

# quarterly market report

China

April - June 2007

## Market Highlights

# of outbound visitors:	9.76 million in first quarter 2007
% change from previous quarter:	+14.5% over same period in 2006
# of visitors to Canada:	January - April: 907
% change from previous quarter:	+10.72% over same period 2005

## Comments / Other information:

Anecdotal comments from trade re lack of seat availability for Chinese originating traffic - it is anticipated that planned increases in capacity during the summer peak will alleviate the problem

Source : [www.cnta.gov.cn](http://www.cnta.gov.cn) and Stats Canada

## Air Capacity

Summer 2007, Air Canada will double its daily Beijing-Vancouver service and increase frequencies on Shanghai-Toronto. The additional Beijing-Vancouver flight will operate from July 02 to September 30. The Shanghai - Toronto service commenced on April 07 on a 3 day a week schedule, increasing to daily for the summer peak effective July 01. Air Canada will operate a total of 5 daily non stops between China and Canada this summer, with double daily Beijing-Vancouver, daily Beijing-Toronto, daily Shanghai-Vancouver and daily Shanghai-Toronto

Anecdotal comments from travel trade that they have experienced some problems accessing seats in March and April 2007

### Economic / Political Environment

GDP growth:	11.1% economic growth in first quarter 2007. This driven by a swelling trade surplus, investment and strong consumption. This 0.7% higher than first quarter 2006.
forecasted economic growth:	The World Bank has revised its forecast for GDP growth in 2007 to 10.4% and its projection for the current account surplus to 11% of GDP
unemployment rate:	urban unemployment rate at 4.3%
inflation:	The major inflation index is CPI - see below
consumer price index:	China's consumer price index (CPI) grew by 2.7% in the first quarter which is 1.5% higher than the same period of last year. The main cause for this increase were food prices which surged over 6%. An increase in CPI of over 3% could well trigger interest rate rises
exchange rate:	1CAD = RMB 7.12 ( June 18, 2007) 1CAD = RMB 7.11 ( June 18, 2006)
net national disposable income:	In the first quarter, urban residents saw their per-capita disposable income rise 16.6% in real terms to RMB 3,935 and the cash income of rural dwellers increased by 12.1% in real terms to RMB 1,2601  Retail sales increased 14.9% year on year to USD275.2 billion

### Comments / Other information

The stronger than expected economic growth in the first quarter has fuelled concerns that the Government may take further measures to avoid the economy overheating. Benchmark interest rates have risen three times and

reserve requirements for banks increased six times over the last 12 months  
Overall the three month period saw quicker growth in retail sales but with a slower growth in investment which is seen as a healthier development for the economy

### Emerging Tourism Trends

The CNTA in its annual review has approved a further 159 outbound travel agents bringing the total to 798

Long haul competitor destinations, particularly Australia and Europe are very active in all market segments with a number of trade, consumer and media promotions

Interest from agencies in ski and golf FIT products in Western Canada

New carrier Oasis will commence operations Hong Kong - Vancouver in June with 6 flights per week. CTC and Provinces supporting fam tours and other promotional activities

CNTA has produced a new contract for travellers designed to offer more consumer protection in foreign countries. It recognizes the negative impact of commission shopping and stipulates various measures to protect consumer rights

### Market Development Activities

Without ADS, market development activities are restricted to those of CTC and are reported under CTC activities below

## CTC Activities

### Trade Development

The CTC and Canadian partners participated in the Guangzhou International Travel Fair (GITF) on 30/31 March and 01 April. Along with 45 Canadian industry partners, Canada was the largest international presence at the show in line with extending Canada's tourism profile into Southern China. The Canada Pavilion received the award for "Best Booth" and CTC and partners a further "Best Supporter" award

In addition to the usual trade show activities, GITF featured an all day media event and media lunch on March 30. In the evening of March 30 a dinner reception was held and the 200 guests included Canadian sellers, Chinese travel agents, Canadian companies, media, Canadian Consulate staff and the Ontario Tourism Mission delegation led by Deputy Minister David Lindsay

GITF also featured on pre show radio advertising driving consumers to the Canadian Pavilion plus a radio phone in programme

GITF was followed by Showcase Canada on April 3rd with 3 days of prescheduled B2B meetings on the Viking Century Sky Cruise ship on the Yangtze River. In addition to business discussions, this also provided an unrivalled opportunity for networking and relationship building between the Canadian partners and key travel agents from Beijing, Shanghai, Guangzhou, Chongqing and Tienjin - a key driver for success in this highly competitive market

The CTC would like to thank all participating partners in these shows and to particularly recognize the following partners who made additional sponsorship contributions

Air Canada, Brewster, Daricny Travel, Edmonton Tourism, Ontario Tourism, Ottawa Tourism, Tourism BC, Tourisme Montreal, Tourisme Quebec, Travel Alberta and WestJet.

New editions of Canada Travel Guide, M.I.C.E brochure, Consumer collateral, Canada Map fold and Atlas finalized in April in line with new Brand look and distributed to agents

CTC China and 14 travel agents from Beijing, Tianjin, Shanghai, Guangzhou and Shenzhen participated in Rendez-vous Canada and completed a cross Canada post show fam tour to Quebec, Ontario, Alberta and BC. April 28 - May 14

MICE Fam Tour of 8 agents to Alberta and BC. June 12 - June 21

5 agents and 2 media on first Chinese fam tour to Atlantic Canada. June 22- June 30

MICE groups confirmed following CTC facilitation - Beijing Government group to BC and Ontario and CYTS young golfer group of 150 confirmed to BC/Alberta following site inspections

### **Consumer Development**

Little direct consumer activity other than through routine press releases on items of interest and post fam tour reporting by journalists. Direct promotion to consumers of Canada as a leisure destination is prohibited under current regulations for destination without ADS

### **Media**

Various media events associated with GITF and partnering sponsors. Travel trade media attended throughout the Showcase Canada cruise

Facilitated 12 page feature presentation in Trend Traveller magazine on behalf of Travel Alberta

Golf media visit - 2 reporters to BC and PEI 22June- 01 July in conjunction with partners

#### Public Relations

BC Tourism, Travel Alberta and Ontario Tourism actively being represented by Ruder Finn for PR representation in China along with the CTC - this provides a coordinated PR and media message approach in the market place. It is hoped that Tourisme Quebec/Tourisme Montreal will also sign with same agency

#### Competitive Environment

Major long haul competitors - Australia and European countries continue to promote heavily in the China market

Australia reports it was the most popular long haul destination during Chinese New Year

Chinese authorities continue to ease access for Chinese visitors to Hong Kong with 49 cities now covered. Hong Kong Visitor Bureau tightening control on commission shopping activities and Singapore also attempting to resolve complaints associated with this issue

Visitors from China into USA increased by 18% in 2006

#### Future Outlook

At the present time there have been no further discussions between the Canadian and Chinese Governments with regard to ADS negotiations. At the time of writing, the Canadian Embassy in Beijing is still waiting for the CNTA to respond to its latest request for a resumption of talks

A total of 132 countries have now been approved as travel destinations for Chinese tourists

The CTC will shortly be providing information on the upcoming CITM Plus initiative. Invitations will be forwarded to partners outlining costs and itineraries for CITM participation in Kunming in November, followed by a week of mini showcase B2B events for new agents and training seminars for existing Chinese partner agents in Shanghai and Beijing. An opportunity to engage and



build business from the affluent cities surrounding Beijing and Shanghai that have strong interest in the Canada market

Chinese Government considering changes to public holiday periods away from the three traditional "Golden Weeks" to avoid congestion and economic impact of the current May and October holidays