



Canada Insights Report

February 2009

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1. Introduction

Welcome to the first edition of VisitBritain's new monthly on-territory report for travel to Britain from Canada. The aim of this report is to provide a summary of all news and events that impact on transatlantic travel.

Only a few months ago it seemed Canada would escape the worst of the global economic downturn, but this optimism seems to be evaporating as the worldwide economic slowdowns seems to have caught up Canada. The country entered recession in December 2008. Of course, it would have been surprising if Canada had escaped considering its proximity and reliance on its only neighbour- the US. Canada is reliant on the US for many of its exports, and until there is the prospect of improvement in the US economy, the Canadian economy is likely to struggle. That said, Canada's banking system has held up well compared to other nations, with no banks requiring bail out funds at this time.

The future of Canadian-American relations in an Obama led administration gained extensive coverage in the Canadian media during Jan/Feb- driven by an official visit in late February. The new American administration is keen on adopting protectionist trade policies which could threaten trade relations between the two nations. In addition, concern has arisen about future arguments concerning how the Alberta oil tar sands are not in keeping with the new administrations environmental agenda.

A more positive news story in Canada at present has been the launch of the one year countdown to the 2010 Winter Olympics- with celebrations, fireworks and cultural events held across the country. The Olympic Games are being held next year in Vancouver, returning to Canada after a 22 year absence.

Regarding Canadian travel, although the latest inbound data to Britain shows that Canadian visits held up in Q3, the lag with data is likely hiding a slump during the end of 2008 and beginning of 2009.

2. Inbound Visits to Britain

Visits to UK from North America Down

Provisional figures from the International Passenger Survey report that year-on-year visits from North America (includes USA) to the UK were down 13% during 2008 compared with the 2007. Visits fell notably during December 2008, down a third (-33%) to 180,000. Total worldwide visits to the UK fell -2% during 2008, whilst nominal spend rose 3%.

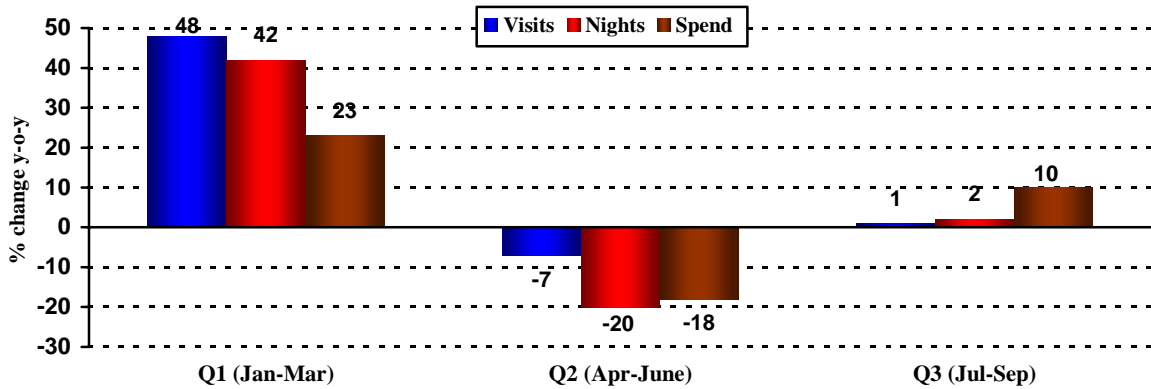
Inbound Visits to UK from Canada by Quarter 2004-2008

Latest figures from the International Passenger Survey report that visits to the UK from Canada increased by 1% in Q3 (July to September) 2008 compared with the same three month period in 2007. The number of nights also grew by a similar amount, up 2%. The value of inbound trips during the period grew strongly by almost 10%.

Quarterly Inbound Visits from Canada		2004	2005	2006	2007	2008P	% Change 2007/2008
Quarter 1	Total Visits (000)	121	110	154	120	173	44
	Total Nights (000)	1,435	1,103	1,656	945	1,401	48
	Total Spend (£m)	100	54	74	69	85	23
	Sample size	455	407	505	422	419	-
Quarter 2	Total Visits (000)	205	233	255	265	247	-7
	Total Nights (000)	2,815	2,505	2,767	2,830	2,277	-20
	Total Spend (£m)	165	127	145	191	157	-18
	Sample size	636	685	722	707	497	-
Quarter 3	Total Visits (000)	258	285	287	295	297	1
	Total Nights (000)	3,120	3,303	2,793	2,824	2,874	2
	Total Spend (£m)	131	160	151	152	167	10
	Sample size	567	678	694	536	536	-
Quarter 4	Total Visits (000)	156	168	172	172	-	-
	Total Nights (000)	1,657	1,875	2,088	1,510	-	-
	Total Spend (£m)	81	97	113	125	-	-
	Sample size	458	506	494	438	-	-
Total Total Visits (000)		740	796	868	852	717	-
Total Total Nights (000)		9,027	8,786	9,305	8,109	6,552	-
Total Total Spend (£m)		477	438	483	537	409	-

Source: International Passenger Survey, Office for National Statistics. 2008 data is provisional.

Visits to Britain from Canada by Quarter 2004-2008 (Source: International Passenger Survey, ONS)



Q1 2008 saw a sharp jump in Canadian tourism to the UK, with the number of visits increasing almost by half (48%) compared to the same period in 2007. Q2 saw a turnaround, with a notable fall in visits (-7%) and steeper falls in both nights (-20%) and spend (18%). With solid results for Q3, it appears that Canadian visits to Britain will continue their growth trend once Q4 and full year data is released.

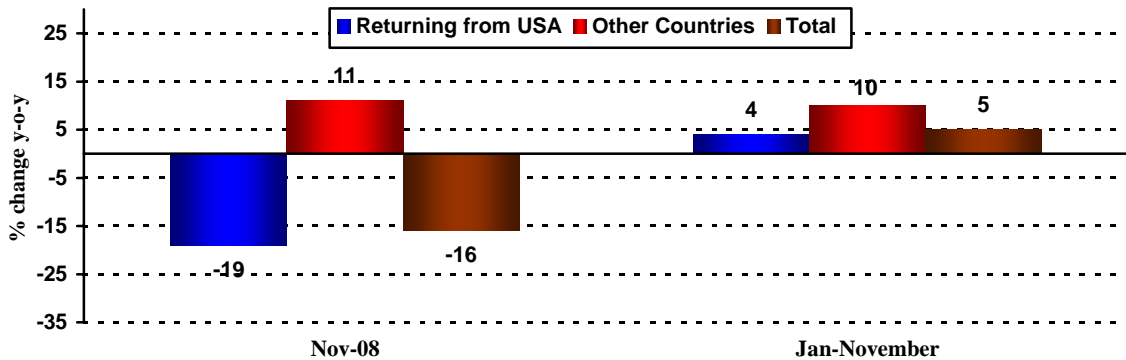
3. Canadian Outbound Travel

Canadian residents made -16% fewer outbound trips in November 2008, down to 3.6m from 4.3m made in November 2007. It appears Canadians continued to take trips beyond the US, with solid growth in trips to non-US destinations. However, as around 80% of Canadian outbound trips are to the US, annual changes were negative overall.

Looking at figures for Jan-Nov 2008, outbound Canadian trips remained strong, and 2008 will likely end as a growth year for Canadian outbound tourism.

Outbound Trips by Canadian Residents (000s)	November			January-November		
	2007	2008	% Change	2007	2008	% Change
Returning from US	3,812	3,081	-19	39,303	40,892	4
Returning from Other Countries	472	524	11	5,906	6,502	10
Total	4,283	3,605	-16	46,129	48,377	5

Source: Statistics Canada



4. Canadian Economic News

GDP Contracted Sharply in November 2008, Worst Fall Since 2003 (Source: Statistics Canada)

Canada's economy continued its slide in November 2008 as the country's economic output shrank by 0.7 %. Statistics Canada said slumping construction activity and an ailing manufacturing sector caused GDP contraction in three of last four months.

IMF Cuts Global Outlook, Forecasts Weaker Canadian Rebound (Source: International Monetary Fund)

The International Monetary Fund has cut its outlook for the Canadian economy, and is now projecting a weaker rebound than other forecasters. The IMF said Canada's economy would contract by 1.2% in 2009 and expects the economy to grow by 1.6% in 2010.

Consumer Confidence (Source: The Conference Board)

Consumer Confidence across Canada increased slightly in January 2009 to 70.2, however the index remained at levels consistent with recessionary periods in Canada. Although consumers continued to expect unfavourable employment conditions, they believed the financial situation was beginning to improve. Quebec and Atlantic Canada were the best performers, with indexes advancing 4.3% and 4.1%. There were smaller gains in Ontario and British Columbia. The Prairies were the lone region to register a decrease, with the index there falling 1.8 points.

First Trade Deficit Since 1976 Posted (Source: IHS Global Insight, Bloomberg)

Canada recorded a C\$456m deficit in December, the first shortfall since March 1976. Furthermore, both imports and exports fell, to the tune of 5.7% and 9.7%, respectively. In November, Canada managed a C\$1.2bn surplus. The drop in exports was the sharpest recorded since October 1982. Canada's exports have been declining since last July, but the trend is now accelerating. Most sectors have seen a fall in both imports and exports, leaving agricultural and fishing products as rare bright spots. The U.S. economy is Canada's dominant export market, and exports to it dropped 10% to C\$25.9bn in December. Imports were meanwhile down 8.4%.

In addition, the Canadian Prime Minister is concerned over a 'buy American' clause in the US stimulus package that could further hit Canadian exports to the US through protectionism.

Job Losses Exceed Expectations (Source: IHS Global Insight)

Canadian employment fell 129,000 in January 2009, pushing the unemployment rate up from 6.6% to 7.2%. Most of the job losses were full time and were in the manufacturing sectors of Ontario, Quebec, and British Columbia. Since October 2008 the levels of employment have fallen rapidly, driven by the negative rate of labour productivity resulting from the very weak output growth.

Housing Market Dragged Down by Recession (Source: Financial Post)

Canada's housing market continued to soften in January amid declines in both the price and sales of existing homes, particularly in Ontario, British Columbia and Alberta. Figures from the Canadian Real Estate Association showed that existing home sales fell a seasonally adjusted 3.1% to 26,300 units in January, following a 1.8% decline in December. Sales of existing homes were 37.3% from January last year. Less people planned to sell their home, with new listings down 3% from December and -14% from January last year.

Alberta's Oil Boom Ends (Sources: the Economist, Edmonton Sun, Globe & Mail)

Canada's richest state Alberta (largely built from extracting oil from tar sands) has entered a slump according to several sources, based on falling demand resulting from the worldwide economic slowdown. Alberta, which produces two-thirds of Canada's oil and gas, is concerned that the new Obama

administration may implement policies aimed at sourcing US-only oil in future and is pegging future growth in demand from India and China. Additionally, industry group the Petroleum Services Association of Canada stated that jobs will be cut. The industry currently employs 100,000 workers.

In Alberta, personal bankruptcies soared by 27% year-over-year in the 12-month period ended December, 2008, according to data from the Office of the Superintendent of Bankruptcy Canada. That was nearly double the 14% rise for Canada as a whole.

Manufacturing Sales Fall (Source: Globe & Mail)

The value of Canadian manufacturing shipments plummeted a record 8.0% in December '08 from November '08. The drop (the fifth consecutive monthly decrease) was the worst since Statistics Canada adopted its current method of calculating the data in January 1992.

Canada's Banking System Resilient, According to Central Bank (Source: Bloomberg)

Bank of Canada Governor Mark Carney has said the relative strength of the country's banks means recent interest rate cuts will be more effective than in other major economies struggling to shore up their financial industries. No Canadian bank has failed or required government injections of capital since the start of the global credit crunch in 2007. The World Economic Forum in October ranked Canada's financial system as the soundest.

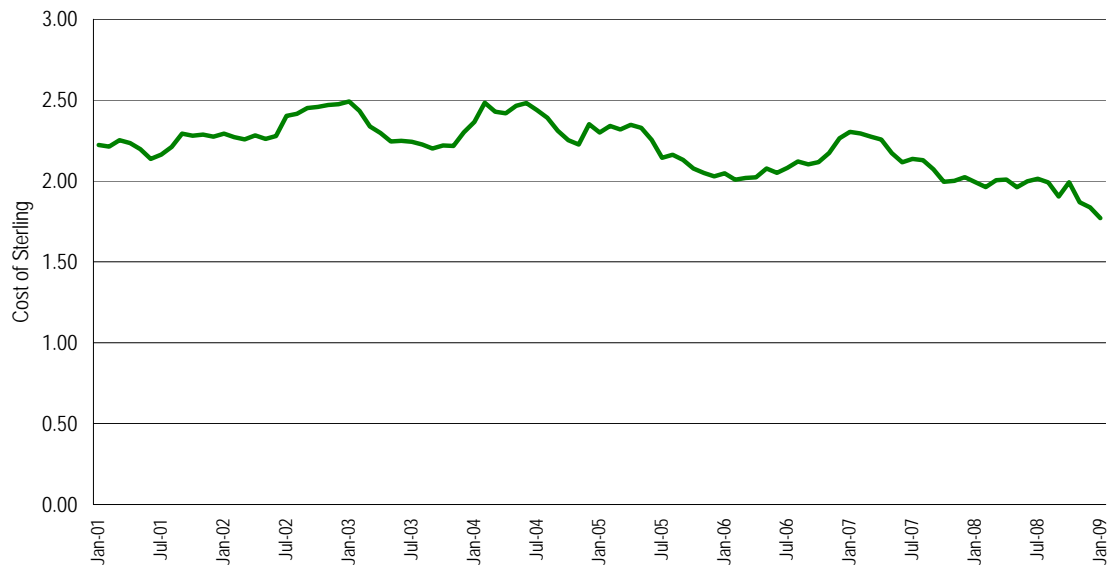
5 Exchange Rates

The Canadian Dollar ended January 2009 at 1.77 against the Pound, a rate 11% cheaper than the end of January 2008.

Canadian Dollar against Sterling



Canadian Dollar against Sterling



6. Canadian Travel News

Air Canada Makes Loss... (Source: Globe & Mail)

Air Canada, the country's largest carrier reported a Q4 loss of C\$727m, reversing year-earlier profits of C\$35m. Fuel prices took a toll on Air Canada's 2008 full-year results as well, with a loss of C\$1.03bn, reversing year-earlier profits of C\$429m. The results included a foreign exchange loss of \$527m caused by weakness in the Canadian dollar, as well as a C\$177m spike in fuel prices compared to year-earlier costs. The airline is planning to cut C\$120m worth of costs in 2009 primarily through fuel efficiency improvements and a supplier concession program.

...Reported to be 'Forced to File for Bankruptcy' (Source: Reuters)

Air Canada could be forced to file for bankruptcy if it does not secure additional financing and succeed in renegotiating covenants in credit card agreements, analyst UBS has stated. UBS said in a note that notwithstanding lower fuel costs, cash from operations would be insufficient to meet rising pension funding obligations and debt repayment over the next two years.

Top 4 Airlines Launch Federal Lobby Group (Source: Globe & Mail)

Canada's four largest airlines (Air Canada, Air Transat, Jazz Air LP and WestJet) launched a new lobby group to press the federal government on airport rents and other issues nine months after abruptly pulling out of the existing association. The airlines, which abandoned the Air Transportation Association of Canada in April 2008, have launched the National Airlines Council of Canada.

Rumours Circulate About Zoom Airlines (Source: various)

Rumours and news stories are surfacing that Zoom Airlines, the Canadian airline that went bankrupt in August 2008, could be revived and fly from London to Toronto and Vancouver later this year. The founder of Zoom is apparently attempting a comeback through Go Travel Direct, a tour operator. However, regulatory body the Canadian Transportation Agency has launched an investigation into Go Travel apparently selling tickets for trips to London and Paris before CTA approval. The airline shut down on Aug. 28 2008, stranding an estimated 4,500 travellers and leaving another 40,000 customers with useless tickets. Zoom had three Boeing 767s and two Boeing 757s registered in Canada.

Toronto Pearson Airport to Raise Passenger Fee (The Canadian Press)

Toronto Pearson airport (Canada's biggest airport and a key Can-UK hub) is to raise passenger fee by \$5 as it cuts costs. The Greater Toronto Airports Authority raised its airport improvement fee by \$5 to \$25 per departing passengers from June 1st onwards. The airport operator cited the struggling economy for the move.

Ontario Tourism to Discover Focus and New Media Trends (Source: mediaincanada.com)

A new report has suggested a re-developed marketing strategy to help grow the province of Ontario's tourism into a C\$42-billion industry by 2020. The Ontario Tourism Competitiveness Study recommended that Ontario's invest more resources in marketing and consumer research, and have its marketing efforts become more "focused and effective." It should do this by prioritising new and best-prospect markets, making better use of new media trends, and reducing the emphasis on overall brand by marketing specific destinations and experiences within Ontario.

Transatlantic Air Fare Price Watch

In the complicated world of airline pricing it can be difficult to accurately measure trends across transatlantic air fares. The below table is an attempt to do this, using one of the many price comparison sites that search a number of airlines for a particular route for the best fares.

Route	Approx Lead Time*	Actual Dates of Travel	Price Range (Can\$)	Approx No. of Airlines Surveyed (non-stop)
Tor to Lon return	1 Week	12/2/2009-19/3/2009	\$812-864	3
Tor to Lon return	1 Month	12/3/2009-19/3/2009	\$1031-1108	3
Tor to Lon return	3 Months	14/5/2009-21/5/2009	\$671-1083	4
Tor to Lon return	6 Months	10/9/2009-17/9/2009	\$821-1085	4
Mont-Lon return	1 Week	12/2/2009-19/3/2009	\$795-909	3
Mont-Lon return	1 Month	12/3/2009-19/3/2009	\$1019-1082	3
Mont-Lon return	3 Months	14/5/2009-21/5/2009	\$1019-1071	3
Mont-Lon return	6 Months	10/9/2009-17/9/2009	\$1019-1071	3
Vanc-Lon return	1 Week	12/2/2009-19/3/2009	\$1145-1379	3
Vanc-Lon return	1 Month	12/3/2009-19/3/2009	\$1359-1625	3
Vanc-Lon return	3 Months	14/5/2009-21/5/2009	\$1196-1457	3
Vanc-Lon return	6 Months	10/9/2009-17/9/2009	\$945-1419	4

Source: Expedia.ca, 12th February 2009

All prices are for 1 non-stop return flight, Thur to Thur

*Lead times are approximate as the nearest Thur to Thur trip is calculated to ensure comparability. Search is conducted on Thur of the 3rd week of every month.

Prices are per person and include all taxes & fees in USD. Baggage allowances and other airline fees vary.

7. Canadian Media News

2H 2008 Audit Figures Present Gloomy Picture (Source: Audit Bureau for Circulation)

Figures released by the Audit Bureau for Circulation revealed that overall single-copy sales for Canadian magazines dropped 23.6% in the latter half of 2008. Total circulation figures for Canadian fashion magazines circulation remained steady as publishers shifted readers from single-copy sales to subscriptions. Fashion magazine sales were down 10.3% (total circulation down 2.6%).

Canada's National Newspaper Says Job Cuts Likely (Source: AP)

Canada's Globe and Mail newspaper plans to cut 80 jobs, or 10% of its work force, in an effort to reduce costs in an uncertain economy. The company will cut about 80 positions through voluntary buyouts, and possibly layoffs. The Globe has about 800 employees in various departments.

TV Network Profits Plunge (Source: Canadian Radio-television Telecommunications Commission)

Data from the CRTC showed profits for major private television networks declined by more than 90% in 2008. Broadcasters including CTV, Canwest Global, Rogers' Citytv and Quebec's TVA saw profits slide from \$112 million in 2007 to \$8 million before interest and taxes last year.

Internet Top Media Time Grabber Among Canadian Youth (Source: IAB)

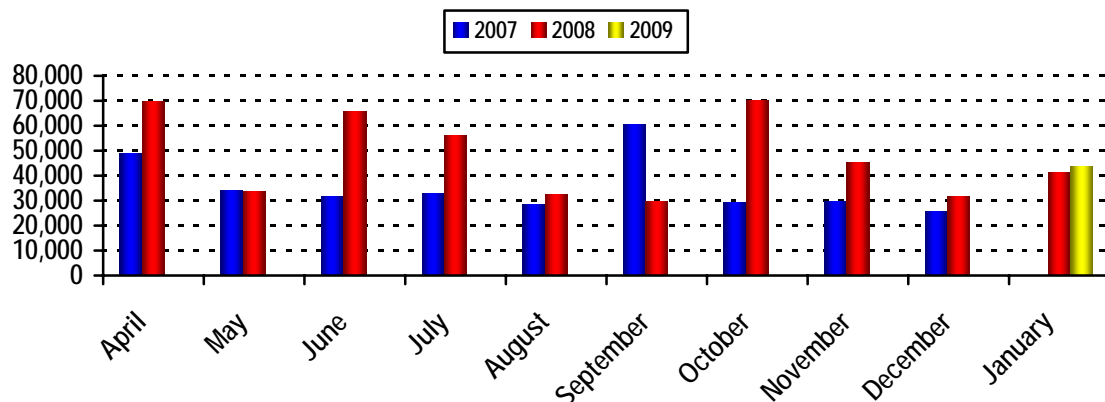
A report by the Interactive Advertising Bureau (IAB) found that the Internet is where Canada's youth, aged 18 to 24, spends the most amount of time. It also found that the Internet now reaches more Canadian adults each week than magazines or newspapers and, while neck-and-neck in weekly reach with TV among 18- to 24-year-olds, also has a higher reach among 15- to 34-year-olds than radio.

8. Other Insights, Indicators

VisitBritain Web Traffic Figures

VisitBritain's consumer website's (visitbritain.com/ca) recorded a 5% increase in January 2009 compared to the same month in 2008. This continued a two month trend of negative growth, although visits early in the year were strong.

VisitBritain Web Traffic Figures by Month, April 2007- January 2008



Source: VisitBritain

Canada's Population by Age (Source: Statistics Canada)

Recently published data collected using the 2006 Canadian Census showed that the Prairies and the North have the youngest populations in Canada. In addition, figures indicate that Manitoba and Saskatchewan are the two provinces with the highest proportion of youth (19%) in their populations. Alberta, which has enjoyed a large migration of young people looking for work in the last few decades, has the lowest median age (35.7 years old) out of any province and the lowest proportion of seniors aged 65 and older (10.4 %) out of any province in the country.

The median age across the country was 39.4 years old as of July 2008. The Atlantic provinces, Newfoundland and Labrador has the highest median age (42.5 years) in the country. It also has the lowest proportion of youth (15%) aged 14 and younger at 15% more than any province. In Ontario, the median age is below the national level and it also has the second lowest proportion of seniors.

Median Ages by Province	
Canada Total	39.4
Newfoundland and Labrador	42.5
Prince Edward Island	41.3
Nova Scotia	42.2
New Brunswick	42.0
Quebec	41.0
Ontario	39.0
Manitoba	37.8
Saskatchewan	37.9
Alberta	35.7
British Columbia	40.5
Yukon	38.7
Northwest Territories	31.2
Nunavut	23.8



Canada On-territory Insights Report- February 2009

This report is the second in a series on new, on-territory insights reports into the Americas region. The US Report was published on w/c 2nd Feb

Please see below for a schedule of forthcoming releases:

- **USA On-territory Insights Report**- 1st week of every month
- **Canada On-Territory Insights Report**- 2nd week of every month
- **Latin America (Mexico, Argentina, Brazil) On-Territory Insights Report**- 3rd week every other month

If you have any comments, suggestions of feedback on these reports please contact Phil Underwood, Market Intelligence Executive, the Americas, at Philip.underwood@visitbritain.org.