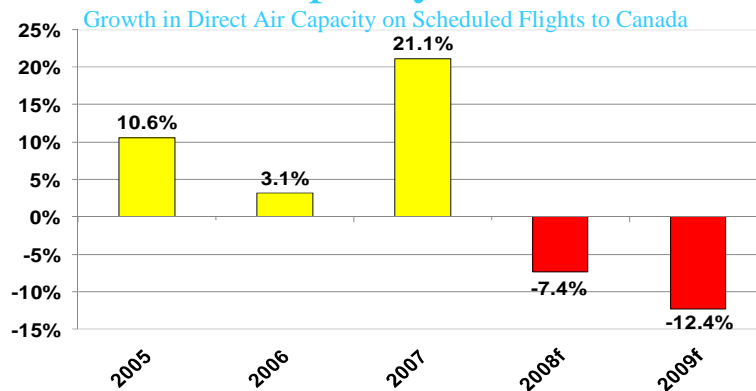
* Indicates core CTC markets

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Direct Air Capacity from the U.K.



Toronto = 43% share and growth in 2008 is -7.3%, 2009 is -17.6%

Sources: BACK Aviation Solutions; The Conference Board of Canada.

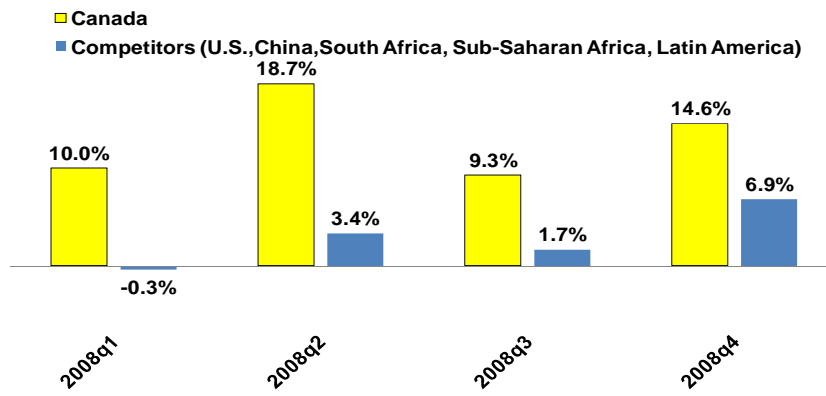
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Cost of travel from the U.K.

Year-over-year increase in the cost of a seven-night stay, priced in local currency



Sources: CTC, Short-Term Competitive Outlook; The Conference Board of Canada.

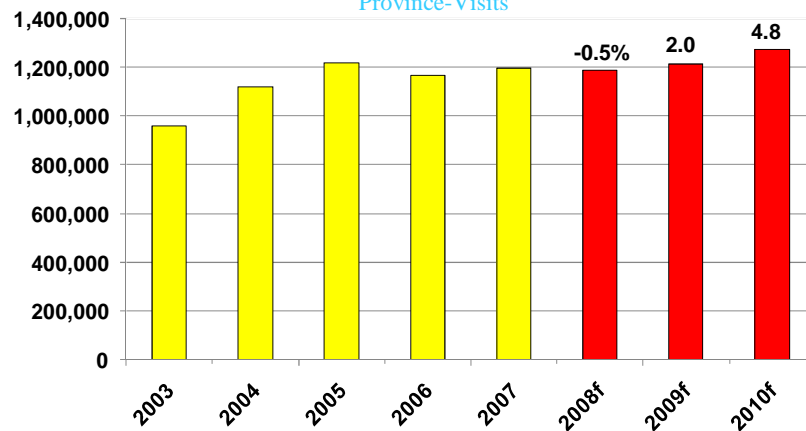
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U.K. travel to Canada

Province-Visits



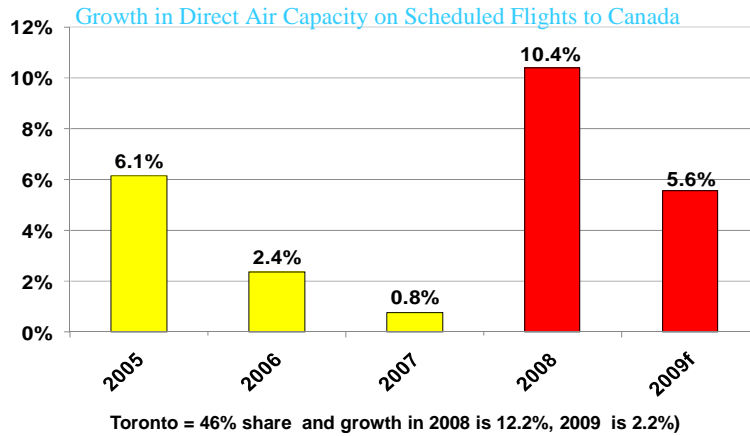
Sources: The Conference Board of Canada; Statistics Canada.

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Direct Air Capacity from Germany



Sources: BACK Aviation Solutions; The Conference Board of Canada.

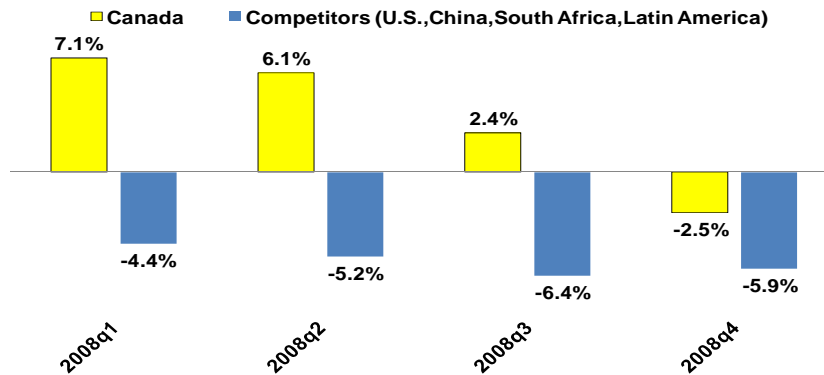
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Cost of travel from Germany

Year-over-year increase in the cost of a seven-night stay, priced in local currency



Ontario/Quebec slightly more competitive than Canada all year

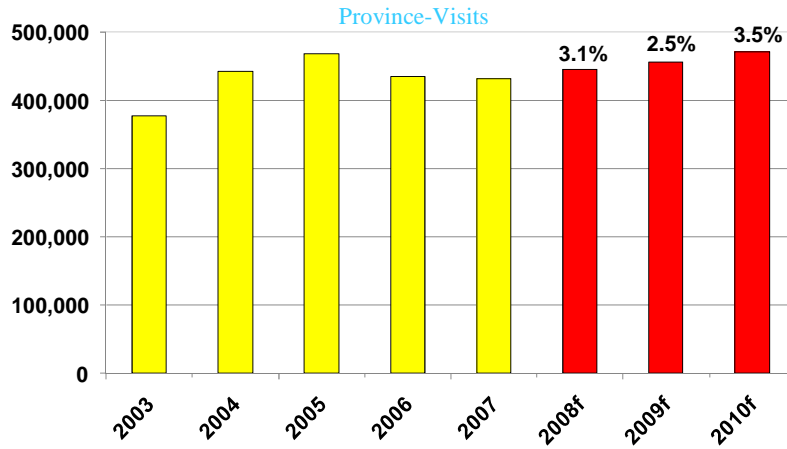
Sources: CTC, Short-Term Competitive Outlook; The Conference Board of Canada.

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Germany travel to Canada



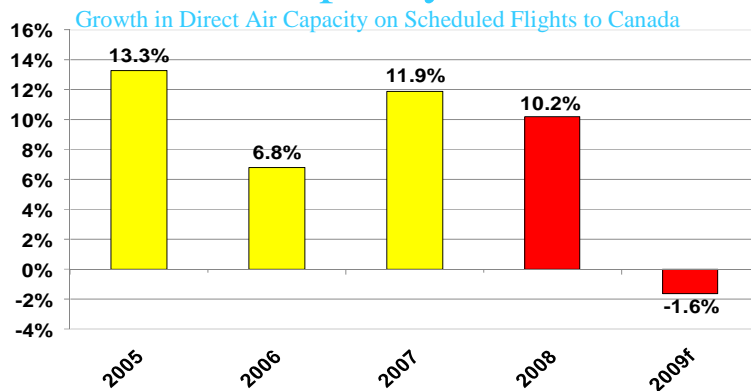
Sources: The Conference Board of Canada; Statistics Canada.

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Direct Air Capacity from France



Toronto = 21% share and growth in 2008 is 5.5%, 2009 is 11.5%

Sources: BACK Aviation Solutions; The Conference Board of Canada.

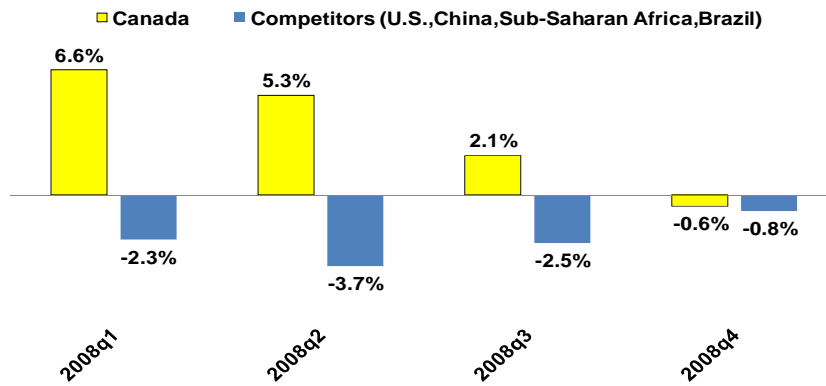
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Cost of travel from France

Year-over-year increase in the cost of a seven-night stay, priced in local currency



Ontario/Quebec more competitive than Canada all year

Sources: CTC, Short-Term Competitive Outlook; The Conference Board of Canada.

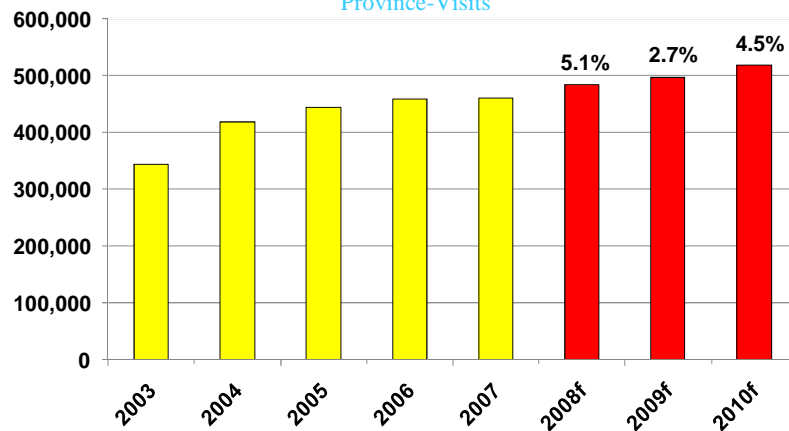
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France travel to Canada

Province-Visits



Sources: The Conference Board of Canada; Statistics Canada.

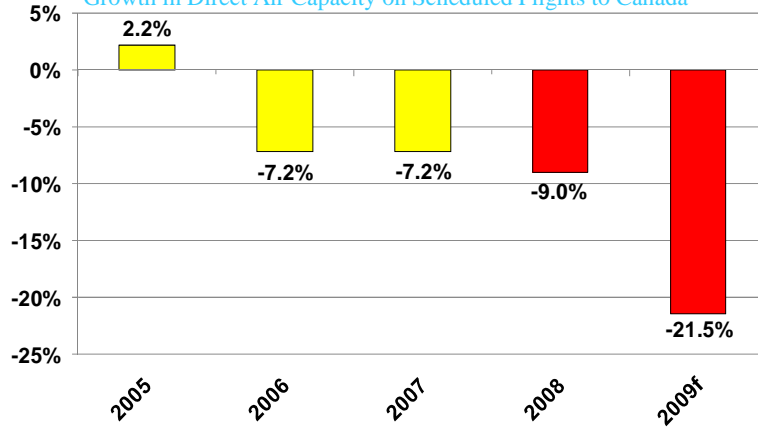
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Direct Air Capacity from Japan

Growth in Direct Air Capacity on Scheduled Flights to Canada



Toronto = 24% share and growth in 2008 is -15.9%, 2009 is -28.8%

Sources: BACK Aviation Solutions; The Conference Board of Canada.

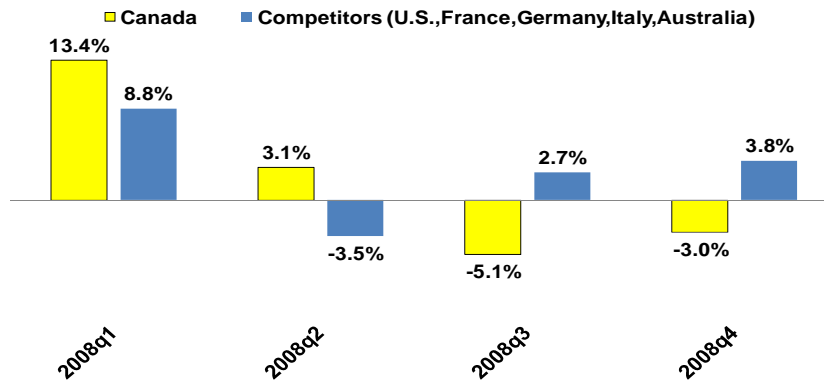
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Cost of travel from Japan

Year-over-year increase in the cost of a ten-night stay, priced in local currency



Ontario/Quebec less competitive than Canada over last half of 2008

Sources: CTC, Short-Term Competitive Outlook; The Conference Board of Canada.

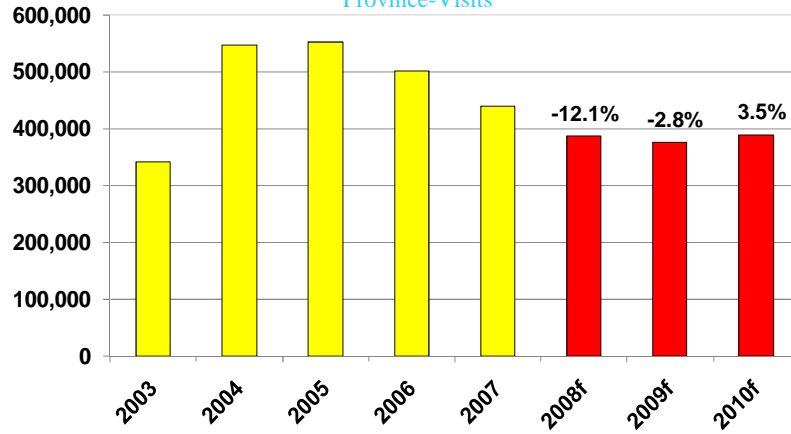
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Japan travel to Canada

Province-Visits



Sources: The Conference Board of Canada; Statistics Canada.

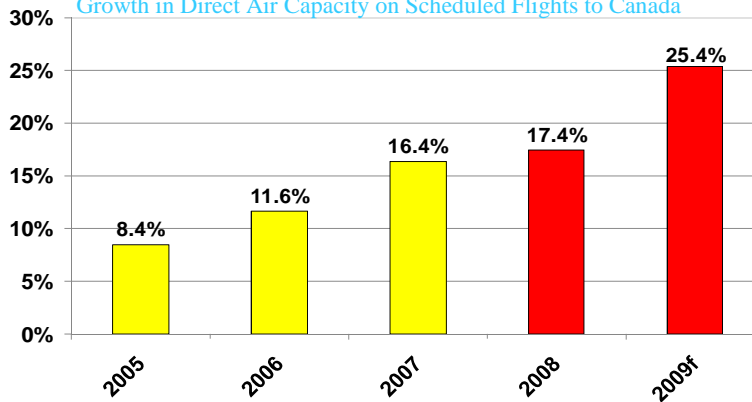
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Direct Air Capacity from Mexico

Growth in Direct Air Capacity on Scheduled Flights to Canada



Toronto = 41% share and growth in 2008 is 1%, 2009 is 12.1%

Sources: BACK Aviation Solutions; The Conference Board of Canada.

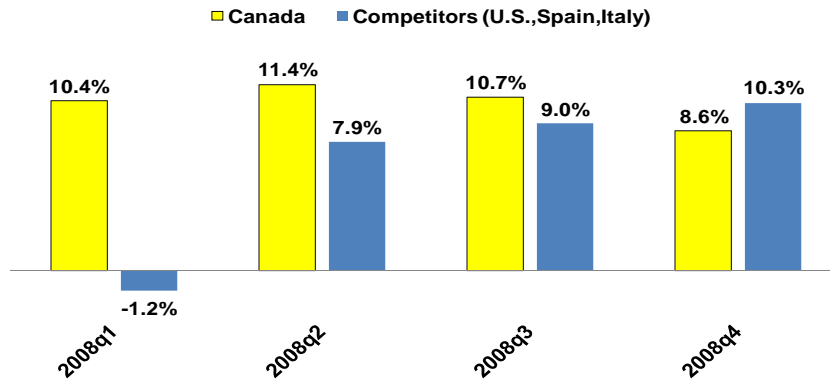
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Cost of travel from Mexico

Year-over-year increase in the cost of a seven-night stay, priced in local currency



Ontario/Quebec more competitive than Canada over all of 2008

Sources: CTC, Short-Term Competitive Outlook; The Conference Board of Canada.

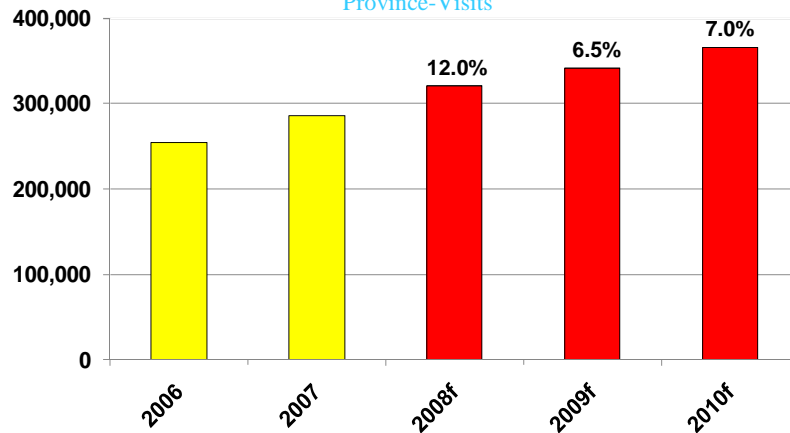
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Mexican travel to Canada

Province-Visits



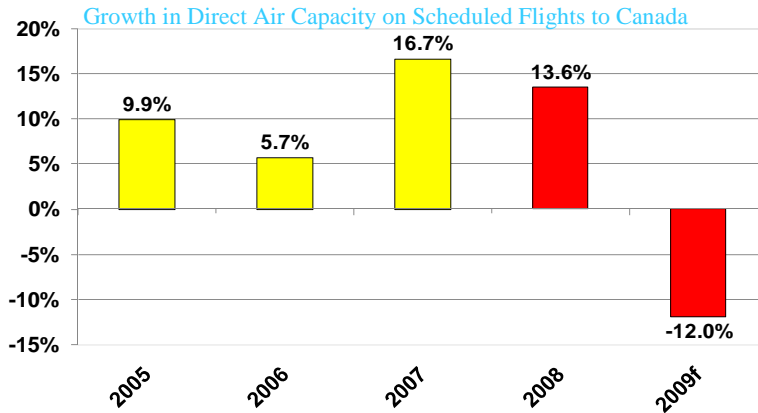
Sources: The Conference Board of Canada; Statistics Canada.

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Direct Air Capacity from China



Toronto = 35% share and growth in 2008 is 73%, 2009 is 7.9%

Sources: BACK Aviation Solutions; The Conference Board of Canada.

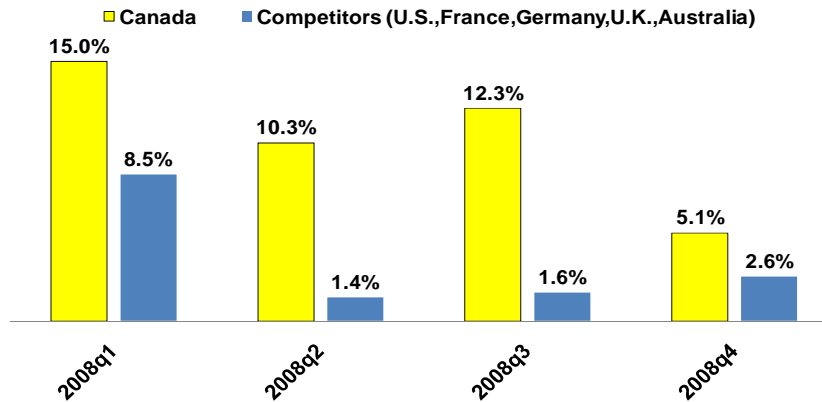
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Cost of travel from China

Year-over-year increase in the cost of a ten-night stay, priced in local currency



Ontario/Quebec more competitive than Canada over all of 2008

Sources: CTC, Short-Term Competitive Outlook; The Conference Board of Canada.

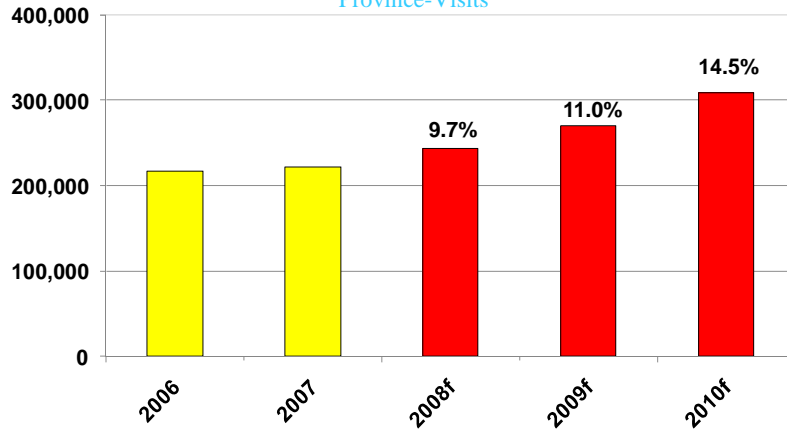
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China travel to Canada

Province-Visits



Sources: The Conference Board of Canada; Statistics Canada.

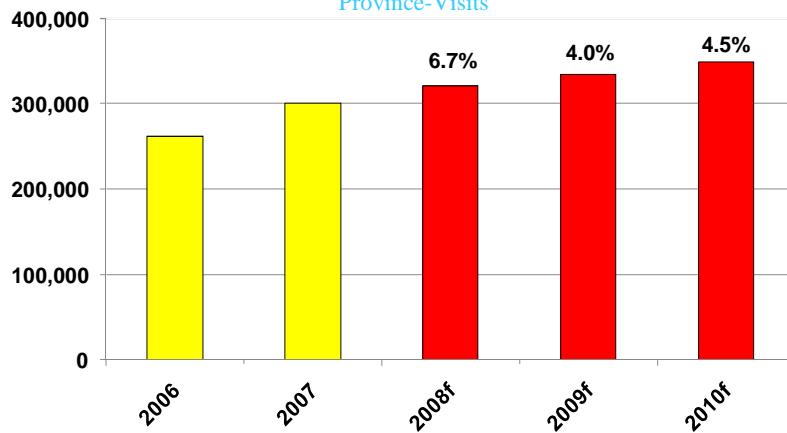
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Australia travel to Canada

Province-Visits



Sources: The Conference Board of Canada; Statistics Canada.

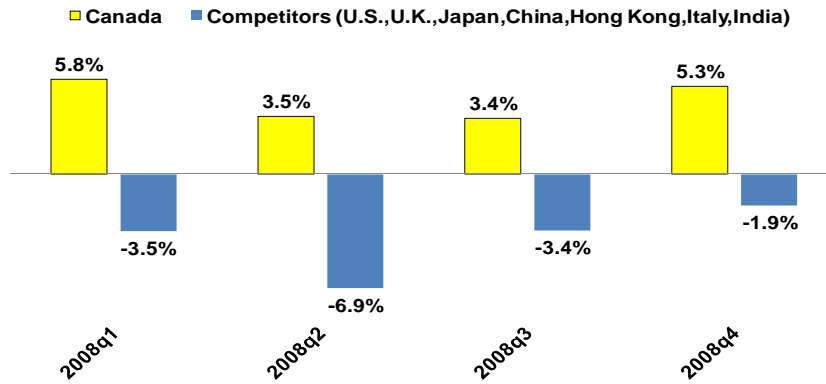
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Cost of travel from Australia

Year-over-year increase in the cost of a ten-night stay, priced in local currency



Ontario/Quebec less competitive than Canada over all of 2008

Sources: CTC, Short-Term Competitive Outlook; The Conference Board of Canada.

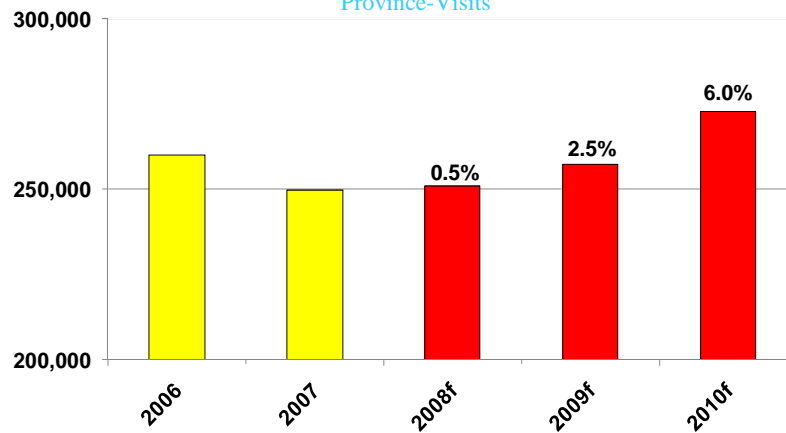
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South Korea travel to Canada

Province-Visits



Sources: The Conference Board of Canada; Statistics Canada.

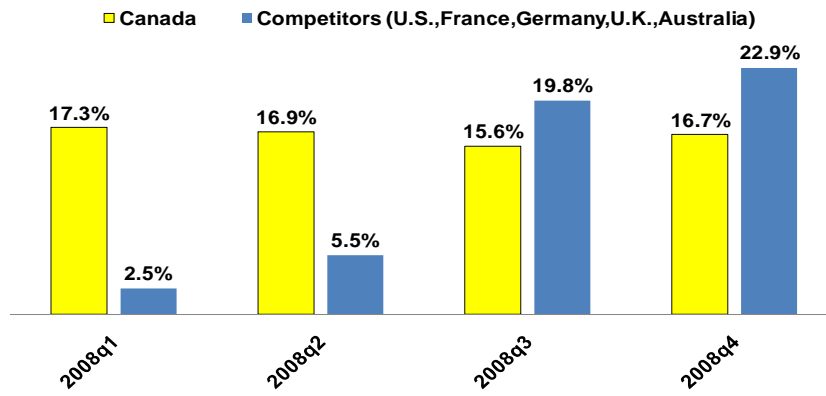
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Cost of travel from South Korea

Year-over-year increase in the cost of a ten-night stay, priced in local currency



Ontario/Quebec more competitive than Canada over all last 3 quarters of 2008

Sources: CTC, Short-Term Competitive Outlook; The Conference Board of Canada.

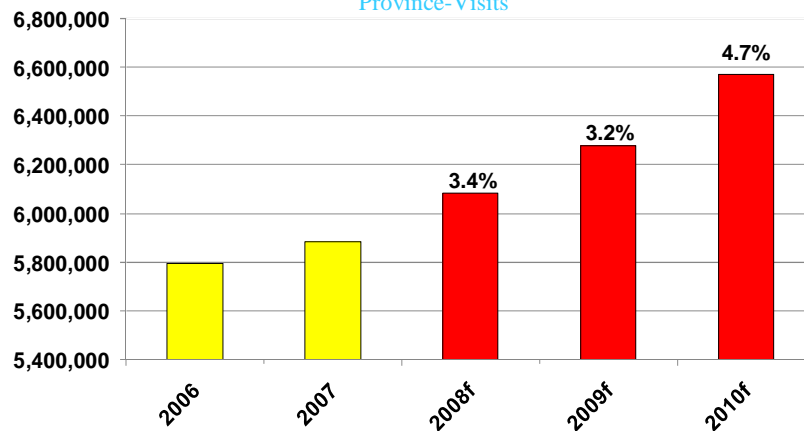
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Total Overseas travel to Canada

Province-Visits



Sources: The Conference Board of Canada; Statistics Canada.

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Business Travel Trends

Business Travel 2009 Survey

- This summer, CTRI again partnered with the Association of Corporate Travel Executives (ACTE) to survey corporate travel executives on;
 - Business volume/spending trends for 2009
 - Status of sustainable tourism in travel programs

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Business Travel Trends

Business Travel 2009 Survey

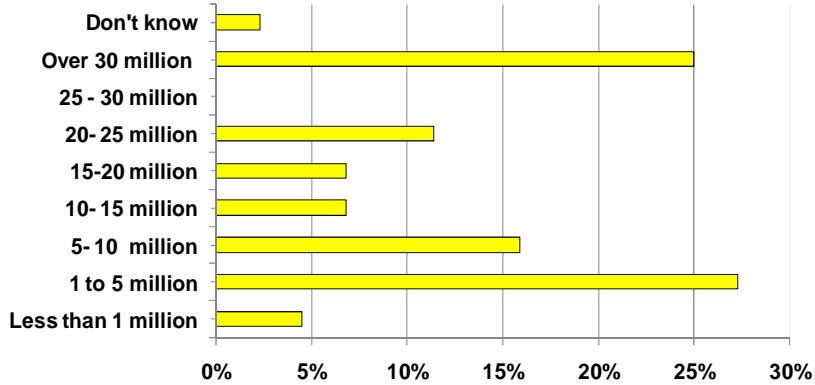
- Invitations were sent to ACTE members during June
- Received 44 completed web-surveys covering a broad range of business sectors and associated travel budgets

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Business Travel Survey

Respondents Canadian travel budget for 2008



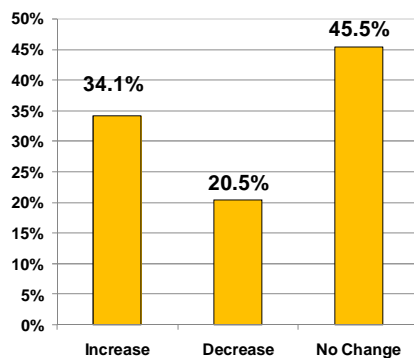
Sources: The Conference Board of Canada; ACTE.

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Business Travel Survey

Business travel volumes for 2009 (vs. 2008)



2009 (vs. 2008)

Average increase reported (8.7%)

Average decrease reported (8.1%)

Overall increase calculated (4.6%)
- includes no change

2008=4.2%

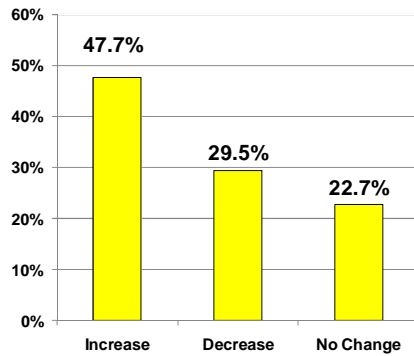
Sources: The Conference Board of Canada; ACTE.

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Business Travel Survey

Business travel expenditure for 2009 (vs. 2008)



2009 (vs. 2008)

Average increase reported (8.1%)

Average decrease reported (8.3%)

Overall increase calculated (1.4%)

- includes no change

2008=4.5%

Sources: The Conference Board of Canada; ACTE.

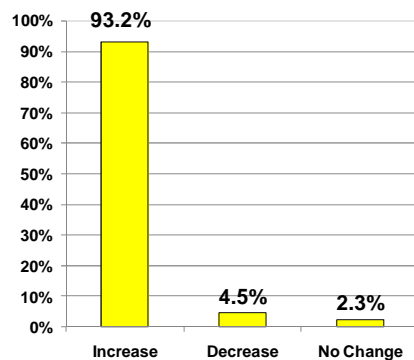
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Business Travel Survey

Expectations for corporate airfares in 2009 (vs. 2008)



2009 (vs. 2008)

Average reported

Domestic (+5.5%) (-4.0%)

US (+5.9%) (-5.0%)

Other International (+6.4%) (-5.0%)

Calculated average (incl. n/c)

Domestic (4.9% was 1.2%)

US (5.3% was 1.2%)

Other International (5.7% was 1.6%)

Sources: The Conference Board of Canada; ACTE.

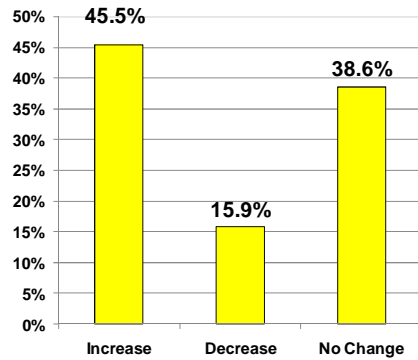
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Business Travel Survey

Expectations for corporate hotel rates in 2009 (vs. 2008)



2009 (vs. 2008)

Average increase reported (4.7%)

Average decrease reported (3.3%)

Overall increase calculated (2.6%)
- includes no change

2008=2.5%

Sources: The Conference Board of Canada; ACTE.

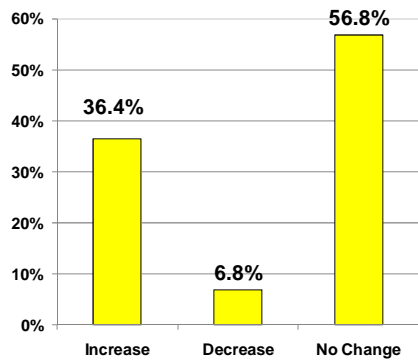
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Business Travel Survey

Expectations for domestic car rental rates in 2009 (vs. 2008)



2009 (vs. 2008)

Average increase reported (3.0%)

Average decrease reported (1.0%)

Overall increase calculated (1.2%)
- includes no change

2008=0.6%

Sources: The Conference Board of Canada; ACTE.

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Business Travel Survey

Penetration of sustainable travel within company travel policy

- 18%** indicate “YES” it is an element in company travel policy (another 41% indicate they are working on it).
- 68 %** indicate they expect RFP’s in 2009 to require vendors disclose sustainability initiatives and practices.
- 14%** indicate that travellers choice of transportation influenced by company’s policy on choosing vendors with lower carbon dioxide emissions.
- 9%** indicate that the company participates in voluntary carbon offsets as part of travel program.
- 28%** indicate that the company is willing to pay a higher price for low carbon travel services (i.e. hybrid cars)

Sources: The Conference Board of Canada; ACTE.

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Leisure Travel Trends

Canadian Travel Intentions Survey

- CTRI conducts bi-monthly travel intentions survey to gauge intentions of Canadians to take a summer or winter holiday and insights on select topics
- In addition to overall intentions, surveyed Canadians on;
 - Impact of gas prices on domestic travel plans
 - Sensitivity of airfares on summer vacation plans

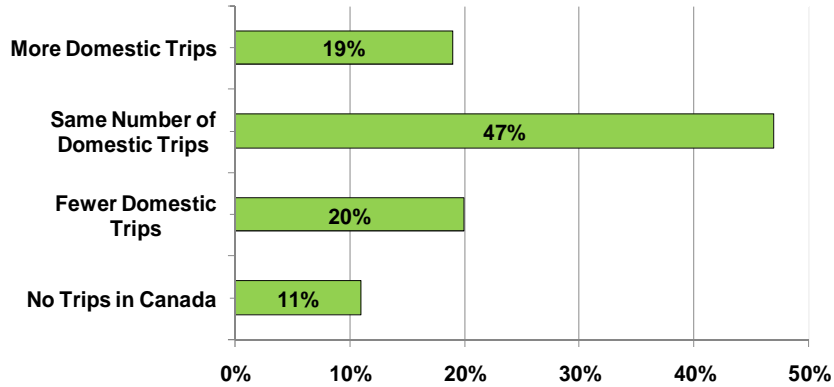
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Leisure Travel Survey

Domestic travel plans this summer (2008) compared to last year



Source: The Conference Board of Canada (June 2008).

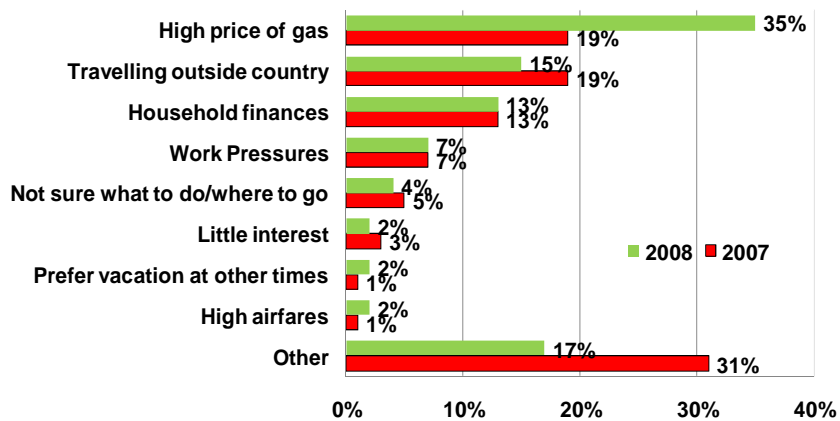
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Leisure Travel Survey

Main reasons for taking fewer domestic trips this summer (2008)



Source: The Conference Board of Canada (June 2008).

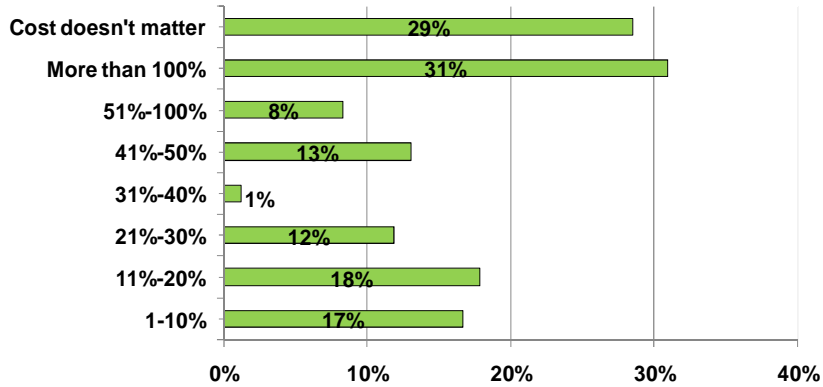
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Leisure Travel Survey

Airfare increases that would deter air travel plans this summer (2008)*



Source: The Conference Board of Canada (June 2008).

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Summary for 2009

- Domestic leisure travel continues to be weighed down by high fuel costs (particularly auto travel)
- Segments of domestic business travel struggle to cope with economic challenges (and, in turn, expect lower travel prices to negotiate)
- U.S. travel market, particularly short-haul auto, also deal with final installment of WHTI
- Traditional long-haul markets face increasing economic challenges but demographics (and in some instances, costs) provide some cushion
- On top of weaker travel trends, hoteliers dealing with increased costs and additional room supply

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Thanks for coming...

Tourism Outlook Briefing - 2009

Greg Hermus, Alexander Fritsche

September 9, 2008