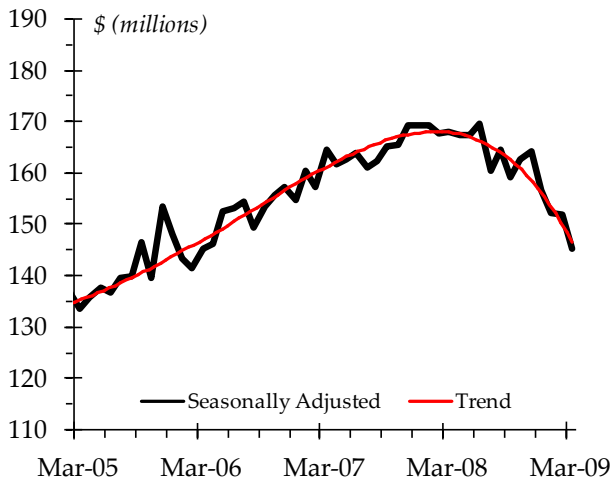


Tourism Sector Monitor ♦ June 2009

Room revenue

Room revenues in BC fell (-4.4%, seasonally adjusted) in March—continuing a downward trend that started four months ago. Similar drops were experienced by almost all regions, including North Coast (-5.8%), Thompson/Okanagan (-4.8%), Mainland/Southwest (-4.4%), Cariboo (-3.7%) and Northeast (-2.4%). Worst hit by the downturn was Vancouver Island/Coast (-6.5%). Only Kootenay (+1.5%) and Nechako (+5.7%) bucked this negative trend in room revenues.

Room revenues were down in March, continuing a four-month downward trend



Data Source: BC Stats

In the midst of the global recession, March was another poor month for all accommodation categories in BC. In particular, all hotel revenues fell with the worst hit being very large hotels (251+ rooms; -7.7%). To a lesser extent large (151-250 rooms; -3.3%), mid-sized (76-150 rooms; -3.2%) and small (1-75 rooms; -4.2%)

also saw revenues drop. Motels garnered fewer revenues (-5.4%) for the third consecutive month. Vacation rentals (-1.2%) and other accommodations (-0.3%) also suffered with the economic downturn.

Table 1: Room revenue
(seasonally adjusted)

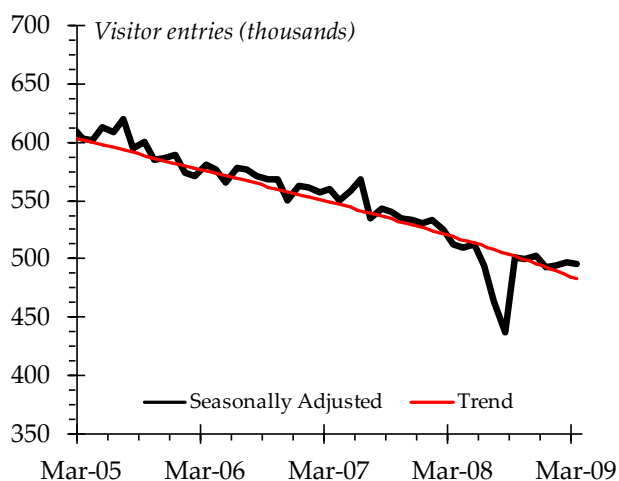
Accommodation Type	Mar-09 (\$000)	Feb-09 (\$000)	change %
Total	145,283	152,028	- 4.4
Hotels	106,709	112,319	- 5.0
Motels	17,121	18,097	- 5.4
Other Accommodations	21,373	21,531	- 0.7
Regions (Top 3 performers)			
Nechako	847	801	+ 5.7
Kootenay	7,500	7,388	+ 1.5
Northeast	5,232	5,361	- 2.4

Data Source: BC Stats

Visitor entries

Traveller entries to Canada via BC inched down (-0.3%) in March, almost reversing gains made in February. Visitation from the US (-0.4%) was off, despite stable overnight trips (+0.2%), as there were fewer Americans on same-day (-1.4%) visits. The number of travellers from overseas countries also slipped (-0.3%), reflecting a notable downturn in European entries (-2.4%). Travel from Asia (+2.4%) was up, boosted by a jump on visits from Hong Kong (+54.1%). However, significantly fewer visitors from other overseas countries (-2.4%) entered the province.

Visitor entries dipped slightly in March



Data Source: Statistics Canada

Table 2: Visitor entries
(seasonally adjusted)

	Mar-09 (000s)	Feb-09 (000s)	change %
American visitors			
Total	374	375	- 0.4
Same-day	125	127	- 1.4
Overnight	249	248	+ 0.2
Overseas visitors			
Total	122	123	- 0.3
Europe	40	41	- 2.4
Germany	7	7	- 0.9
UK	17	17	- 5.3
Asia	56	55	+ 2.4
Hong Kong	8	5	+54.1
Japan	12	12	- 4.7
Taiwan	4	3	+16.4
Other	26	27	- 2.4

Data Source: BC Stats & Statistics Canada

Other indicators

With the slow economy, most BC tourism indicators mirror a curb in travel spending by both residents and visitors.

British Columbia's hotel occupancy rate fell sharply (-3.4 percentage points to 58.7%) in March. The average room rate continued to drop (-0.9%), reaching \$130.60.

Air passenger traffic at Vancouver International Airport receded (-1.7%) in March as the number of domestic (-2.1%), US (-0.6%) and other international (-2.1%) travellers slipped. Passenger volume at Victoria International Airport was slightly lower (-0.2%) in March.

Despite an average fuel rebate incentive of 5% on all minor routes, BC Ferries experienced another month of declines as both vehicle (-2.2%) and passenger (-1.7%) traffic were down.

Sales of BC's food services and drinking industry fell 1.8% in March

Table 3: Other tourism indicators
(seasonally adjusted)

	Mar-09	change from Feb-09
Hotel Industry		
Occupancy Rate (%)	58.7	-3.4 pp
Average Room Charge (\$)	130.60	- 0.9
<i>Data Source: Pennell Kerr Forster</i>		
Airport Passengers	(000s)	(%)
Vancouver International Airport		
Total Traffic	1,382	- 1.7
US (trans-border)	334	- 0.6
Other International	328	- 2.1
Canada (domestic)	720	- 2.1
<i>Data Source: YVR</i>		
Victoria International Airport		
Total Traffic	125	- 0.2
<i>Data Source: Victoria Airport Authority</i>		
Food Services Receipts	(\$ millions)	(%)
All Establishments	627	- 1.8
Food Service	586	0.0
Drinking Places	43	- 2.1
<i>Data Source: Statistics Canada</i>		
Transportation	(000s)	(%)
BC Ferries		
Vehicle Volume	661	- 2.2
Passenger Volume	1,702	- 1.7
<i>Data Source: BC Ferries</i>		
Exchange Rates	Cdn \$1.00	
US Dollar (\$)	0.791	-0.01
UK Pound (£)	0.558	0.00
Japanese Yen (¥)	77.393	+2.86
Australian Dollar (\$)	1.187	-0.05

Data Source: Statistics Canada (pp = percentage points)

A look ahead – April 2009

Preliminary room receipts indicate relatively no change (+0.5%) for BC in April. While North Coast (-5.3%), Nechako (-2.6%), Vancouver Island/Coast (-2.4%) and Cariboo (-1.8%) all experienced losses, Thompson/Okanagan (+0.7%), Mainland/Southwest (+1.3%), Kootenay (+2.1%) and Northeast (+4.6%) all saw revenues climb.

The above changes from the previous month stem from an increase (+4.2%) in very large hotel (251+ rooms) revenues, that was offset by a drop (-3.3%) in revenues at large hotels (151-250 rooms). Minor changes were experienced by mid-sized (76-150 rooms) hotels (-1.0%), motels (-1.2%), vacation rentals (+2.0%) and other accommodations (+0.6%). Room revenues at small hotels (1-75 rooms) remained flat (-0.1%).

The regional hotel occupancy rate inched up (0.6 percentage points) in April to 59.3%. The

average room rate followed suit, climbing slightly (+0.8%) to \$131.70.

Passenger volumes at Vancouver International Airport recovered somewhat (+1.1%) in April from the decline of March. Both domestic (+1.7%) and US (+1.6%) traffic rose, while international passenger volume dropped (-1.0%) for the fourth consecutive month. Victoria International Airport also saw more (+1.9%) passenger traffic. Vehicle (+2.3%) and passenger (+2.2%) volumes at BC Ferries picked up in April, despite the regulated annual increase in ferry fares.

Sales at BC's food services and drinking industry rose 1.9% in April as both food services (1.8%) and drinking establishments (3.8%) registered higher revenues.

Note about preliminary numbers

Companies file their hotel room taxes with varying delays. The initial data retrieved by BC Stats may be revised considerably over the following months. BC Stats reports room revenues with a three-month lag. For example, data for January are not reported until April. However, we also report "preliminary data" with a two-month lag.

How accurate is the preliminary data? Over 24 reports in 2006–2008, seasonally adjusted preliminary numbers—reported in the "look ahead" section—were lower than subsequently reported estimates by an average of 0.2 percentage points, thereby either underestimating growths or overestimating declines. This is partly because the initial data retrieved at the time the estimates are calculated are not always complete. For example, if the preliminary figure is 1.5, the actual number probably is around 1.7. And if the preliminary figure is -0.5, the actual number is about -0.3.

Special Focus: Seasonal adjustment of room revenue

Seasonal adjustment is a method employed by BC Stats to interpret month-to-month changes in time series that exhibit seasonal patterns. This article illustrates the procedural stages and discusses an updated methodology used.

Seasonal adjustment methodology

In its most basic form, time series that reveal seasonal fluctuations (regular peaks and valleys that are duplicated on an annual basis) may be broken into three smaller component series.

Trend *T*: Typically a linear component that shows the general direction of the information contained within the original time series.

Seasonal *S*: A period component that may be based on seasonal (summer or winter, say) or monthly changes within a typical year.

Irregular *I*: A random residual that may not be adequately explained by *S* and/or *T*.

Seasonal adjustment program

BC Stats employs X-12-ARIMA[†] to seasonally adjust economic time series. It breaks down a series into the above-mentioned components, and eliminates any identifiable seasonality. Additional parameters may also be used in the adjustment process, such as the effects of trading day variations. For example, if a business experiences peak trading over the weekends, those months with fewer weekends will surely contribute significantly to the variability of the monthly revenues.

Easter is another holiday that influences seasonal adjustment. This is especially true to the

accommodation industry, since long weekends usually coincide with extended travel arrangements that would otherwise not fit into a regular 2-day weekend. And, since Easter is not fixed to March or April, these months may be influenced differently.

Benefits of seasonally adjusted data

Seasonally adjusted data is devoid of seasonal influences. It therefore lends itself to comparing successive months in a straight-forward way. Consequently, it minimises the risk of examining the growth in revenue from one month to the next (or month-over-month analysis) where either month may be in its own seasonal pattern. For example, where June may typically form part of peak season, compared to May that forms part of shoulder season, say.

Alternatives to seasonal adjustment

The process of seasonal adjustment follows a mathematical model that focuses on the underlying data trend rather than the seasonal fluctuations. However, seasonality is expected to be annual. Therefore, one typically finds the same fluctuations to occur during the same time period every year.

In this regard, year-over-year growth analysis is also very common. That is, comparing the growth in revenue in July 2009 to that of July 2008, say. However, this comparison does not take the eleven months in between—August 2008 to June 2009—into account. And, depending on the industry, this type of analysis may be inadequate, albeit sufficient, and/or should be used with caution.

Changes to seasonal adjustment in TSM

The update to X-12-ARIMA (from its predecessor X-11-ARIMA) initiated an investigation to

[†] The X-12-Arima Seasonal Adjustment Program, US Census Bureau. Available online from: <http://www.census.gov/srd/www/x12a/>

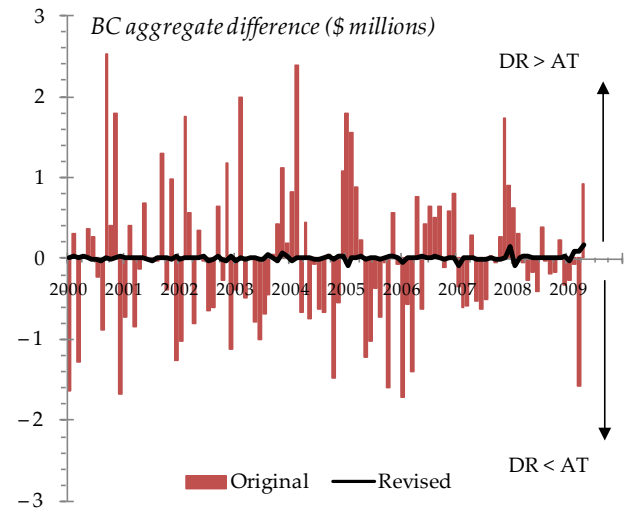
fine-tune the way reporting of seasonally adjusted data is performed at the provincial level.

Originally, raw data for accommodation categories within development regions were aggregated and subsequently seasonally adjusted to obtain data at the (i) development region and provincial (ii) accommodation category levels. However, such “upper level” seasonal adjustment allowed for differences between the provincial aggregates of (i) and (ii) above. That is, in some instances the provincial total across development regions was higher (or lower) than the provincial total across accommodation categories. The cause is revenue-rich development regions (like Mainland/Southwest) or accommodation categories (like hotels) overshadowing the seasonal patterns of others.

Because tourism-heavy regions (including Vancouver Island/Coast and Mainland/Southwest) influenced the seasonality of regions that exhibit comparatively lighter tourist activity (like those in Northern BC), the decision was made to publish only the development region provincial aggregate since it would be more representative of tourism activity in BC. That is, development region totals demonstrated more regional seasonality than accommodation type aggregates for the province. Accommodation type aggregates were still possible, but may have differed slightly.

Seasonal adjustment is now being performed at the lowest level possible, before aggregating to obtain regional and provincial totals. This revised methodology over the original yields much more accurate and comparable analysis between the two levels of reporting.

Differences between seasonally adjusted development region (DR) and accommodation type (AT) aggregates for BC



Data Source: BC Stats

Conclusion

Seasonal adjustment of data allows for adequate month-over-month comparison of economic time series. It is used throughout the analysis of data contained in the tourism room revenue database.

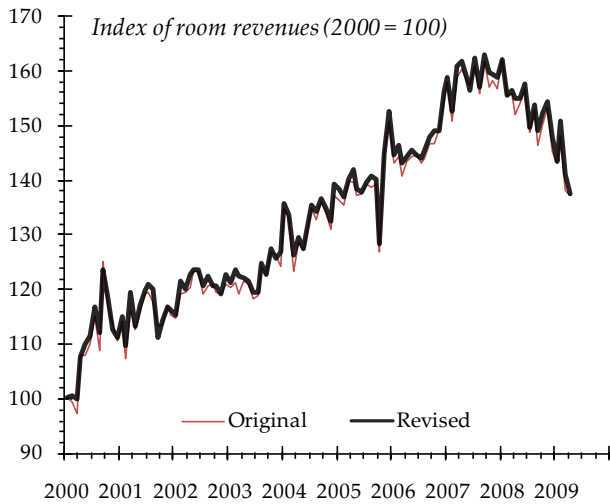
An updated methodology for seasonal adjustment has been incorporated in the production of the TSM tables and subsequent analyses.

The appendix shows the unadjusted and seasonally adjusted data series for the remaining development regions, as well as the eight accommodation categories regularly featured in the Tourism Sector Monitor.

Appendix

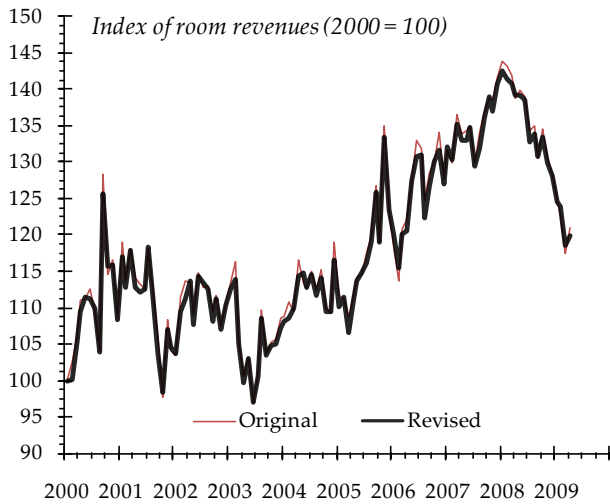
The following graphs reflect the differences (in the form of an index since 2000) between the former and updated seasonally adjusted room revenues at the development region level:

Vancouver Island/Coast



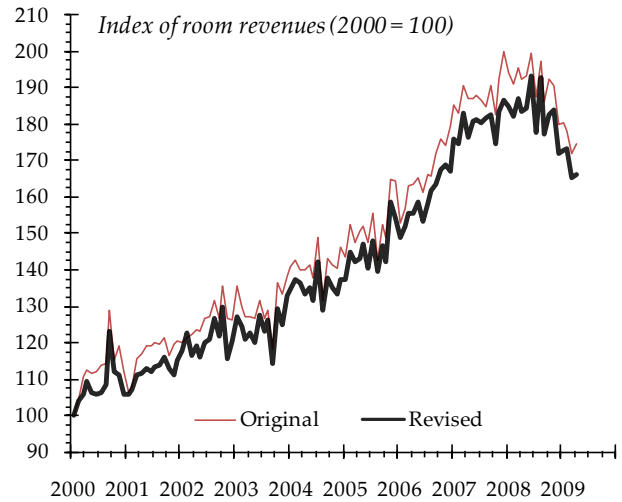
Data Source: BC Stats

Mainland/Southwest



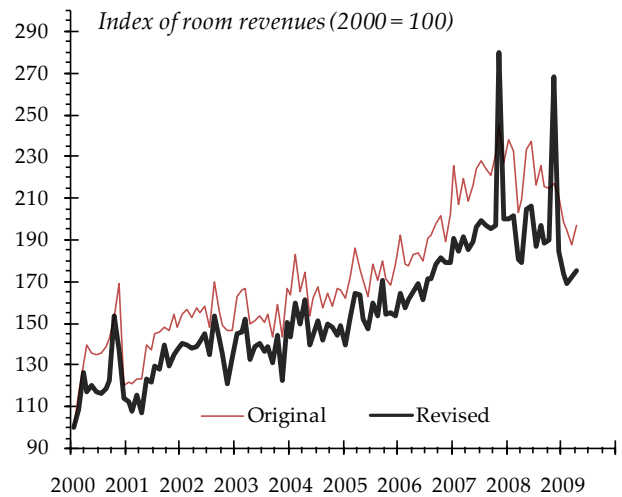
Data Source: BC Stats

Thompson/Okanagan



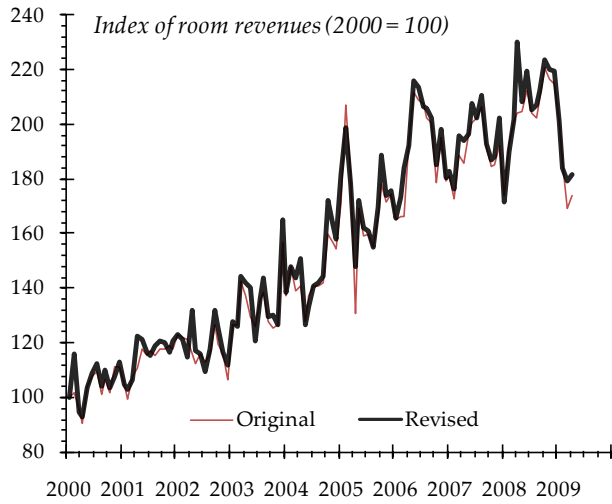
Data Source: BC Stats

Kootenay



Data Source: BC Stats

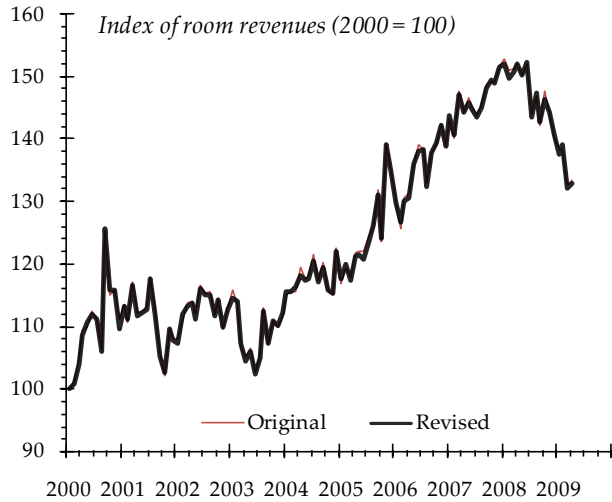
North Coast + Nechako + Northeast



Data Source: BC Stats

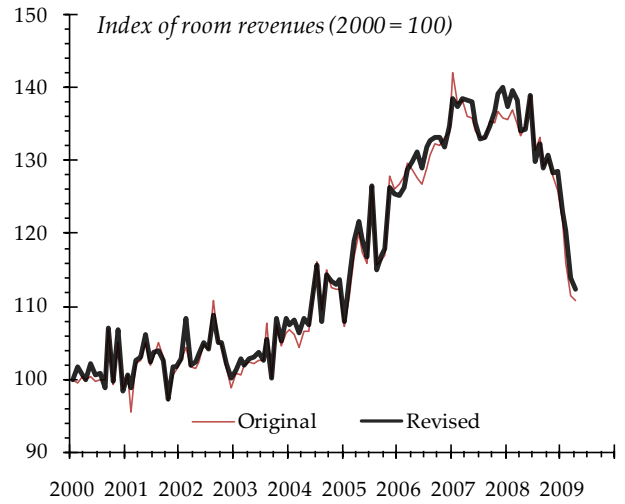
The following graphs reflect the differences (in the form of an index since 2000) between the former and updated seasonally adjusted room revenues for some accommodation type aggregates:

All hotels



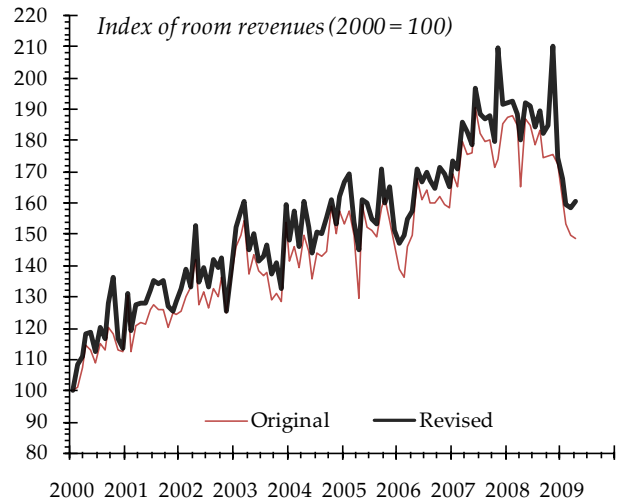
Data Source: BC Stats

Motels



Data Source: BC Stats

All other accommodation types



Data Source: BC Stats