Perspective

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TOURISM INDUSTRY

An appendage of the economy?

Tourism in urban centres and the regions

Desjardins
Economic Studies

DESJARDINS GROUP

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Economic Studies

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NOTE TO READERS: In this text, the symbols **M** and **B** are used respectively to refer to millions and billions of dollars.

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EDITORIAL

Can tourism thrive or just survive in a recession?

Tourism accounts for some 2.7% of Québec's GDP, more than the 2% contributed by residential construction, which receives much more attention. Is it because we associate tourism with vacation? Perhaps, but that's not what the 130,000 employees working in Québec's 30,000 tourism-related companies think.

Tourism is one of the few economic activities found in all the regions. The industry has firmed up in the last decade. The economic boom of the last few years has given vacationers wings, sending them flocking to Québec in search of new experiences. The industry has stepped up its efforts to offer more rounded-out products and has even found ways to capitalize on our winters, no longer considered the "dead season." Québec's tourism sector has grown rapidly, as evidenced by the rising number of jobs and hourly wages, which surpass the provincial average.

However, after several good years, the industry is bracing for a tough time in 2009 as the recession casts a pall on the prospects for growth. The severity of the downturn in the U.S., the magnitude of the financial crisis, and the succession of bad news have industry stakeholders worried about a sharp decrease in traffic and revenues. Although the situation may look gloomy, it becomes less so when we realize that 80% of our tourists are Québecers and Canadians, who are expected to be slightly less affected by the downturn than the Americans. While it's true that 15 to 16% of foreign visitors account for 30% of the spending in the province, the loonie's fall may prompt more Québecers to vacation at home this year instead of heading for the beaches of New England.

Given that companies are having a tough time, business travel is expected to suffer more. Montréal, Québec City and Laval will be in the hot seat. Countrywide, the pullback will most likely be in the areas that were most vibrant in the last few years, namely, the West, where economic activity has slowed as a result of the drop in oil prices. Ontario, the hub of Canada's auto and financial industries, will also not be spared.

Beyond 2009, the tourism sector will be confronted with many challenges. The Internet has changed how tourism business is conducted and how people shop for vacations. The competition is just a click away. Québec is competing with the rest of the world and adopting international standards is not a passing fancy. Like everywhere else, the aging population makes recruitment difficult. There are many solutions, including reaching out to the 50+ group and changing school schedules. Moreover, sustainable development has become a major issue. Visitors are increasingly demanding in this regard, and the industry's survival depends on its ability to practice environmental stewardship.

Thrive or just survive in times of recession? Fight is the more accurate term in the current situation. Fight to maximize visibility among those who will still decide to travel this year, and continue to improve our offer, because there is no better ambassador than a satisfied tourist. The tourism industry has gone through economic slowdowns and downturns before. Today, it is better structured and equipped to weather the storm and prepare for the next decade.

François Dupuis
Vice-President and Chief Economist

THE SITUATION IN QUÉBEC

Québec not spared from the recession

As elsewhere in the country, the recent deterioration in economic indicators was surprisingly strong. The recession, which promised to be slight just a few months ago, will therefore be as or even more painful than the recession of the early 90s. The signal from the Desjardins Leading Index (DLI) is quite clear on that. The DLI fell for a fourth straight month in January. The magnitude of the DLI's downturn indicates that the economy will contract about the same as in 1990-1991.

Given the recent about-face of most statistics and the fairly grim economic outlooks for North America and elsewhere, our forecasts have been revised sharply downward. A downturn in consumption had been a sizeable downside risk last fall, and it has now begun. Real GDP is now expected to decrease by 2.1% for 2009 (last quarter, the change was forecast to be -1.3%), while the 2010 recovery is likely to be less sustained. The American economy's prolonged lethargy, which will continue to have an impact on Québec's foreign trade, and the substantial cuts to business inventories, which usually continue for several quarters after a recession is over, will also keep Québec's economic growth down to 1.1% next year. The economy will only close in on full potential (around 2%) in 2011. In short, the province will find the next two years tough sailing.

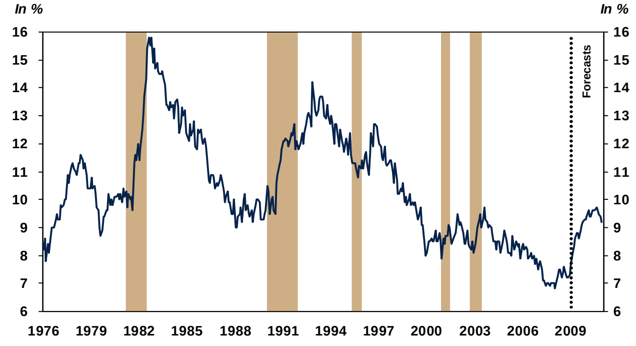
In fact, the current situation is putting the spotlight on medium-term issues. During the latest expansion period, Québec's government was not able to acquire enough leeway to get through troughs, much less get ready for the demographic shock that will soon be at the door. Fiscal 2009-2010 will end with a sizeable budget deficit, estimated to be at least $4B. A return to a balanced budget situation, forecast for 2013-2014, is far from assured. Although Québec's economy held up against the recession for a longer time, in part thanks to the Québec Infrastructure Plan launched in the fall of 2007, its stimulus effects will slowly ebb and could even result in somewhat of a backlash in 2010.

Québec's almost 30% increase in public spending in 2008 was well above the increases in Canada and Ontario. However, Statistics Canada is suggesting that Québec will lose this comparative advantage as early as this year. Investment intentions are much more favourable in the province next door, while Canada's will be boosted by the measures announced in the last federal budget, as well as in some provincial budgets. In 2010, the Québec Infrastructure Plan calls for investment to slow a situation that will be offset by the greater contribution from the Harper government. Even though Québec has not been able to set up a real recovery plan to kick-start its economy, the federal plan will make itself fully felt next year.

The main downside risk in the forecasts we made last winter involved consumer spending. At the time, the drop in consumer confidence that stemmed from the violent stock market correction had not been accompanied by any deterioration in the job market. This is no longer true. Layoffs are mounting and now affect most sectors of the economy. Even the aerospace industry, which we had thought would be safe because of its special business cycle, has announced layoffs at some Montreal plants. The decline in employment should steepen in the next few months due to the recession. More than 100,000 workers will lose their jobs from its peak (end of 2008) to its trough (mid-2010), which will temporarily drive the jobless rate up to almost 10% during this time (Graph 1). The deterioration will draw out the slump in consumption and make the saving rate rise to 4.5% at the end of 2009. As elsewhere in North America, the increase in savings reflects more prudence on the part of households and is a swing back to normal from the trough of recent years. The decline in consumption that began as of the end of 2008 (Graph 2) will, in the end, have taken Québec's economy into a severe recession that will last throughout 2009.

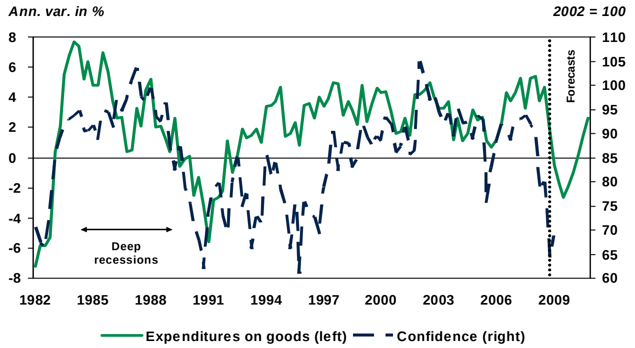
The deterioration of the economic environment is now affecting the foundations of the housing sector. Housing starts have nosedived, while the resale market has reached a turning point. In this context, forecasts have been trimmed. Starts will fall by nearly 20% this year to hit 38,000 units. The fact that there are relatively few vacant new units in Québec and that this province did not overheat as intensely as elsewhere in the country will help avoid a landing as brutal as that experienced in western Canada and Ontario.

Graph 1 – The recession will take jobless rate up to almost 10%



Sources: Statistics Canada and Desjardins, Economic Studies

Graph 2 – Consumer spending on goods already declining

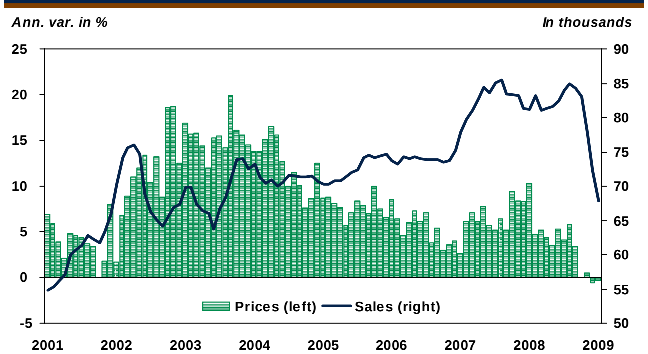


Sources: Conference Board of Canada, Institut de la statistique du Québec and Desjardins, Economic Studies

Existing home sales were down 30% in January and 25% in February from the same months in 2008, a symptom of a sharp change of course (Graph 3). This fall in demand is putting downward pressure on average prices, which are already posting a slight pullback. In February 2009, prices were down 0.7% from June 2008's peak. This movement should steepen in the coming months as sales decline. The number of homes that will change hands will decline by more than 10%, intensifying the drop in prices. Although our scenario calls for prices to pull back by about 2%, a maximum correction of 5% could occur in 2009.

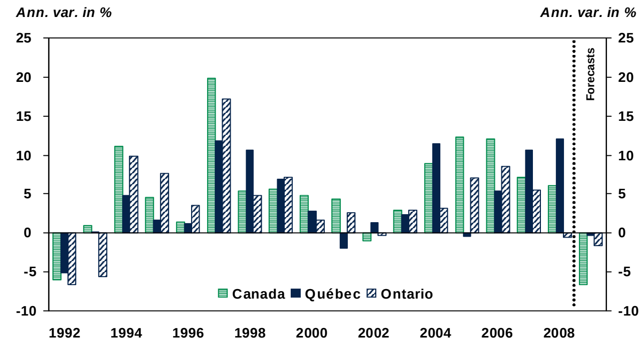
The situation for business has also deteriorated somewhat. Investment plans are of course down in 2009 (Graph 4). Québec should still do better than Ontario and Canada as a whole, as the problems in the auto sector and the collapse in commodity prices are having a more negative impact on the outlook elsewhere in the country. However, Québec is also being hurt by the current uncertainty, tightened credit conditions, the restricted access to financing, the drop in corporate profits and the Canadian dollar's downswing to around US80¢. Although investment intentions, down 0.4% in 2009, put Québec in good position on the national landscape, there is a real risk of a bigger-than-forecast pullback. Our forecast, however, calls for business investment to decline by more than 7% this year.

Graph 3 – Home sales are down and prices start to slide



Sources: Canadian Real Estate Association and Desjardins, Economic Studies

Graph 4 – Québec's decline by business investment will be less than the Canadian average in 2009



Sources: Statistics Canada and Desjardins, Economic Studies

The U.S. economy's deep problems will result in a slow convalescence, which will keep exports from getting back to growth quickly. Some stabilization is anticipated next year, however, following the 6.0% decline expected for 2009. In short, only the jump in public spending will be able to soften the severe recession that is currently afflicting Québec. The negative contribution of households and industry will be a heavy drag this year. However, Québec's real GDP contraction (-2.1%) will be slightly smaller than the contraction in the GDP for Canada as a whole (-2.8%). A less violent correction from the housing sector, more resilient business investment and the ongoing Québec Infrastructure Plan will help to limit the damage in Québec in 2009. Canadian economic growth (+1.5%) will, however, take the lead over Québec's (+1.1%) next year. The recession will last until the end of this year, and the recovery forecast for 2010 will be quite slow.

Hélène Bégin
Senior Economist

Detailed forecasts are on page 21.

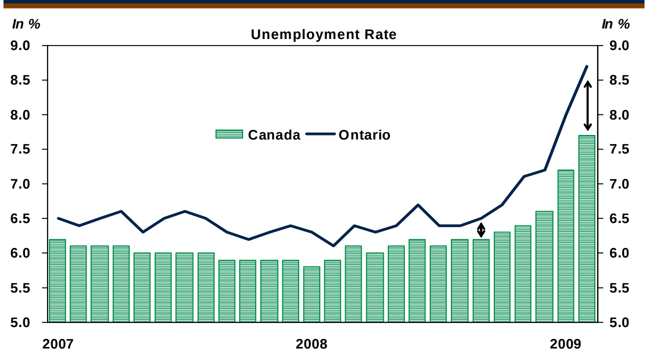
THE SITUATION IN ONTARIO

Ontario: At the heart of the storm

The economic indicators' recent movements illustrate how hard Ontario has been hit by the downturn. For example, a good portion of the latest round of job cuts in the country have taken place in that province, with the result that unemployment rose to 8.7% in February, a big jump from last year's 6.1%. In fact, the unemployment rate is higher in Ontario than in Québec for the first time since this time series began in 1976. Combined with deteriorating household confidence, the labour market's troubles are increasingly affecting consumer spending. Thus, retail sales plunged 17.7% in the fourth quarter of 2008 (annualized). Ontario is also among the regions hardest hit by the setbacks in the housing market. Not only have housing starts fallen off sharply in the last few months, but the average price of existing homes is down 12% from its peak at the end of 2007.

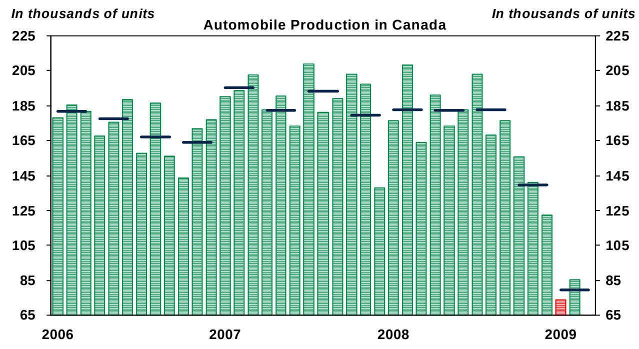
The auto industry is raising serious concerns and severely dampening Ontario's growth outlook. Vehicle production tumbled nearly 40% in January as a result of weak sales in North America, high inventory, and the implementation of restructuring plans by Detroit's Big Three automakers. Despite the 16% rebound in February, fuelled by a pickup in certain activities, all signs point to a protracted downturn that will last at least a few more quarters, if not a few years.

Graph 5 – Labour market conditions are deteriorating faster in Ontario



Source: Department of Finance Canada

Graph 6 – Auto production plunges in January



Sources: Statistics Canada and Desjardins, Economic Studies

In the longer term, the restructuring of the Big Three will inevitably result in upheaval. Production capacity will surely be cut further. In fact, Ford has just announced that it is eliminating one of its shifts at its Windsor plant. Canadian and American employees recently agreed to certain concessions in order to help the automakers trim labour costs and boost their competitiveness. The governments are also helping out. In addition to the financial aid announced by the federal and Ontario governments at the end of last year, the latest federal budget calls for setting up a $12 billion guaranteed credit facility to encourage consumers to purchase or lease a new vehicle.

However, it will take some time to restructure the auto industry, and in the near term, the situation will affect Ontario's growth prospects. The province clearly went into recession last fall and, compared to its counterparts, may end up with the biggest drop in output this year. Notwithstanding the pickup in government investments, consumer spending and private investment will have to stabilize before the economy truly rebounds in early 2010. Thus, after contracting by 3.3% in 2009, real GDP is projected to grow 1.0% next year.

Benoit P. Durocher
Senior Economist

Detailed forecasts are on page 21.

TOURISM INDUSTRY

An appendage of the economy?

Tourism is sometimes considered an "accessory" or a complement to general economic activity. How is providing lodging, food and transportation to visitors less important than providing these same services to local residents? Is this economic activity not as important as trade because the clientele is transient? According to the latest figures from the Institut de la statistique du Québec (ISQ), the tourism industry alone accounts for some 2.7% of Québec's GDP. It is also one of the few activities found in all the regions; hence the importance getting a clear picture in order to determine the extent of the challenges that await this sector in 2009.

TOURISM ENRICHES

This was the theme used by the World Tourism Organization (UNWTO), a specialized agency of the United Nations, to spread the word about the industry in the early 2000s. The construction of the infrastructures required for tourism generates spin-offs that filter down to the local population, benefiting individuals, families and communities alike. It also provides the state with tax revenues and helps disseminate culture.

It is not easy to determine just how much tourism contributes to the transportation, accommodation and food services industries: this difficult task has been delegated to the ISQ. According to its most recent estimates (2005), tourism accounts for 2.7% of Québec GDP, and there is good reason to believe that this proportion has not changed significantly since then. This percentage is greater than agriculture, forestry and hunting combined (1.8% on average in the last four years), residential construction (approximately 2%), primary metal manufacturing (2.1%), and aerospace products and parts manufacturing (1.8%).

The GDP generated by the money spent by tourists and day-trippers from all parts of Québec was estimated at $7.4 billion in 2005. According to the ISQ, about $73 out of every $100 in tourist dollars spent in Québec benefits the economy.[1] Moreover, the institute says that "based on the ISQ's inter-sector model, we have found that $100 spent on a tourism activity in Québec has a greater economic impact than the same amount spent in such key sectors as residential construction and aeronautical product manufacturing."[2] (Table 1). The reason tourism makes a greater contribution to the local economy is because most of the services are delivered right there.

OVERVIEW OF THE TOURISM INDUSTRY

The tourism industry consists of about 30,000 businesses operating in four main segments: accommodation, food services, transportation, and entertainment and recreation. These segments were responsible for some 388,000 jobs in 2005, a third of which were directly attributable to tourism, i.e. an annual average of 133,000 and more than 150,000 in high season. In addition to these direct jobs, 53,000 indirect jobs were related to tourism. We can assume that the number of workers has increased somewhat since. In fact, employment grew 13.4% in the accommodation and food services segments between 2005 and 2008, considerably more than the 4.4% increase in the total number of jobs in Québec during the same period.

Nearly 200 activity sectors are affected by tourism. Graph 7 shows that accommodations reaped the lion's share, followed by food services. Up to that point, everything fits with the general idea we have of this industry. Third place is held by retail, which was more affected than air transportation and which explains why malls offer tourists free shuttle service from large hotels. Indeed, shopping is the second favourite pastime of American vacationers (74% shop).

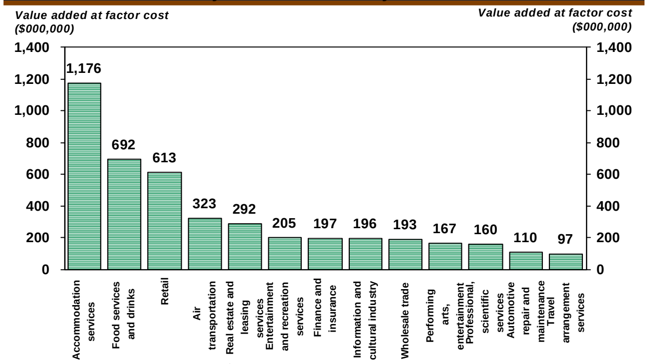
Table 1 – Sector Comparison of the Impact of a $100 Expenditure

	Tourism	Residential construction	Production of aeronautical products
GDP	$72	$66	$57
Salaries and revenues	$57	$65	$58
Tax and incidental tax revenues	$26	$18	$10

Sources: Institut de la statistique du Québec and Ministère du Tourisme

In the last few years, the loonie's rise has kept American tourists away and prompted Québecers to vacation on the U.S. East or West Coast. The province's tourism receipts continue to grow less quickly than the general economy. Graph 8 shows the comparable growth of Québec GDP (in current dollars) and tourism spending.

Graph 7 – Breakdown of added value generated by tourism by economic activity sector in 2005



Sources: Institut de la statistique du Québec, *Études d'impact économique produites à l'aide du modèle intersectoriel*, Ministère du Tourisme.

FACTORS AFFECTING TOURISM

Besides currency, other factors can affect tourism. For Canadian and Québec travellers, the health of the economy can influence their travel intentions. This is measured by the change in real gross domestic product (GDP). Thus, growth in real GDP bodes well for tourism, while a contraction signals an impending downturn for the industry. Economic expansion inspires confidence in consumers, who will spend more freely since they feel secure about their jobs. This applies both to domestic and foreign travel.

In the medium term, other factors will have an impact on tourism spending. For example, the need for a valid passport or other approved official document to enter the U.S. will make border crossing more complicated, which could slow the number of tourists to and from Canada. However, the effect is not yet quantifiable.

A massive influx of Chinese tourists could breathe new life into Canada's and Québec's tourism sector. However, in order for this to happen, Canada will have to obtain the status of approved destination from the Chinese government, something it has been trying to do for a number of years.

Finally, a growing number of exotic destinations are competing head on with our offer, and the battle is heating up. If Québec wants to remain in the game of international tourism, it will have to play up its assets.

TOURISM AND RECESSION: AN INCOMPATIBLE COUPLE

The year 2008 was marked by an economic slowdown, particularly the second half. According to the World Tourism Organization (UNWTO), before the financial markets collapsed, the number of international tourists worldwide grew 6% year over year. In the second half of 2008, that number slipped by 1%. In the four previous years (2004 to 2007), the increase averaged more than 7%, which was greater than the long-term average of approximately 4%. Thus, total growth was 2% in 2008, indicating that tourism resisted the recession better than the housing, real estate and automobile sectors. The UNWTO's projections for 2009 are not encouraging, calling for a decrease of 1 to 2%.

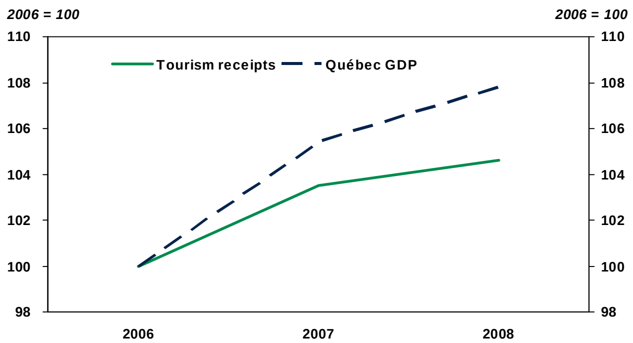
In the U.S., according to the Department of Commerce, the situation took an especially bad turn in the fourth quarter of 2008, although the decline had already started earlier. As such, real spending associated with travel and tourism fell 8% between October and December from the same year-earlier period. Most of the reduction is attributable to a 20.4% drop in spending associated with air travel. One can easily imagine that faced with a broadbased economic downturn, individuals and businesses curtailed and even cancelled some of their air travel plans.

Table 2 – Number of Tourism Jobs in Québec in 2005, by Administrative Region

	Tourism-generated jobs in 2005		
	Annual average	*High season*	
Administrative region	***Number***	***Months***	***Number***
Gaspésie–Îles-de-la-Madeleine	1,613	August	2,525
Bas-St-Laurent	2,905	September	3,459
Capitale-Nationale	14,627	July	16,849
Chaudière-Appalaches	4,443	September	5,914
Estrie	4,727	August	5,670
Centre-du-Québec	2,604	March	3,861
Montérégie	19,087	December	21,825
Montréal	39,037	July	49,459
Laval	6,690	August	8,575
Lanaudière	5,558	May	6,401
Laurentides	12,843	July	16,750
Outaouais	6,783	August	8,448
Abitibi-Témiscamingue	2,006	December	2,745
Mauricie	3,957	August	5,368
Saguenay–Lac-St-Jean	4,034	July	5,526
Côte-Nord and Nord-du-Québec	2,356	September	3,022
Québec total	**133,271**		**166,398**

Sources: Statistics Canada, *Labour Force Survey* ; Institut de la statistique du Québec, *Special compilation* ; Ministère du Tourisme.

Graph 8 – Tourism receipts and Québec GDP, 2006 to 2008, in current $



Sources: Institut de la statistique du Québec, Ministère du Tourisme, Statistics Canada and Desjardins, Economic Studies

In Canada, the number of enplaning and deplaning passengers in its 30 largest airports began to fall at summer's end. However, the year began positively, with a 2.7% increase for the 10-month period from January to October 2008, compared to the same time a year earlier. A downturn was also observed in the hotel industry. According to PKF Consulting, a firm that specializes in analyzing the hotel industry, the occupancy rate increased in Canada until October and was up 1.2% from January to August over the same year-ago period. It was only in October that it fell by 1.9% from the same month in 2007.

The slowdown began to take shape in the fall as the odds of a recession grew in Canada. The uncertain economic situation and the loonie's decline slowed both domestic and foreign travel. In October alone, trips of over 24 hours to the U.S. fell 5.1% from the same time in 2007.

QUÉBEC'S PERFORMANCE

Although a comprehensive report cannot be compiled for Québec, 2008 does not appear to have been as tough as elsewhere in North America. First, from an economic standpoint, the conditions did not deteriorate as quickly. The job losses only began in the last month of the year whereas in the U.S. they started in January 2008. Moreover, the decline in the housing market and in home prices was not as severe in Québec. Of course, the jump in the price of gas in the first half of the year and the near collapse of the stock markets were certainly a damper, causing Québecers' morale, as measured by the Conference Board's confidence index, to spiral downward (Graph 9). However, the strength of the Canadian dollar favoured foreign travel, at least until the fall.

Entirely different factors also played a role in tourism spending in Québec. First, heavy snowfall in the winter of 2008 boosted traffic at Québec's 80 ski resorts, which recorded an 11% increase for the 2007-2008 season over the previous year. In contrast, a rainy summer in Québec City and Montréal kept campers away and resulted in weaker sales for restaurants with terraces.

The celebrations surrounding the 400-year anniversary of the City of Québec certainly helped boost tourism spending last year, to the detriment of neighbouring regions, which did not benefit from this tourism manna.

BUSINESS TOURISM: THE FIRST CASUALTY IN A RECESSION

According to the American Travel Industry Association (TIA), 2008 was a tough year and 2009 will be no different. Domestic business travel in the U.S. is estimated to have fallen 3.8% last year and is expected to decline by about 2.7% in 2009. A number of things will play against business tourism. First, the gloomy economic climate means businesses will cut spending in every area. Second, many public companies whose stocks have been hammered must account to their shareholders and implement cost-cutting strategies. Among the various actions suggested that will affect the tourism industry are to cut back and replace business trips with video- and teleconferences. In some cases, bonus or incentive trips will be eliminated.

The U.S. has launched a few initiatives to stimulate tourism on American soil. One in particular stands out, a campaign to encourage companies to organize and hold business events and conferences in America. Baptized "Keep America Meeting," this initiative includes a petition that will eventually be sent to Congress and the White House.

Table 3 – Job Breakdown by Activity Sector - 2005

	Number	*In %*
Food services and drinking places	28,400	21.3
Accommodation services	27,600	20.7
Recreation and entertainment	18,100	13.6
Other passenger service sectors	10,800	8.1
Travel arrangement and reservation services	10,700	8.0
Air transportation	7,400	5.6
Automotive equipment rental and leasing	1,000	0.8
Other activity sectors	29,300	22.0
Total	**133,300**	**100.0**

Sources: Statistics Canada, Institut de la statistique du Québec, *Special compilation* , Ministère du Tourisme

As a result of the current economic situation, airlines are also scaling back, reducing the number of flights and by extension, the scheduling flexibility offered by air travel. In fact, over the years, a number of irritants have contributed to slowing business tourism growth, namely, tighter security measures, fuel surcharges and the reinstatement of the "Saturday night stay" requirement, which penalizes business travellers. In short, the conditions today are more conducive to a pullback in this segment than to expansion. The recovery of the global economy in 2010 will help the industry.

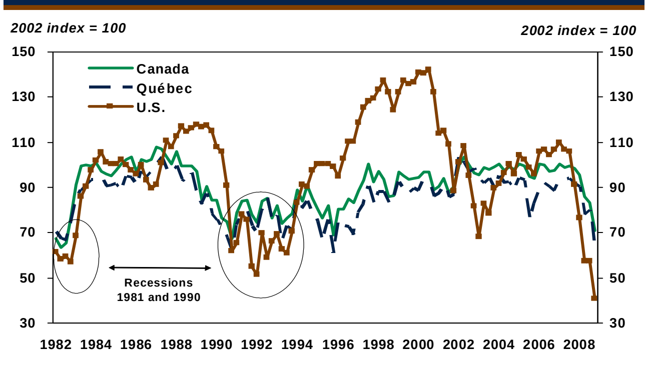
2009: UNDER UNFAVOURABLE AUSPICES

On the face of it, 2009 is not starting off well for the tourism industry, be it global, North American, Canadian or Québec. According to a survey conducted by American Express last fall, 70% of European companies plan to freeze or trim their business budgets in 2009, compensating for the cutbacks by making more extensive use of videoconferencing. However, this does not mean the end of business spending. In the convention industry, events are planned several years in advance, meaning that the repercussions may only be felt more acutely in 2010 or 2011, but this remains to be seen. Rather than cancelling events outright, we may simply see less attendees.

At the global level, the outlook is mixed. In China and India, the economic slowdown will dampen travel intentions, which according to the U.S. Conference Board, are at very low levels in the United States, reflecting low consumer confidence. Businesses worldwide are also expected to tighten their purse strings until the situation improves in the U.S., but that may not happen until 2010.

Despite the pessimism that reigns, we should remember that there will always be people who travel. As well, 70% of the tourist dollars spent in Québec are by Canadians and Québecers, who are not being as severely affected by the recession as the Americans and Europeans. The tourism industry is not going downhill; it is just slowing. During this period, The Canadian Tourism Commission (CTC) recommends that the sector focus its efforts on those that are best weathering the storm; indeed, not every company is being affected to the same extent. Some activity sectors and professions owe their success to frequent contact with their customers. Those are the ones that will need travel services. That said, overall, business tourism will not fare as well as in 2008.

Graph 9 – Confidence index



Sources: Conference Board of Canada and Desjardins, Economic Studies

As for pleasure tourism, we already know that for winter activities, reservations for ski vacations are down from last year, according to the data for the 2008-2009 season of the large ski resorts in western Canada and the U.S.

Most analysts expect things to improve in 2010 once the recovery is confirmed. In the meantime, the regions can capitalize on the situation. Since companies will seek to limit travel and lodging expenses, they may consider holding outside work meetings in local hotels and places rather than in urban centres or distant resorts. In fact, some analysts are floating the idea of "shorter events and local destinations." As well, hotels and convention centres may offer special deals to hold onto their customers.

The relative weakness of the Canadian dollar and lower gas prices could also play in favour of Québec's regions. A comparison of the prices during the same period last year allows us to draw some conclusions (see box on page 11).

How can the industry make it through 2009? In light of the gloomy economic situation, lodging, food and other establishments might consider offering packages, which set the price and conditions of a stay in advance, allowing travellers to better plan their vacation budget. In uncertain times, firm offers provide travellers with peace of mind, eliminating worries about unexpected surprises such as hidden charges. Another worthwhile strategy is cross-marketing, where travellers are offered discounts when purchasing more than one activity. This is the year the industry's ingenuity will be put to the test.

INTERNET: PAR FOR THE COURSE

The Internet has changed the way people travel and plan their getaways. It has also changed the way the tourism industry must showcase itself. The Web first infiltrated the distribution network in the 1990s. Many consumers dropped their travel agents when they found they could buy airline tickets online themselves as well as make reservations with major hotel chains. As a result, the number of agencies in the U.S. fell by nearly fifty percent between 1990 and 2008, shrinking from 34,000 to 18,000.

VISIT QUÉBEC OR HEAD TO THE STATES?

The drop in gas prices will give vacationers a break this year. However, this means that Québecers will once again be faced with the perpetual dilemma of whether to vacation in Québec or in the U.S. The question can be asked differently: Is the savings on gas enough to offset the drop in the Canadian dollar? The answer is, not always.

A few calculations and a comparison with the situation in 2008 show why. From May to August of last year, the Canadian dollar was at par with the greenback, and the price of regular gas averaged 138.5 cents per litre. Two working assumptions concerning the price of gas were made for 2009: an average of 90 cents and 105 cents per litre (Table 4). A travel distance of 2,500 kilometres was chosen, allowing considerable leeway with regards to destinations, be they in Québec or in the U.S. The calculation was made for four types of vehicles with different fuel tank capacities. The maximum gas savings were approximately $130.

Table 4 – Cost of Gas to Travel 2,500 km

				Cost in 2009		Difference in relation to 2008	
Tank in litres	*No. of km travelled per fill-up*	*No. of fill-ups to travel 2,500 km*	*Average cost in summer 2008[1] for 2,500 km*	*Average cost at 90 cents/litre Assumption #1*	*Average cost at 105 cents/litre Assumption #2*	*Assumption #1 at 90 cents*	*Assumption #2 at 105 cents*
70 litres	650 km	3.85	**$372.89**	$242.30	$282.69	-$130.59	-$90.20
60 litres	575 km	4.35	**$361.30**	$234.78	$273.91	-$126.52	-$87.39
45 litres	475 km	5.26	**$328.05**	$213.16	$248.68	-$114.89	-$79.37
35 litres	450 km	5.56	**$269.33**	$175.00	$204.17	-$94.33	-$65.16

[1] Average cost in May, June, July and August 2008 - 138.5 cents/litre
Source: Desjardins, Economic Studies

At the same time, four travel budgets ranging from $750 to $2,000 were compared in relation to their cost in 2008 (Table 5). These budgets were presumed to include lodging (camping, house rental, motel or hotel), food, travel and activities. For the comparison, two working assumptions were retained for the Canadian dollar. The first is that our dollar equals approximately US$0.80 for the period of May to August, while the second equals US$0.90.

Table 5 – Cost of a Stay on the U.S. East Coast for 4 Types of Budgets

	Cost in 2008	Cost in 2009		Difference in relation to 2008	
Estimated cost of stay	** Canadian dollar at par*	*Canadian dollar at US$0.80 Assumption #1*	*Canadian dollar at US$0.90 Assumption #2*	*Assumption #1 at US$0.80*	*Assumption #2 at US$0.90*
C$750	C$750	$937.50	$833.33	$187.50	$83.33
C$1,000	C$1,000	$1,250.00	$1,111.11	$250.00	$111.11
C$1,500	C$1,500	$1,875.00	$1,666.67	$375.00	$166.67
C$2,000	C$2,000	$2,500.00	$2,222.25	$500.00	$222.22

* The greatest savings realized on the decrease in the price of gas is $130.59.
Source: Desjardins, Economic Studies

If the Canadian dollar is worth approximately US$0.80, the most plausible assumption at the time of writing, a stay in the U.S. will cost between C$187 and C$500 more in 2009 than in 2008. This additional expense is greater than the gain generated from the lower gas price. It will be recalled that the maximum gas savings is about $130 for a 2,500 kilometre trip. This conclusion holds whether the price of gas is 80 cents or 105 cents per litre. If the Canadian dollar is at about 90 cents, the trip to the U.S. will only cost less for the largest vehicles, with a travel budget of $1,000 and under, and gas at 80 cents per litre. However, we mustn't forget to add 20% to the price of the gas purchased in the U.S. because of our exchange rate.

The role of travel agencies is no longer the same. They now sell fewer airline tickets, focusing instead on other activities such as organizing special events (a wedding in another country, an exotic excursion, etc.), hotel reservations, organized tours, and cruises, a growing market. To say that travel agencies are “dead” is therefore premature. While it’s true that many have closed, a good number are still around. That’s because even seasoned Internet users will turn to travel agents for certain travel arrangements, and some people prefer to do business with an agent, knowing they have someone to turn to in the event of a problem. In fact, in the U.S., many people have gone back to using travel agents after a bad experience when they tried it on their own.

Not all travel agencies have fared equally as a result of the Internet. Corporate agencies have suffered less. Most of the battle is being waged on the price front, where fiercely aggressive competitors such as Expedia have slashed prices and mounted massive advertising campaigns in a bid to capture market share.

The Internet’s presence is changing the way the tourism industry conducts business. Because of the World Wide Web, each tourism region must organize itself in a very coherent manner in order to capitalize on each click. In fact, the industry now offers jobs in site development and maintenance. The Internet is forcing the regions to boldly display their differences, colours, flavours and the unique character of their activities. This differentiation must appear quickly, before users move to another site. The virtual visitor must be transformed into a potential visitor. In 2007 alone, 4.1 million people logged into bonjourquebec.com, the promotional Web site of the Ministère du Tourisme du Québec. While brochures still have their place, they are no longer the only way to advertise. And we can’t even begin to imagine the changes in store once services are offered on cellphones. This is bound to catch on in a big way.

WAIT IT OUT?

Because of the recession, 2009 is shaping up to be a difficult year in which the tourism industry is expected to contract in relation to 2008. How does the year compare with 2001, marked by 9/11 and a recession south of the border? That year, Québec reported no decrease in the GDP of its transportation and storage, accommodation, and food services industries, but then neither Canada nor Québec was in a recession. This time, the downturn is broadbased, albeit less severe in Québec. Still, this is no reason to throw in the towel or run for cover until the storm passes. This is the time to stand out to Québecers, who will likely be less affected than the rest of North America. The relative weakness of the Canadian dollar will encourage them to stay on this side of the border. Now all we need to do is make sure they spend their vacations in Québec and resist the urge to cross the Atlantic or head to the West Coast.

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Senior Economist

[1] Tourisme Québec, Research and Forecasting Division, *Le tourisme, une industrie importante pour le Québec*, 2006 edition.

[2] Ibid., pp. 6-7.

TOURISM INDUSTRY

Tourism in urban centres and the regions

The tourism industry is active across Québec, with each region vying to attract more visitors each year. A growing number of initiatives are being launched in an effort to coordinate regional and local activities, improve business tourism planning, and pool efforts to maximize visibility. While much has been accomplished in the last 20 years, the industry certainly can't afford to sit on its laurels. Faced with an aging workforce, the proliferation of niches and the need for sustainable development, ongoing efforts will be required. The hospitality industry is more varied than ever before.

AN IMPORTANT EMPLOYER

In eight administrative regions, tourism-related jobs accounted for 3% of all employment in 2007 (Table 6), compared to the provincial average of 3.5%. Relatively speaking, after Côte-Nord and Nord-du-Québec (5.5%), Mauricie accounted for the largest percentage of tourism jobs (4.4%), followed by the Laurentides (4.1%), which tied with Bas-Saint-Laurent. The corresponding figure for the Capitale-Nationale and Outaouais regions was 3.9%.

Where have the jobs grown the fastest? While we can't provide an exact count of all tourism-related jobs, we can see where growth has been strongest in the last decade (Table 7). Excluding jobs in RV parks, which according to Statistics Canada, advanced by almost 75% (2,493 in 1998 to 4,328 in 2008), full-service restaurant jobs have led the way, increasing by 35.9%, from about 76,750 in 1998 to 104,100 last year. This growth is well above the Québec average during the same period (19.2%).

One of the industry's biggest challenges remains worker recruitment and retention. In this regard, all the regions are similarly affected. Given the irregular hours and seasonal nature of these jobs, restaurants and hotels have a tough time filling them. In response, they have tried to sweeten the pot, which could explain why hourly wages in this sector have risen more rapidly than all other wages in Québec over the past 10 years (Table 8).

Table 6 – Relative Importance of Tourism Jobs

Administrative region	Jobs generated by tourism in 2007	Total jobs in 2007	Relative importance (in %)
Bas-St-Laurent	3,700	9,400	4.1
Saguenay–Lac-St-Jean	3,500	126,600	2.8
Capitale-Nationale	13,700	353,700	3.9
Mauricie	5,100	116,800	4.4
Estrie	2,800	149,300	1.9
Montréal	40,600	950,000	1.1
Outaouais	7,300	187,500	3.9
Abitibi-Témiscamingue	2,300	66,900	3.4
Côte-Nord and Nord-du-Québec	2,700	49,000	5.5
Gaspésie–Îles-de-la-Madeleine	1,300	35,000	3.7
Chaudière-Appalaches	5,000	206,700	2.4
Laval	5,800	203,000	2.9
Launaudière	5,600	219,400	2.6
Laurentides	11,000	271,500	4.1
Montérégie	20,700	709,400	2.9
Centre-du-Québec	2,600	116,400	2.2
Québec total	133,700	3,851,700	3.5

Sources: Emploi Québec, Ministère du Tourisme and Desjardins, Economic Studies

In 2008, the average hourly wage (including overtime) in the accommodation and food services industry was $11.61, less than the amount paid in retail ($13.82), services in general ($17.29) and the Québec average ($18.66). Although still below average, wages in the accommodation and food services industries have increased much faster since 1998 (+31.9%) than the Québec average (+22.6%), services (+21.2%) and retail (+22.7%). The pace has been even stronger in food services (+39.8%). Is this because the minimum wage has gone up sharply in the past few years? Not entirely, because the latter rose from $6.90/hour in October 1998 to $8.50/hour in May 2008, an increase of 23.3%. As regards the tipped minimum wage, it rose 26%, from $6.15/hour in October 1998 to $7.75/hour in May 2008.

Table 7 – Jobs in Tourism-related Sectors

	2008	Chg. 1998-2008 in %
Air transportation	11,964	-11.0
Transit and ground passenger transportation	32,456	18.2
Accommodation and food services	225,716	24.5
- Accommodations	33,670	25.0
. Traveller accommodations	28,728	19.2
. RV parks	4,328	73.6
- Food services and drinking places	192,047	24.4
. Full service	104,099	35.9
. Limited service	59,203	19.0
. Drinking places	16,056	-7.1

Sources: Statistics Canada and Desjardins, Economic Studies

TOURISM IN QUÉBEC

Over 28 million people visited Québec in 2006, spending close to $7 billion. Of the total visits, 20.5% were to the Montréal area, where they spent one third of all the tourist dollars. The second most popular destination was Québec City with 4.4 million visitors (or 15.5% of the total number) and 19.5% of spending in 2006. The Laurentides region ranked third with 2.8 million visitors (9.9% of the total) and 8.4% of the spending. There is no surprise with any of these statistics.

The surprise is in the area of per-stay spending. Québec visitors spend an average of $246 per stay (Table 9). However, at $1,427, per-stay spending was highest in Nunavik, north of the 55th parallel. Access to this area is by plane or boat, meaning that tourists tend to spend more than 24 hours there, hence driving up the cost. Next is Îles-de-la-Madeleine, also only accessible by boat or plane, where the cost of a stay averaged $631 in 2006. Montréal came in third, at $404. Business tourism (conventions, business meetings, etc.) also tends to generate a lot of spending. Close behind Montréal is the tourism region of Duplessis in the Basse-Côte-Nord region ($397/stay) and Gaspésie ($327/day). Given that these two areas are more remote and expansive in nature, tourists tend to remain several days, increasing the cost of their stay. Next in line is the Québec City region ($309/day), which can also count on business tourism to push up the average. Tourists visiting the Laval region spend an average of $254/day. The fact that it's close to Montréal and has been billed as a "business hub" over the past few years has helped the region outperform the provincial average.

WHO ARE THE TOURISTS?

With the exception of the tourism regions of Montréal, Québec City, Nunavik and Manicouagan, over 80% of Québec visitors in 2006 were Québecers or Canadians (Table 10). With Nunavik at one end of the spectrum at 55.6% (65.2% in Montréal) and Centre-du-Québec at the other with 97.1%, the average for Québec was 84.2%.

In terms of spending, Québecers and Canadians accounted for 68.1% of the tourist dollars in 2006. This means that foreign visitors, representing 15.8% of travellers, accounted for 31.9% of spending in Québec. Given the recession, which is hitting the U.S. harder than Canada and Québec, we can already foresee which regions will struggle the most in 2009. Foreign tourists are spending heavily in Montréal (46.5%), Québec City (39.8%), Laval (24.1%) and the Laurentides region (23.5%). Business tourism, the first segment affected by an economic downturn, accounts for a large portion of the spending in these areas. This is particularly true for Montréal, Québec City and Laval. These are also the destinations of conventions, which are booked long in advance. In this regard, 2009 will be somewhat slower than 2008, but the commitments for 2010 and 2011 still merit a close watch.

Table 8 – Average Hourly Earnings for Hourly Paid Employees (including overtime)

	2008 in $/hour	Chg. 1998-2008 in %
Québec average	18.66	22.6
Services	17.29	21.2
Retail	13.82	22.7
Accommodation and food services	11.61	31.9
RV parks and recreational camps	13.48	26.9
Food services and drinking places	11.55	39.8
Full-service eating places	11.60	43.4
Limited-service eating places	11.44	44.1

Sources: Statistics Canada and Desjardins, Economic Studies

Table 9 – Tourists in the Regions in 2006 (all markets)

	Breakdown				Average expenditure per stay
	Volume		Expenditures		
Tourism region	(In Thousands)	(In %)	(In $M)	(In %)	(In $)
Îles-de-la-Madeleine	37	0.1	23	0.3	631
Gaspésie	690	2.4	225	3.2	327
Bas-St-Laurent	829	2.9	133	1.9	160
Région de Québec	4,392	15.5	1,358	19.5	309
Charlevoix	615	2.2	143	2.0	233
Chaudière-Appalaches	1,138	4.0	157	2.3	138
Mauricie	1,237	4.4	178	2.6	144
Cantons-de-l'Est	2,274	8.0	334	4.8	147
Montérégie	1,505	5.3	238	3.4	158
Lanaudière	1,712	6.0	184	2.6	108
Laurentides	2,808	9.9	587	8.4	209
Montréal	5,807	20.5	2,348	33.6	404
Outaouais	1,511	5.3	273	3.9	181
Abitibi-Témiscamingue	495	1.7	106	1.5	215
Saguenay–Lac-St-Jean	1,105	3.9	212	3.0	192
Manicouagan	328	1.2	72	1.0	219
Duplessis	64	0.2	25	0.4	397
Baie-James	86	0.3	15	0.2	175
Laval	201	0.7	51	0.7	254
Centre-du-Québec	962	3.4	102	1.5	107
Nunavik	2	0.0	3	0.0	1,427
Unspecified	592	2.1	210	3.0	354
Québec total	28,389	100.0	6,978	100.0	246

Sources: Statistics Canada and Tourisme Québec, *Le tourisme en chiffres*, 2007 edition.

As for business tourism, the U.S. economy will have to make a convincing recovery before this segment performs like it did in 2008. In all likelihood, Uncle Sam's economy will not approach its potential before 2011. Between now and then, it will emerge from the recession and recover at a moderate pace. However, the relative weakness of the Canadian dollar will play in favour of Canadian destinations. As for the Europeans, it may be a while before they come back. The recession kicked in somewhat later overseas and does not promise to be any shorter than in North America.

While it's too early to jump to conclusions, it's safe to say that foreign business and leisure tourism will slow this year. But given that 140 million Americans still have their jobs, there's no need to panic. That said, with companies losing money and individuals feeling poorer, we can expect that both will tighten their purse strings.

A DIVERSIFIED OFFER

In 2007, of the more than 30,000 Québec companies associated with the tourist industry, 49% were in food services, 25% in accommodation, 6.8% in transportation, and 3% in travel planning and reservations. Other types of companies (guided tours, convention logistics, facilitation, etc.) round out the picture with an estimated 16.4% share.

All these companies have their own ways of doing things, meaning there is no shortage of ideas on how to grow the industry. Consequently, the tourism industry, which has always been associated with July and August, is gradually becoming "de-seasonalized." In 2006, 46.6% of visitors came in the summer and 27.2% in the winter. The remaining 26.2% visited in the fall and spring. That year, 28.6% of tourism revenue was generated in winter.

Table 10 – Tourists by Origin in 2006 (%)

Tourism region	Volume: Québec and other provinces	Volume: U.S. and other countries	Spending: Québec and other provinces	Spending: U.S. and other countries
Îles-de-la-Madeleine	88.9	11.1	92.6	7.4
Gaspésie	88.8	11.2	81.0	19.0
Bas-St-Laurent	93.6	6.4	89.9	10.1
Région de Québec	75.3	24.7	60.2	39.8
Charlevoix	90.6	9.4	85.3	14.7
Chaudière-Appalaches	92.3	7.7	78.6	21.4
Mauricie	93.0	7.0	82.0	18.0
Cantons-de-l'Est	93.5	6.5	82.0	18.0
Montérégie	92.0	8.0	82.2	17.8
Lanaudière	97.8	2.2	92.6	7.4
Laurentides	92.4	7.6	76.5	23.5
Montréal	65.2	34.8	53.5	46.5
Outaouais	94.9	5.1	88.0	12.0
Abitibi-Témiscamingue	96.2	3.8	91.3	8.7
Saguenay–Lac-St-Jean	93.3	6.7	87.7	12.3
Manicouagan	79.6	20.4	80.3	19.7
Duplessis	82.9	17.1	89.7	10.3
Baie-James	90.8	9.2	81.0	19.0
Laval	85.5	14.5	75.9	24.1
Centre-du-Québec	97.1	2.9	92.7	7.3
Nunavik	55.6	44.4	9.3	90.7
Québec total	84.2	15.8	68.1	31.9

Sources: Statistics Canada and Tourisme Québec, *Le tourisme en chiffres*, 2007 edition.

Being a winter wonderland pays off. Over the years, we have diversified our winter tourism offer. However, snowmobiling and dog-sledding remain perennial favourites. Tourism entrepreneurs have pushed the winter adventure to new heights: sliding has become a sport and snowboarding has become mainstream. Rivers are increasingly being used as skating rinks, and many municipalities have improved their ice fishing facilities. Special events have been created: snowmobile races, cross-country ski races, rallies, and ski contests, to name just a few. We have even built an ice hotel that has sparked sufficient interest to warrant being repeated every year. We have made innovation pay off.

In terms of infrastructures, more and more regions now have convention centres. Given the popularity of cycling, Québec has carved a "green route," a 4,000 km bicycle path whose most famous sections are the Parcours des Anses in Lévis, Véloroute des Bleuets in Lac-Saint-Jean and l'Estriade in the Eastern Townships.

For foodies, "gourmand routes" have been created in several regions, much like the ones in France. Visitors are invited to discover the best restaurants in the region, sample local foods, and celebrate local know-how.

Events, festivals and symposiums have proliferated. Organized around music, food and gastronomy, the arts, comedy, seasons, film, hot-air balloons, literature, history, sport and horticulture, these countless activities spur tourism. They take place throughout the year across Québec, from La Sarre in Abitibi-Témiscaminque (Equestrian Festival) to Percé (Festival international de cinéma et d'art).

Moreover, while each region is working tirelessly to stand out, they also rally around projects that extend beyond their territory. For example, Québec now offers cruises on the St. Lawrence River with eight ports of call: Montréal, Trois-Rivières, Québec City, Saguenay, Baie-Comeau, Sept-Îles, Havre-Saint-Pierre, Gaspé and Îles-de-la-Madeleine. In fact, the Ministère du Tourisme will use the slogan "Passionately St. Lawrence" to promote cruises on the river this year.

Table 11 – Accommodation Establishments in 2007

Tourism region	*Average number of units available daily*	*Average occupancy rate (In %)*	*Average daily rental price (In $)*
Îles-de-la-Madeleine	285	42.6	68.70
Gaspésie	2,697	41.5	79.50
Bas-St-Laurent	2,306	45.9	83.70
Région de Québec	11,954	55.9	118.80
Charlevoix	2,276	38.5	113.60
Chaudière-Appalaches	2,147	41.2	87.80
Mauricie	2,506	42.7	108.40
Cantons-de-l'Est	3,786	39.8	94.80
Montérégie	4,768	41.4	94.60
Lanaudière	1,561	35.6	89.30
Laurentides	7,324	38.6	141.50
Montréal	21,012	65.3	136.30
Outaouais	3,081	53.8	115.20
Abitibi-Témiscamingue	1,517	50.5	83.00
Saguenay–Lac-St-Jean	2,947	38.9	82.40
Manicouagan	1,131	44.4	76.80
Duplessis	918	44.1	76.50
Baie-James	753	42.9	82.70
Laval	1,718	66.2	105.90
Centre-du-Québec	1,269	43.9	84.30
Nunavik	191	45.5	201.30
Québec total	76,135	51.2	117.80

Sources: Institut de la statistique du Québec and Tourisme Québec

Some regions are planning to step up their efforts in the years ahead. As part of the Accord Program,[1] four regions have created niches of excellence in tourism. For instance, Capitale-Nationale, which includes the tourism regions of Québec City and Charlevoix, wants to "position Québec as a port, as a transatlantic cruise destination and as a home port for new cruises."[2] Beyond the cruise component, the region would like to develop tourism products in such areas as heritage, culture and nature.

Gaspésie and Îles-de-la-Madeleine have a niche called "recreotourism, health, nature." This region wants to be recognized as an international four-season destination that offers complementary activities. For its part, the Laurentides region wants to be billed as an international, four-season destination. They will advertise their offer as a thrilling travel experience in a protected environmental setting that offers a wide variety of establishments.

Lastly, the Saguenay–Lac-Saint-Jean area is focusing on adventure tourism and ecotourism. This region is looking to develop an exclusive offer involving four niches of excellence (Saguenay River Fjord, Mont-Valin Massif, Lac-Saint-Jean and untamed, legendary rivers).

All the regions are working on new activities for 2009, which will not be an easy year. Compared to 2008, fewer Americans will visit and consequently, advertising efforts will probably target Québecers and Canadians.

Regardless of the efforts made to attract and keep tourists in Québec this year, the fact is that business tourism will be harder hit than leisure (see the article on pages 7-12). Tourists will likely travel economy class and seek cheaper accommodations. While a collapse is not in the offing, the industry will definitely face a slowdown.

THE ONGOING CHALLENGE OF LABOUR

The tourism industry has to work hard to recruit and keep its manpower. To this end, it relies on various strategies, one of which has been to forge an alliance with the education sector. The summer tourism industry currently extends beyond mid-August, which is problematic for employers who find their summer staff leaving to go back to school. In January, the Ministère du Tourisme and Ministère de l'Éducation, du Loisir et du Sport announced a pilot project concerning school schedules. Thus, two CEGEPs offering tourism programs (Granby and Saint-Félicien) will lighten students' course load at the beginning of the semester to allow them to continue working until Labour Day. This achieves two goals: it allows students to gain experience in their field of study and it supports the industry during a busy time of the year.

The industry is also working on a strategy to hire people aged 50 and over. The Conseil québécois des ressources humaines en tourisme published a study in April 2008 entitled "Vers une stratégie d'emploi des personnes de 50 ans et plus dans l'industrie touristique." The report showed that 58% of tourism jobs are seasonal or part time. Therefore, people interested in a phased retirement may find it worthwhile to work in this industry. We know that almost one quarter of workers who have taken retirement return to the job market and that 45% of them work part time. Workers aged 50 or over are in great demand for the expertise they have acquired in their profession but also for their personal qualities. For example, they have better credibility and relationships with customers. They have the knowledge and life experience to deal with customers. They are valued for their sense of responsibility, work attendance, punctuality and integrity. Their ability to work with little supervision makes them employees of choice.

However, this begs the question: Are people over 50 interested in working in tourism? The Eastern Townships tested this concept in summer 2008. Government and local partners participated in a pilot project in which 10 people aged 50 and over were hired to work full and part time, from June to October, in positions involving greeting and providing tourists with information. Interested candidates submitted their applications to one of the ten welcome or information centres in the region. The experiment confirmed the validity of the proposal: the number of applicants exceeded the objectives and expectations were met. This experiment could lead to other such initiatives in other Québec regions and resolve the labour shortage in this sector.

HIGHER EXPECTATIONS

The tourism industry cannot escape the sustainable development issue. In the words of the World Tourism Organization (UNWTO), "Tourism has become both the victim and the vector of climate change."[3] Mass tourism has undeniable effects on the environment. Travellers are increasingly concerned about how their hosts respect the environment. In this regard, many hotels have adopted new ways of doing things to reduce their environmental footprint. Many are now offering "environmentally friendly" packages to event organizers, ranging from the elimination of plastic water bottles to composting leftover meals.

Green or ecoresponsible tourism is a growing trend that merits attention. There is a niche for this type of activity, in much the same way as luxury or extreme sports tourism. Besides tourists looking for activities with a minimal impact on nature, the general population, whether or not it travels, is increasingly becoming environmentally aware. Regardless of the recession, this is a trend that's here to stay.

Québec's tourism industry encompasses a vast number of people spread over a vast territory. While hospitality takes different forms depending on whether the setting is urban or rural, there are some things that affect all segments of the industry. The labour shortage is a major challenge in and of itself. Keeping travellers longer so they spend more is another. Despite the efforts made to keep tourism going throughout the year, we still have a long way to go. Improving the tourist offer to meet international standards is a goal for many regions. We know that 2009 will not be easy. However, the industry has gone through economic downturns before and appears today to be better organized and structured to weather the current recession and prepare for better times ahead.

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[1] Accord: MDEIE, Action concertée de Coopération régionale de Développement.

[2] MDEIE, Accord, Capitale-Nationale, *Créneau d'excellence Tourisme : patrimoine-culture/nature,* p. 2.

[3] UNWTO, Tourism, Climate Change and Poverty Challenges. www.unwto.org/media

INTERPROVINCIAL SHOWCASE

2009 will be a challenging year for all the provinces

Canada welcomed 17.1 million international travellers in 2008, a decrease of 4.7% from 2007. Demand for accommodations was down in all of Canada's top foreign tourist destinations: Alberta, British Columbia, Ontario and Québec. Although the number of European and South American tourists picked up, it was not enough to offset the void left by American and Asian visitors, who were not immune to the recession.

OCCUPANCY RATE DOWN IN 2008

Demand for accommodations fell in 2008 as fewer international tourists vacationed in Canada. Thus, the average occupancy rate was 63.4%, compared with a high of 64.9% in 2007. However, despite the decrease, the number of occupied rooms remained over 60%, which is greater than the levels recorded between 2004 and 2006.

Since 2007, the highest Canadian occupancy rates have been recorded in the West (Table 12). British Columbia, in particular, is a gateway for travellers from China and India, two countries that are assuming a growing role in the global economy. The province is also benefiting from spin-offs associated with preparations for the 2010 Winter Olympics. For their part, Alberta and Saskatchewan are also becoming more popular as a result of their expanding economies. In fact, Saskatchewan led the way in 2008 with an occupancy rate of 72.3%. Natural resource exploration and development projects, along with the establishment of head offices, have been drawing a growing number of business travellers. As well, the job boom of the past few years has forced some companies to temporarily hire foreign workers to make up for the local workforce shortage.

However, the occupancy rate in British Columbia and Alberta fell in 2008 to 64.5% (-2.0%) and 68.5% (-3.3%), respectively. Although the number of rooms increased following the construction of new hotels for the Vancouver Olympic Games, the economic slowdown curtailed business travel and the need for foreign workers at year-end, thus tempering the need for lodging in these provinces.

Yukon and Newfoundland and Labrador stood out in 2008 with respective occupancy rates of 71.0% and 65.1%, as foreign investors and prospectors were lured early in the year by promising opportunities in diamond exploration in the Yukon and iron exploration in Labrador.

For their part, the provinces in central and eastern Canada recorded occupancy rates below the Canadian average in 2008. Prince Edward Island (48.3%) came in last, while Ontario (61.4%) and Québec (61.5%) were in the middle. The occupancy rate was down everywhere in these parts of the country, with the exception of Prince Edward Island (+1.2%).

The performance of these provinces was mainly affected by the decline in U.S. and Asian travellers. Our neighbours to the south are not immune to the loonie's rise in relation to the greenback, the increase in the price of gas, and the effects of the recession. These factors have had the greatest impact on automobile travel, the most commonly used means of transportation to reach New Brunswick, Québec and Ontario. As well, the contraction of the Québec and Ontario manufacturing sectors reduced the number of business transactions in these two provinces.

Table 12 – Occupancy Rate in Canada*

In %	*2007*	*2008*
Alberta[1]	71.8	68.5
British Columbia	66.5	64.5
Saskatchewan	70.7	72.3
Manitoba	65.2	67.1
Ontario	62.4	61.4
Québec	62.9	61.5
New Brunswick	61.0	59.0
Nova Scotia	65.1	62.0
Newfoundland and Labrador	63.5	65.1
Prince Edward Island	47.1	48.3
Northwest Territories	66.9	62.7
Yukon	69.3	71.0
Canada	64.9	63.4

* Data based on 200,944 rooms.
[1] Excludes resorts in Alberta.
Source: PKF Consulting

OVERSEAS TOURISTS UP IN 2008

The number of American tourists visiting Canada fell by 920,453 from 2007 to 2008, and although the number of travellers from other countries was up (+78,542), it was not enough to offset this loss. Alberta, British Columbia, Ontario and Québec are the top destinations for overseas visitors attracting, on average, more than 95.0% of them each year.

Europeans make up the largest group of overseas visitors in Canada (Table 13), accounting for 52.4% of all overseas tourists in 2008, compared with 50.0% in 2007. The increase in the number of French, German and Scandinavian travellers has offset the 6.0% decrease in the number of British visitors.

Table 13 – Number of Tourists from Countries Other than the U.S. in 2008

	Europe	Asia	South America
Newfoundland and Labrador	14,116	1,514	1,331
Prince Edward Island	821	79	1,767
Nova Scotia	62,699	7,027	1,892
New Brunswick	8,204	1,765	781
Québec	633,435	67,696	68,282
Ontario	924,212	439,574	225,974
Manitoba	9,007	1,945	1,462
Saskatchewan	1,329	343	249
Alberta	257,108	43,022	25,631
British Columbia	500,230	656,128	102,673
Yukon	18,314	544	224
Canada	2,429,271	1,220,674	428,573

Sources: Statistics Canada and Desjardins, Economic Studies

The second largest group of overseas tourists consists of Asians. In 2008, 1.2 million of them came to Canada, down 3.6% from the previous year. Visitors from Japan, Korea and Taiwan, who made up 43.0% of the Asian clientele, fell by 14.7% from 2007. However, the number of visitors from China, Hong Kong and India grew by 8.6% in 2008, increasing their proportion of the Asian market from 29.0% in 2007 to 32.7% in 2008.

The South Americans make up the third largest group of overseas tourists in Canada. Numbering 428,573 in 2008, this group grew by 7.7%. The increase was particularly sharp last year in Ontario and Alberta, which welcomed over 10,000 South Americans more than in 2007. Québec and British Columbia followed close behind, with an increase ranging between 3,000 and 5,000 visitors. Although its contribution is modest, Prince Edward Island also stood out, with the number of travellers growing from 74 in 2007 to 1,767 in 2008. The economic expansion in this part of the world has created a new potential tourist clientele for Canada, although the global recession will temper expectations for 2009.

CANADA FEELING THE U.S. RECESSION

Americans make up, on average, over 70.0% of Canada's tourists. Last year, their number plunged 6.9% from 2007 to 12.5 million (Table 14). Except for Newfoundland (+88.4%) and Prince Edward Island (+17.4%), all the provinces reported a decline in this group. Ontario and British Columbia lost at least 300,000 U.S. visitors from 2007, while the number in Québec was down by almost 100,000. These decreases are all the more significant since these three provinces accounted for 87.1% of all U.S. tourists in 2008.

Table 14 – American Tourists' Stays of One Night or More in Canada

	2007	2008	In %
Newfoundland and Labrador	14,969	28,203	88.4
Prince Edward Island	4,489	5,269	17.4
Nova Scotia	198,694	185,235	-6.8
New Brunswick	387,675	340,962	-12.0
Québec	1,699,416	1,585,136	-6.7
Ontario	6,650,068	6,275,085	-5.6
Manitoba	240,626	216,860	-9.9
Saskatchewan	85,932	83,883	-2.4
Alberta	607,246	596,587	-1.8
British Columbia	3,294,668	2,983,318	-9.5
Yukon	187,598	150,390	-19.8
Canada	13,371,381	12,450,928	-6.9

Sources: Emploi Québec and Ministère du Tourisme

CONCLUSION

Just like the Canadian economy, the tourism industry is dependant on the U.S. Based on the projections for 2009, this does not bode well for the country's tourism industry and especially for British Columbia, Ontario and Québec. The rapid growth and vitality of the West is tied to the strength of the U.S. economy. As for Alberta and Saskatchewan, 2009 will look like a hangover. That said, if energy prices rise as expected in 2010, these two provinces could be the first to rebound.

Louis Gagnon
Economist

FORECAST TABLES

Table 15
Canada: Major economic indicators

Annual average in % (except if indicated)	2006	2007	2008	2009f	2010f
Real gross domestic product*	**3.1**	**2.7**	**0.5**	**-2.8**	**1.5**
Personal consumption expenditures	4.3	4.5	3.0	-1.4	0.4
Residential construction	2.2	3.0	-2.9	-12.2	-2.9
Business fixed investment	9.9	3.5	1.7	-7.2	-2.7
Inventory change ($B)	10.8	13.2	10.3	-13.0	-11.2
Public expenditures	4.1	4.2	3.7	3.8	6.4
Exports	0.6	1.0	-4.7	-12.0	-0.5
Imports	4.6	5.5	0.8	-13.5	-1.4
Final domestic demand	4.8	4.2	2.5	-1.7	1.1
Other indicators					
Real disposable personal income	5.5	4.1	1.2	3.8	0.5
Weekly earnings	3.0	3.2	0.7	3.4	0.4
Employment	1.9	2.3	1.5	-2.3	-1.1
Unemployment rate (in %)	6.3	6.0	6.1	8.7	9.7
Housing starts (in thousands)	227.4	228.3	211.1	124.3	130.7
Corporate profits** (1)	5.8	3.3	1.1	-18.8	-1.0
Personal savings rate (in %)	3.1	2.7	2.6	5.6	6.0
Total inflation rate (1)	2.0	2.2	2.3	-0.2	1.3
Core inflation rate*** (1)	1.9	2.1	1.7	1.4	0.6
Federal gov't balance ($B) (2)	10.2	15.4	11.9	-33.5	-30.0
Current account balance ($B)	20.2	13.6	15.2	-25.8	-8.0

f: forecasts
* 2002 $ ** Before taxes *** Excluding food and energy (1) Annual change (2) National accounts
Sources: Statistics Canada, Canada Mortgage and Housing Corporation and Desjardins, Economic Studies

Table 16
Québec and Ontario: National accounts

Annual average in % (except if indicated)	2006	2007	2008	2009f	2010f
Québec					
Real gross domestic product	1.7	2.6	1.0	-2.1	1.1
Personal consumption expenditures	3.2	4.3	3.5	-1.2	0.9
Residential construction	-0.7	5.7	-0.6	1.7	0.5
Business fixed investment	6.1	7.6	0.1	-7.3	1.0
Inventory change ($M 2002)	1,749	2,120	485	-1,900	-750
Public expenditures	2.7	4.4	5.1	3.2	3.0
Exports	1.5	0.6	-1.9	-6.0	0.5
Imports	2.6	4.6	1.3	-4.3	1.9
Final domestic demand	3.0	4.7	3.3	-0.6	1.4
Ontario					
Real gross domestic product	2.6	2.3	-0.1	-3.3	1.0
Personal consumption expenditures	3.5	3.8	3.1	-2.0	0.0
Residential construction	0.9	2.0	-1.5	-13.3	-3.5
Business fixed investment	9.3	9.2	1.6	-9.4	-3.3
Inventory change ($M 2002)	2,773	3,874	4,976	-5,875	-6,938
Public expenditures	3.9	2.9	4.9	5.0	6.4
Exports	0.6	0.9	-7.6	-14.2	-1.0
Imports	2.9	3.8	-3.5	-15.6	-2.0
Final domestic demand	4.0	4.0	3.0	-2.1	0.7

f: forecasts
Sources: Statistics Canada and Desjardins, Economic Studies

Table 17
The regions: GDP growth in current dollars

Annual average in %	2006	2007	2008f	2009f	2010f
Bas-Saint-Laurent	3.2	5.4	2.0	0.0	2.0
Saguenay–Lac-Saint-Jean	6.5	5.0	1.1	-3.3	1.9
Capitale-Nationale	4.3	5.6	4.0	0.3	2.6
Mauricie	7.9	5.2	2.6	0.1	2.4
Estrie	0.6	5.1	1.8	-3.0	2.0
Montréal	2.5	5.5	2.5	-3.1	2.8
Outaouais	2.9	5.3	3.0	0.3	3.0
Abitibi-Témiscamingue	1.7	7.7	6.0	0.2	4.7
Côte-Nord	7.6	7.2	2.0	-3.1	4.8
Nord-du-Québec	15.8	10.4	5.0	0.8	5.1
Gaspésie–Îles-de-la-Madeleine	-2.3	6.0	2.0	0.2	2.0
Chaudière-Appalaches	3.3	5.3	2.0	-3.0	2.2
Laval	9.3	6.3	3.2	0.2	3.0
Lanaudière	7.5	6.4	2.9	-2.9	2.8
Laurentides	4.1	6.5	2.8	-3.6	3.1
Montérégie	6.8	6.1	3.4	0.0	3.0
Centre-du-Québec	2.6	5.8	1.9	-3.2	2.2
Total Québec	**4.2**	**5.8**	**2.8**	**-2.0**	**3.0**

Note: Data for 2008 will not be available until Fall 2009
f: forecasts
Sources: Institut de la statistique du Québec and Desjardins, Economic Studies

Table 18
Canada: Major financial indicators

	2008				2009				2010			
End of period in %	Q1	Q2	Q3	Q4	Q1	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
Key rates												
Overnight funds	3.50	3.00	3.00	1.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.75
Prime rate	5.25	4.75	4.75	3.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.75
Mortgage rates												
1-year	7.00	6.30	6.25	5.45	4.45	4.20	4.10	4.10	4.20	4.35	4.35	4.45
5-year	7.15	7.10	7.20	6.75	5.55	5.50	5.40	5.40	5.55	5.75	5.80	6.00
Treasury bills												
3-month	1.88	2.50	1.90	0.89	0.40	0.45	0.45	0.45	0.50	0.60	0.70	0.90
Federal bonds												
5-year	2.91	3.46	3.17	1.70	1.75	1.75	1.65	1.65	1.85	2.15	2.30	2.70
10-year	3.43	3.74	3.76	2.69	2.78	2.75	2.65	2.65	2.80	3.05	3.40	3.80
Canadian dollar												
American dollar (CAD/USD)	1.0258	1.0207	1.0630	1.2189	1.2630	1.2500	1.1628	1.1364	1.1111	1.0870	1.0526	1.0000
Canada												
S&P/TSX index	Result: 8,988 (-35.0%)				Target: 9,700 (+7.9%) (range: from 8,400 to 10,200)				Target: 11,000 (+13.4%) (range: from 10,000 to 12,000)			

f: forecasts
Sources: Datastream and Desjardins, Economic Studies

Table 19
Canada: Major economic indicators by provinces

Annual average in % (except if indicated)	2006	2007	2008	2009f	2010f
Real GDP growth*	**3.1**	**2.7**	**0.5**	**-2.8**	**1.5**
Atlantic	2.0	3.6	0.5	-1.5	1.4
Québec	1.7	2.6	1.0	-2.1	1.1
Ontario	2.6	2.3	-0.1	-3.3	1.0
Manitoba	4.0	3.3	0.8	-2.0	1.5
Saskatchewan	-0.3	2.5	1.2	-2.5	2.0
Alberta	6.1	3.1	1.5	-2.8	2.5
British Columbia	4.4	3.0	1.0	-2.5	3.0
Inflation rate*	**2.0**	**2.2**	**2.3**	**-0.2**	**1.3**
Atlantic	1.9	1.8	2.6	-0.2	1.5
Québec	1.7	1.6	2.1	-0.2	1.5
Ontario	1.8	1.8	2.3	-0.4	1.1
Manitoba	2.0	2.0	2.3	-0.2	1.8
Saskatchewan	2.1	2.8	3.3	0.0	1.8
Alberta	3.9	5.0	3.1	-0.5	1.2
British Columbia	1.7	1.8	2.1	-0.3	1.8
Employment growth*	**1.9**	**2.3**	**1.5**	**-2.3**	**-1.1**
Atlantic	0.5	1.4	1.2	-1.5	-1.0
Québec	1.3	2.3	0.8	-1.8	-0.5
Ontario	1.5	1.6	1.4	-3.1	-1.3
Manitoba	1.2	1.6	1.7	-1.5	-0.9
Saskatchewan	1.7	2.1	2.2	-2.0	-1.3
Alberta	4.8	4.7	2.8	-2.5	-1.5
British Columbia	3.1	3.2	2.1	-2.0	-0.7
Unemployment rate*	**6.3**	**6.0**	**6.1**	**8.7**	**9.7**
Atlantic	9.8	9.1	9.3	11.2	12.5
Québec	8.0	7.2	7.2	8.7	9.5
Ontario	6.3	6.4	6.5	9.5	10.5
Manitoba	4.3	4.4	4.2	6.2	7.5
Saskatchewan	4.7	4.2	4.1	6.2	7.5
Alberta	3.4	3.5	3.6	6.8	8.0
British Columbia	4.8	4.2	4.6	7.6	8.6
Retail sales growth*	**6.4**	**5.8**	**1.4**	**-7.0**	**1.5**
Atlantic	5.4	6.0	5.4	-4.5	1.0
Québec	5.1	4.6	4.9	-3.0	1.9
Ontario	4.1	3.9	3.3	-10.0	0.9
Manitoba	3.9	8.8	7.1	-5.0	1.0
Saskatchewan	6.5	13.0	10.4	-6.0	1.5
Alberta	15.4	9.3	-0.2	-7.5	2.0
British Columbia	7.2	6.7	0.2	-8.0	2.5
Housing starts* (thousands of units)	**227.4**	**228.3**	**211.1**	**124.3**	**130.7**
Atlantic	12.0	12.4	12.2	8.8	8.5
Québec	47.9	48.6	47.9	38.0	40.0
Ontario	73.4	68.1	75.1	45.3	48.5
Manitoba	5.0	5.7	5.5	3.5	3.6
Saskatchewan	3.7	6.0	6.8	3.3	3.5
Alberta	49.0	48.3	29.2	11.5	11.8
British Columbia	36.4	39.2	34.3	14.3	14.8

f: forecasts
* Data for Canada.
Sources: Statistics Canada, Canada Mortgage and Housing Corporation and Desjardins, Economic Studies

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www.desjardins.com/economics