

Tourism Indicators: Tourism Sector Sees Modest Growth in 2011

A release from the Province of British Columbia's central statistical agency

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INTRODUCTION

Real gross domestic product (GDP) in British Columbia's tourism sector was \$6.5 billion in 2011, accounting for just over 4% of GDP in the provincial economy.

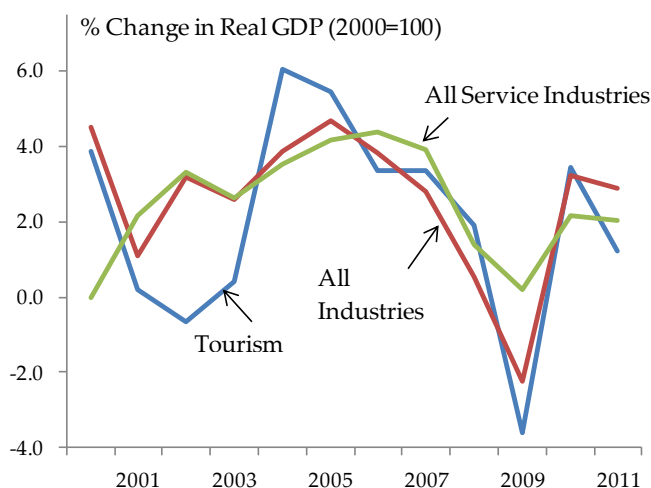
Employment in the sector was approximately 127,000, translating to roughly 1 out of every 15 people employed in the province.

The tourism sector expanded 1.2% in 2011, following a 3.4% rise in 2010, the year of the Winter Olympic Games in Vancouver. Growth in the sector was at a more measured pace than the provincial economy as a whole, which expanded 2.9%.

Tourism expenditure is an example of discretionary spending. The decision to travel is often dependent on current or potential concerns regarding social and economic conditions at home, abroad, or globally, as well as the individual's financial outlook. When conditions are favourable, spending on tourism-related services tends to rise. Volatile social conditions, global security threats and epidemic outbreaks, such as SARS and H1N1¹, generally dampen travel activity, as the sector is quite responsive to disruption.

¹Epidemic outbreaks of the highly contagious and potentially lethal SARS virus (Severe acute respiratory syndrome) in 2002-2003, and H1N1 virus (also referred to as "swine flu") in 2009-2010 caused panic and uncertainty worldwide.

Tourism sector GDP underperforms relative to the provincial economy in 2011



Data Source: BC Stats & Statistics Canada

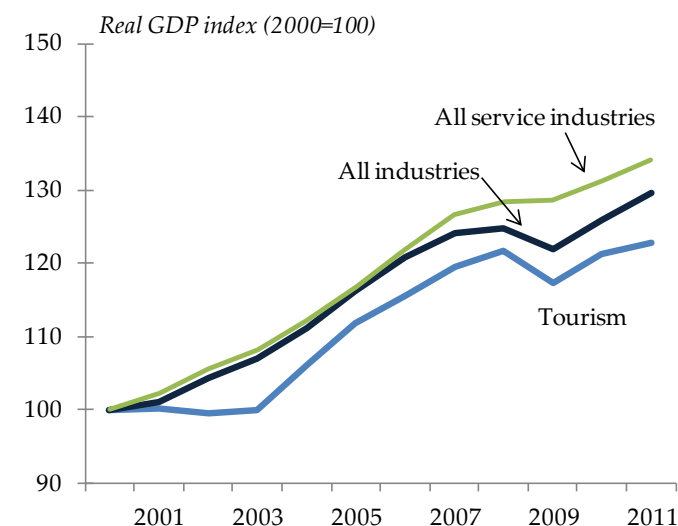
Though the tourism sector has recorded several years of slightly stronger growth than the rest of the province since 2000, the tourism sector has expanded at a slower pace overall, as it was negatively impacted by the 9/11 attacks and SARS outbreak, which took place between 2001 and 2003. Tourism-related transportation and accommodation & food services, which together accounted for nearly three quarters (72%) of the sector's GDP in 2011, have exhibited the weakest performance in terms of growth. Since 2000, provincial GDP has expanded by 29.6% and the GDP of all service-producing industries has fared even better, climbing 34.0%. Comparatively, GDP generated by

Tourism Indicators – continued...

the tourism sector has grown 22.8%, with tourism-related transportation increasing 16.6%, and accommodation & food services rising 20.4%.

In 2009, the sector posted its first decline (–3.6%) since 2002, when tourism contracted sharply following the 9/11 attacks. Recovery in the tourism sector in 2010 placed GDP just below (–0.29%) pre-recessionary levels. In 2011, GDP in the sector surpassed 2009 levels by 0.9%.

While the service industry as a whole has outperformed the provincial economy, tourism has not recovered from setbacks incurred in the early 2000s



Data Source: BC Stats & Statistics Canada

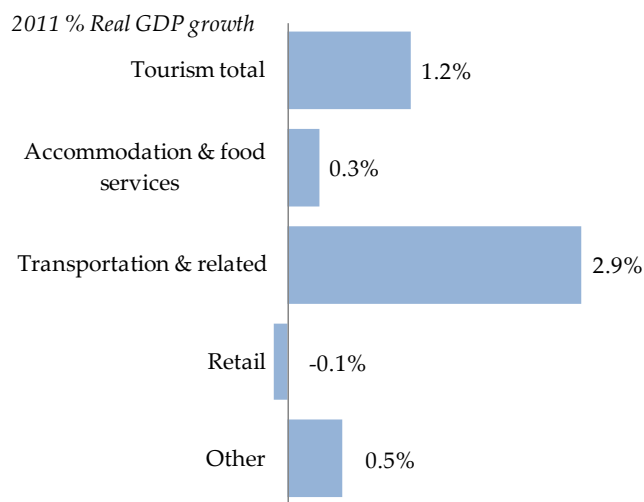
In 2011, the largest increase driving GDP was in tourism-related transportation, which expanded 2.9%, primarily due to a rise in air transportation, while accommodation and food services, advanced 0.3%. Retail fell 0.1%, the first decline since 2002 (–1.2%).

A note on methodology

*GDP estimates in this report are derived from data released by Statistics Canada in April 2012. A description of the methodology used to calculate GDP, employment and other tourism indicators is available in a document entitled, *Measuring the Size of British Columbia's Tourism Sector* (March 2009) at <http://www.bcstats.gov.bc.ca>.*

The employment figures presented in this article are calculated using information from Statistics Canada's Survey of Employment, Payrolls and Hours (SEPH). To ensure consistency when making comparison, the all-industry employment total from SEPH is used in this document, rather than the more widely recognized employment figure from the Labour Force Survey (LFS).

In 2011, tourism-related transportation recorded the strongest growth



Data Source: BC Stats

A note on GDP

GDP is a measure of the value added to the economy by a particular activity. It is calculated by subtracting the cost of supplies and services used to produce a good or service from total revenues. For example, the price of a restaurant meal covers the cost of food purchased to make the meal, the energy used to cook it, rent and other building expenses, cleaning supplies, accountant's fees, and so on. It also includes a mark-up intended to cover items such as wages, profits and depreciation. Although the restaurant uses food, energy and other inputs, its contribution to GDP is only the value added to the economy by the service it provides—the difference between the price paid by the consumer and the cost of inputs used by the restaurant.

*The GDP figures reported in this article are reported in constant (2002) dollars. This means that they have been adjusted to eliminate the effects of price changes over time. They are measured at **basic prices**: i.e. they include subsidies but exclude indirect taxes on products.*

KEY TOURISM INDUSTRIES

Tourists travelling to BC engage in a wide variety of activities, using services such as transportation, food & accommodation, travel agents, tour operators, retailing, and cultural services.

Together, accommodation & food services (36%) and transportation & related services (36%) accounted for nearly three-quarters of economic activity in the tourism sector in 2011. The share of GDP generated by retailing activities was 10%, with various other industries contributing the remaining 18%².

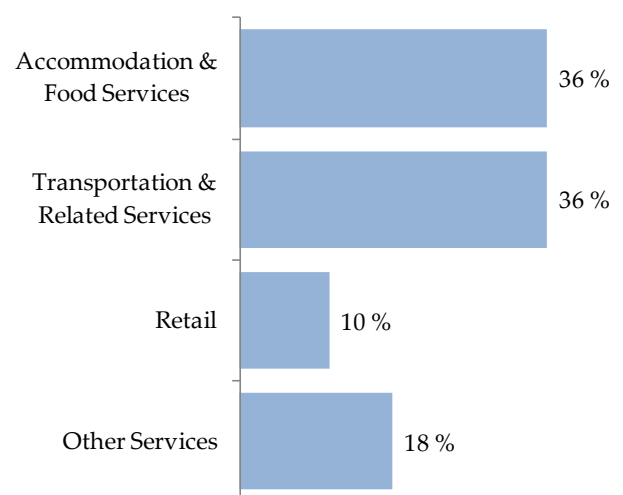
² Other tourism-related services are classified under the category “other services.” Services include vehicle rental agencies, performing arts, spectator sports, and estimates of the value of a variety of other

Activities in accommodation & food services include the major accommodation providers, such as hotels and motels, as well as other types of accommodation, such as bed & breakfasts and hostels. Full and limited-service (e.g., fast food and coffee shops) restaurants, and other types of eating and drinking establishments are also included in this sector.

The largest industries within the transportation category are air and water transportation, along with related services (such as airport and harbour operations). Other services in the category include bus, taxi, and rail services.

Within the retail industry, some goods are purchased by tourists and non-tourists alike, such as gifts, souvenirs, goods from luggage stores, books, clothing, etc. As such, only a portion of sales from retailers who sell these products is attributed to tourist spending. Other key activities include food, drug, gas, and RV sales.

Accommodation & food and transportation services generate nearly three-quarters of tourism GDP



Data Source: BC Stats

industries that provide goods and services to tourists either directly or indirectly.

Are tourism sector estimates comparable to data for other industries?

Yes, as long as care is taken to ensure that GDP or jobs are not double counted. Since tourism statistics are calculated by apportioning a share of total GDP or employment in each industry to the tourism sector, the tourism-related component must be subtracted from total GDP or employment in the relevant industries before making any comparisons.

OVER THE LONG TERM, RETAILING AND OTHER SERVICES HAVE ACHIEVED THE STRONGEST GROWTH

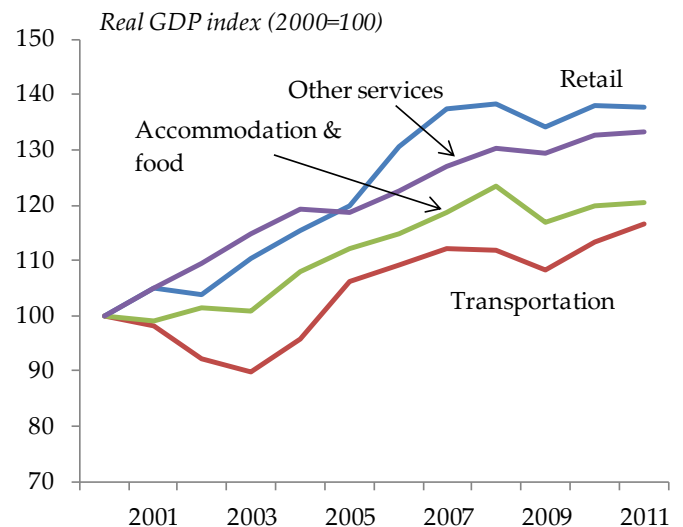
GDP in the tourism sector has risen by more than one-fifth (+22.8%) in the period since 2000, while the economy as a whole has grown at a slightly faster rate (+29.6%). In taking a closer look at the industries contributing to the tourism sector, variations in performance are evident over the period.

Retail, one of the sector's smaller key contributors, has exhibited the strongest growth over the period. Since 2000, GDP in the industry has expanded by nearly two-fifths (+37.8%), with almost the entire growth taking place between 2003 and 2007, as most of the sector registered slowdowns. Other tourism-related services have achieved modest growth in all but two years since 2000, increasing by one third (+33.3%) over the period.

Accommodation & food services registered little growth in the period between 2000 and 2003 (+0.9%), before picking up speed in 2004 (+7.0%); the industry's average rate of growth between 2004 and 2008 was 3.4%. The sector was most affected by the recession of 2009, and has yet to return to pre-recessionary GDP-levels; accommodation & food services expanded 0.3% in 2011, following a mild recovery (+2.7%) in 2010 from the 2009

decline (–5.3%). Since 2000, GDP in the industry has grown by 20.4%.

GDP generated by retail has increased at the largest rate over the period



Data Source: BC Stats & Statistics Canada

Tourism-related transportation expanded at the slowest rate (+16.6%) relative to the three other main components of the tourism sector between 2000 and 2011. During the first half of the decade, tourism-related transportation GDP declined for three consecutive years, while other tourism-related industries were less affected.

Transportation GDP rebounded in 2004 (+6.7%) and 2005 (+10.7%), and recorded growth until recessionary conditions arose in 2008 (–0.2%) and escalated in 2009 (–3.3%). The industry has since regained all of the ground lost during the economic downturn, and remains in a position of equal importance with accommodation & food services with respect to its share of tourism-related GDP. In 2010 (+4.8%) and 2011 (+2.9%), tourism-related transportation outperformed other key tourism industries.

TOURISM SECTOR REVENUES CLIMB TO \$13.4 BILLION IN 2011³

Revenues generated in British Columbia's tourism sector rose slightly (+1.4%) in 2011, to \$13.4 billion. Three out of the four contributing major industry groups saw revenues increase compared to the previous year. Revenues in the retail industry registered the largest advance (+5.2%), accounting for 28.2% of all tourism revenues. Tourism-related transport revenues also saw a large increase (+4.4%). Revenues generated by other tourism-related service providers remained relatively unchanged (+0.6%). Accommodation & food services revenues declined (-4.2%) in 2011; the industry grew at a slower rate than other key components of the tourism sector in the period since 2000, increasing 30.3%, versus the sector's average (+43.0%).

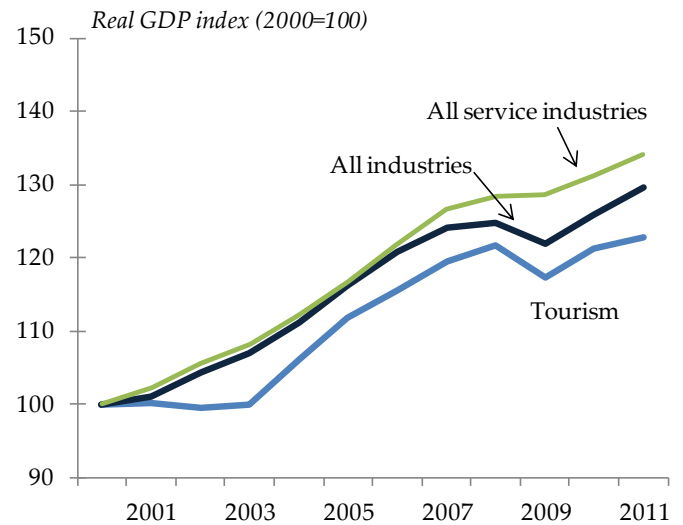
TOURISM SECTOR EMPLOYS 126,700⁴

Employment in British Columbia's tourism sector was estimated at 126,700 in 2011, a 0.5% dip from the previous year. Job losses were dispersed across key industries, with the exception of other tourism-related services, which had no change in employment. However, it should be noted that average weekly hours increased in every key component, suggesting there may have been a minor increase in the number of employees working full-time hours. Employment in accommodation & food services accounts for half of all tourism-related employment, estimated at 62,900 jobs.

³ Preliminary estimates

⁴ This employment figure excludes the self-employed. Self-employment is a significant factor in the tourism sector (in the province as a whole). Information from the Labour Force Survey (a survey of households which include the self-employed) suggests that the actual figure may be about 3% higher than what the SEPH suggests.

Employment growth in the tourism sector remains above the provincial average, but dipped below the average for all service-producing industries



Data Source: BC Stats & Statistics Canada

Since 2000, tourism sector employment has risen 23.7%, slightly faster than the provincial average (+22.2%). The number of people working in the province has increased 22.2% since 2000, primarily due to heightened employment in the service sector (+25.0%), while employment in goods-producing industries (-4.8%) has fallen slightly.

What is direct tourism employment?

Direct tourism employment is a measure of the number of people working in various industries that serve tourists. It includes workers in industries ranging from accommodation & food services to retailing and transportation.

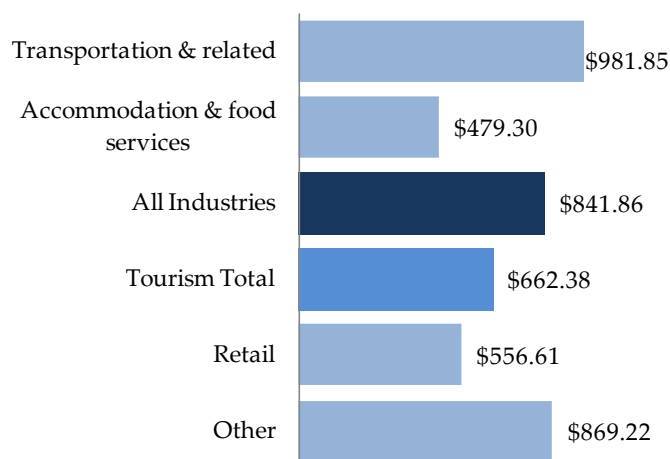
Direct tourism employment estimates are generated by assigning a percentage of total employment in various industries to the tourism sector. These percentages are calculated by BC Stats based on information from various sources.

TOURISM SECTOR WORKERS EARNED \$4.4 BILLION IN 2011

Wages and salaries in the tourism sector were slightly lower (–0.7%) in 2011. Minimum wages increased for the first time since 2001, which may have helped to offset the downward pressure on earnings from lower levels of employment throughout the sector in 2011. The decline was driven by reduced earnings in the sector's two largest components, accommodation & food (–1.6%), and tourism-related transportation (–1.2%) services.

Transportation has not fared as well as other key industries, rising by just 19.5% since 2000, with 2011 marking the third straight year of decline. The industry has the highest average weekly wages, which totalled \$981.85 (–0.6%) in 2011.

Workers in tourism-related transportation industries had the highest weekly earnings



Data Source: BC Stats, Statistics Canada SEPH

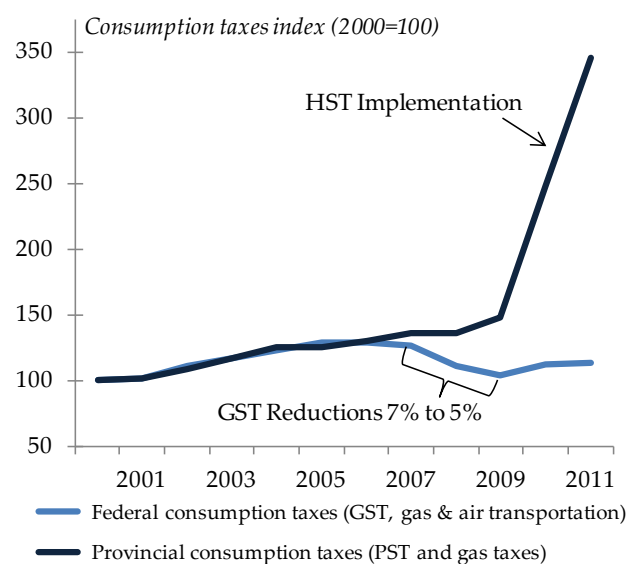
For the tourism sector as whole, average weekly earnings dipped to \$662.38 (–0.2%). Average weekly wages in the accommodation & food services sector declined to \$479.30 (–1.0%). Historically, wages in the industry have been nearly on par with those in retail; however, after

diverging in 2008, there is now roughly a 14% spread between the two industries, with weekly wages in retail averaging \$556.61 (+1.6%).

TOURISM TAX REVENUES ROSE IN 2011

Across all levels of government, tourism activities generated an estimated \$2.7 billion in tax revenues in 2011, an 11.3% rise over the previous year. Consumption taxes, which are currently accounted for under the Harmonized Sales Tax (HST) and other taxes (e.g., taxes on gas and air transportation), were estimated at \$1.4 billion, an increase of 16.1% over the previous year. The increase was chiefly due to higher tax revenues (+39.8%) arising from the provincial portion (7%) of the HST (12%), which rose to \$657 million in 2011. Revenues from the federal portion (5%) of HST totalled \$748 million, a 1.0% rise over revenues in the previous year.

Provincial consumption taxes have mounted since the implementation of the HST



Data Source: BC Stats

The increase reflects the fact that 2011 was the first full year in which the HST was applicable to consumer

Tourism Indicators – continued...

purchases. Many services used by tourists that were provincially tax-exempt prior to the introduction of the HST are now subject to the full 12% consumption tax. Receipts from total provincial taxes (which include income, hotel, and other taxes) jumped 23.4%, with the municipal (hotel room) tax portion falling 3.2%, while total federal taxes (which include income and other taxes) rose 4.2% in 2011.

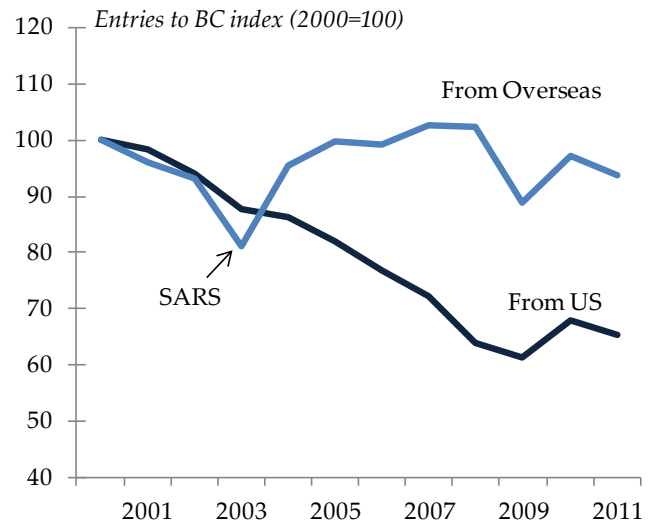
OTHER TOURISM INDICATORS: VISITOR ENTRIES

Total visitor entries to Canada through British Columbia fell 3.6% following a 10.4% increase in 2010. As the Canadian dollar hovered around parity with the greenback, entries from the US declined 3.7%, with same-day visits (–4.5%), and overnight visits both contracting (–3.3%). Relative to 2000, the number of entries via the United States has dropped sharply (–34.6%), from 7.0 million to 4.6 million.

The number of Canadians re-entering Canada via British Columbia rose 22.9% in 2011, following a 32.1% increase in 2010. Canadians returning to Canada from same-day auto trips increased 36.6%, from 6.9 million to 9.5 million, as the strong loonie provided incentive for Canadians to shop across the border.

After several years of steady recovery (following 9/11 and SARS), entries originating from overseas were severely dampened in 2009 (–13.2%), due to global recessionary conditions, and widespread concern regarding the H1N1 epidemic. Entries from overseas spiked (+9.1%) during the Olympic year (2010), but fell 3.3% in 2011, as entries from Europe (–10.1%) declined, and visits from the Asia-Pacific region (–0.6%) contracted slightly. Over the period of 2009 to 2011, total entries increased 5.5%.

Entries from the United States fell slightly in 2011



Data Source: BC Stats

LITTLE CHANGE IN THE NUMBER OF TOURISM ESTABLISHMENTS OPEN FOR BUSINESS IN 2011

A word of caution

Establishment counts are useful indicators but in themselves do not necessarily measure the economic impact of a particular industry or group of industries. There is no distinction between large and small businesses in a simple establishment count. For example, if a small motel was replaced by a major resort the accommodation establishment count would not change. However, the resort would likely generate more jobs and revenue than a small motel, which would be a significant economic impact. Even so, it is still informative to know where tourism establishments are placed in BC, as well as what are the dominant industries and establishment sizes.

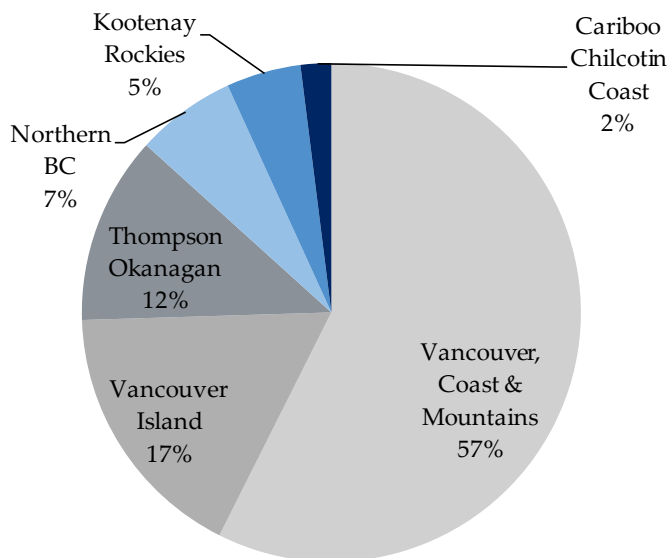
The total number of tourism establishments in British Columbia in 2011 was 18,034, a 0.5% increase over the previous year. Northern BC recorded the largest increase (+1.8%), from 1,137 to 1,158, due to expansion in Northeast (+7.7%) and Nechako (+3.2%).

Tourism Indicators – continued...

Vancouver, Coast & Mountains saw a 0.8% rise in the number of tourism establishments, from 10,167 to 10,253. Vancouver Island (–1.1%) and Thompson Okanagan (–1.4%), the second and third largest tourism regions in the province, were the only regions that recorded declines in 2011. The number of establishments in the Kootenay Rockies (+0.5%) and Cariboo Chilcotin Coast (+0.9%) recovered slightly, following two consecutive years of decline.

The number of food & beverage (+0.7%), amusement, gambling & recreation (+1.1%) and performing arts & sports (+2.2%) establishments all increased in 2011. The number of accommodation establishments (–0.9%), transportation establishments (–0.1%), and heritage institutions (0.0%) remained virtually unchanged.

More than half of all establishments are in Vancouver, Coast & Mountains



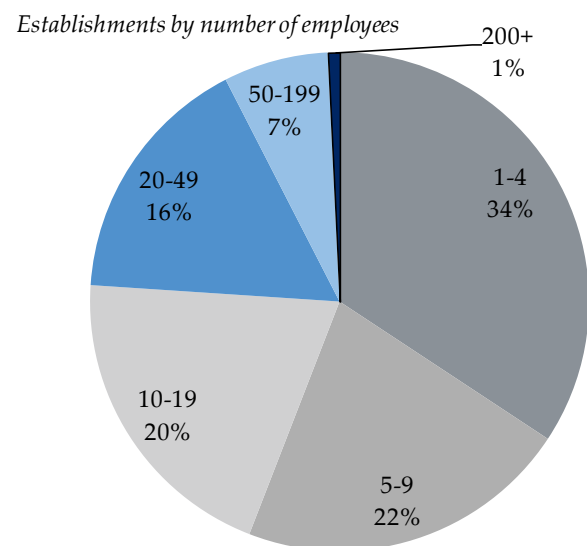
Data Source: BC Stats & Statistics Canada

Composition of the sector, by size of establishment (based on the number of employees), has shifted considerably since 2003. Between 2003 and 2006, the number of

establishments operating with 200 or more employees rose from 127 to 166, an expansion of 30.1%. In 2007, there was a shift in the number of establishments identified as employing 1 to 4 employee(s), to 5 to 9 and 10 to 19 employees. Establishments operating with a staff of 1 to 4 employees decreased by 2,077 establishments (–25.2%) province-wide, and at the same time, the number of establishments employing 5 to 9 (+22.6%), and 10 to 19 (+20.5%) staff rose. Food & beverage and transportation providers saw the most transition. The total number of establishments fell (–2.9%) to 17,662.

In the period since 2003, the number of tourism-related establishments in BC has dipped (–0.4%), entirely due to a decrease (–25.5%) in the number of establishments employing 1 to 4 staff. The category made up just over one third (34%) of establishments in 2011, a drop from its share in 2003 (46%). Every other category has recorded increases over the period, with the fastest growth taking place in the 20 to 49 employee category (+32.3%).

Most are small – one in three has fewer than five employees



Data Source: BC Stats & Statistics Canada

Tourism Indicators – continued...

BC Stats' tourism figures

BC Stats' tourism sector statistics program is supported and funded by Tourism BC. The data in this report is estimated by BC Stats in partnership with Tourism BC. Methodology used to calculate these tourism indicators is described in a document entitled "Measuring the Size of British Columbia's Tourism Sector" found at www.bcstats.gov.bc.ca.

British Columbia Tourism	2005	2006	2007	2008	2009	2010p	2011p
Revenue (\$ million)	11,465	12,208	12,928	13,351	12,576	13,169	13,354
% change	7.0	6.5	5.9	3.3	-5.8	4.7	1.4
GDP (\$ million)	6,150	6,510	6,885	7,077	6,946	7,329	7,352
% change	8.0	5.8	5.8	2.8	-1.9	5.5	0.3
Real GDP (\$2002 million)	5,883	6,080	6,285	6,404	6,175	6,386	6,463
% change	5.5	3.4	3.4	1.9	-3.6	3.4	1.2
Implicit price index (2000 = 100)	104.5	107.1	109.5	110.5	112.5	114.8	113.8
% change	2.5	2.5	2.2	0.9	1.8	2.0	-0.9
Employment, SEPH ('000)	118.3	122.9	126.8	130.6	128.4	127.4	126.7
% change	2.7	3.9	3.2	3.0	-1.7	-0.8	-0.5
Wages & salaries (\$ million)	3,832	4,128	4,351	4,519	4,342	4,409	4,376
% change	6.2	7.7	5.4	3.9	-3.9	1.6	-0.8
Consumption taxes (\$ million)	1,090	1,092	1,092	992	964	1,210	1,405
% change	3.9	0.2	-0.1	-9.2	-2.7	25.5	16.1

Revenue, GDP, and consumption taxes are preliminary for 2010 and 2011

Growth rates presented reflect unrounded data

Data Source: BC Stats & Statistics Canada

Tourism Indicators – continued...

Establishments by Region	2005	2006	2007	2008	2009	2010	2011
Vancouver, Coast & Mountains	10,323	10,346	9,964	10,014	10,122	10,167	10,253
% change	1.5	0.2	-3.7	0.5	1.1	0.4	0.8
Vancouver Island	2,994	3,014	2,933	2,998	3,014	3,091	3,056
% change	0.0	0.7	-2.7	2.2	0.5	2.6	-1.1
Thompson Okanagan	2,302	2,339	2,168	2,231	2,200	2,206	2,176
% change	-1.2	1.6	-7.3	2.9	-1.4	0.3	-1.4
Northern BC	1,202	1,201	1,144	1,132	1,131	1,137	1,158
% change	-2.6	-0.1	-4.7	-1.0	-0.1	0.5	1.8
Kootenay Rockies	884	882	854	873	862	860	864
% change	-2.1	-0.2	-3.2	2.2	-1.3	-0.2	0.5
Cariboo Chilcotin Coast	355	365	360	376	357	351	354
% change	-3.8	2.8	-1.4	4.4	-5.1	-1.7	0.9
Total	18,094	18,187	17,662	17,774	17,814	17,943	18,034
% change	0.3	0.5	-2.9	0.6	0.2	0.7	0.5

* Total is not exactly equal to the sum of the components, as some establishments do not have a standard geographic code

Data Source: BC Stats & Statistics Canada

Establishments by Size	2005	2006	2007	2008	2009	2010	2011
1-4 employees	8,177	8,256	6,179	6,121	6,177	6,208	6,182
% change	2.3	1.0	-25.2	-0.9	0.9	0.5	-0.4
5-9 employees	3,133	3,170	3,886	3,816	3,823	3,830	3,897
% change	-4.1	1.2	22.6	-1.8	0.2	0.2	1.7
10-19 employees	2,980	2,937	3,538	3,687	3,684	3,576	3,636
% change	-0.9	-1.4	20.5	4.2	-0.1	-2.9	1.7
20-49 employees	2,454	2,438	2,691	2,744	2,744	2,949	2,958
% change	1.9	-0.7	10.4	2.0	0.0	7.5	0.3
50-199 employees	1,204	1,220	1,230	1,248	1,230	1,226	1,223
% change	-1.4	1.3	0.8	1.5	-1.4	-0.3	-0.2
200+ employees	146	166	138	158	156	154	138
% change	5.8	13.7	-16.9	14.5	-1.3	-1.3	-10.4
Total	18,094	18,187	17,662	17,774	17,814	17,943	18,034
% change	0.3	0.5	-2.9	0.6	0.2	0.7	0.5

Data Source: BC Stats & Statistics Canada