

International Visitations to the U.S. from

CANADA

INTERNATIONAL INBOUND TRAVEL MARKET PROFILE



2018

SUMMARY

With 90% of its population living within 100 miles of the U.S. border, it is no surprise that Canada is the United States' Number 1 inbound market. In 2018, the U.S. welcomed 21.5 million overnight arrivals from Canada, roughly half of which arrived by air and the other half of which crossed a land border (day trips are not included in the count). The U.S. accounted for 55% of all international overnight trips by Canadians in 2018.

Travel has an enormously positive impact on to the U.S. trade balance with Canada. In fact, without travel, the 2018 trade surplus with Canada of \$3.6 billion would have been a *deficit* of \$9.3 billion.

CANADA MARKET SUMMARY, 2018

U.S. Visitations from Canada	21.5 Million
Travel Spending	\$16.4 Billion
Average Spending per Visitor	\$980
Total U.S. Travel Exports	\$22.8 Billion
U.S. Travel Trade Balance	\$12.9 Billion

Free Trade Agreement	Global Entry	Preclearance	Open Skies
✓	✓	✓	✓

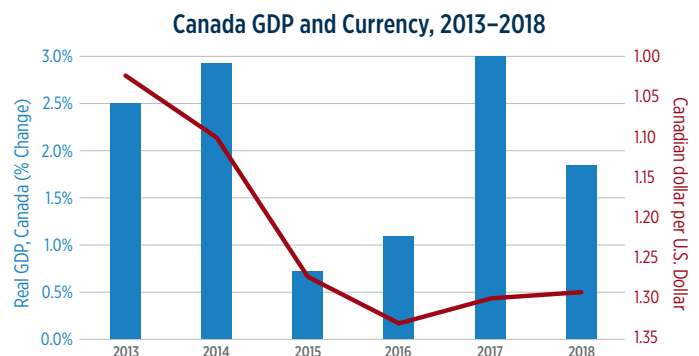
MACRO OVERVIEW

With a \$1.8 trillion economy and a population of 37.5 million, Canada ranks 11th (in GDP) and 38th (in population) globally.

Canada has a highly developed and diversified economy. While the service sector dominates the economy, Canada is also a major producer of energy and manufacturing products. Canada is the largest foreign supplier of energy to the U.S.

After growing 1.8% in 2018, the Canadian economy is expected to grow just 1.1% in 2019 with a slowdown expected across the board in consumer spending, business investment, exports and government spending.

Canada has very close trade and investment ties with the United States. Three fourths of Canadian exports are sent to the U.S. and 14% of U.S. exports are sent to Canada. Along with the U.S. and Mexico, Canada joined the North American Free Trade Agreement (NAFTA) in 1994. This free trade agreement is currently being updated to the United States-Mexico-Canada Agreement (USMCA). As a former British colony, Canada is also a member of the Commonwealth of Nations.



Source: Oxford Economics

TRAVEL IMPACT: VISITATION

After declining for three consecutive years, visitations from Canada to the United States grew by 6.3% in 2017 and by 4.8% in 2018, reaching 21.5 million in 2018 (excluding day trips). Of all overnight trips outside of Canada, 55% were to the United States.

Canada's 21.5 million overnight visitations represented 27% of all international visitations to the United States—higher than any other inbound market but still significantly lower than just a few years earlier. In 2012, Canadians accounted for 34% of all visitations to the U.S.

Of all overnight travelers from Canada to the U.S., 44% arrived by air and the remaining 56% arrived mostly by land.



Source: U.S. Department of Commerce

Canadian travel to the U.S. has historically been correlated with the U.S./Canadian dollar exchange rate. The recovery in 2017 and 2018 can be partly attributed to the strengthening of the Canadian dollar. To maintain a more consistent base of Canadian travelers, many U.S. destinations—particularly in border states—have been able to manage the strong effects of currency fluctuations by offering to accept Canadian dollars at par (ie: they charge the same dollar amount but in Canadian dollars). Over the years, they have largely been able to reap a steady return on this investment.

Demographics also play a role. Canada's population is getting older and includes a relatively large number of baby boomers. The older generation in Canada has a stronger preference of traveling nearby to the U.S. over other countries, and many baby boomers also spend a lot of time and money escaping the cold in Florida and other southern U.S. states.

In the first half of 2019 (monthly data for 2019 is currently only available through June as of September 2019), total visitations from Canada declined by 2.7% compared to the first half of 2018. Visitations via a land border crossing declined by 4.1%, while visitations via direct air travel declined by just 1.1%.

TRAVEL IMPACT: ECONOMIC

Estimated at \$22.8 billion in 2018, travel has an enormously positive impact on the U.S. trade balance with Canada. Since travel exports to Canada are estimated at \$22.8 billion and travel imports (i.e., spending by U.S. travelers in Canada) are estimated at \$9.9 billion, the result is a \$12.9 billion travel trade *surplus* with Canada in 2018. Without travel, the 2018 overall trade surplus with Canada of \$3.6 billion would have been a *deficit* of \$9.3 billion.

International travel is the largest export of services from the United States to Canada and accounts for 36% of total U.S. services exports and 6.3% of all exports of goods and services from the U.S. to Canada in 2018.

Canada's share of total U.S. travel exports declined from 13.3% in 2012 to 7.9% in 2016 but has increased moderately in 2017 and 2018 and reached 8.9% in 2018. Canada ranks second in terms of U.S. travel exports, behind only China.

For more about the contribution of visitations from Canada to America's trade balance, see the Addendum, Page 4.

TOP U.S. EXPORTS TO CANADA, 2018

INDUSTRY	U.S. EXPORTS IN BILLIONS (\$)	SHARE TOTAL EXPORTS OF GOODS AND SERVICES
Transportation Equipment	68.1	18.9%
Machinery, except electrical	30.0	8.3%
Chemicals	29.2	8.1%
Computer and electronic products	26.0	7.2%
Travel	22.8	6.3%

Source: U.S. Department of Commerce

MAJOR TRAVELER CHARACTERISTICS

- Two-thirds of Canadian international travelers have visited the U.S. in the last five years
- Nearly four in 10 Canadians (39%) indicated they were very interested in visiting the U.S. in the next two years
- Seven in 10 Canadians preferred air travel between U.S. cities while half (51%) were likely to drive between cities when traveling around the U.S.
- Friends and family, a return visit, adventure, beaches or water sports and food and cuisine were the top incentivizing factors for Canadians to visit the U.S.
- The most influential content for Canadians when deciding on a destination are: restaurants/food, hotels and lodging, shopping and safety
- The top three reasons why Canadians are not visiting the United States more frequently include: unfavorable currency exchange rate/too expensive, uncomfortable with U.S. national politics and concerns about personal safety

THE COMPETITION

Despite the growth in 2017 and 2018, Canadian visitations to the U.S. have declined by 9% since peaking in 2013. During the same time period, Canadian visitations to all markets increased by 7% (examples by outbound destination include: Mexico +28%, Cuba +29%, France +11%, Italy +75%, Dominican Republic +28%, China +24% and the U.K., +16%).

As a result of these trends, the U.S. lost a significant amount of market share, which declined from 64% in 2013 to 55% in 2018.

Despite the increase in competition from other markets, Canada remains the premier tourism market to the U.S. Every effort should be made to maintain the United States' competitive edge and ensure that the U.S. continues to attract more than half of all Canadian overnight visitations.

TOP CANADIAN INTERNATIONAL DESTINATIONS AND SHARE OF TOTAL OUTBOUND TRAVEL FROM CANADA, 2013 AND 2018

DESTINATION	SHARE OF OUTBOUND TRAVEL, 2013	SHARE OF OUTBOUND TRAVEL, 2018	VISITATION, 2018 (IN MILLIONS)
1 United States	64.1%	54.9% ▼	21.5
2 Mexico	4.3%	5.2% ▲	2.0
3 Cuba	3.0%	3.6% ▲	1.4
4 France	2.7%	2.8% ▲	1.1
5 Italy	1.6%	2.6% ▲	1.0
Total Outbound Travel			39.0

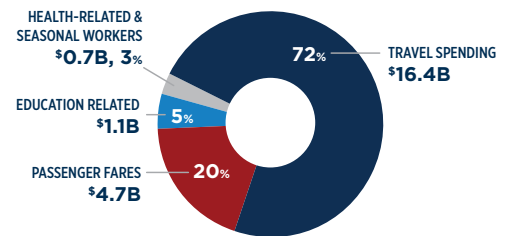
Source: Tourism Economics and U.S. Department of Commerce (for U.S. arrivals)

TRAVEL FROM CANADA TO THE U.S. IS “MADE IN AMERICA”

1 Spending by Canadian residents in the U.S. produced \$22.8 billion in export income for the U.S. economy.

Although travelers from Canada are physically on U.S. soil when they visit the United States, the goods and services they consume while in America are U.S. exports. In 2018, U.S. travel exports to Canada are estimated at \$22.8 billion, which includes travel spending by Canadian visitors to the U.S., education-related expenses by Canadians in the U.S., health-related expenses and spending of border/seasonal workers as well as international passenger fares by Canadians flying on U.S. airlines.

Breakdown of U.S. Travel Exports to Canada



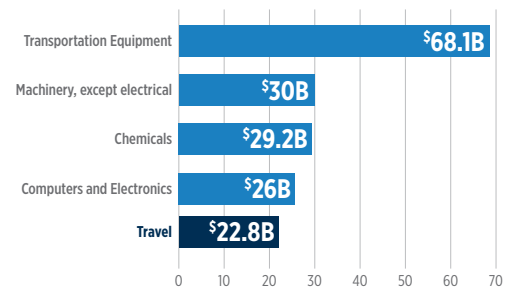
Total U.S. Travel Exports to Canada = \$22.8 Billion

Source: U.S. Department of Commerce

2 Travel is the fifth-largest industry export to Canada and accounted for 6% of all U.S. exports to Canada in 2018.

As the fifth-largest industry export to Canada in 2018, travel accounted for 6.3% of all U.S. exports of goods and services, just one percentage point behind computer and electronic products (7.2%).

Top 5 U.S. Exports to Canada, 2018

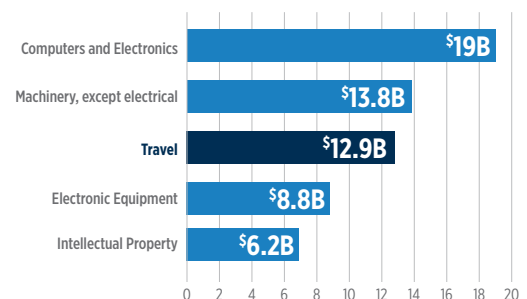


Source: U.S. Department of Commerce

3 Travel generated a \$12.9 billion trade surplus in 2018.

After taking into account U.S. resident spending in Canada (\$9.9 billion), the U.S. had a \$12.9 billion travel trade surplus with Canada. Without this surplus, the overall U.S. trade surplus with Canada of \$3.6 billion would have been a deficit of \$9.3 billion.

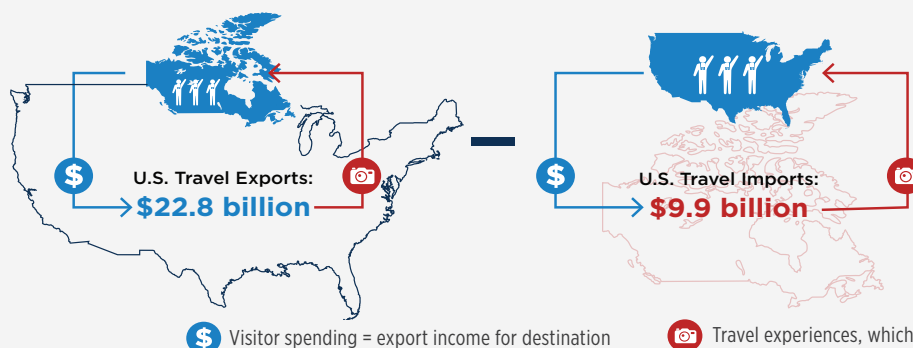
Top 5 Industries by U.S. Trade Surplus with Canada, 2018



Source: U.S. Department of Commerce

CALCULATING THE TRAVEL TRADE BALANCE WITH CANADA

Spending by Canadian visitors constitutes a U.S. travel export while spending by U.S. residents in Canada constitutes a U.S. travel import.



= \$12.9 Billion

Travel Trade Surplus with Canada

Since travel exports are far greater than travel imports, the U.S. enjoys a strong travel surplus with Canada.