

**RESEARCH**

# **Business Outlook Spring 2002**

## **Domestic & International Travel to Canada**

**Research  
Report  
2002-1-01**

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# **Business Outlook Spring 2002**

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## **Domestic and International Travel to Canada**

Prepared by

**The Conference  
Board of Canada**

For the

**Canadian Tourism Commission**

**January 2002**

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**WHAT'S INSIDE**

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The purpose of this study is to provide a short-term outlook for domestic & international travel to Canada for spring 2002 (April 2002 to June 2002) using readily available market intelligence in a timely and cost-efficient manner.

The short-term outlook for travel to and within Canada for spring 2002 should be interpreted in the context the precarious nature of current world affairs. In this respect, the outlook is valid only under status quo conditions. Most of the downside risks to the outlook involve the possibility of future terrorist attacks or military responses.



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# Executive Summary

## Highlights

The outlook for Canada's key markets for spring 2002 is as follows:

- Domestic Leisure travel up 3-4 per cent overall, group travel increasing 1 per cent and independent (FIT) up 5 per cent;
- Domestic Business travel down 1 per cent overall;
- United States Leisure travel down 1-3 per cent overall, with a 3 per cent decline in group travel and flat growth in FIT;
- United States Business travel down 3 per cent overall;
- Mexico up 2 per cent overall;
- Brazil down 12-16 per cent overall;
- United Kingdom down 4-6 per cent overall, with a 5 per cent drop in group travel and a 4 per cent drop in FIT;
- France travel down 6-8 per cent overall, with group travel dropping 8-10 per cent and the FIT segment down 4-6 per cent;
- German travel to Canada down 8-10 per cent overall, with group travel dropping 10-12 per cent and the FIT segment down 8 per cent;
- Italy down 12-14 per cent, with a 15-17 per cent decline in group travel and a 10-12 per cent decline in FIT;
- Netherlands down 5 per cent overall;
- Japan group and FIT leisure travel down 12-14 per cent, with business travel down 3 per cent;
- South Korea down 5 per cent overall;
- Taiwan down 12-14 per cent overall;
- Hong Kong down 6-8 per cent overall;
- China down 4-5 per cent overall;
- Australia down 6 per cent overall, with a 8-10 per cent decline in group travel and a 4 per cent drop in FIT;
- New Zealand down 7 per cent overall.



## **Background**

The goal of the Canadian Tourism Commission's (CTC) spring short-term Business Outlook (BO) report is to assemble short-term performance scenarios for Canada's major travel markets. Advance bookings and market intelligence were derived through the Destination Supplier/Receptive Agent Monitor, developed by the Canadian Tourism Research Institute (CTRI), on behalf of the CTC. As well, quarterly (and weekly) staff reports and mini-surveys of key tour operators were developed by the CTC's foreign offices. Medium-term forecasts, developed by CTRI, are integrated (when needed) to serve as a backdrop for transitions or discrepancies that might arise from the various sources used.

## **North America Markets**

### **Canada**

Since September 11<sup>th</sup> it still appears that domestic travel will hold the most hope for Canada's tourism industry in 2002. Travel suppliers will continue to be affected by fewer international visitors but this will be offset somewhat from the gains made from domestic travellers. Domestic leisure travel is generally acknowledged as the most promising market in the short-term due to safety concerns, gains in disposable income, a weak dollar, and increased marketing.

However, our Business Outlook (BO) suggests domestic business travel in the short-term will continue to be dampened by weaker economic growth, air capacity constraints, increased airfares and a heightened emphasis on essential travel.

The responses by our BO monitor participants indicate that total domestic bookings for spring 2002 will be up 2.5 per cent compared with last spring. Overall, domestic leisure travel is expected to increase 3 to 4 per cent, with group leisure travel up 1 per cent and independent leisure travel (FIT) up 5 per cent. BO monitor respondents indicated domestic business travel is still expected to decline 1 per cent in spring 2002, compared with last year.

### **U.S.**

In the midst of the U.S. recession and war in Afghanistan, one of the most crucial factors that will determine how quickly the American and world economies recover is the state of U.S. consumer confidence. Recent U.S. vacation-intention responses have declined although the consumer confidence index has bottomed out with a rebound in December over November levels.

The latest travel intentions indicate fewer Americans plan to take a domestic vacation during the next six months or plan to travel by air. However, those that decide to take a vacation may extend their domestic boundaries and opt for a Canadian destination in lieu of an American one. While fewer plan to travel overseas, travel intentions to Canada remain relatively unchanged from the previous quarter and travel by automobile remains stable. Unfortunately, direct air capacity from the U.S. is expected to decline 12.7 per cent for spring 2002 compared to last year.

By integrating the results of BO monitor participants with our recent medium-term travel forecast, we anticipate overnight travel from the U.S. this spring to decline 1 to 3 per cent from last year. Leisure travel is expected to be off 1 to 2 per cent from last spring while business travel is expected to be off 3 per cent.

### **Mexico**

With Mexico highly integrated in the U.S. economy, it is no surprise that it is experiencing a recession. However, unlike previous decades, the economic slowdown has not been accompanied by a crisis and instead the economic cycle resembles that of its NAFTA partners. Mexican economic growth projections for 2002 are just over 1 per cent.

Our medium-term travel forecast suggests that, despite the negative impact of September 11<sup>th</sup> on international arrivals to Canada, Mexico will still post positive growth for 2002 overall. For spring 2002, the short-term outlook suggests a 2 per cent increase in travel to Canada. A recent mini-survey of key tour operators in Mexico, conducted by the CTC foreign offices, report spring bookings to Canada were up 8 per cent on average.

### **Brazil**

Brazilians are more concerned with domestic issues such as the 2002 Presidential elections, the world soccer championship and the economy than with the events of September 11 and the war in Afghanistan. Outbound international traffic is still very much below the levels of previous years. For the near-term, Brazilians are changing their traditional international travel destinations for domestic ones. A small number of outbound travellers are choosing to spend their holidays in Argentina, Chile, Uruguay, Mexico, Cuba or the Caribbean.

The results from our short-term outlook suggest that the spring period will witness a decline of 12 to 16 per cent compared to last year. Since 10,680 Brazilians visited last spring, our analysis suggests 1,300 to 1,700 fewer visitors.

## **European Markets**

### **U.K.**

The trends uncovered suggest U.K. travellers will continue to stay closer to home this spring. Outbound travel to short-haul destinations within Europe will be preferred as a result of safety concerns and a reduction in airfares within Europe.

Our short-term outlook suggests overnight travel from the U.K. this spring will decline 4-6 per cent compared to spring 2001. The outlook for U.K. travel to Alberta/B.C. is expected to be slightly worse than that for Ontario/Quebec or Atlantic Canada. Canada was host to 191,816 visitors from the U.K. last spring. Our current outlook suggests that visitation from the U.K. could decline by 7,500-12,000 this spring.

### **France**

French travellers continue to adopt a wait and see attitude regarding long-haul destinations. French and European products are still the best sellers for the spring. While Canada has been perceived as a safe destination by French travellers, French visitation to Canada is expected to drop below 400,000 for the first time since 1994.

Our short-term outlook suggests travel from France this spring is expected to be down 6 to 8 per cent compared with last year. Last spring, the number of visitors from France was 73,538. The decline in French travellers to the Ontario/Quebec region is expected to be hit harder than the Alberta/BC region. Our outlook suggests that between 4,000 and 6,000 fewer travellers from France will visit Canada this spring than in 2001.

### **Germany**

The German economy, Europe's largest, is also currently one of its weakest. Travel continues to be down due to September 11<sup>th</sup> and the recession. The near-term trend is for short-haul destinations such as Austria, Switzerland, and Spain. For long-haul travel, South Africa is favoured. The loss of Canada 3000 will affect bookings up until next summer, with western Canada affected the most.

For the spring 2002, it is expected that overnight travel from Germany will decline 8 to 10 per cent compared with last spring. This will mean 6,500-8,000 fewer German travellers will visit Canada this spring compared to last spring—when 81,449 Germans visited.

## **Italy**

The events of September 11<sup>th</sup>, the SAS crash at Milan Airport and the American Airlines crash in New York City have caused major waves in the Italian tourism industry. The Italian media have been feeding consumer's fears regarding travel and, in particular, the fear of flying. Industry representatives maintain that Canada is going to be the alternative to the U.S. and that it will be one of the few destinations to resume interest once people overcome their fear of flying. However, World Youth Day organizers now expect 20,000 Italian visitors instead of 30,000 for the event.

Our short-term outlook expect 12 to 14 per cent fewer visitors from Italy will travel to Canada this spring. Based on the 21,475 who visited last year, this implies that 2,500 – 3,000 fewer Italians will visit Canada this spring.

## **Netherlands**

Employees in the tourism industry were granted government subsidies to cover the reduction of their working hours brought about by the events of September 11<sup>th</sup>. The CTC's foreign office reports that most companies that had asked for subsidies will not be extending their request, a possible indication that the market is slowly recovering. Unfortunately, Dutch tour operators reported a decrease of 30-40 per cent in sales of winter sport packages to Canada. However, most tour operators reported an increase in requests for Canada for the spring period.

Our short-term outlook suggests that travel from the Netherlands will decline 5 per cent this spring. Last spring, the number of overnight visitors from the Netherlands to Canada was 26,039 and represented 20.4 per cent of the annual visits of Dutch travellers. Our short-term outlook suggests that visitation from the Netherlands will decline by approximately 1,300 this spring, compared with last year.

## **Asia/Pacific**

### **Japan**

The Japanese remain hesitant to travel overseas as long as international aggression continues. Domestic business and leisure travel remains strong with a preference for surface transportation. China, a popular destination for senior citizens, is one of the few countries to show some growth. Longer term, the Japanese Association of Travel Agents (JATA) has forecast a recovery in overseas travel by the summer of 2002.

In the short-term, however, we expect that the safety conscious Japanese will avoid long-haul travel to North America. Last spring, the number of visitors from Japan to Canada was 107,893. Our short-term outlook suggests travel from Japan to decline 10-12 per cent this spring compared to last year. This will represent approximately 10-12,000 fewer Japanese travellers.

### **South Korea**

Koreans will continue to stay closer to home in the short-term. Korean Air's load capacity increased to 69 per cent in November due to increases in the number of passengers headed to vacation spots in southeast Asia.

Our rather conservative short-term outlook suggests travel in spring 2002 will decline by 5 per cent over last year. Our recently completed medium-term travel forecast had estimated that overnight travel during 2002 would increase 2.1 per cent over 2001. If the pattern of advance bookings, as reported by BO monitor participants holds true, fewer than 1,500 Koreans can be expected to visit Canada this spring.

## **Taiwan**

The impact of September 11<sup>th</sup> and the slowdown in the economy negatively affected Taiwanese outbound travel. China is still the most popular destination to the Taiwanese, for both business and leisure travel. Domestic and short-haul destinations continued to sell better than long-haul destinations. Fortunately, outbound bookings are expected to slowly recover after the December elections.

Our short-term analysis calls for a relatively modest 12 to 14 per cent decline in Taiwan visitors for spring 2002 compared with 2001. With 41,564 Taiwanese visitors last spring, this outlook suggests 4,000 to 5,000 fewer visitors this spring.

## **Hong Kong**

Air travel continues to suffer in and out of Hong Kong. Cathay Pacific has reduced capacity by 25 per cent on its transpacific routes, with North America and Japan being affected the most. Short-haul destinations are favoured in the near-term although there is increasing interest in Canadian summer products.

Our short-term outlook expects overall travel will decline in the spring by a modest 2 to 4 per cent. Last spring the number of visitors from Hong Kong to Canada was 30,024. Our short-term outlook suggests between 500 and 1,000 fewer visitors this spring.

## **China**

Since September 11<sup>th</sup>, China has experienced an increase in inbound travel from Canada, Russia, Australia and near-east Asian neighbours. The increase from Korea was over 30 per cent. However, there was a significant decrease of visitors from the United States, Japan and Europe. Since China has become an official member of the WTO, its tourism policy has adopted a more relaxed approach.

Unfortunately, our short-term outlook—as reported by BO monitor participants—indicates that leisure travel from China will decline 4 to 5 per cent in spring 2002 compared with 2001. Since 15,768 Chinese visited Canada last spring, this suggests 600 to 800 fewer visitors this spring.

## **Australia**

The travel market appears to have already started to rebound as early as November. It was estimated that 83 per cent of Australians expect to travel about the same amount following recent events and over 10 million Australians are planning a holiday in the next 12 months. Intra regional products are selling well, while the CTC foreign office reports business to Canada is increasing in popularity due to the safety factor and the value for their money.

Both BO monitor participants and foreign tour operators reported a consensus decline of 6 per cent in advance bookings for Canada from Australia for spring 2002. Last spring, the number of visitors from Australia to Canada was 37,893. Our short-term outlook suggests approximately 2,300 fewer Australians will visit Canada this spring.

## **New Zealand**

Apparently, New Zealanders are feeling less jittery about world events than elsewhere in the world. As a result, outbound travel, both business and leisure is expected to return to pre-September 11<sup>th</sup> levels by early 2002 on the back of a healthy economy. There is continued interest and bookings for domestic travel and short-haul destinations. Canada is among the long-haul destinations expected to benefit from an increase in interest.

However, in the meantime, our short-term outlook indicates that advance spring bookings from New Zealand were down 7 per cent to Canada compared to 2001. Last spring, the number of visitors from New Zealand to Canada was 8,918. Our short-term outlook suggests 600 fewer visitors this spring.

## International Travel Statistics – Statistics Canada

Overnight Travel To Canada, January-October, 2001			2001 Forecast
Source	Person-trips	Change (%)	Change (%)
United States	13,908,487	2.2	0.6
Mexico	135,681	6.5	5.6
Europe	2,115,675	-6.2	-8.3
United Kingdom	765,153	-2.0	-4.5
France	332,885	-10.5	-11.4
Germany	317,181	-12.3	-12.7
Netherlands	107,057	-9.3	-9.4
Italy	83,876	-14.2	-11.7
Asia	1,010,180	-8.6	-13.3
Japan	386,959	-16.0	-18.0
South Korea	127,592	6.8	3.4
Taiwan	107,774	-26.0	-25.0
Hong Kong	113,744	-10.1	-10.6
Australia	145,593	-3.0	-4.7

Source: *International Travel, Statistics Canada; Canadian Tourism Research Institute, Winter 2001 Forecasts Update.*

## Introduction

The short-term outlook presented in this report for domestic and international travel to Canada for Spring 2002 involves the Business Outlook (BO) administered by the Canadian Tourism Research Institute (CTRI) on behalf of the CTC. The BO integrates primary data of advance bookings along with pertinent market intelligence.

One source of advance bookings and market intelligence is *Destination Supplier–Receptive Agent Monitor*. The *Monitor* obtains advance international booking information from key destination suppliers and receptive agents in Canada. Another source of advance bookings and market intelligence for the BO comes from quarterly reports issued by the CTC foreign posts. In order to provide more assistance to the BO, many of the quarterly reports have been enhanced with results from a trade questionnaire. The trade questionnaire is administered by the CTC foreign posts and obtains advance bookings and market intelligence from key foreign tour operators in each country.

The goal of the BO is to generate short-term performance indicators using readily available market intelligence in a timely and cost effective manner. Success with this short-term outlook will be achieved if the initiative helps direct the efforts of the CTC and the industry at large more effectively for the upcoming tourism season.

All advance-booking data and market intelligence collected by the *Destination Supplier–Receptive Agent Monitor* is confidential and not included in the short-term outlook if any individual response can be singled out. All dissemination of *Monitor* responses, either in the form of a monthly report to participants or the short-term outlook report issued by the CTC, will involve consensus reporting. In this respect, there is no mention of individual participant responses.

While reviewing the outlook for the major international markets discussed in this report, the reader is reminded to refer to the Appendix: Medium-Term Travel Forecasts (CTRI) to get a quick perspective of how the short-term travel outlook corresponds to the latest medium-term forecast generated by the CTRI, subsequent to September 11<sup>th</sup>.



# Economic Overview

## World Outlook

The outlook for the global economy has deteriorated further in recent months, with growth continuing to weaken in almost all major regions of the world. The aftermath of the tragic events of September 11<sup>th</sup> and a world economy that was weaker than previously thought have contributed to a sharp deterioration in confidence across the globe.

The world's two largest economies — the United States and Japan — were both declared to be in recession by the third quarter of 2001. However there are some tentative signs the worst may be over and a United States-led world recovery is expected by the middle of 2002 due to low oil prices and fiscal and monetary stimuli in many countries.

Consensus forecasts suggest the recovery in the United States will begin by the second half of 2002— depending on when the economic stimulus kicks in and how American consumers react. The latest forecast by the Conference Board of Canada for real economic growth in the U.S. during 2002 is 0.7 per cent. Despite a year of massive interest rate cuts, Federal Reserve Board Chairman Alan Greenspan has indicated there may be still room for further rate cuts due to low inflation.

While a full-blown recovery of the stock markets seems far off in the distance, the markets did manage to post substantial gains by early December from the lows immediately following the September 11<sup>th</sup> attacks. By the end of the year, there was still much uncertainty in the markets as year-end earnings were released and profit warnings were sounded in the tech sector. The collapse of the Taliban government and encouraging signs the U.S. economy is headed for recovery led to some optimism for a market rally early in 2002.

## North America

The U.S. entered into its first recession in a decade in 2001 as industrial production fell by 6.8 per cent, the biggest decline since the 1981-82 recession. However most forecasters predict an U.S. recovery by the second half of 2002 as factories boost production and inventory reduction slows. Unemployment, or the fear of unemployment, is currently the most important determinant of consumer sentiment as many feel the unemployment rate may not have yet peaked. The consensus forecast for average U.S. unemployment in 2002 now stands at 6.1 per cent, up from 6.0 per cent in November. As interest rates continue to fall early into the new year, consumer spending is likely to recover and business investment will rise for the first time in a year.

The impact of the U.S. slowdown and the turmoil from the terrorist attacks reverberated through the Canadian economy as data showed a sharp downturn in economic activity during the third quarter as a whole. Industrial activity was particularly hard hit due to the border shutdown with the U.S. — Canada's largest trading partner. However, the news was not all gloomy since the recession in Canada does not seem quite as severe as in the U.S. With data indicating domestic demand was not as weak as had been feared, there is hope that Canada will only experience a mild recession, with a recovery led by consumer spending and business investment.

Monetary and fiscal stimulus packages, especially in the United States, should put economic growth close to 3 per cent in both countries by the fourth quarter of 2002.



## South America

The impact of the global downturn has been felt particularly hard in South America, where a number of countries are affected by the deterioration of external financing conditions, the precarious situation in Argentina, weaker external demand and lower commodity prices, especially oil.

By the end of 2001, South America's second largest economy, Argentina, was on the brink of collapse. Argentina's problems stem from the peso's rigid link to the dollar, which has eroded competitiveness and forced up interest rates on its massive debts. After a four-year recession that had sparked deflation pushed unemployment to nearly 20 per cent and decreased industrial production, the government was helpless to pay off its US\$132 billion debt. As the government negotiated with the International Monetary Fund for loans, Argentina was also being forced to consider alternative exchange rate mechanisms, such as allowing the peso to float freely on the markets or adopting the U.S. dollar. The default by Argentina on its public debt may reverberate through neighbouring Latin American markets and could further unsettle the global economy, particularly those countries with large external debts.

## Euroland

The latest economic forecasts suggest the euro area will experience stronger growth than America for both 2001 and 2002—despite the euro area's economic contraction in the third quarter and weak growth expected in early 2002. The euro itself remains weak, even as its physical presence was introduced to 12 countries on January 1, 2002. Although the weak currency has helped most Euro economies, the three core economies, which account for 70 per cent of euro area GDP, have shown little or no growth in the third quarter. France grew by 0.5 per cent, Italy by 0.2 per cent and Germany's economy shrank. The European Commission expects only Spain and Finland to grow by more than 0.25 per cent in the fourth quarter. The European Central Bank (ECB) has been slow to cut interest rates this year, while Europe's high unemployment started to climb again.

The best hope for European revival is lower food and oil prices. Some economists think that inflation, now 2.4 per cent, will fall to 1 per cent or less in 2002. Lower inflation should allow the ECB to cut interest rates below the current 3.25 per cent. The weakness of the euro against the dollar and the yen should help exports. America's recession has hurt exports but the euro area is still running a trade surplus.

The American recession is hitting economic growth in the euro area in other ways. European companies are more exposed to America through direct foreign investment. An American slowdown means less profit, less investment and lower employment — in Europe as well as in the United States. America's troubles are also affecting Europe's confidence. Germany's business confidence fell again in October after plummeting in September. According to the European Commission, there is a correlation between confidence in the euro area and America — with America just eight or nine months ahead.

## Asia-Pacific

The depth of the world recession has hit East Asia particularly hard as they are among the most open economies in the world. In the third quarter of 2001, Singapore's GDP fell by 5.6 per cent and Taiwan's by 4.2 per cent, the biggest drops on record. Malaysia, Hong Kong and Thailand are also experiencing stagnation or declining growth. South Korea is still growing but at less than 2 per cent, down from almost 13 per cent growth in early 2000. Electronic goods—accounting for over half the exports of Singapore, Malaysia and the Philippines—have been particularly vulnerable to the collapse of American investment in information technology.

Even if America's economy picks up next year, its imports of IT goods are likely to be restrained. Most economists expect the region to start recovering next year but some economies may shrink for a second year, particularly Singapore, Hong Kong and Thailand. Apart from the East Asian economies' dependence on America and on IT production, recession has been made worse by dysfunctional banking systems that are unable to finance local firms and by the failure of some governments to use monetary and fiscal policy to cushion the slump and deflation. Several economies now have less room for fiscal expansion than in 1997, when many had budget surpluses. The total debts of East Asian governments have risen from 15 per cent of GDP in 1996 to 45 per cent of GDP today. Indonesia, the Philippines and Thailand all have debts of 65 per cent or more of GDP.

## Forecast Risks

While the current global downturn may not be deep, its synchronicity cuts across nearly every region in the world — the most marked for at least two decades. Therein lies the biggest risk. Economies have become increasingly integrated through trade and investment in recent years, to their great benefit. But the downside to globalization is that the economic slowdown around the world is now proving self-reinforcing and magnifies the initial fall in demand. As investment collapsed in America and Japan, those countries have slashed their imports from East Asian producers. But weaker demand in Asian countries is causing them in turn to trim their imports, not just from American and Japan, but also from Europe.

As the world looks to the U.S. for economic recovery, the U.S. is looking to an economic stimulus plan that is yet to pass the Senate. The U.S. recovery will be led by domestic demand but consumer spending may slip with increasing layoffs, weaker corporate profits and weaker business investment. This would delay any American recovery and in turn, a world recovery.

## Exchange Rates

### EXCHANGE RATE COMPARISON – DECEMBER 2001 TO DECEMBER 2000

Per cent change in exchange rates between select countries

	Canadian dollar	U.S. dollar	British pound	Euro	Japanese yen	Taiwanese dollar	Australian dollar
Canadian dollar	--	-3.5%	-2.1%	-3.0%	9.7%	1.0%	2.5%
U.S. dollar	3.6%	--	1.5%	0.5%	13.6%	4.7%	6.2%
British pound	2.1%	-1.4%	--	-0.9%	12.0%	3.1%	4.7%
Euro	3.1%	-0.5%	0.9%	--	13.0%	4.1%	5.6%
Japanese yen	-8.8%	-12.0%	-10.7%	-11.6%	--	-7.9%	-6.6%
Taiwanese dollar	-1.0%	-4.5%	-3.1%	-4.0%	8.6%	--	1.4%
Australian dollar	-2.4%	-5.8%	-4.4%	-5.3%	7.0%	-1.4%	--

Source: The Conference Board of Canada.

## U.S.

Over the past year, the United States has been faced with an ailing economy, the fallout from the terrorist attacks, the war in Afghanistan and steep interest rate cuts in an effort to keep the U.S. giant afloat. Combined, these factors should have driven down the value of the U.S. dollar, however, the greenback continued to appreciate against all the major currencies. As the economic slowdown in the U.S. snowballed to major countries around the world, risk-averse investors looked to the U.S. dollar as a safe haven. With expectations of a U.S. rebound in the second half of 2002, world economies

will likely look to America to kick-start their economies and help maintain the strength of the U.S. dollar well into the new year.

## **Euroland**

Since its inception in 1999 when the euro was considered overvalued, the currency has undergone major fluctuations in its value. Most recently, the value of the euro regained significant ground following the precipitous decline during the first half of 2001. In fact, the euro was considered the second safest alternative after the U.S. dollar, gaining against all the major currencies except the greenback last year.

## **Asia-Pacific**

The freefall of the Japanese yen is a clear reflection on the state of the Japanese economy. Since the beginning of the year, the yen has depreciated significantly, recording close to double digit declines against every major world currency. The Taiwanese dollar fared a little better, with positive gains on the yen and Australian dollar. The Australian dollar also remained weak in 2001 against other major currencies, with the exception of the Yen.

# Domestic (Canada) Travel Outlook, Spring 2002

## Economic Overview

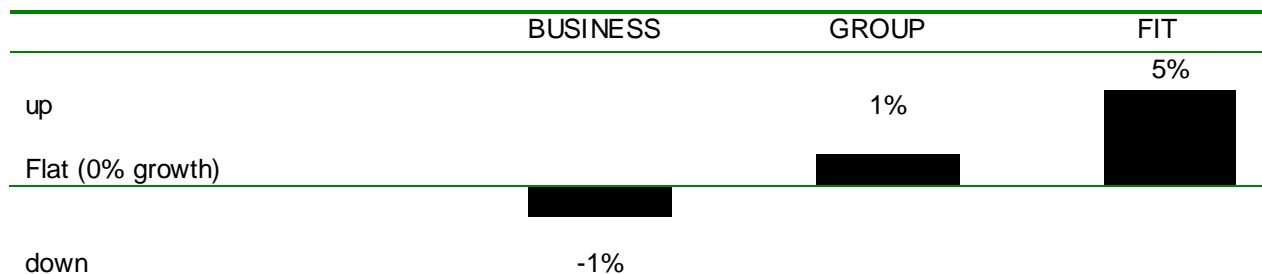
Merchandise trade, the lifeblood of the Canadian economy, has been hit hard by weakening demand from the U.S — its largest trading partner. With trade accounting for nearly 40 per cent of Canada's gross domestic product, GDP declined by 0.8 per cent in the third quarter—its most serious decline since the early 1990s. There has also been weaker domestic demand, particularly for autos and electronics. Services, which is currently the most robust sector, was also affected with declines in travel spending. Because of weak domestic demand, lingering high manufacturing inventories and the weak trade report, the Bank of Canada will likely cut interest rates further early in 2002 to boost confidence and shore up the domestic economy. Tax breaks and increases in public spending on military and security may also stimulate the economy despite the risk of returning to budget deficits. The latest Conference Board of Canada economic forecast expects real GDP in Canada to expand 1.6 per cent in 2002.

## Destination Supplier–Receptive Agent Monitor, Business Outlook (BO)

The outlook—as indicated by Canadian travel suppliers and receptive agent bookings—suggest a modest 2.5 per cent growth in overall advance bookings for domestic travel in the spring of 2002, compared to the previous year. Domestic leisure FIT bookings for the spring of 2002 are 5 per cent ahead of that recorded for 2001. The spring outlook, as reported by BO monitor participants, for domestic group leisure travel is for a more modest 1 per cent growth. Meanwhile Canadian business travel is expected to decline a further 1 per cent decline in spring 2002, compared with last year. This finding is in line with business travel being cut back throughout most world economies as companies review their travel policies in light of the overall economic slowdown and concerns over employee safety. It is still expected that business travel within North America will rebound slower (compared with leisure travel) over the short-term.

### DOMESTIC TRAVEL SPRING 2002

Expectations for Domestic spring travel in 2002, compared with last spring.



Source: Spring 2002 Business Outlook.

## Consumer Confidence and Travel Intentions, The Conference Board of Canada.

Consumer confidence rebounded in every region of the country according to the latest Index of Consumer Attitudes, generated by the Conference Board of Canada. Spurred in part by upbeat job prospects in the Canadian economy, the Index grew by 9.8 percentage points in December compared with the figure reported in the special October Survey. The Index now stands at 109.0, up from 99.2 reported in October. Despite weaker economic conditions, low interest rates have boosted Canadians' major purchase plans to their highest level since 1997.

### CONSUMER CONFIDENCE

(1991=100 Index)

	2001:Q1	2001:Q2	Oct. 2001	2001: Q4
Consumer Confidence Index	111.2	115.7	99.2	109.0

Source: The Conference Board of Canada.

Overall Canadian travel intentions this winter/spring (December to April) are consistent with advance bookings reported by the BO monitor participants. According to the December *Travel Intentions Survey*, 37.6 per cent of Canadians intend on taking a vacation in the next 6 months, up 3 percentage points over the same period last year. Of those Canadians planning to take a vacation 56.3 per cent indicated they would be taking a domestic trip. When compared to travel intentions last year, this represents a 6.6 percentage point increase in the number of Canadians choosing Canada as their vacation destination. Of those Canadians who are not or probably not taking a trip, economic concerns were cited as the most significant.

### WINTER/SPRING VACATION INTENTIONS

(Per cent)

	2000/2001	2001/2002
Vacation Intended	34.6	37.6
Canada	17.2	21.2
Foreign	17.4	16.6

Source: The Conference Board of Canada.

## Summary Outlook for Spring

Domestic pleasure travel is expected to expand over the short and medium-term spurred by modest gains in disposable income, a weak dollar and heightened marketing initiatives. Unfortunately, our short-term analysis suggests domestic business travel will decline further due to a weaker business environment, air capacity constraints, increased airfares and a heightened emphasis on essential travel.

The short-term outlook reported by BO monitor participants indicate that total domestic bookings for spring 2002 will be up 2.5 per cent compared with last spring. Overall, domestic leisure travel is expected to increase 3 to 4 per cent, with group leisure travel up 1 per cent and independent leisure (FIT) travel up 5 per cent. Domestic business travel is expected to decline a further 1 per cent this spring, compared with last year.

# U.S. Travel Outlook, Spring 2002

## Economic Overview

Despite the gloomy current economic conditions, there is some encouragement that the economy is now at a turning point. Most share prices have recovered their post-September 11<sup>th</sup> losses as the Dow Jones Industrial average broke back through the 10,000 barrier in December. Interest rates are now at their lowest level in 40 years and, with low inflation, there is still room for further rate cuts. If Congress passes an economic stimulus package it will further boost confidence and help the economy in the medium-term.

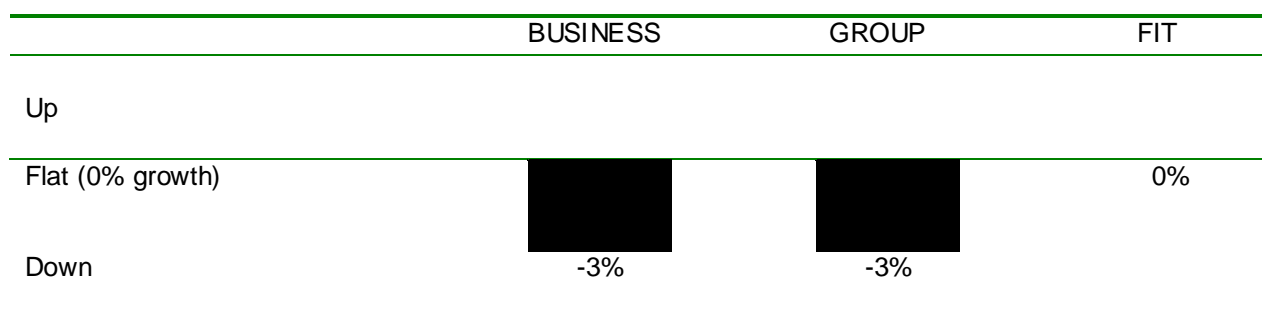
## Destination Supplier–Receptive Agent Monitor, Business Outlook (BO)

The outlook—as indicated by Canadian travel suppliers, Canadian receptive agent bookings and U.S. tour operators—for U.S. business travel in spring 2002 is for a 3 per cent decline compared to last year. Similarly, the outlook for U.S. group leisure travel in spring 2002 suggests a 3 per cent decline. On a rather optimistic note, independent leisure travel (FIT) is expected to be flat (0 per cent growth) for the spring, compared to last year.

While the outlook for spring appears to mirror what was reported for the winter in our last BO, it does represent an improvement from an accompanying Monitor form, completed by many BO participants regarding updated Winter 2001/2002 bookings. (The updated Winter 2001/2002 outlook suggests overall bookings will be down 2 per cent as group travel is expected to be off 6 per cent and business travel off 5 per cent.)

### U.S. TRAVEL SPRING 2002

Expectations for U.S. spring travel to Canada in 2002, compared with same period 2001.



Source: Spring 2002 Business Outlook.

## U.S. Consumer Confidence and Travel Intentions Survey, The Conference Board Inc.

Consumer confidence in the United States has dropped by close to 30 per cent in the past twelve months, and the seemingly unstoppable U.S. economy has become a distant memory among most American households. Weakening labour markets contributed to the slide in confidence levels over the past few months. On a positive note, the deterioration in current economic conditions now appears to have bottomed out, led by a stabilizing employment scenario. Confidence levels in the

U.S. rebounded in December. The Index now stands at 93.7, up from 84.9 in November. While consumers' appraisal of current conditions made a slight improvement, continued optimism about short-term prospects recorded a significant increase of more than 14 index points. With short-term optimism no longer at recession levels, confidence levels may now have bottomed out and begun recovering.

## CONSUMER CONFIDENCE

(1985=100 Index)

	Dec 2000	Oct. 2001	Nov. 2001(r)	Dec. 2001 (p)
Consumer Confidence Index	128.6	85.3	84.9	93.7
Present Situation	176.1	107.2	96.2	96.9
Expectations	96.9	70.7	77.3	91.5

Source: *The Consumer Research Center, The Conference Board Inc. U.S.*

U.S. vacation intentions have declined according to preliminary results from the December 2001 travel intentions survey. Following a 2 per cent increase in October, the latest survey results show a 4.9 percentage point decline (seasonally adjusted) over October figures. Travel intentions to Canada (unpublished), however, remained relatively unchanged from the previous quarter and travel by automobile (unadjusted) also remain stable. There were reported declines in travel intentions within the U.S. and travel by air. This suggests that, while fewer Americans will likely travel in the next 6 months, those that decide to take a vacation may extend their domestic boundaries and opt for a Canada destination in lieu of an American one. Travel to Canada will most likely be from bordering States, with a tendency to travel by automobile over other modes.

## VACATION INTENTIONS

(Per cent)

	Dec. 2000	Oct. 2001	Dec. 2001 (p)
Vacation Intended	48.6	48.0	43.1
U.S.	40.2	40.7	35.7
Foreign	9.3	8.6	8.1

Source: *The Consumer Research Center, The Conference Board Inc. U.S.*

## U.S.-to-Canada Air Capacity, OAG Worldwide

The level of air service offered between the U.S. and Canada was investigated because the ability to get to a destination is part of planning a trip. To accomplish this, a product from OAG Worldwide called OAG Max was used. Growth in the international travel market to Canada is highly dependent on improved air access—and OAG Max shows flights worldwide. In the current environment, however, we expected to see air capacity reduced to reflect weakening demand and the financial constraints of the airline industry.

### SEATS AVAILABLE FOR TRAVEL FROM THE U.S. TO CANADA (SPRING –MARCH TO MAY)

	2001 (non-stop)	2002 est. (non-stop)	2001 (total)	2002 est. (total)
Seats available	4,477,668	3,907,026	5,338,974	4,573,111
Per cent change	N/A	-12.7	N/A	-14.3

Source: *OAG Worldwide.*

The number of seats available (as of December 2001) for direct U.S. to Canada air service for the spring of 2002 now stands at 3,907,026. For 2001, the number of non-stop seats available was 4,477,668. This planned reduction of direct air capacity amounts to 12.7 per cent. According to OAG Worldwide, the total number of seats available for the spring of 2002 (including flights that have 1 or more stops) will be down 14.3 per cent over spring 2001. The flight schedules that are constantly being updated since September 11<sup>th</sup> continue to illustrate the impact of the terrorist attacks and the weakened state of the airline industry. Unfortunately, the magnitude of air capacity reductions will represent tangible constraints to future growth of the industry in the short to medium-term.

## **Summary Outlook for Spring**

The latest travel intentions indicate fewer Americans plan to take a vacation during the next six months either within the U.S. or by air. However, those that decide to take a vacation may extend their domestic boundaries and opt for a Canadian destination in lieu of an American one. While fewer plan to travel overseas, Canadian travel intentions remain relatively unchanged from the previous quarter and travel by automobile also remained stable. Unfortunately, direct air capacity from the U.S. is expected to decline 12.7 per cent for spring 2002 compared to last year.

By integrating the results of BO monitor participants with our recent medium-term travel forecast, we anticipate overnight travel from the U.S. this spring to decline 1 to 3 per cent from last year. Leisure travel is expected to be off 1 to 3 per cent from last spring while business travel is expected to be off 3 per cent.





# Mexico Travel Outlook, Spring 2002

## Economic Overview

With Mexico highly integrated in the U.S. economy, it is no surprise that Mexico is experiencing a recession. As an oil exporter, it has also been hit by the fall in oil prices. However, unlike previous decades, the economic slowdown has not been accompanied by a crisis. Instead, the Mexican economic cycle closely resembles that of its NAFTA partners. As such, medium and long-term perspectives remain positive, given the strength of macroeconomic fundamentals and sound fiscal and monetary policies. This has resulted in continued confidence in the Mexican economy, low inflation and reductions in the prime interest rate to 6.8 per cent. Unlike the Canadian dollar, the Mexican peso is still very strong in comparison to the U.S. dollar. As of late, Mexican real economic growth projections for 2002 are just over 1 per cent.

## Tourism Trends

Mexico's tourism industry saw a significant increase in domestic travel after September 11<sup>th</sup>, particularly to tourist attractions and resorts. Mexicans were hesitant to travel abroad, particularly to the United States and Europe. However, U.S. promotional fares are still generating interest following the September attacks.

Canada remains a preferred destination for Mexicans over the United States and Europe. However, Western Canada may see a drop in Mexican visitors with the cancellation of direct flights to this region and fewer good connections through the U.S. Increases in air fares may also affect Whistler over Easter, as Mexico has traditionally been an important market during this holiday.

Mexican tour operators remain enthusiastic about promoting Canada and are looking to promote new products.

## Market Overview

The consensus among Mexican tour operators surveyed suggest that overall bookings to Canada for the spring 2002 season will be *up* by 8 per cent. However, air capacity was mentioned as a potential problem. Exchange rates were stated as having a positive influence to visit Canada.

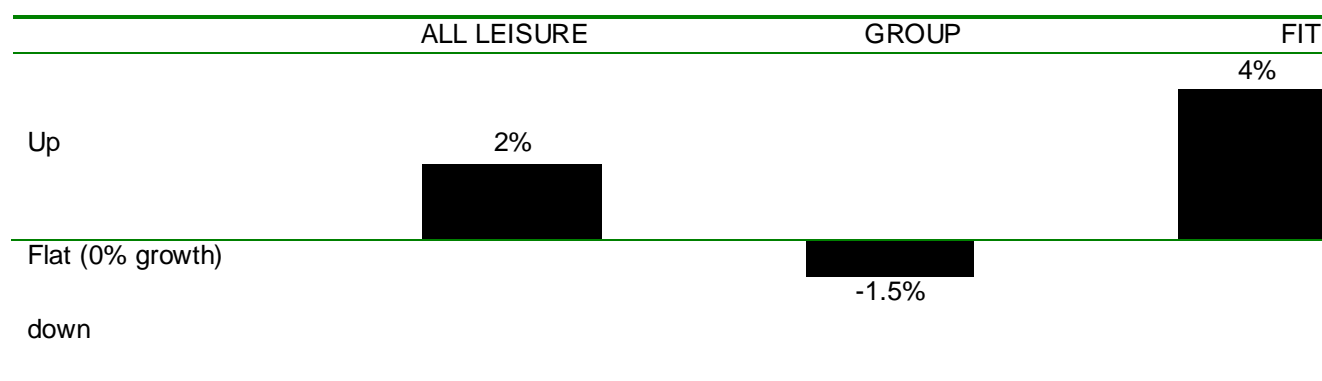
The most popular spring travel product identified was group packages and couples with no packages. Interest was focused on Ontario (39%), B.C. (28%) and Quebec (26%). The touring and cities/resorts product cluster was the most popular package purchased followed by nature, winter, outdoor/sports and then culture/history (Canadian Tourism Commission foreign office).

## Destination Supplier–Receptive Agent Monitor, Business Outlook (BO)

The outlook—as indicated by Canadian travel supplier and receptive agent bookings—for Mexican travel this spring indicate an overall 2 per cent increase compared to last year. The positive outlook is based primarily on the 4 per cent growth expected by independent (FIT) leisure travel. The outlook for group travel is for a 1-2 per cent decline. Unfortunately, the number of responses for advance business bookings for spring 2002 was not sufficient to ensure confidentiality.

## MEXICO LEISURE TRAVEL SPRING 2002

Expectations for Mexico spring travel to Canada in 2002, compared with last spring.



Source: Spring 2002 Business Outlook.

## Mexico-to-Canada Air Capacity, OAG Worldwide

Air capacity does not appear to be a problem over the spring 2002 period—based on a comparison of the direct air capacity available for the spring months of 2002 compared to 2001. In fact, direct air capacity is expected to be up 27.6 per cent. The potential problem for air capacity to Canada—as raised by the foreign tour operators surveyed—might be with respect to travel via the U.S. We have noted that U.S. domestic and transborder air capacity is expected to be down significantly for 2002 compared with 2001 (pre-September 11<sup>th</sup>).

### SEATS AVAILABLE FOR DIRECT TRAVEL FROM MEXICO TO CANADA (SPRING)

	2001	2002
Seats available	43,264	55,822
Per cent change	NA	27.8

Source: OAG Worldwide.

## Summary Outlook for Spring

The recent mini-survey of key tour operators in Mexico, conducted by the CTC foreign offices, reported spring bookings to Canada are up 8 per cent, while BO monitor participants indicated overall bookings to be up 2 per cent. Considering the positive findings of key tour operators in Mexico, we feel the positive outlook as reported by BO monitor participants is possible for spring. Canada was host to 31,407 overnight visitors from Mexico last spring. Our current outlook suggests that visitation from Mexico could increase by nearly 1,000 this spring.

# **Brazil Travel Outlook, Spring 2002**

## **Economic Overview**

Although Brazil is not completely immune to the Argentine crisis, it is less exposed to the fallout due to stronger economic fundamentals and a floating currency. However, Brazil continues to experience high interest rates and inflation. While Brazil posted zero third quarter growth, there are good signs in the economy. Even investors are increasingly considering Brazil separate from its crisis-wracked neighbour, Argentina.

Brazil had been attempting to distinguish itself from Argentina, particularly after Argentine's former economy minister, Domingo Cavallo, publicly blamed some of Argentina's woes on Brazil. Brazil is currently running a trade surplus and its currency, the real, has recently recovered most of the ground lost in relation to the U.S. dollar mainly due to the decoupling of Brazil from Argentina. Brazil's central bank chairman expects the economy to recover next year along with the U.S. economy. Real GDP growth of 2 per cent is expected for 2002.

## **Tourism Trends**

The CTC foreign office reports that the general atmosphere in Brazil seems somewhat removed from the events of September 11<sup>th</sup> and the Afghan war. Brazilians are more concerned with domestic issues such as the 2002 Presidential elections, the world soccer championship and the economy.


As a result, outbound international travel is still very much below the levels of previous years. Although the travel industry is seeing a slight rise in the numbers, it doesn't expect a significant recovery before April 2002. For the South American summer, Brazilians are changing their traditional international travel destination to domestic holidays along the beach and coastal cities, cruises or inland resorts. Skiers, meanwhile, are choosing Canadian and European destinations. A small number of outbound travellers are choosing to spend their holidays in Argentina, Chile, Uruguay, Mexico, Cuba or the Caribbean.

## **Destination Supplier–Receptive Agent Monitor, Business Outlook (BO)**

Unfortunately, the outlook—as indicated by Canadian travel supplier and receptive agent bookings—for Brazil leisure travel this spring 2002 still suggests a decline of 12 to 16 per cent, compared to last year. The number of Monitor responses were insufficient to provide separate group and independent (FIT) leisure segment advance booking information.

## BRAZIL LEISURE TRAVEL SPRING 2002

Expectations for Brazil spring travel to Canada in 2002, compared with same period last year.

	ALL LEISURE	GROUP	FIT
Flat (0% growth)		N/A	N/A
(down)	-14%		

Source: Spring 2002 Business Outlook.

## Brazil to Canada Air Capacity, OAG Worldwide

Air capacity does not appear to represent a concern over the spring 2002 period—based on a comparison of the direct air capacity available for the spring months of 2002 compared to 2001. In fact, the number of direct seats available is expected to be up 1.4 per cent compared with last year.

### SEATS AVAILABLE FOR DIRECT TRAVEL FROM BRAZIL TO CANADA (SPRING)

	2001	2002
Seats available	15,477	15,688
Per cent change	NA	1.4

Source: OAG Worldwide.

## Summary Outlook for Spring

Outbound international traffic is currently still very much below the levels of previous years. For the near-term, Brazilians are expected to continue changing their traditional international travel destinations to domestic options. Our short-term outlook suggests a further decline of 12 to 16 per cent of Brazilian visitors to Canada for the spring 2002. Since 10,680 Brazilians visited last spring, our analysis suggests 1,300 to 1,700 fewer visitors can be expected.

# U.K. Travel Outlook, Spring 2002

## Economic Overview

Economic activity in the U.K. has so far been more resilient to the global downturn than activity in other major advanced economies. Industrial output has continued to fall while exports have weakened in the second half of the year due to lower U.S. demand, shocks to the IT sector and a strong currency. Domestic demand has been helped by strong private consumption growth and by budget increases in government spending. Retail sales showed continuing strength in the face of a more pessimistic outlook. However, the recent softening of business and consumer confidence as well as housing and labour market indicators suggest that private consumption growth is likely to cool. The Bank of England has lowered interest rates by 1 percentage point since the terrorist attacks and, provided the inflation outlook remains benign, there is room for further reductions if economic prospects deteriorate more than currently envisaged. The consensus forecast for 2002 has economic growth remaining at 2 per cent.

## Tourism Trends

U.K. travel numbers are still down, but the winter holiday period provides hope. British Airways announced passenger volumes at its seven U.K. airports fell 10.6 per cent in November over last year – a slight improvement on the 12 per cent drop in October. North Atlantic passenger traffic was down 26.1 per cent and other long-haul traffic was down 12.7 per cent. However, in December, the Association of British Travel Agents (ABTA) announced that nearly one million people were expected to fly overseas during the Christmas holiday, matching last year's record. Thanks to strong holiday bookings, U.K. tour operator First Choice, Britain's fourth largest tour operator, reported that winter bookings were down only 3 per cent from last year.

British Airways is considering abandoning its short-haul routes in order to focus on intercontinental flights, leaving short-haul routes to the increasingly popular low-cost airlines. In December, Go, Britain's low-cost carrier, announced plans to open its third U.K. base after a reported 63 per cent hike in passenger numbers in November.

Not surprisingly, travel to the Middle East and in particular to Israel has dropped substantially. Travel magazine surveys show that consumers are more likely to travel to Europe from the U.K. Most favoured long-haul destinations are Australia, New Zealand and South Africa.

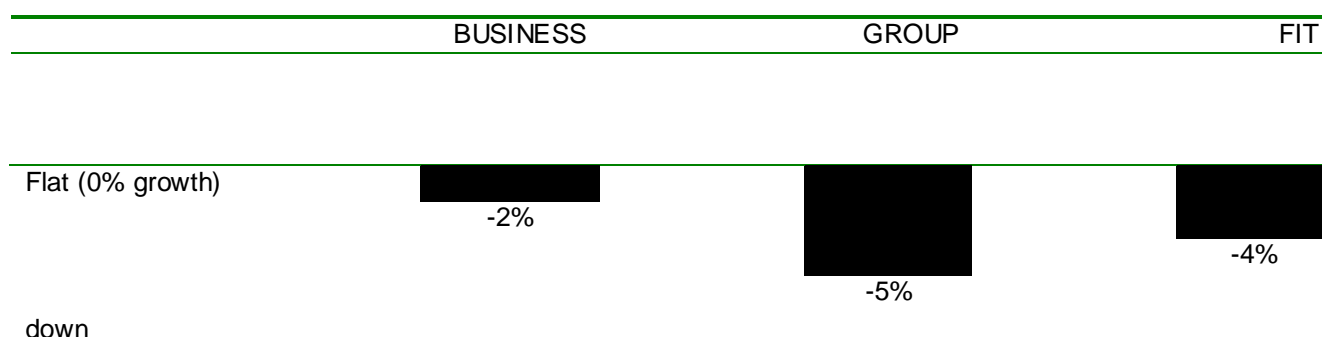
## Destination Supplier–Receptive Agent Monitor, Business Outlook (BO)

The outlook—as indicated by Canadian travel supplier and receptive agent bookings—for U.K. leisure travel this spring indicate an overall 4-6 per cent decline compared to last year. The outlook is fairly consistent for both group leisure travel and the independent (FIT) leisure travel. The outlook for U.K. travel to Alberta/BC is expected to be even less favourable than for Ontario/Quebec or Atlantic Canada—the three regions of Canada specifically identified by participants.

Advance business bookings for spring are estimated to be down only 2 per cent compared with the spring 2001.

## U.K. TRAVEL SPRING 2002

Expectations for U.K. spring travel to Canada in 2002, compared with last spring.



Source: Spring 2002 Business Outlook.

## U.K.-to-Canada Air Capacity, OAG Worldwide

Air capacity might be a problem for the spring 2002 period— based on comparing the direct air capacity available for the spring months of 2002 compared to 2001. OAG Worldwide indicates that direct air capacity planned for spring 2002 will be down 7.8 per cent compared to spring 2001.

### SEATS AVAILABLE FOR DIRECT TRAVEL FROM THE U.K TO CANADA (SPRING)

	2001	2002
Seats available	435,501	401,362
Per cent change	NA	-7.8

Source: OAG Worldwide.

## Summary Outlook for Spring

Over the short-term, outbound travel to short-haul destinations within Europe is still expected to will be preferred due to safety concerns and a reduction in airfares within Europe. Our short-term outlook suggests overnight travel from the U.K. this spring will decline 4-6 per cent compared to spring 2001. The outlook for U.K. travel to Alberta/B.C. is expected to be slightly worse than that for Ontario/Quebec or Atlantic Canada. Canada was host to 191,816 visitors from the U.K. last spring. This analysis suggests that visitation from the U.K. could decline by 7,500-12,000 this spring.

# France Travel Outlook, Spring 2002

## Economic Overview

France's economy almost single-handedly kept the euro area's economy afloat as its GDP grew by 0.5 per cent in the third quarter, ensuring French GDP growth of at least 2 per cent in 2001. This was due in large part to robust consumer spending. Although there are signs of deterioration in the fourth quarter, the outlook for 2002 remains relatively positive. Stronger-than-expected consumer activity in the third quarter has not changed the likelihood of a more marked slowdown in domestic demand in the final quarter of 2001 and the beginning of next year. Still, government estimates of growth of around 3 per cent next year appear unlikely.

## Travel Trends

The CTC foreign office reports French and European products are the best sellers. Last minute sales still represent a major portion of sales for operators, even for Christmas travel products. Air France had launched a major advertising campaign in which 108 European routes were sold at prices nearly 60 per cent lower than competitors and regular priced products.

AEA (Association des compagnies aériennes européennes) reported that international traffic was down 15.9 per cent from November 26 to December 2, compared to the same period last year. The French association of tour operators, CETO, reported that its members' business had decreased by 35 to 40 per cent since September, affecting 80 per cent of tour operators specializing in North America.

French travellers are adopting a wait and see attitude regarding long-haul destinations. For the first time since 1994, French visitation to Canada will drop below 400,000—this despite the perception that Canada is a safe destination. Australia and New Zealand have also gained reputations in the media as particularly safe destinations.

Presidential elections are scheduled to run between April 21 and May 5—during the spring school break. This may have a serious impact on travel.

## Market Overview

Advance bookings to Canada for the upcoming spring are down an average of 20 per cent, according to a consensus among French tour operators. Air capacity was identified as being a problem. However, the exchange rate had no effect on sales for the majority of the operators.

Quebec still constituted the bulk (60-80%) of Canadian destinations sold, with Ontario representing 10-50% of the sales. However, New Brunswick was mentioned as being a potential larger market for French travellers. Touring was noted as the most popular product cluster purchased by spring visitors. This was followed by trips to cities and resorts, nature and culture/history (Canadian Tourism Commission foreign office).

## Destination Supplier–Receptive Agent Monitor, Business Outlook (BO)

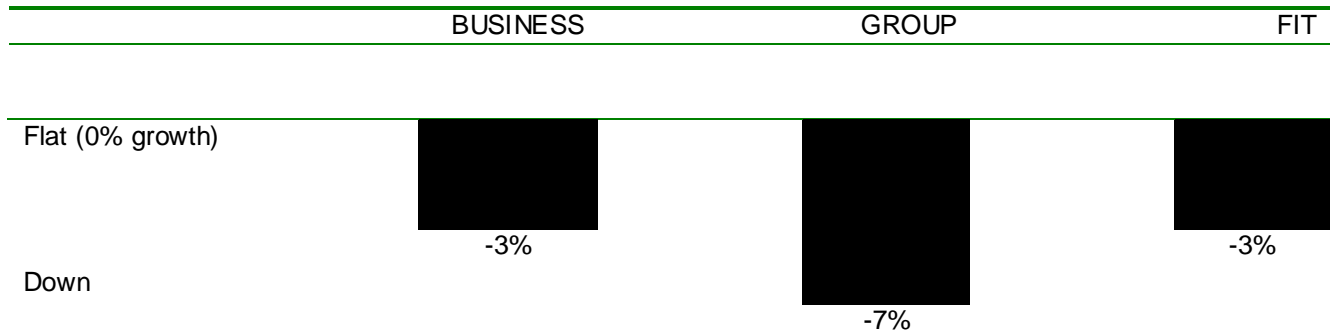
The outlook—as indicated by Canadian travel supplier and receptive agent bookings—for French travel to Canada this spring 2002 indicates an overall 4-5 per cent decline compared to last year. The outlook is slightly worse for group travel (-7 %) than for independent (FIT) leisure travel (-3 %).



French business bookings were also reported down 3 per cent for the spring compared with last year. The decline of French travellers in the Ontario/Quebec region is expected to exceed that witnessed for Alberta/BC—the two regions of Canada specifically identified by participants.

### FRANCE TRAVEL SPRING 2002

Expectations for France spring travel to Canada in 2002, compared with last spring.



Source: Spring 2002 Business Outlook.

### France-to-Canada Air Capacity, OAG Worldwide

Air capacity by scheduled and scheduled charter airlines will again represent a problem for the spring 2002 period. Direct air capacity for spring 2002 is expected to be down 19.1 per cent compared to 2001. Air access due to the demise of Canada 3000 and cutbacks by Air Canada and Air France will negatively impact the short-term outlook for French travel to Canada.

#### SEATS AVAILABLE FOR DIRECT TRAVEL FROM FRANCE TO CANADA (SPRING)

	2001	2002
Seats available	164,273	132,868
Per cent change	NA	-19.1

Source: OAG Worldwide.

### Summary Outlook for Spring

Considering the more dramatic declines reported by French tour operators than those reported by BO monitor participants, we expect overnight travel this spring to still be off conservatively 6 to 8 per cent compared with last year. Last spring, the number of visitors from France was 73,538. Our short-term outlook suggests that between 4,000 and 6,000 fewer travellers from France will visit Canada this spring.

# Germany Travel Outlook, Spring 2002

## Economic Overview

The German economy, Europe's largest, continues to be one of its weakest. Third quarter data of 2001 confirmed that Germany is now in a recession, as business investment and retail sales tumbled. Unemployment has risen every month in the past year. Germany's IFO index of business confidence found the business climate worsening even after September's sharp deterioration. Although America's recession has hurt exports, Germany still experienced a "trade miracle" as exports rose in the third quarter, while imports fell. The trade balance had a positive effect on Germany's GDP figure despite the overall decline in growth due to weak domestic demand.

Germany needs real interest rates to fall significantly below current levels if there is to be a speedy recovery. Any fiscal policy stimulus will also be limited by standards set by the European Commission as Germany's deficit nears critical limits. The most recent consensus forecast for 2002 GDP growth is 0.7 per cent, much lower than previous forecasts. Given Germany's strong economic linkages within Europe, this will adversely affect growth in the region.

## Tourism Trends

According to the CTC foreign office, winter demand for travel continues to be weak due to September 11<sup>th</sup> and the recession. For the summer, there are some signs of hope as the number of inquiries is increasing slightly. The current trend is for short-haul destinations such as Austria and Switzerland (who are running large ski promotions) and Spain for beach vacations. Some operators are also reporting a trend towards short-term bookings. For long-haul travel, South Africa continues to be hot (benefiting from its geographical location, the low exchange rate and its overall presence because of high advertising budgets). Australia has suffered from the bankruptcy of ANSETT but continues to be well in demand.

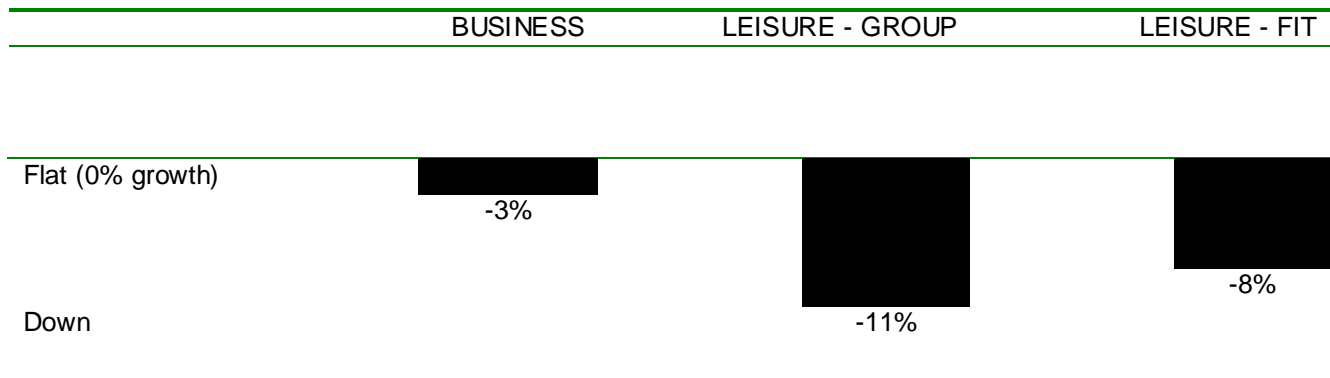
The loss of Canada 3000 will affect bookings for next summer. In particular, western Canada will be affected. Lufthansa's current plan to reduce its capacity to Vancouver by 120 seats per day will be reconsidered closer to the summer season. Another concern is that Canada's east coast will lose most of its direct connections from Germany. On a positive note, DERTOUR, a major German tour operator, announced Canada as their 2002 Destination of the Year.

## Destination Supplier–Receptive Agent Monitor, Business Outlook (BO)

The outlook—as indicated by Canadian travel supplier and receptive agent bookings—for German leisure travel this spring indicate an overall 8 to 10 per cent decline compared to last year. The outlook for group travel appears slightly more gloomy (-11 per cent) compared to independent (FIT) leisure travel (-8 per cent). Business travel is expected to be off by a more modest 3 per cent. The overall decline is expected to be slightly worse in Alberta/BC region than Ontario/Quebec—the two regions of Canada specifically identified by participants.

## GERMANY LEISURE TRAVEL SPRING 2002

Expectations for Germany spring travel to Canada in 2002, compared with same period last year.



Source: Spring 2002 Business Outlook.

## Germany-to-Canada Air Capacity, OAG Worldwide

Unfortunately, air capacity is expected to be a problem over the spring 2002 period for German travel to Canada. The direct air capacity planned for spring is down 14.9 per cent, compared to spring 2001.

### SEATS AVAILABLE FOR DIRECT TRAVEL FROM THE GERMANY TO CANADA (SPRING)

	2001	2002
Seats available	171,850	146,316
Per cent change	NA	-14.9

Source: OAG Worldwide.

## Summary Outlook for Spring

For the spring, our short-term outlook suggest that travel from Germany to Canada will decline 8-10 per cent compared with last spring. This analysis translates to 6,500-8,000 fewer German visits to Canada, compared to last spring—when 81,449 Germans visited.

# Italy Travel Outlook, Spring 2002

## Economic Overview

The Italian economy appeared to be faring better than expected, as growth in the third quarter slowed only slightly to 1.9 per cent (year-on-year) from 2.1 per cent in the previous quarter. There is a suggestion that continued softness in household consumption and declining business confidence may indicate further weakness to come. Data covering the final quarter of 2001 have been few and far between, leaving the near-term outlook relatively uncertain. The most recent data cover the month of September which have been somewhat distorted by the events of September 11<sup>th</sup>. Economic growth in Italy is expected to be 1.2 per cent in 2002, well below its potential.

## Tourism Trends

The events of September 11<sup>th</sup>, the SAS crash at Milan Airport and the AA crash in New York City have caused major waves in the Italian tourism industry. The CTC foreign office reports an 80 per cent decrease in leisure travel in October/November. The Italian media have been feeding consumer's fears regarding travel and, in particular, the fear of flying causing a near paralysis of tourism. In December, there were signs of a recovery with decreases lessening to approximately 40 per cent. Christmas bookings had picked up with the majority destined for skiing in the Alps or European farm holidays. Bookings to the Caribbean and South America were also picking up. South Africa and Australia have not suffered as much since consumers do not perceive them as dangerous destinations. However, North America seems to have disappeared from the map of Italian travellers. According to Travel Industry Association (TIA) estimates, the number of Italian visiting the U.S. in 2001 will be 19 per cent lower than 2000. It expect Italian visitors to the U.S. to reach 2000 levels only by 2005.

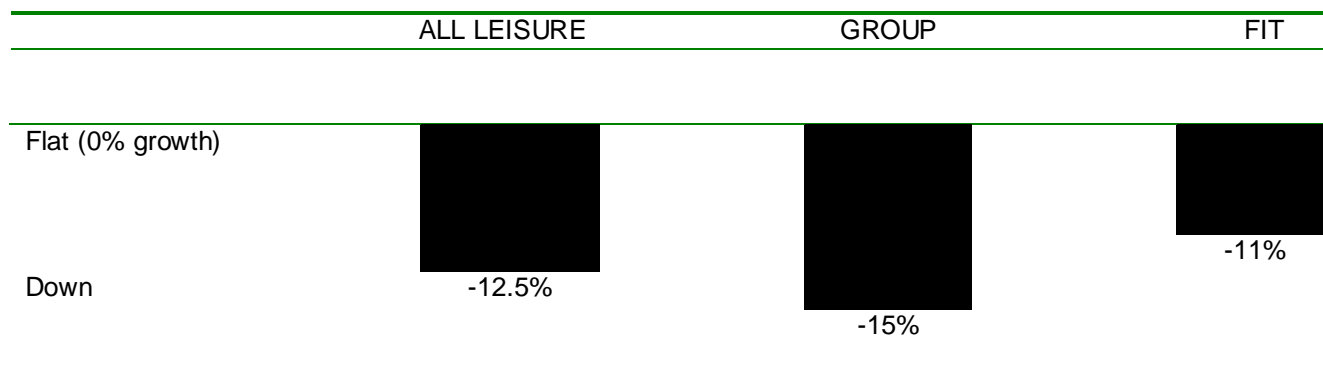
Before September 11<sup>th</sup>, Italians travel to Canada was down by 11 per cent. The euro/CAD exchange rate and the September 11<sup>th</sup> events have caused a substantial drop in the number of tourists over 2000. Bookings for winter holidays have been slowly coming in but are few compared to the previous year. Snowmobiling in Quebec and city stays are the most requested packages. According to the CTC foreign office, industry representatives continue to maintain that Canada is going to be the alternative to the U.S. and that it will be one of the few destinations to resume interest once people overcome their fear of flying. World Youth Day organizers now expect 20,000 Italian visitors instead of the 30,000 originally expected for the event.

## Destination Supplier–Receptive Agent Monitor, Business Outlook (BO)

The outlook—as indicated by Canadian travel supplier and receptive agent bookings—for leisure travel from Italy during spring 2002 is for an overall 12 to 14 per cent decline compared to last year. The outlook appears to be slightly worse for group travel (-15 %) compared with independent (FIT) leisure travel (-11 %). The decline of Italian visitors this spring is expected to be felt primarily in the Ontario/Quebec region—the only region of Canada specifically identified by monitor participants.

## ITALY LEISURE TRAVEL SPRING 2002

Expectations for Italy spring travel to Canada in 2002, compared with same period last year.



Source: Spring 2002 Business Outlook.

## Italy-to-Canada Air Capacity, OAG Worldwide

Air capacity appears to be a problem for travel from Italy to Canada for the spring 2002 period. The OAG Worldwide data suggests that the number of direct seats available to Canada will be down 29.2 per cent compared to spring 2001. It is expected that more seats will be available to coincide with the World Youth Day, however, this will only impact capacity later in 2002.

### SEATS AVAILABLE FOR DIRECT TRAVEL FROM ITALY TO CANADA (SPRING)

	2001	2002
Seats available	33,375	23,622
Per cent change	NA	-29.2

Source: OAG Worldwide.

## Summary Outlook for Spring

The events of September 11<sup>th</sup>, the SAS crash at Milan Airport and the AA crash in New York City have caused major waves in the Italian tourism industry. Our short-term outlook suggests 12-14 per cent fewer visitors from Italy will travel to Canada this spring. Based on the 21,475 who visited last year, this suggests 2,500 – 3,000 fewer Italians may visit Canada this spring, compared with last year.

# Netherlands Outlook, Spring 2002

## Economic Overview

Third quarter GDP contracted by 0.4 per cent quarter-on-quarter compared to the 0.4 per cent growth in the previous quarter. The decline was due to a sharp 2.6 per cent fall in net trade over the previous quarter, as exports constitute a large part of GDP in the Netherlands. With the trade outlook deteriorating further, the growth forecast for 2002 has been revised down to 1.3 per cent. However, spending grew by 1.4 per cent over last year. Signs of stock market improvement have also helped consumer confidence to recover in November.

## Tourism Trends

Employees in the tourism industry were granted government subsidies to cover the reduction of their working hours brought about by the events of September 11<sup>th</sup>. The CTC's foreign office reports that most companies that had asked for subsidies will not be extending their request, a possible indication that the market is slowly recovering. The CTC foreign office also reports one industry monitor, Trendbox, shows that interest for long-haul travel is increasing again.

Unfortunately, Dutch tour operators reported a decrease of 30-40 per cent in sales of winter sport packages to Canada. However, most tour operators reported an increase in requests for Canada for the spring period. Several Dutch tour operators also indicated that their 2002 package program would include more Canada and less U.S. options compared to 2001.

The collapse of Canada 3000 is not expected to have a dramatic impact on the Dutch market as Canada 3000 had already stopped its charter service to Holland before its collapse. Dutch tour operators expect that other carriers will pick up most of the lost capacity. Yet overall capacity will pose a serious problem in 2002.

## Market Overview

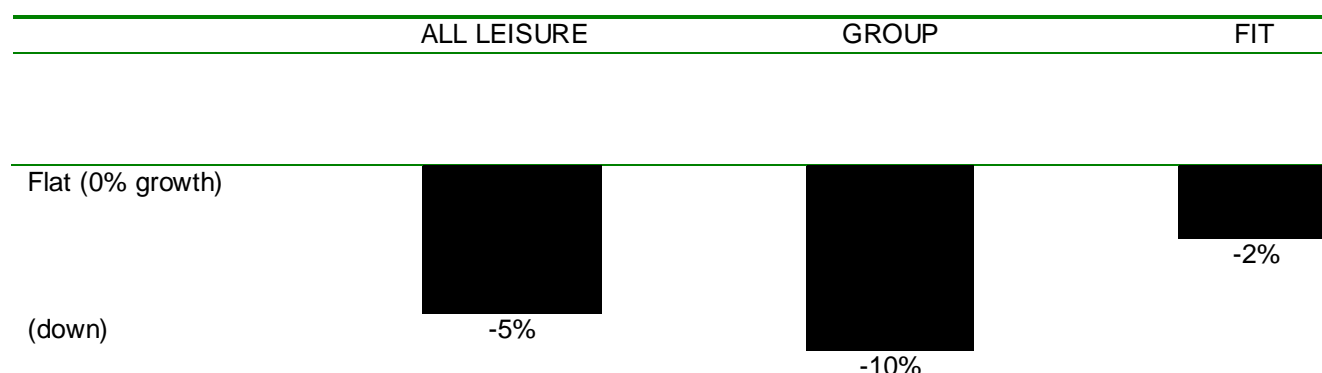
The overall impression from Dutch tour operators was that spring bookings to Canada would be up by just over 8 per cent compared with 2001. Neither air capacity nor the exchange rate was identified as affecting sales. The current sales trend was for individual as part of a package and couples with no package. Alberta and B.C. represented over 70 per cent of the sales to Canada, Ontario represented 17 per cent and Quebec 8 per cent. Nature was the best selling product cluster, followed by cities and resorts and then outdoor/sports.

## Destination Supplier–Receptive Agent Monitor, Business Outlook (BO)

The outlook for leisure travel for spring 2002 from BO monitor participants indicate an overall decline of 5 per cent. This overall leisure market decline is comprised of a 10 per cent decline in group leisure bookings and much more modest 2 per cent decline in independent (FIT) leisure travel.

## NETHERLANDS LEISURE TRAVEL SPRING 2002

Expectations for Netherlands spring travel to Canada in 2002, compared with same period last year.



Source: Spring 2002 Business Outlook.

## Netherlands-to-Canada Air Capacity, OAG Worldwide

Until other carriers pick up some of the lost air capacity, it appears access from the Netherlands to Canada will represent a significant problem over the spring 2002 period. The latest data from OAG Worldwide indicates the number of direct seats available is expected to be down 36.2 per cent compared with last year.

### SEATS AVAILABLE FOR DIRECT TRAVEL FROM THE NETHERLANDS TO CANADA (SPRING)

	2001	2002
Seats available	105,692	67,450
Per cent change	NA	-36.2

Source: OAG Worldwide.

## Summary Outlook for Spring

Our short-term outlook suggests that travel from the Netherlands will decline 5 per cent this spring. Last spring, the number of overnight visitors from the Netherlands to Canada was 26,039 and represented 20.4 per cent of the annual visits of Dutch travellers. Our short-term outlook suggests that visitation from the Netherlands will decline by approximately 1,300 this spring, compared with last year.

# Japan Travel Outlook, Spring 2002

## Economic Overview

Japan's decade-long economic woes continued despite an ambitious program by the new government to implement economic reforms. The country's GDP shrank in the third quarter, putting the economy into its third recession in the past eight years. Deflation, recession, huge public debts and insolvent banks caused Fitch, Moodys's Investors Services and Standard and Poor's to downgrade the country's credit rating. These major bond rating agencies found little hope for a quick turnaround in current macroeconomic policies and predicted that even a "radical" restructuring couldn't guarantee results.

The recent gloomy economic data highlighted divisions between Prime Minister Koizumi who advocates structural reform and budgetary restraints and those in his party who believe that fiscal restraint will only make matters worse. The Japanese government predicted zero growth for 2002 after a 1 per cent decline in GDP in 2001. However, the consensus of private economic forecasters expects a contraction of 0.6 per cent in 2002.

## Tourism Trends

The CTC office in Japan reports that many Japanese travel agents believe the rate of cancellations appears to have "bottomed out" and some are seeing slight improvements in bookings to overseas destinations. The Japanese remain hesitant to travel overseas as long as the international aggression continues. The Japanese Association of Travel Agents (JATA) has forecast a recovery in overseas travel by the summer of 2002. Many of the agents with whom the CTC foreign office is developing programs anticipate a recovery starting in the spring of 2002. Year end bookings, often a bell weather for overseas travel, are down between 10-30 per cent, depending on the destination. China, a popular destination for senior citizens, is one of the few countries to show some growth. Domestic business and leisure travel remains strong, with a preference for surface transportation.

The general consensus is that the longer overseas travel is postponed, the stronger the resurgence will be when it occurs. JATA is forecasting an 8 per cent reduction in overseas travel for 2001. The U.S. announced that they expect the number of Japanese visitors to be down by 20 per cent in 2001 but to increase by nearly 4 per cent in 2002.

Canada continues to be viewed positively. CTC President, Jim Watson, was able to reinforce to JATA, Canada's commitment to the travel trade and the Japanese market. A video is currently being produced by Tourism B.C. and the CTC featuring testimonials by Japanese visitors to Canada. The CTC foreign office reports that the economic situation in Japan should not be a concern as the majority of the target audience to Canada is still wealthy and willing to travel. However, Japanese seniors are still hesitant to fly.

## Market Overview

The consensus among Japanese tour operators suggest that overall bookings to Canada for the spring season would be down 10 to 15 per cent. All the operators indicated that this was a difficult period to anticipate. There was generally a more optimistic tone from the agents in Osaka than Tokyo. Air capacity was mentioned as a constraint for agents who did not have substantial block space on Air Canada. The exchange rate was also mentioned as having an impact on spring travel plans to Canada.



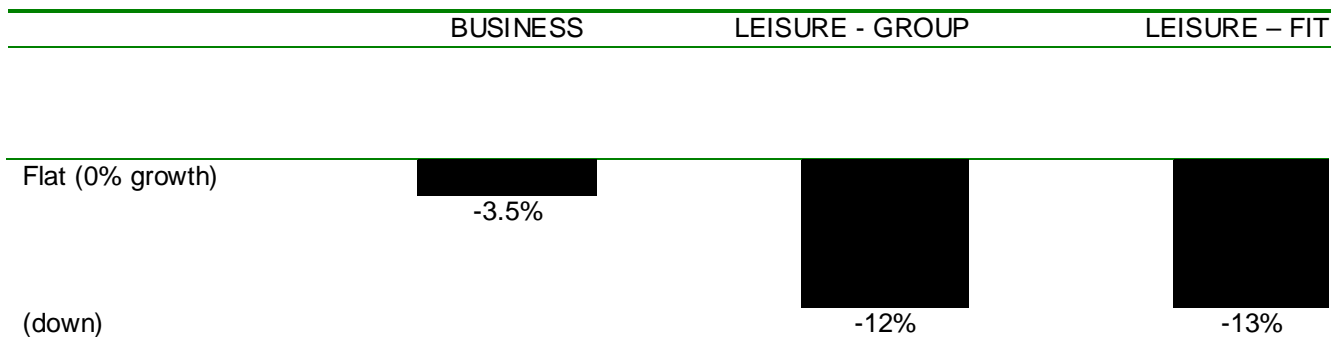
The most popular Canadian travel product sold by tour operators this spring was packages for couples, individuals and groups. The greatest interest was for the Alberta/BC region (70%) followed by Ontario/Quebec (30%). The Northwest Territories, Yukon and Newfoundland were mentioned as markets with potential. The touring product cluster was the most popular package followed by nature.

## Destination Supplier–Receptive Agent Monitor, Business Outlook (BO)

The outlook—as indicated by Canadian travel supplier and receptive agents booking—for Japan leisure travel this spring 2002 indicate an overall 12 to 14 per cent decline for both group travel and independent (FIT) leisure travel compared to last year. Surprisingly, business travel is only expected to be off 3 to 4 per cent compared with last spring. The overall decline for Japanese travel in expected to be slightly worse in Ontario/Quebec compared to Alberta/B.C.—the two regions of Canada specifically identified by monitor participants.

### JAPAN TRAVEL SPRING 2002

Expectations for Japan spring travel to Canada in 2002, compared with same period last year.



Source: Spring 2002 Business Outlook.

## Japan-to-Canada Air Capacity, OAG Worldwide

At present, direct air capacity does not appear to represent a problem over the spring 2002 period. In fact, the number of seats available is expected to be up 8.6 per cent compared with last year.

### SEATS AVAILABLE FOR DIRECT TRAVEL FROM JAPAN TO CANADA (SPRING)

	2001	2002
Seats available	130,135	141,292
Per cent change	NA	8.6

Source: OAG Worldwide.

## **Summary Outlook for Spring**

In the short-term, however, we expect that the safety conscious Japanese will avoid long-haul travel to North America. Our short-term outlook suggests travel to Canada for spring 2002 will decline 10 to 12 per cent, compared with last year. Last spring, the number of visitors from Japan to Canada was 107,893. Our analysis suggests approximately 10-12,000 fewer Japanese travellers can be expected to visit Canada this spring.



# Taiwan Outlook, Spring 2002

## Economic Overview

Weaker global growth has hampered the trade dependent economies of Asia. Taiwan's GDP contracted by 4.2 per cent in the third quarter, its largest drop on record. This was primarily due to the fact that Taiwan's exports make up a large share of its GDP and they consist mainly of electronics. Of all the economies, Taiwan is probably most at risk from the Japanese crisis due to the indebtedness of its firms. Despite the drop in GDP, Taiwan's government has been reluctant to ease monetary and fiscal policies to cushion the slump.

The recession could be made worse by a banking system that is unable to finance local firms. However, there are signs of a recovery in the stock market, which may help boost the economy. The IMF predicts the economy to grow by 1 per cent in 2002, while some private forecasters expect further contraction in the economy.

## Tourism Trends

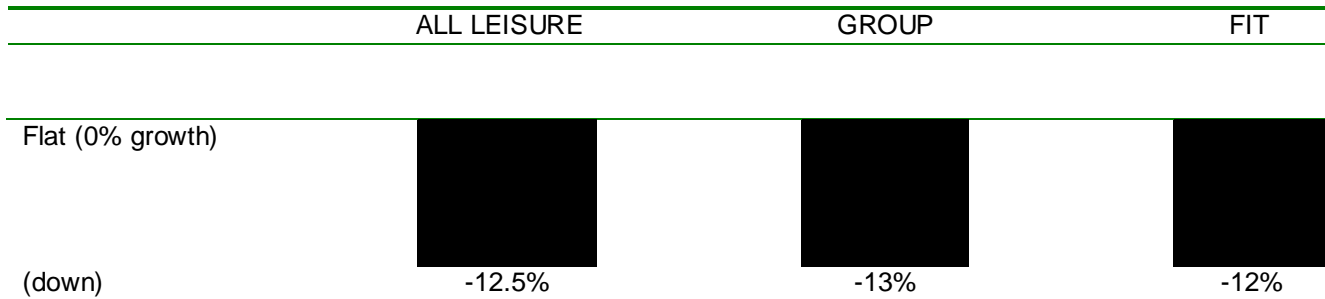
China is still the most popular destination to the Taiwanese, for both business and leisure travel. Short-haul travel continues to sell better than long-haul. Fully independent travel (FIT) between North America and Taiwan has recently begun to increase, but it is expected that this is due to the Christmas holidays. The impact of September 11<sup>th</sup> and the slowdown in the economy negatively affected outbound travel. As a result, domestic travel improved and provided more choices to consumers than in the past. Fortunately, outbound bookings are expected to slowly recover after the December elections.

## Destination Supplier–Receptive Agent Monitor, Business Outlook (BO)

The outlook—as indicated by Canadian travel supplier and receptive agent bookings—for Taiwan leisure travel this spring indicate an overall 12 to 14 per cent decline, compared to last year. Monitor respondents were nearly as pessimistic regarding advanced bookings for independent (FIT) leisure travel (-12 per cent) as with group travel (-13 per cent).

## TAIWAN LEISURE TRAVEL SPRING 2002

Expectations for Taiwan spring travel to Canada in 2002, compared with same period last year.



Source: Spring 2002 Business Outlook.

## Taiwan-to-Canada Air Capacity, OAG Worldwide

Air capacity does not appear to represent a concern over the spring 2002 period. The number of direct seats available is in fact expected to increase 7.9 per cent compared with last year.

### SEATS AVAILABLE FOR DIRECT TRAVEL FROM TAIWAN TO CANADA (SPRING)

	2001	2002
Seats available	65,120	70,276
Per cent change	NA	7.9

Source: OAG Worldwide.

## Summary Outlook for Spring

Over the short-term we still expect domestic and short-haul destinations will continue to sell better than long-haul destinations. Our short-term outlook for travel from Taiwan to Canada in the spring suggests a 12 to 14 per cent decline. While 41,564 Taiwanese visitors came to Canada last spring, this analysis suggests 4,000 to 5,000 fewer visitors will visit this spring.

# South Korea Travel Outlook, Spring 2002

## Economic Overview

The economy of South Korea is still growing but its year-on-year growth is currently less than 2 per cent, down from almost 13 per cent in early 2000. Sluggish real GDP growth in 2002 will owe much to poor demand for South Korean goods in the key U.S. and Japanese markets. Although South Korea is not immune to the global downturn, its exports take a smaller share of GDP than other east Asian countries and are less concentrated in electronics. It also has a better policy response to support domestic demand with the government increasing its spending and allowing its exchange rate to fall more sharply. South Korea's banking system is much stronger than other Asian countries and the government has done much to recapitalise the banks. Economic growth of nearly 3 per cent is still expected in 2002.

## Travel Trends

Korean Air is planning to expand on its services to Washington, Auckland, Toronto, Sydney and Paris from one to three flights per week. Korean Air's load capacity improved to 69 per cent in November thanks to increases in the number of passengers heading to vacation spots in Southeast Asia. KAL and Asiana Airlines expected passenger increases after December 15<sup>th</sup> due to Christmas travel.

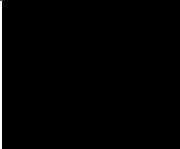
With the 2002 World Cup and the introduction of the five-day work week, the Korean Tourism Research Institute forecasts Korea's tourism industry will grow by 8.6 per cent in 2002 while the hotel industry is expected to expand 9.5 per cent.

## Destination Supplier–Receptive Agent Monitor, Business Outlook (BO)

The outlook—as indicated by Canadian travel supplier and receptive agent bookings—for South Korean leisure travel this spring 2002 indicate a 5 per cent decline, compared to last year. Monitor responses were insufficient to provide separate group and independent (FIT) leisure segment advance booking information.

## SOUTH KOREA LEISURE TRAVEL SPRING 2002

Expectations for South Korean spring travel to Canada in 2002, compared with same period last year.

	ALL LEISURE	GROUP	FIT
Flat (0% growth)		N/A	N/A
(down)	-5%		

Source: Spring 2002 Business Outlook.

## South Korea-to-Canada Air Capacity, OAG Worldwide

Air capacity does not appear to represent a concern over the spring 2002 period. In fact, the number of direct seats available is expected to be up 16 per cent compared with last year.

### SEATS AVAILABLE FOR DIRECT TRAVEL FROM SOUTH KOREA TO CANADA (SPRING)

	2001	2002
Seats available	43,264	50,191
Per cent change	NA	16.0

Source: OAG Worldwide.

## Summary Outlook for Spring

Our recent medium-term travel forecast suggested that overnight travel from South Korea would increase 2.1 per cent in 2002 over 2001. However, the rather conservative results from BO monitor participants suggest that travel in spring period would decline 5 per cent compared to 2001. If the pattern of advance bookings hold true than 1,500 fewer Koreans can be expected to visit Canada this spring, compared to last spring when 30,997 Koreans visited Canada.

# Hong Kong Outlook, Spring 2002

## Economic Overview

Hong Kong's economy showed further signs of slowing down with the global downturn as it fell by 0.3 per cent in the third quarter. In the first nine months of 2001, exports fell by 4.8 per cent and imports by 3.9 per cent. The economic slowdown has spread increasingly into domestic demand and into a broader range of non-electronic and service sectors, including the tourism sector — of particular importance to Hong Kong. Hong Kong has lowered its interest rates to 5.25 per cent and there is still room for further policy stimulus. Real GDP is still expected to manage growth of 1 per cent in 2002.

## Tourism Trends

Air travel continued to suffer in and out of Hong Kong late into 2001. The Hong Kong Airport Authority announced total passenger figures fell 9.3 per cent in November – better than the 12 per cent drop in October, but still down from last year. Cathay Pacific cut capacity by 25 per cent on its transpacific routes, with North America and Japan being affected the most. Overall Christmas bookings for long-haul destinations such as Europe and South Africa increased by 10 per cent over last year, while travel to the U.S. was down by 60 per cent. Australia maintained similar levels as last year.

Destinations like Korea, Japan, Thailand, Taiwan and China remained popular during the last months of 2001.

Tour operators report that Canada's ski products are selling well this winter compared to last year. Hong Kong agents reported noticeable increases in inquiries and bookings for Whistler and Banff. Travel agents are also reporting increased interest in Canadian summer camps.

## Market Overview

The consensus among Hong Kong tour operators surveyed suggests that overall bookings to Canada for the spring 2002 season will increase by 11 per cent. The increase in demand was not affected by air capacity despite Cathay Pacific's cuts. Exchange rates had a positive but not significant impact on travel to Canada.

The most popular spring travel product identified was for couples and groups as part of a package. Interest is greatest to Ontario (65%) followed by Vancouver (35%).

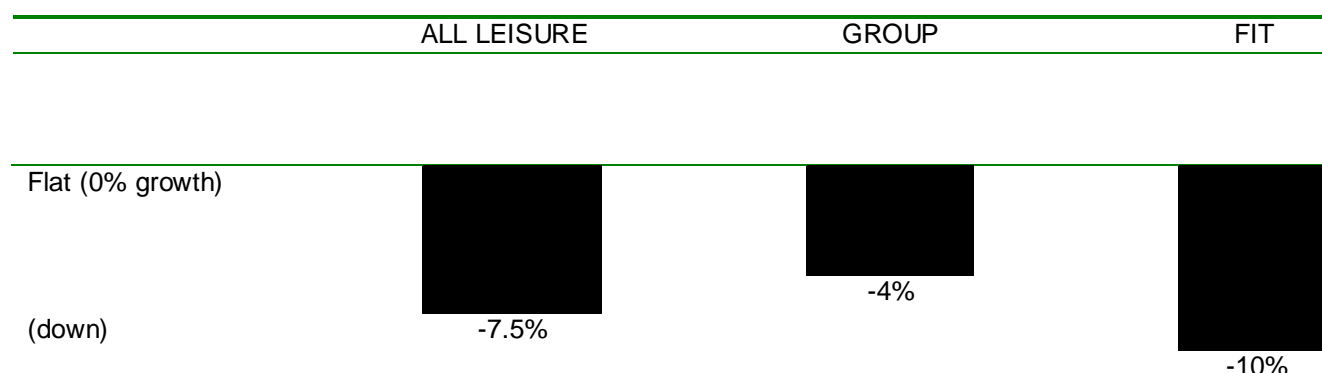
## Destination Supplier–Receptive Agent Monitor, Business Outlook (BO)

The outlook for Hong Kong leisure travel to Canada—as reported by BO monitor participants—indicates a decline of 6-8 per cent in overall advance bookings with a 4 per cent decline noted for group travel and a 10 per cent decline for independent (FIT) travel.



## HONG KONG LEISURE TRAVEL SPRING 2002

Expectations for Hong Kong spring travel to Canada in 2002, compared with same period last year.



Source: Spring 2002 Business Outlook.

## Hong Kong-to-Canada Air Capacity, OAG Worldwide

Air capacity does not appear to represent a major concern over the spring 2002 period. The number of direct seats available is expected to be down, however the decline is only marginal (-2.1%) compared with last year.

### SEATS AVAILABLE FOR DIRECT TRAVEL FROM HONG KONG TO CANADA (SPRING)

	2001	2002
Seats available	113,463	111,056
Per cent change	NA	-2.1

Source: OAG Worldwide.

## Summary Outlook for Spring

Our short-term outlook, based on BO monitor participants, suggests that travel from Hong Kong will decline 6 to 8 per cent in the spring 2002. This contrasts with the CTC foreign staff survey of tour operators that expects travel to increase 11 per cent compared to last year. While giving some consideration to the positive results of Hong Kong tour operators, we still feel that travel will decline in the spring. However, a reasonable expectation might be that overall travel will decline by a more modest 2 to 4 per cent. Last spring, the number of visitors from Hong Kong to Canada was 30,024. By adopting this more modest short-term outlook, we will still expect between 500 and 1,000 fewer visitors from Hong Kong to visit Canada this spring, based on visitation from 2001.

# China Travel Outlook, Spring 2002

## Economic Overview

China's economy still seems to be relatively buoyant compared to its Asian neighbours. Economic activity is expected to hold up relatively well, with growth close to 7 per cent projected for 2002. China's export sector has been hurt by the worldwide economic slump but the impact on its GDP may not be dramatic. Over nine-tenths of China's growth in GDP is attributable to domestic demand, stimulated in large part by government spending. China's recent entry to the World Trade Organization in late 2001 will provide many challenges to the government in order to meet the requirements of membership. It may force state-owned enterprises to adopt to market competition or close down, speed up reforms of its banking sector and increase foreign investment into the country.

## Tourism Trends

After September 11th, there was an increase of visitors to China from Canada, Korea, Russia, the Philippines, Australia and Indonesia. The increase from Korea was over 30 per cent. However, there was a decrease of visitors from the United States (14.3%), Japan (8.47%), Singapore (8.13%), Thailand (4.49%), France (4.39%), Germany (2.84%), England (1.62%) and Malaysia (1.41%).

In order to rescue Hong Kong's tourism industry, the quota of limiting Chinese visitors to Hong Kong was waived starting December 1<sup>st</sup> 2001. The new policy will allow an increase of more than 300,000 Chinese to visit Hong Kong next year. Currently, the Chinese make up 30 per cent of the total visitors to Hong Kong.

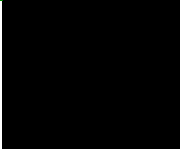
Since China has become an official member of the WTO, its tourism policy has adopted a more relaxed approach. An agreement on International Conferences and Exhibitions Cooperation was signed on December 18, 2001 between the Beijing Tourism Administration and the Canadian Tourism Commission (CTC). Similar cooperation is also being sought between Guangzhou and Shanghai in 2002. This type of cooperation will help to develop business travel from China to Canada.

## Destination Supplier–Receptive Agent Monitor, Business Outlook (BO)

The outlook—as indicated by Canadian travel supplier and receptive agent bookings—for China leisure travel this spring 2002 indicate a 4 to 5 per cent decline, compared to last year. Monitor responses were insufficient to provide separate group and independent (FIT) leisure segment advance booking information.

## CHINA LEISURE TRAVEL SPRING 2002

Expectations for China spring travel to Canada in 2002, compared with same period last year.

	ALL LEISURE	GROUP	FIT
Flat (0% growth)		N/A	N/A
(down)	-4.5%		

Source: Spring 2002 Business Outlook.

## China to Canada Air Capacity, OAG Worldwide

Air capacity does appear to represent a concern for the spring 2002 period. The number of direct seats available is expected to decline 8.1 per cent compared with last year.

### SEATS AVAILABLE FOR DIRECT TRAVEL FROM CHINA TO CANADA (SPRING)

	2001	2002
Seats available	53,180	48,856
Per cent change	NA	-8.1

Source: OAG Worldwide.

## Summary Outlook for Spring

The results from BO monitor participants suggest that travel from China during the spring period will decline 4 to 5 per cent. Since 15,768 Chinese visited last spring, our BO suggests 600 to 800 fewer Chinese visitors can be expected this spring, compared to last year.

# Australia Travel Outlook, Spring 2002

## Economic Overview

Economic conditions in Australia appear reasonably robust despite some recent weakening in confidence. The OECD expects Australia to grow at more than four times the rate of the U.S. in 2002 — expanding by 3.2 per cent — and more than three times faster than the average of OECD countries. The economy is expected to grow and strengthen notwithstanding the global slowdown. Exports have been well sustained by a weak currency and this has contributed to a sharp reduction in the current account deficit. External performance could still come under pressure if global growth and commodity prices remain weak.

## Tourism Trends

The travel market appears to have already started to rebound as early as November. The CTC Australian office quotes recent research that estimated 7 million Australians intend to fly within the next 12 months. It was also estimated that 83 per cent of Australians expect to travel about the same amount following recent events and over 10 million Australians are planning a holiday in the next 12 months.

Intra regional products such as the Pacific Islands, Southeast Asia and New Zealand are selling well. South Africa is up approximately 10 to 12 per cent on last year. Early bird bookings to Europe are consistent. A recent trend has emerged whereby consumers are starting to bypass the retail agents and calling the wholesaler directly to ask about tour products. This can be attributed, in part, to the current level of distrust of the agency system in Australia.

The CTC office in Australia reports that Australian sales reps are seeing business to Canada increasing in popularity due to the safety factor and the value for their money. Ski trips to Canada are outselling those to the U.S. and Europe. Canada-Alaska cruises and Western Canada ground packages are also popular and selling well.

## Market Overview

The consensus among Australian tour operators surveyed suggest that overall bookings to Canada for the spring 2002 season will be down by 6 per cent. Tour operators stated that air capacity was not a constraint for travel to Canada but price increases were a problem. Half the operators suggested the exchange rate also affected sales.

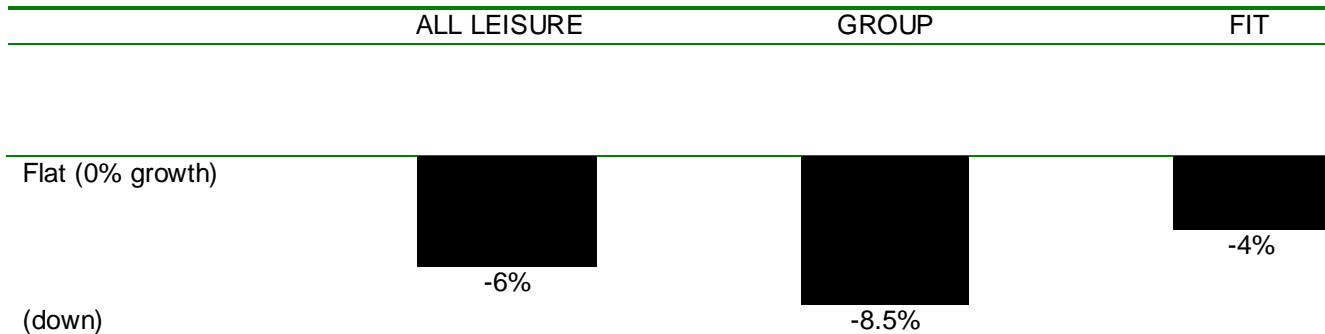
The most popular spring travel product identified was for individuals as part of a package. Interest is greatest to British Columbia (48%) followed by Alberta (35%). Ontario and Quebec combined for 13 per cent of the sales of the operators surveyed. The touring and cities/resorts clusters were the most popular packages sold (Canadian Tourism Commission foreign office).

## Destination Supplier–Receptive Agent Monitor, Business Outlook (BO)

The outlook—as indicated by Canadian travel supplier and receptive agent bookings—for Australian leisure travel this spring 2002 indicate an overall 6 per cent decline. Group travel is expected to decline by 8.5 per cent while independent leisure travel (FIT) is expected to be off by 4 per cent, compared with last year.

## AUSTRALIA LEISURE TRAVEL SPRING 2002

Expectations for Australia spring travel to Canada in 2002, compared with same period last year.



Source: Spring 2002 Business Outlook.

## Australia-to-Canada Air Capacity, OAG Worldwide

The most current data available from OAG Worldwide indicate air capacity to Canada in the spring will represent a major concern over the upcoming year. The number of total (direct and non-direct) seats available for 2002 is expected to be down 56.2 per cent compared to 2001. This analysis may, however, be somewhat misleading since the OAG data does not include air capacity on connecting flights that do not have a code sharing arrangement (in addition to unscheduled charter operations). It was also noted that there has been some indications that Air Canada has increased its service from Australia to Canada recently and as a consequence might not be captured in the OAG data.

### SEATS AVAILABLE FOR DIRECT AND NON-DIRECT TRAVEL FROM AUSTRALIA TO CANADA (SPRING)

	2001	2002
Seats available	69,939	30,648
Per cent change	NA	-56.2

Source: OAG Worldwide.

## Summary Outlook for Spring

Incorporating the results of our BO monitor respondents with the findings from foreign tour operators, we expect overnight visitation to decline 6 per cent during the spring 2002 compared with last year. Last spring, the number of visitors from Australia to Canada was 37,893. Our outlook suggests approximately 2,300 fewer Australians will visit Canada this spring.

# **New Zealand Travel Outlook, Spring 2002**

## **Economic Overview**

The export driven economy is as strong now as it was before September 11<sup>th</sup>. Economic growth in 2002 is projected to slow somewhat to 1.9 per cent. Exports have been helped by a weak currency and favourable agricultural growing conditions. Low interest rates, rising rural incomes and continued low unemployment are contributing to the resilience of demand in New Zealand.

## **Tourism Trends**

The CTC foreign office reports that New Zealanders do not feel they have been as seriously affected by the events in the U.S. and their repercussions due to their geographic isolation. Therefore, outbound travel, both business and leisure is expected to resume to pre-September 11<sup>th</sup> levels by early 2002 on the back of a healthy economy. The overall trend is for outbound travel to increase except to the U.S. Retail agents and operators are reporting continued strong interest and bookings to short-haul destinations including Australia and the Pacific Islands. Tourism New Zealand has forecast domestic tourism to be strong this winter (their summer).


Canada is among the long-haul destinations to see an increase in bookings, particularly for winter products. The CTC office is also reporting increased requests for summer travel information due to its “Escape to Canada” advertising campaign. Discover Holidays is reporting increased bookings for Spring/Summer 2002 with an emphasis on rail travel.

## **Destination Supplier–Receptive Agent Monitor, Business Outlook (BO)**

Unfortunately, the outlook for New Zealand leisure travel to Canada—as indicated by BO monitor respondents—was for an overall decline of 7 per cent. Monitor responses were insufficient to provide separate group and independent (FIT) leisure segment advance booking information.

## NEW ZEALAND LEISURE TRAVEL SPRING 2002

Expectations for New Zealand spring travel to Canada in 2002, compared with same period last year.

	ALL LEISURE	GROUP	FIT
Flat (0% growth)		N/A	N/A
(down)	-7%		

Source: Spring 2002 Business Outlook.

## New Zealand to Canada Air Capacity, OAG Worldwide

According to the OAG Worldwide, air capacity to Canada in the spring appears to represent a major concern over the upcoming year. The number of total (direct and non-direct) seats available for 2002 is expected to be down 100 per cent compared to 2001. Again, this analysis is somewhat misleading since the OAG data does not include air capacity on connecting flights that do not have a code sharing arrangement (in addition to unscheduled charter operations).

### SEATS AVAILABLE FOR DIRECT AND NON-DIRECT TRAVEL FROM NEW ZEALAND TO CANADA (SPRING)

	2001	2002
Seats available	18,711	0
Per cent change	NA	-100.0

Source: OAG Worldwide

## Summary Outlook for Spring

Based upon the BO monitor respondents and air capacity issues, it is estimated that spring bookings from New Zealand to Canada will be down 7 per cent compared to 2001. Last spring, the number of visitors from New Zealand to Canada was 8,918. Our short-term outlook suggests 600 fewer visitors will arrive in Canada this spring.

## Appendix: Medium-Term Travel Forecasts (CTRI)

### Background

Since 1991–92, the Canadian Tourism Research Institute (CTRI) has used econometric models to forecast international travel both to and from Canada. The forecasts presented here represent an update to those included in the Winter BO. These forecasts (completed in December 2001) consider the magnitude of changes as a result of the economic and psychological fallout from the terrorist attacks. The forecast assumes a status quo scenario.

### Travel Forecasts (Medium-Term)

Overnight Travel from Select International Countries to Canada—All Purposes (thousands of person-trips)			
	2000	2001f	2002f
United States	<b>15,225</b>	<b>15,316</b>	<b>15,470</b>
	0.3%	0.6%	1.0%
Mexico	<b>143</b>	<b>151</b>	<b>158</b>
	14.0%	5.6%	4.4%
United Kingdom	<b>866</b>	<b>827</b>	<b>856</b>
	10.9%	-4.5%	3.5%
France	<b>404</b>	<b>358</b>	<b>361</b>
	-2.4%	-11.4%	1.0%
Germany	<b>385</b>	<b>336</b>	<b>347</b>
	-1.9%	-12.7%	3.3%
Italy	<b>109</b>	<b>96</b>	<b>105</b>
	-2.5%	-11.7%	9.8%
Switzerland	<b>104</b>	<b>97</b>	<b>102</b>
	3.0%	-6.9%	5.4%
Netherlands	<b>128</b>	<b>116</b>	<b>121</b>
	-6.0%	-9.4%	4.0%
Japan	<b>500</b>	<b>410</b>	<b>418</b>
	-3.1%	-18.0%	2.0%
Taiwan	<b>160</b>	<b>120</b>	<b>125</b>
	3.0%	-25.0%	4.0%
South Korea	<b>134</b>	<b>138</b>	<b>141</b>
	35.4%	3.4%	2.1%
Hong Kong	<b>137</b>	<b>123</b>	<b>128</b>
	2.2%	-10.6%	4.8%
China	<b>74</b>	<b>80</b>	<b>83</b>
	23.5%	8.6%	4.4%
Australia	<b>173</b>	<b>163</b>	<b>171</b>
	13.2%	-4.7%	3.9%
Brazil	<b>52</b>	<b>41</b>	<b>43</b>
	13.2%	-19.6%	5.0%

Sources: Canadian Tourism Research Institute; Statistics Canada.