



Domestic Demand Holds Strong While Overseas Picks Up

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The Tourism Intelligence Bulletin monitors the tourism industry around the world. This issue features tourism intelligence gathered in July and August 2007.

Bulletin Highlights

Tourism Overview: Canada & the United States

- **High fuel costs force Canadians to rethink travel plans:** The domestic travel market held strong through the summer, but recent research suggests soaring gasoline prices still detracted from summer travel this year. Many Canadians reported that high gasoline costs were forcing them to reconsider their summer travel plans, and nearly half of the Canadians polled said they were driving less, overall. (See page 4.)

Meanwhile, the price competitiveness of domestic travel appears to be stabilizing, but the high value of the Canadian dollar continues to stimulate outbound demand. Fortunately, the slight easing of gas prices should provide a slight boost to domestic automobile travel into September. Overall, the Tourism Leading Indicator for domestic travel suggests the market will likely continue to expand at a modest pace over the near term. (See "Domestic Travel," page 15.)

- **Strong domestic demand continues to boost Canadian hotel rates and revenues:** Average daily rates in Canada rose 3.3 per cent in June 2007, while occupancy rose 1.7 percentage points over June 2006, according to PKF Consulting. Revenues per available room (RevPAR) rose 5.7 per cent over the previous year. (See page 7.)

- **Canadian airlines report robust domestic air travel demand:** The strength of domestic air travel demand continued to boost the performance of Air Canada and WestJet in the second quarter of 2007. Both airlines expect strong domestic demand trends to remain on track through the third quarter. (See page 6.)

- **U.S. vacation intentions still soft:** The latest Consumer Confidence Survey report by the U.S. Conference Board, Inc. suggests U.S. travel intentions remain soft, and are slightly lower than they were a year ago. The Conference Board's monthly consumer confidence index declined again in August 2007 after a slight rebound in July. (See page 4.)

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- **Destination loyalty a major driver of U.S. travel decisions:** When it comes to planning vacations, many Americans are creatures of habit, according to a recent study. Nearly a third of the Americans polled said they prefer to return to a destination they like when going on vacation, although they sometimes try new spots. Another 22 per cent said they always stick to a few tried-and-true places. Moreover, two-thirds of respondents said they choose a destination first when planning a vacation, and then consider price and value. (See page 5.)
- **U.S. domestic and outbound business travel demand showing signs of weakening:** Economic uncertainty, higher travel prices, and an increased focus on cost savings are beginning to take a toll on business travel demand in the United States. (See page 5.)

Tourism Overview: International

- **U.K. holiday market picks up over the summer:** Record-high rainfalls in the U.K. prompted a strong pickup in travel bookings this summer, according to various media reports. The Association of British Travel Agents reported a large increase in last-minute bookings in June and July 2007 compared with 2006. U.S. destinations have been popular because of the strength of the British pound against the weaker U.S. dollar, but demand was also up for sun destinations. Even traditional tour operators, who continue to describe U.K. market conditions as challenging, reported an improvement in U.K. bookings over the summer. (See page 9.)
- **Cycling vacations a growing U.K. market:** Cycling holidays are growing in popularity among U.K. travellers, according to Mintel. While beach holidays continue to dominate the U.K. market, British travellers are becoming increasingly interested in more active experiences. A mounting interest in environmentally friendly travel is also a contributing factor. (See page 9.)
- **European online travel market about three years behind U.S.:** New research suggests the European online travel market is about three years behind the U.S. market. Online bookings will account for about 25 per cent of all European travel bookings this year, about the same percentage as the U.S. market achieved in 2004. The report also points out some key differences among individual European markets. (See page 9.)
- **Presidential elections curtail French bookings:** After a slight improvement in the first quarter of this year, the French market slumped in the weeks leading up to the French presidential elections, hurting bookings among French tour operators, according to TUI AG. (See page 10.)
- **German travel agencies report a surge in last-minute summer bookings:** German travel agency sales picked up over the summer, likely because of a surge in last-minute bookings, according to the latest TATS survey of German travel agents. In July, leisure travel sales registered strong growth for the second consecutive month. (See page 10.)

However, many German tour operators and travel agents described the German tourism market as "difficult" this summer, mainly because of weak bookings for family holidays. Industry analysts cannot explain this year's decline in family vacations—a bread-and-butter market for the German industry—since the German economy and consumer spending have been doing well. (See "German travel trade offers mixed market reports," page 10).

- **Asian online travel market undergoing meteoric growth:** HotelClub.com reported that its Asian bookings have been skyrocketing, noting that Asian travellers are price-conscious and embracing the Internet as a source of affordable travel options. Other media reports suggest the race is on to capture first-time Internet users in Asia and establish brand loyalty. (See page 11).

Other recent research has emphasized the enormous growth potential of Asian online markets:

- 2.75 million Chinese booked travel services online in 2006, up 72 per cent from 2005; this figure is expected to more than triple by 2008. (See "Chinese online travel market offers enormous growth potential," page 13).
- The online travel market in Australia and New Zealand is poised to balloon by 50 per cent between 2006 and 2009. The success of Virgin Blue's online airfare sales strategies, and market investments by online travel agencies are contributing to the potential of this market. (See "Australian and New Zealand online travel market poised for soaring growth," page 14).
- **Canada needs to update its approach with the Japanese market:** Canada's share of outbound Japanese travellers has registered flat growth since 2004, but Canada's weakness in the Japanese travel market extends back nearly 10 years, according to a new report by the CTC. The increasing popularity of Asian destinations, and a lack of awareness of Canada are among the factors contributing to Canada's weak market share. (See page 12).




Tourism Leading Indicator Index - Summary Table

The Tourism Leading Indicator Index provides insights into the near-term outlook for the tourism industry, by tracking the progress of the economic and non-economic factors that affect travel demand from Canada's key tourism markets, including the domestic market.

The rating for each component of the index indicates how that component is expected to affect travel from the source market over the near term. The overall rating indicates the expected performance of the source market in the near term, relative to the same time period in the previous year.

Travel Market	Economic Factors		Non-Economic Factors		Overall Tourism Leading Indicator
	General Economic Trends	Price Competitiveness	Traveller Trends (to/within Canada)	Supplier Trends (to/within Canada)	For travel to/within Canada
Domestic	↑	↔	↑	↑	+
U.S.	↔	↓	↓	↔	-
U.K.	↑	↑	↔	↑	+
France	↔	↔	↑	↑↑	+
Germany	↑	↔	↑	↔	+
Mexico	↔	↓	↑↑	↓	+
Japan	↔	↓	↓↓	↓	-
Korea	↑	↓	↑	↔	+
China	↑↑↑	↑	↑↑	↑↑	++
Australia	↑↑	↑	↑↑	↑	++

Ratings Key:**Economic Factors and Non-Economic Factors:**

Range from  (significantly adds to demand) to  (significantly impedes demand).
 represents neutral effect on demand.

Overall Tourism Leading Indicator:

Ranges from  (significantly improving) to  (significantly deteriorating). **0** represents no change.

Full details about the index for each market begin on page 14. For more information about the methodology used to construct the index, please refer to the Appendix of this report.

Tourism Overview - Canada and the United States

Leisure Travellers

High fuel costs force Canadians to rethink travel plans: Although the domestic travel market held strong through the summer, soaring gasoline prices likely detracted from summer travel this year. A survey by Decima and Investors Group conducted in June 2007 revealed that 37 per cent of Canadians said they were considering changes to their summer vacation plans in light of high fuel prices. Overall, 48 per cent of Canadians reported they now drive less because of high gasoline costs.

Another June survey by the British Columbia Automobile Association revealed that 61 per cent of B.C. drivers said high fuel prices would make them rethink their summer vacation plans. Of this group, most said they would either shorten the distance they drive on vacation (44%) or postpone or cancel their trip altogether (42%).

Reports highlight booming domestic travel markets: Two new reports highlight the significant potential of two growing markets within Canadian tourism:

- A recent study by PhoCusWright Inc. suggests the Canadian online travel market is surging: it doubled in two years to reach \$6.5 billion in 2006, and is poised to double again between 2006 and 2009.
- Gay travellers represent a booming but still largely undeveloped and untapped market in Canada, according to a study by Bay Charles Consulting Company and the Canadian Gay and Lesbian Chamber of Commerce. Canadian gay travellers spend \$5.4 billion annually on travel in Canada, and are more likely to travel more, spend more, and travel in the off-season than the mainstream market.

U.S. vacation intentions still soft: In the United States, the latest Consumer Confidence Survey report by the U.S. Conference Board, Inc. suggests U.S. travel intentions remain soft, and are slightly lower than they were a year ago. Preliminary results showed that in August 2007, 41.8 per cent of U.S. consumers polled said they planned to take a vacation within the next six months, slightly less than the June 2007 poll. Results are adjusted to account for seasonal fluctuations in travel demand.

In addition, the monthly U.S. consumer confidence index declined again in August, after a slight rebound in July. The index sank by 6.9 points in August to 105.0 (1985=100). The Conference Board reported that a softening of business conditions and the job market contributed to the decline, and that the volatile financial and housing markets were also dampening consumer confidence.

U.S. domestic travel on gradual incline: Despite high gas prices and concerns over the slowing U.S. economy, U.S. domestic travel is poised to register modest but steady growth, according to a recent forecast by IBISWorld. The firm projected a 2 per cent increase in U.S. domestic leisure trips this year over 2006. Between now and 2011, the firm expects U.S. domestic travel to grow at an average annual rate of 2.3 per cent. The firm also suggested that the aging of the U.S. population will boost demand for long-stay, inexpensive accommodations and RV parks over the next five years.

Destination loyalty a major driver of U.S. travel decisions: When it comes to planning vacations, many Americans are creatures of habit, according to a recent poll by the United States Tour Operators Association. Nearly a third of the Americans polled (31%) said they prefer to return to a destination they like when going on vacation, although they sometimes try new spots. Another 22 per cent said they always stick to a few tried-and-true places. Only just under a quarter of respondents (24%) said they typically explore new destinations. In addition, two-thirds of respondents (66%) said they choose a destination first when planning a vacation, and then consider price and value.

However, those who take family vacations are more likely to prioritize value, according to a recent survey by Best Western International and Harris Interactive. Family travellers ranked value for the money (62%) and spending time with loved ones (38%) as the top two considerations when choosing a vacation spot. The equal availability of activities for adults and children ranked much lower (14%) as a consideration.

Business Travellers

Business travel demand showing signs of weakening in the U.S.: Economic uncertainty, higher travel prices, and an increased focus on cost savings are beginning to take a toll on business travel demand in North America, especially in the United States. *Business Travel News* recently suggested that the U.S. hotel industry has been experiencing gradually declining trends in business travel for several months now, resulting in much slower growth in occupancy and revenues this year compared with 2006.

The online journal also reported the results of a survey by UBS, which showed that 43 per cent of travel buyers are taking "significant steps to curtail spending on air travel," up from 27 per cent in a similar poll conducted last fall. According to UBS, the results of this survey "support concerns of weakening demand."

Focus on cost-cutting higher than ever: BCD Travel, a global travel management firm, recently surveyed its largest global clients and found that corporations are tightening their travel policies more than ever before. In fact, mandating travel policy ranked as the top priority among travel managers for the first time in three years. Although travel demand among its clients is as high as ever, BCD says "companies are being creative to keep costs down."

The survey also revealed that nearly half (47%) of travel bookings among respondents are made through corporate online booking tools, up from less than a quarter two years ago. However, the percentage of hotel bookings made online has decreased over the last year, which suggests more travellers are booking their rooms directly through preferred suppliers.

The latest survey of North American travel managers by Runzheimer International revealed that many corporations are increasing their use of economy hotels to control lodging costs, according to *Travel Weekly*. Although high-end hotels are still used the most by business travellers, the use of economy hotels has increased 31 per cent over the past four years.

Airlines – Canada

Airlines continue to report strong domestic demand: Robust demand for domestic air travel continues to boost the performance of Canadian airlines, according to the latest financial reports by Air Canada and WestJet.

Air Canada posted a net income of \$155 million for the second quarter of 2007, a slight improvement over the \$152 million net profit reported for the same quarter of 2006. Passenger revenues for the period rose 3 per cent, boosted by a 3 per cent rise in passenger traffic (measured by revenue passenger miles). Passenger yields (the average price a passenger paid to fly one mile, excluding taxes and fees) edged up about 0.5 per cent. Air Canada said that passenger growth during the quarter was mainly due to "strong domestic Canada and Asia Pacific markets," although its U.S. market was soft. The carrier's U.K. bookings were also down because of increasing competition on transatlantic routes as well as the negative effects of strict security measures and a higher U.K. departure tax.

Looking forward, the airline said it expects domestic air travel demand to remain strong. It also plans to shift some capacity from its weakening U.K. market to the Asia-Pacific region, which is showing strong growth potential.

WestJet reported a net profit of \$11.5 million for the second quarter of 2007, almost half the \$22.4 million profit recorded a year earlier. However, passenger revenues for the period jumped 19 per cent over the same quarter of 2006, boosted by a 21 per cent increase in passenger traffic, while passenger yields slipped 1.9 per cent. The airline described its outlook for the third quarter as "promising," buoyed by high domestic demand, and said it planned to increase its capacity by another 14 per cent.

Table 1. Airline Revenue Passenger Miles (RPMs) and Capacity - July 2007

Airline	RPMs (in millions) July 2007	RPM change 2007 vs. 2006	Capacity 2007 vs. 2006
Air Canada mainline (includes Jetz)	4,656	+1.3%	+2.7%
Air Canada Regional (Jazz)	395	+8.5%	+6.0%
WestJet	1,049.8	+17%	+16%

Strong domestic travel demand and a temporary reprieve from high fuel prices in the first quarter of 2007 will allow Canada's air transportation industry to post an increase in profits this year, according to the Conference Board's summer 2007 *Canadian Industrial Outlook* report for the air transportation industry. Cumulative profits for the industry are projected to reach \$649 million, up from \$231 million in 2006.

Airlines – U.S.

U.S. air demand still healthy, but domestic fares are down: U.S. air travel volumes remain healthy, especially for outbound destinations, despite the economic uncertainty that has undermined U.S. travel confidence this year. U.S. airlines are gaining further pricing power on international routes, but incremental increases in domestic capacity are keeping a downward pressure on domestic fares.

Although domestic airfares rose by 1.1 per cent in July 2007, they were down by 0.6 per cent in the first seven months of 2007 compared with the same period of 2006, according to the Air Transport Association (ATA). Meanwhile, transatlantic fares were up 8.5 per cent in the same seven-month period, transpacific fares were ahead by 8.3 per cent, and fares to Latin America were up 5.2 per cent over the previous year.

Close to 16 million Americans were expected to fly over the Labour Day weekend (August 29 to September 5, 2007), a 2.6 per cent increase over 2006. However, flight delays and airport congestion are worsening, and the spike in holiday demand is expected to exacerbate these issues. In July, more than a quarter of all U.S. domestic flights in July were late, according to Flightstats.com, by an average of one hour. According to the ATA, delays are mainly weather related, but there are also pressing issues with the outdated U.S. air traffic control system, which is in dire need of modernization.

Virgin America launches U.S. domestic operations: Virgin America launched U.S. domestic flight services on August 8, 2007, after three years of legal wrangling to obtain approval from U.S. government. Virgin is based in San Francisco and now flies to Los Angeles and New York, but will expand its services to Washington, DC, and Las Vegas over the next month. Many analysts believe the additional competition will bring down domestic airfares on these routes even further.

Hotels - Canada

Robust domestic demand still boosting hotel rates and revenues: Although U.S. visits keep declining, limiting the revenue growth potential of Canadian hotels, robust domestic demand continues to support the upward trend in average daily rates and revenues. In fact, healthy increases in domestic travel expenditures and room rates will enable Canada's hoteliers to post their second consecutive year of record profits this year, according to the Conference Board's *Canadian Industrial Outlook: Canada's Accommodation Industry - Summer 2007*. Accommodation profits are expected to reach \$982 million this year, a 7.9 per cent increase from 2006.

The latest *National Market Report* by PKF Consulting reported that average daily rates in Canada rose 3.3 per cent in June 2007, year-over-year, while occupancy rose 1.7 percentage points to 74 per cent. As a result, revenues per available room (RevPAR) rose 5.7 per cent over the previous year.

Between January and June 2007, average daily rates increased 3.5 per cent over the same period in 2006, while occupancy edged up 0.7 percentage points. Consequently, average room revenues were 4.7 per cent ahead.

Demand for Canadian accommodations increased 2 per cent in the first half of 2007 over the same period in 2006, according to the latest *Canadian Lodging Outlook* by HVS International. Hotel room supply increased 0.9 per cent during the period.

Optimism among Canadian hotel operators has waned: Sentiments among Canadian hotel operators declined in the third quarter of 2007 from the previous quarter, according to Statistics Canada's latest Business Conditions Survey for the Travel Accommodation Industry. Expectations for bookings, occupancy rates, and business travel volumes were less optimistic in the July survey than in the previous survey, conducted in April. However, respondents were optimistic that they would see further growth in average daily room rates over the near term.

The number of respondents reporting business impediments increased again, and exchange rate fluctuations jumped to the head of the list. Those citing the exchange rate as a challenge jumped to 38 per cent of all respondents, up from 22 per cent in the previous survey. A shortage of unskilled labour (34%) and skilled labour (30%) were two other significant issues. Only one out of five respondents (20%) said they were facing no impediments at all.

Hotels - U.S.

Lodging demand growth continues to decelerate: Growth in U.S. lodging demand continues to slow, restrained in part by the slowing U.S. economy. In addition, the main driver of growth has been leisure travel, rather than business travel, as corporations continue to tighten their travel budgets. However, daily room rates continue to rise, keeping room revenue growth healthy.

In the first half of this year, hotel occupancy slipped 0.2 per cent to, year-over-year, but average daily rates were up by 5.7 per cent, boosting RevPAR by 5.5 per cent, according to Smith Travel Research. Over the same period, room demand edged up marginally (0.9%) and was not able to keep up with the growth in room supply (1.1%). Looking ahead, the U.S. hotel industry is expected to settle into more moderate levels of growth for the rest of this year.

The U.S. lodging industry was expected to achieve record occupancy levels over the Labour Day weekend, according to a recent forecast by PricewaterhouseCoopers. The number of occupied rooms per night was forecast to increase 2.5 per cent over 2006, to 3.12 million rooms. However, the overall percentage of rooms occupied was about the same as last year, at 69.1 per cent.

Travel Agents and Other Suppliers

Expedia's North American bookings improve: Expedia.com reported that its booking revenues increased 14 per cent in the second quarter of 2007, year-over-year, boosted by a 38 per cent jump in European booking revenues. North American booking revenues climbed 8 per cent, after a year-long period of flat growth. Revenue growth was primarily driven by a rise in merchant hotel revenues.

Some media reports have suggested that U.S. online travel agencies such as Expedia, Travelocity, and Orbitz have been shoring up their overseas operations to take advantage of the soaring growth in overseas online travel markets. Indeed, U.S. agencies have established a dominant presence in the European online market by expanding their own operations and acquiring European competitors.

U.S. online travel spending registers double-digit growth: In the first half of 2007, online travel spending in the United States reached US\$39.5 billion, a 14 per cent increase over the first half of 2006, according to comScore Inc. Non-travel related spending over the Internet grew 20 per cent to US\$55.1 billion.

Tourism Overview - International

Europe

Air travel between the U.K. and North America dipped again in July: The British Airport Authority's seven U.K. airports handled 15 million passengers in July 2007, a 0.2 per cent increase over July 2006. Passenger numbers on long-haul routes edged up 3 per cent overall, although passengers on North Atlantic routes declined 0.4 per cent. Passengers on scheduled routes to Europe rose 2.8 per cent, while domestic numbers fell 3 per cent.

British Airways reported that its overall passenger numbers declined 2.7 per cent in July compared with the previous year. The number of passengers on routes to North and South America declined 4.5 per cent. The airline noted that it was forced to cancel a "number of flights" because of the terrorist attack at Glasgow airport on June 30, a security closure of a terminal at Heathrow airport on July 4, and heavy rain in late July. The airline has reduced its revenue outlook because of congestion issues at Heathrow airport and weaker transatlantic travel from the U.S. as the U.S. dollar declines in value.

Table 2. Percentage change in passengers carried

Carrier	July 2007 vs. July 2006
British Airways	-2.7%
Ryanair	+21%
easyJet	+17.5%

easyJet launches flexible vacation packaging: U.K.-based easyJet, Europe's second-largest low-cost carrier, has entered the packaged holiday market with its new brand, easyJetHolidays.com. The airline has partnered with Hotelopia.com to let travellers to create their own holiday packages by combining flights on any easyJet route with any hotel room in Hotelopia's hotel inventory. The company says it is relegating traditional holiday packages to the "dustbin of history."

U.K. holiday market picks up over the summer: Record-high rainfalls in the U.K. prompted a strong increase in travel bookings this summer, according to various media reports. The Association of British Travel Agents reported that its members experienced a 40 per cent jump in last-minute bookings in June and July compared with the same months of 2006. British Airways reported a 20 per cent increase in bookings in the last week of July compared with a year earlier. U.S. destinations have been popular because of the strength of the British pound against the weaker U.S. dollar, but demand is also up for sun destinations in the Mediterranean.

Lastminute.com reported an increase in demand for long-haul destinations that are off the beaten path, such as the Maldives, Thailand, and Kenya. The travel website said U.K. travellers are becoming increasingly adventurous in their holiday destinations.

Although traditional travel companies continue to describe U.K. market conditions as "challenging," the latest trading statements from TUI and First Choice indicate that both companies experienced an improvement in U.K. business over the summer. As of late July, TUI's U.K. bookings for summer 2007 were ahead of the previous year by 4.9 per cent, although revenues were behind by the same percentage. First Choice's mainstream holiday bookings were up by 3 per cent, mainly because of strong growth in its long-haul bookings, while short-haul bookings continued to lag behind. At the beginning of the summer, Thomas Cook reported that its bookings were behind by 5 per cent, although the company expected bookings to improve as the summer progressed.

Cycling vacations a growing U.K. market: Cycling holidays are growing in popularity among U.K. travellers, according to a recent Mintel report. The study revealed that 16 per cent of U.K. adults have taken some type of cycling holiday, while another 12 per cent would like to do so in the future. The report noted that while beach holidays (known in the industry as "fly and flop" vacations) still dominate the U.K. market, U.K. travellers are becoming increasingly interested in more active experiences. A growing interest in environmentally friendly travel is also a contributing factor.

European online travel market about three years behind U.S.: A new report by PhoCusWright Inc. suggests that the European online travel market is about three years behind the U.S. online travel market. The research firm expects online bookings to account for about 25 per cent of all travel bookings in Europe this year, about the same percentage that was reached in the United States in 2004. However there are some key differences among individual European markets. For example:

- Of all European markets, U.K. online buying patterns most closely resemble those in the U.S. What's more, major tour operators are entering the U.K. market, resulting in the convergence of business models between online travel providers and traditional tour operators that has reshaped the business strategies used in the U.S. market.

- In France, a combination of "monolithic suppliers," a lack of low-cost carriers, and a smaller outbound travel market have curbed the growth of the French online travel market.
- Online travel purchases are extremely low in Germany, despite a well-established e-commerce market.

Presidential elections curtail French bookings: After a slight improvement in market conditions during the first quarter of this year, TUI AG reported that the French market slumped in the weeks leading up to the French presidential elections, hurting bookings among its French tour operators. Consequently, bookings for the second quarter of 2007 slipped 0.3 per cent compared with a year earlier. TUI also reported that as of July 27, its bookings in France were down by 1.7 per cent, year-over-year, although sales were ahead by 2.8 per cent.

German long-haul air travel still rising: Passenger numbers at Frankfurt Airport edged up 2.1 per cent in July 2007, year-over-year, to nearly 5.2 million, a new monthly record for the facility. Growth was mainly driven by a strong rise in intercontinental travel volumes, which grew 3.4 per cent during the month. Growth was particularly strong on routes to the Middle East and other long-haul leisure travel destinations, something the airport attributed to the expansion of outbound tourism to non-European, less traditional destinations.

German travel agencies report a surge in last-minute summer bookings: German travel agency sales picked up over the summer, likely because of a surge in last-minute bookings, according to the latest TATS survey of German travel agents. In July, sales of package holidays and other leisure travel products grew 6.5 per cent over the previous year, registering strong growth for the second consecutive month. Airline tickets sales jumped 10.9 per cent. For the first seven months of 2007, holiday sales were up by 2.8 per cent over the same period in 2006, and air-only bookings were ahead by 4.7 per cent.

German travel trade offers mixed market reports: TUI AG, Germany's largest tour operator, reported that by the end of July, its German summer bookings were 11.7 per cent ahead, and sales were up by 5.8 per cent, year-over-year. TUI said it was recording growth in all segments, including sun and beach packages, long-haul trips, city breaks, drive holidays, and customized packages.

However, *fww*, a German travel trade journal, reported that most German tour operators and travel agents described the German tourism market as "difficult" this summer, mainly because of weak bookings for family holidays. After strong growth in the first quarter, bookings "slowed dramatically" in the second quarter. The only segments that saw solid growth during the period were cruises, domestic holidays, and short-haul holidays. According to *fww*, industry analysts cannot explain the decline in family vacations—a bread-and-butter market for the German industry—since the German economy and general consumer spending have been doing well.

To win back business for the upcoming winter season, many tour operators are reducing winter package prices. Even TUI has said its winter product prices will be about the same as the previous year.

Mexico

Mexican tour operators report strong booking trends: Wholesale tour operators in Mexico are confident about the outlook for Canadian travel products, after experiencing strong growth in sales over the past several months, according to the latest quarterly market report by the CTC foreign office in Mexico. Because of this strong demand, Mexicana de Aviación has increased its daily air services to Toronto, and several tour operators have launched summer charter services to Eastern Canada.

The CTC office also reported that the Mexican domestic travel market is growing rapidly, driven by the expansion of the country's low-cost airlines. Domestic air capacity is in high supply at relatively low cost, and this is detracting from Mexican outbound travel, overall.

Mexican low-cost carriers expanding international presence: Mexican low-cost carriers continue to expand their international services, now that many have established a foothold in the Mexican market.

- VivaAerobus is seeking approval from the U.S. Department of Transportation to begin services to Austin, Texas, from six Mexican cities, according to *Travel Weekly*.
- Avolar Aerolíneas recently expanded its travel agency distribution presence in Mexico, Canada, the United States, and Europe to enable travel agents to access its inventory through web booking tools. Avolar now flies to 15 cities in Mexico and plans to expand its services to the United States and Canada in the near future.

Online travel agencies strengthening their presence in Latin America: As broadband Internet access increases and economic conditions improve, online travel agencies are becoming an increasingly popular distribution channel for reaching the Latin American travel market, according to *eyefortravel.com*. The article suggests online agencies can play a key role in showing Latin American travellers a huge range of destinations options, and can also help travel suppliers reach this growing market. For example, *Hoteldo.com* has been operating in the Latin American online travel market for seven years. Lodging companies use it to sell hotel rooms to Latin American travellers because it understands the market and its needs.

Asia-Pacific

Asian online travel market undergoing meteoric growth: *HotelClub.com*, a global lodging booking website recently reported that its Asian bookings have been skyrocketing. Its bookings by Asian consumers climbed 40 per cent over the past year, and its Asian client base expanded by 70 per cent. The lodging site offered the following insights into the Asian online travel market:

- Asian clients tend to book shorter breaks of up to three days, several times per year, rather than booking a single, longer trip.
- Asian travellers are price-conscious and embracing the Internet as a source of affordable travel options.
- Only 11 per cent of the Asian population has access to the Internet, but as access expands, the Internet will have a growing impact on the overall Asian market.

According to *eMarketer.com*, the race is on to capture first-time Internet users in Asia and establish brand loyalty. Major international travel sites are ramping up their marketing efforts in emerging Asian markets such as China, India, and Vietnam to capitalize on the enormous growth potential.

Japanese domestic travel market flourishing, while outbound demand remains sluggish: The number of passengers travelling through Narita International Airport in Tokyo grew by 2 per cent between January and July 2007 compared with a year earlier, according to the airport's latest traffic statistics. During that period, the number of Japanese passengers on international flights was on par with the previous year.

Some short-haul outbound travel destinations continue to see solid growth in Japanese arrivals, such as China, Taiwan, Hong Kong; however, overall outbound travel decreased by 3.3 per cent in June 2007, year-over-year, according to Japan National Tourist Organization statistics reported by *Tourism Australia*. The weaker value of the Japanese yen is playing a major role in diminishing outbound travel trends.

At the same time, Japanese domestic tourism is flourishing. A new report by *Deloitte Japan* said retiring baby boomers and the "nouveau riche" are driving strong growth in domestic travel demand in Japan. These two segments have the disposable income to travel and are interested in experiencing the same luxury hotels at home that they have enjoyed while travelling overseas. A recent expansion of luxury hotel supply in Japan is "pushing up demand," especially for an emerging segment of small-scale, ultra-luxury hotels, which the Japanese view as a novelty.

Canada needs to update its approach with the Japanese market: Canada's share of outbound Japanese travellers has registered flat growth since 2004, but Canada's weakness in the Japanese travel market extends back nearly 10 years, according to a new report by the CTC, *Restoring Canada's Growth/Yield with the Japanese Travel Market*. The report lists a number of factors contributing to Canada's weak market share, including:

- the increasing popularity of other Asian destinations
- the lack of awareness of Canadian destinations
- the need for Canada to update its travel products to reflect changes in the Japanese market
- air capacity issues

The report also indicated that Japanese long-haul travellers-particularly those in younger generations-are increasingly interested in experiential, independent travel, and are moving away from traditional packaged products.

Korean outbound travel demand still robust: Korean Air reported that its international passenger traffic (measured by revenue passenger kilometres) rose 6.9 per cent in the second quarter of 2007, reflecting the continued strong growth in Korean outbound travel demand. The carriers' domestic passenger traffic fell 5.2 per cent during the same period.

According to a Reuters news report, robust demand has allowed Korean Air to pass fuel cost increases onto its passengers, something its U.S. and European rivals have found difficult to achieve. The news item also said the Korean won is expected to keep increasing in value against the U.S. dollar, supporting further robust growth in Korean outbound travel demand.

Chinese outbound air travel rising faster than domestic: The number of overall air passengers in China reached 72 million between January and April 2007, up 16.4 per cent compared with the same four months of 2006, according to Chinese aviation authority statistics reported by *Air Transport World*. During the same period, international passenger numbers increased 20 per cent.

Chinese government putting the brakes on air industry growth: In August, China's aviation authority announced it was limiting growth of its airline industry and cutting back flights at Beijing International Airport, to curtail the rapid and inefficient growth of the country's air transport system. The authority said that in recent years, the industry has grown at an average annual rate of 16 per cent, and there are concerns that the country's infrastructure is not able to keep up. The authority will not accept applications for new airlines until after 2010, and the growth of airlines already operating will be controlled.

Chinese online travel market offers enormous growth potential: Ctrip.com International, China's leading online travel firm, reported that its net revenues grew 52 per cent in the second quarter of 2007 over the previous year, to 288 million yuan (C\$40 million). A recent article by *Investor's Business Daily* suggested that Ctrip is well poised to capitalize on the rapid expansion of the Chinese online travel market. Because Ctrip is based in China, it has the advantage of a deep understanding of the Chinese market and has achieved widespread brand recognition there. In addition, the website caters to middle-class Chinese-the fastest growing consumer segment-by offering the types of affordable travel options that appeal to this segment.

A recent study by iResearch Consulting Group confirmed the enormous potential of the Chinese online travel market. In 2006, 2.75 million Chinese booked travel services online, up 72 per cent from 2005. By 2008, the number of online bookers is expected to more than triple to 5.7 million. Online travel spending reached 1.54 billion yuan in 2006, an 82 per cent increase over 2005. Ctrip.com captured 54.2 per cent of the online market last year, followed by eLong.com at 17.8 per cent.

Qunar.com, another Chinese travel website, released findings from a May 2007 users survey, which revealed that its Chinese clients tend to be highly educated professionals who are frequent travellers and comfortable using the Internet. Nearly all respondents (92%) said they used the Internet to research travel, and 47 per cent have made a travel booking online. Most respondents were also comfortable with the level of security with online transactions.

Australia's Qantas records record-high full-year results: Qantas Group reported a net profit of A\$719.4 million (C\$623.1 million) for its full year ended June 30, 2007, a 50 per cent increase over the previous year, and a record high for the airline company. It attributed its success to its "two-brand strategy" of shifting domestic capacity to its domestic low-cost airline, JetStar, and focusing its mainline operations on more profitable routes. The robust Australian economy also helped bolster the company's bottom line. Overall, the airline group carried 7 per cent more passengers than it did a year earlier, but passenger numbers on JetStar jumped 31.8 per cent.

Australian outbound travel still on upward trend: The latest figures from the Australian Bureau of Statistics show that Australian outbound travel increased 9.6 per cent in June 2007 compared with the same month in 2006. Outbound travel has been on an upward trend since December 2006.

Australian and New Zealand online travel market poised for soaring growth: The online travel market in Australia and New Zealand is poised to balloon by 50 per cent between 2006 and 2009 to US\$6.1 billion, according to a new report by PhoCusWright Inc. A number of factors are supporting the market's strong growth potential, including the early success of discount carrier Virgin Blue's online distribution strategies, and market investments by online travel agencies such as Webjet Travel, Zuji.com, Travel.com.au, and Wotif.com.

Two Australian travel markets are Canada's best bets: There are four leisure travel segments in Australia, two of which are key target markets for Canada, according to a recent Australian market study by the CTC. Canada's key markets are nature-inspired travellers, who seek nature-based travel experiences, and outdoor sports seekers, who want trips involving outdoor sports and adventures. The report suggests Canada should develop travel products that cater to these two markets in order to boost Canada's position in the Australian outbound market. It also notes that Australians tend to travel independently, but are open to "relevant packaging."

Tourism Leading Indicator Index

Because of the constantly evolving nature of today's travel environment, it is increasingly important to be able to anticipate fluctuations in travel demand, in order to make better business decisions. The Tourism Leading Indicator Index provides insights into the near-term outlook for the Canadian tourism industry, by tracking the progress of the economic and non-economic factors that affect travel demand.

The rating for each component of the index indicates how that component is expected to affect travel from the source market over the near term. Meanwhile, the overall rating indicates the expected performance of the source market in the near term, relative to the same time period in the previous year.

Ratings Key:**Economic Factors and Non-Economic Factors:**

Range from ↑↑↑ (significantly adds to demand) to ↓↓↓ (significantly impedes demand).
↔ represents neutral effect on demand.

Overall Tourism Leading Indicator:

Ranges from +++ (significantly improving) to --- (significantly deteriorating). 0 represents no change.

For more information on the specific weighting and methodology used to produce the index, please refer to the Tourism Leading Indicator Index - Methodology appendix at the end of this report.

Domestic Travel

Economic		Non-Economic		Overall
General Economic Trend	Price Competitiveness	Traveller Trends (Domestic)	Supplier Trends (Domestic)	
↑ (↑)	↔ (↓)	↑ (↑)	↑ (↑)	+

Note: the bracketed figures are from the previous (July 2007) Tourism Intelligence Bulletin.

Economic Trends:

- In total, 11,300 new jobs were created in July, and the unemployment rate fell to 6 per cent, its lowest level since 1974. Although retail sales slipped 0.9 per cent in June, they had reached a decade-long peak in May, at an estimated \$35 billion.
- While the overall price competitiveness of domestic travel appears to be stabilizing, the strength of the Canadian dollar continues to spur outbound travel. The recent easing of gas prices should provide a slight boost to domestic automobile travel.

Traveller and Supplier Trends:

- Year-over-year, domestic air travel (as measured by the number of enplaned and deplaned passengers at Canada's top 30 airports) increased 6.3 per cent in June, according to Transport Canada. As well, average Canadian hotel occupancy rates increased 1.7 percentage points in June, according to PKF Consulting. However, year-to-date occupancy was ahead by a more modest 0.7 percentage points.
- The latest outbound travel statistics (June 2007) indicate a sharp pickup in overnight travel to the United States (up 8.5%, year-over-year). During the same month, travel to other international countries was up by 7.9 per cent, year-over-year.
- Overall, the Tourism Leading Indicator for domestic travel suggests the market should continue to expand at a modest pace over the near term.

United States (to Canada)

Economic		Non-Economic		Overall
General Economic Trend	Price Competitiveness	Traveller Trends (to Canada)	Supplier Trends (U.S. to Canada)	
↔ (↔)	↓ (↓)	↓ (↓↓↓)	↔ (↔)	-

Note: the bracketed figures are from the previous (July 2007) Tourism Intelligence Bulletin.

Economic Trends:

- Recent indicators present a somewhat mixed assessment of the U.S. economy. The Conference Board's leading economic index for the U.S. increased 0.4 per cent in July, offsetting a decline in June. However, the Conference Board's consumer confidence index, which surged in July, retreated again in August. The index now stands at 105.0 (1985=100), down from 111.9 in July.
- While Canada's price competitiveness for U.S. travellers was expected to improve slightly during the third quarter of 2007, it is now expected to slip during the fourth quarter, according to recent analysis by the Canadian Tourism Research Institute (CTRI).

Traveller and Supplier Trends:

- On a somewhat positive note, overnight trips from the United States to Canada remained at virtually the same level in June 2007 as they were in June 2006, according to Statistics Canada. Still, the year-to-date figures indicated that overnight auto and air travel from the U.S. are down 5.3 and 3 per cent, respectively, compared with the first six months in 2006. In addition to other issues, confusion over the Western Hemisphere Travel Initiative (WHTI) is likely curbing automobile travel from the U.S.
- Although direct air capacity from the United States to Canada during the third quarter of 2007 was scheduled to increase slightly (1.1%), year-over-year, it is expected to dip 1.3 per cent during the fourth quarter.
- Overall, the Tourism Leading Indicator for U.S. travel to Canada suggests that U.S. visits will continue to decline over the near term.

United Kingdom

Economic		Non-Economic		Overall
General Economic Trend	Price Competitiveness	Traveller Trends	Supplier Trends	
↑ (↑)	↑ (↑)	↔ (↔)	↑ (↑)	+

Note: the bracketed figures are from the previous (July 2007) Tourism Intelligence Bulletin.

Economic Trends:

- The Conference Board's leading economic index for the U.K. increased a modest 0.2 per cent in June. However, the six-month growth rate of the index increased to an annual rate of 4.5 per cent. The latest indicators suggest that real gross domestic product (GDP) in the U.K. grew at an annual rate of 3.3 per cent in the second quarter of 2007. The current behaviour of the leading economic index suggests economic growth will likely pick up in the near term.

- Canada's price competitiveness for U.K. travellers is still a challenge. Fortunately, it is expected to improve against most competitive markets in the third and fourth quarters of 2007.

Traveller and Supplier Trends:

- Visits from the U.K. increased 4.9 per cent in June, according to Statistics Canada. Overall, January-to-June visits from the U.K. were 4 per cent ahead of the same period in 2006. While U.K. travel abroad declined 5 per cent between April and June 2007, year-over-year, travel to North America increased 1 per cent, according to the U.K. Office for National Statistics.
- Looking ahead, direct air capacity on scheduled flights from the U.K. to Canada is expected to increase by 30.8 per cent during the fourth quarter of 2007, compared with last year.
- Overall, economic gains and an improvement in Canada's price competitiveness suggest slight growth potential for U.K. travel to Canada over the near term, despite a softness in travel trends.

France

Economic		Non-Economic		Overall
General Economic Trend	Price Competitiveness	Traveller Trends	Supplier Trends	
↔ (↔)	↔ (↔)	↑ (↑)	↑↑ (↑)	+

Note: the bracketed figures are from the previous (July 2007) Tourism Intelligence Bulletin.

Economic Trends:

- The Conference Board's leading economic index for France decreased by a slight 0.1 per cent in June, the third consecutive monthly decline. With the latest decline, the six-month growth rate of the index fell to a 0.2 per cent annual rate. The recent behaviour of the leading index suggests overall economic growth will likely continue, albeit at a slow to moderate pace in the near term.
- Although the euro has depreciated 6 per cent vis-à-vis the Canadian dollar since the beginning of this year, it is roughly at the same level as it was this time last year.

Traveller and Supplier Trends:

- Visits from France increased 6.4 per cent in June 2007, year-over-year, helping to boost year-to-date arrivals by 5.1 per cent, according to Statistics Canada. By comparison, the U.S. Office of Travel and Tourism Industries (OTTI) reported that travel from France to the U.S. increased 23.5 per cent during the first five months of 2007.
- French arrivals to Canada should receive a boost from the estimated 14 to 15 per cent increase in direct air capacity scheduled for the third and fourth quarters of 2007.
- All in all, despite some economic concerns and lingering price competitiveness issues, the Tourism Leading Index suggests there is growth potential for French travel to Canada over the near term.

Germany

Economic		Non-Economic		Overall
General Economic Trend	Price Competitiveness	Traveller Trends	Supplier Trends	
↑ (↑)	↔ (↔)	↑ (↑)	↔ (↔)	+

Note: the bracketed figures are from the previous (July 2007) Tourism Intelligence Bulletin.

Economic Trends:

- The Conference Board's leading economic index for Germany increased 0.6 per cent in June. With June's gain, the six-month growth rate of the index rose sharply to a 6.2 per cent annual rate, as the strengths among the indicators become more widespread. On the other hand, real GDP growth slowed to a modest 1 per cent annual rate in the second quarter of 2007, down from the 3.5 per cent rate posted in the second half of 2006. Fortunately, the behaviour of the leading index suggests that the economic growth should continue and may even pick up slightly over the near term.
- Despite the recent depreciation of the euro vis-à-vis the Canadian dollar, Canada's competitiveness for German travellers was expected to improve against some competitive markets in the third quarter of 2007. However, Canada's price competitiveness for German travellers is expected to decline against most competitive markets over the fourth quarter of 2007.

Traveller and Supplier Trends:

- Visits from Germany increased 9.4 per cent in June and helped boost year-to-date arrivals up 4.5 per cent, compared with the same period in 2006, according to Statistics Canada. A likely reason for the recent surge in June arrivals was Germany's hosting of the FIFA World Cup last June, which kept many Germans (and other Europeans) at home. Meanwhile, the OTTI reported that travel from Germany to the U.S. increased 5.4 per cent during the first five months of 2007.
- Over the last half of 2007, the level of direct air capacity planned by scheduled carriers is expected to increase by a relatively modest 3 to 4 per cent.
- Overall, improving economic conditions suggest there is slight growth potential for German travel to Canada over the near term.

Mexico

Economic		Non-Economic		Overall
General Economic Trend	Price Competitiveness	Traveller Trends	Supplier Trends	
↔ (↔)	↓ (↓)	↑↑ (↑↑)	↓ (↓)	+

Note: the bracketed figures are from the previous (July 2007) Tourism Intelligence Bulletin.

Economic Trends:

- The Conference Board's leading economic index for Mexico increased 0.1 per cent in June. With this increase, the six-month growth rate of the index increased to an annual pace of 3.4 per cent. Unfortunately, the weaknesses among the indicators have been more widespread than the strengths in recent months. The behaviour of the leading index suggests slow economic growth will likely continue in the near term.
- Despite cheaper airfares to Canada, the price competitiveness of Canadian destinations over the last half of 2007 remains under pressure from the continued depreciation of the Mexican peso vis-à-vis the Canadian dollar.

Traveller and Supplier Trends:

- Visits from Mexico increased 23.9 per cent in June and helped boost year-to-date arrivals in 2007 up 20 per cent over the previous year, according to Statistics Canada. Meanwhile, the OTTI reported that Mexican arrivals to the U.S. interior (beyond the 40-kilometre U.S. border zone) increased 20.5 per cent during the first five months of 2007.
- Unfortunately, direct air capacity between Mexico and Canada is scheduled to decline a modest 2-3 per cent over the last half of 2007, compared with a year earlier.
- The Tourism Leading Indicator Index suggests that the continued strength in Mexican travel trends should offset some of the country's economic concerns, as well as Canada's struggling price competitiveness and direct air capacity constraints. As a result, Mexican arrivals to Canada are expected to post modest growth over the near term.

Japan

Economic		Non-Economic		Overall
General Economic Trend	Price Competitiveness	Traveller Trends	Supplier Trends	
↔ (↔)	↓ (↓)	↓↓ (↓↓)	↓ (↔)	–

Note: the bracketed figures are from the previous (July 2007) Tourism Intelligence Bulletin.

Economic Trends:

- The Conference Board's leading economic index for Japan increased 1.3 per cent in June, but there were downward revisions to the leading index in the previous several months due to data revisions. Despite the recent gain, the six-month index continued to decline at a 2.5 per cent annual rate. In addition, the weaknesses among the leading indicators have become more widespread than the strengths in recent months. The current behaviour of the leading index suggests that the economy is likely to grow at a slow pace in the near term.
- Unfortunately, the cost of visiting Canada is increasing as the value of the Japanese yen depreciates. Although Canada's relative price competitiveness was expected to improve slightly against most competing markets during the third quarter, it is expected to slip during the fourth quarter of 2007.

Traveller and Supplier Trends:

- Over the first six months of 2007, Japanese arrivals to Canada were down 16.6 per cent from 2006. Meanwhile, the OTTI reports that travel from Japan to the U.S. declined 6.3 per cent during the first five months of 2007.
- Direct air capacity from Japan to Canada in the last half of 2007 is expected to be down 4 per cent from the previous year.
- Overall, the Tourism Leading Indicator suggests Japanese arrivals to Canada will continue to decline over the near term.

South Korea

Economic		Non-Economic		Overall
General Economic Trend	Price Competitiveness	Traveller Trends	Supplier Trends	
↑ (↑)	↓ (↓)	↑ (↑)	↔ (↓)	+

Note: the bracketed figures are from the previous (July 2007) Tourism Intelligence Bulletin.

Economic Trends:

- The Conference Board's overall leading economic index for South Korea increased 0.2 per cent in June, following a sharp gain in May. Despite the gains, the six-month growth rate of the index has fluctuated around a 0.5-1 per cent rate in the last three months—well below the 2-4 per cent rate in late 2006. Also, the strengths and weaknesses among the leading indicators have become more balanced over the past few months. Still, real GDP grew at a 7 per cent annual rate in the second quarter, up from the 4.4 per cent rate reported over the second half of 2006. The recent behaviour of the leading index suggests the economy will register moderate growth in the near term.
- Unfortunately, the cost of travel to Canada continues to climb as the Korean won depreciates against the Canadian dollar. Canada's price competitiveness for Korean travellers is expected to weaken against most competitive markets during the third and fourth quarters of 2007.

Traveller and Supplier Trends:

- Despite a setback in Korean arrivals to Canada during June, visits during the first six months of 2007 were up 5.3 per cent compared with the same period last year, according to Statistics Canada. Similarly, the OTTI reported that travel from South Korea to the U.S. increased 7.6 per cent during the first five months of 2007.
- Although direct air capacity from South Korea to Canada was scheduled to decline 6.8 per cent over the third quarter, it is expected to increase 5.7 per cent during the fourth quarter of 2007 compared with the previous year.
- Overall, the Tourism Leading Indicator Index suggests Korean arrivals to Canada should increase slightly over the near term.

China

Economic		Non-Economic		Overall
General Economic Trend	Price Competitiveness	Traveller Trends	Supplier Trends	
↑↑↑ (↑↑)	↑ (↑)	↑↑ (↑↑)	↑↑ (↑↑)	++

Note: the bracketed figures are from the previous (July 2007) Tourism Intelligence Bulletin.

Economic Trends:

- The most recent indicators suggest that China's economy continues to surge ahead. Once again, concerns about overheating are escalating, despite apparent efforts by authorities to cool the economy. According to the latest Consensus Forecasts report (July 2007), projections for real GDP growth in China for 2007 and 2008 now stand at 10.5 and 9.9 per cent, respectively.
- Canada's price competitiveness for Chinese travellers is expected to improve against all key competitive destinations in the third and fourth quarters of 2007.

Traveller and Supplier Trends:

- In June, Chinese arrivals to Canada increased a relatively modest 6.5 per cent, according to Statistics Canada. Still, the year-to-date figures show visits from China were up 8.5 per cent, compared with 2006. Meanwhile, the OTTI reported that travel from China (including Hong Kong) to the U.S. increased 16.2 per cent in the first five months of 2007.

- Direct air capacity to Canada is scheduled to increase 20 to 22 per cent over the third and fourth quarters of 2007, compared with the previous year.
- The Tourism Leading Indicator Index suggests that continued strength in economic and travel trends will help fuel solid growth in Chinese travel to Canada over the near term.

Australia

Economic		Non-Economic		Overall
General Economic Trend	Price Competitiveness	Traveller Trends	Supplier Trends	
↑↑ (↑↑)	↑ (↑)	↑↑ (↑)	↑ (↑)	++

Note: the bracketed figures are from the previous (July 2007) Tourism Intelligence Bulletin.

Economic Trends:

- The Conference Board's overall leading economic index for Australia increased 0.4 per cent in June. With this gain, the six-month growth rate increased to an annual pace of 6.5 per cent. In addition, the strengths among the leading indicators are becoming more widespread. The behaviour of the leading index suggests that moderate to strong growth will likely continue in the near term.
- Aided by the relative strength of the Australian dollar, Canada's price competitiveness for Australian travellers is expected to improve against many competitive markets in the third and fourth quarters of 2007.

Traveller and Supplier Trends:

- Australian arrivals to Canada increased 10.8 per cent during the first six months of 2007 compared with a year earlier, according to Statistics Canada. Similarly, the OTTI reported that travel from Australia to the U.S. increased 11.4 per cent during the first five months of 2007.
- For the last half of 2007, air capacity to Canada (with one stop) is expected to expand 14-15 per cent compared with 2006.
- Overall, the Tourism Leading Indicator suggests there is potential for moderate to strong growth in Australian arrivals over the near term.

Appendix: Tourism Leading Indicator Index - Methodology

The Tourism Leading Indicator Index provides tourism stakeholders with insights into the near-term outlook for the Canadian tourism industry, by tracking the progress of the economic and non-economic factors that affect travel demand.

To derive the overall Tourism Leading Indicator Index, the various component indexes representing economic and non-economic motivating factors are weighted to reflect their relative importance in the travel decision-making process. The ratings used to assess the component indexes of the overall index identify the degree to which each component provides added stimulus or, alternatively, provides an added impediment to visiting Canada over the near term. The specific rating gradients used to assess the various component indexes of the Tourism Leading Indicator are as follows:

Ratings Used for the Component Indexes of the Tourism Leading Indicator

Symbol	Interpretation
↑↑↑	Significant stimulus to demand
↑↑	Moderate stimulus to demand
↑	Slight stimulus to demand
↔	No (or little) added stimulus to demand
↓	Slight impediment to demand
↓↓	Moderate impediment to demand
↓↓↓	Significant impediment to demand

Meanwhile, the overall index rating for each source market indicates the expected performance of the source market in the near term, relative to the same time period in the previous year. The specific rating gradients used to assess the Tourism Leading Indicator Index are as follows:

Ratings Used for the Tourism Leading Indicator Index

Symbol	Interpretation
+++	Significant improvement
++	Moderate improvement
+	Slight improvement
0	No change (or little change)
-	Slight deterioration
--	Moderate deterioration
---	Significant deterioration

Leading indicators have been established for Canada's domestic travel market and for each of Canada's key international markets: United States, United Kingdom, France, Germany, Mexico, Japan, South Korea, China, and Australia.

Methodology Used to Develop the Tourism Leading Indicator for Each Source Market:

Economic Factors

A) General Economic Trend: The specific assessment of the general economic conditions for each source travel market is derived from the degree to which economic conditions are changing (becoming more favourable or less favourable) as well as a general assessment of economic conditions. Ultimately, the rating provided represents the degree of positive push (stimulus) or negative pull (impediment) affecting decisions to visit Canada over the near term due to economic conditions in each source market.

B) Price Competitiveness: Exchange rates between markets play a significant role in price competitiveness. Other factors used to assess overall price competitiveness include how gas prices, fuel surcharges, security-related charges, or other costs are making Canada either more or less price competitive than other competing destinations.

Non-Economic Factors

A) Traveller Trends: The assessment of traveller trends to and within Canada considers the source market's level of consumer confidence, regulations, current travel trends, and travel intentions.

B) Supplier Trends: Supplier trends indicate the degree to which suppliers are increasing (or decreasing) their product offerings to facilitate travel from the source market to and within Canada. The result of changes in supply can increase (or decrease) growth potential.

The following table identifies the weighting used for each component of the Tourism Leading Indicator for each source market.

Travel Market	Economic		Non-Economic	
	General Economic Trend	Price Competitiveness	Traveller Trends (to/within Canada)	Supplier Trends (to/within Canada)
Domestic & U.S.	40%	10%	40%	10%
All others	30%	10%	50%	10%

A higher weight on economic factors is given to domestic and U.S. travel because a higher percentage of the travel that occurs in these markets is for non-leisure purposes, which tend to be more closely linked to economic motivations. In addition, the prevalence of shorter, more frequent automobile travel also tends to be more highly correlated with economic factors. On the other hand, the longer average distance and trip duration of overseas trips suggests that non-economic factors tend to play a bigger part in the decision-making process for these trips.