The Conference Board of Canada

Outbound Travel Outlook
Caribbean and Mexico

2016-2020

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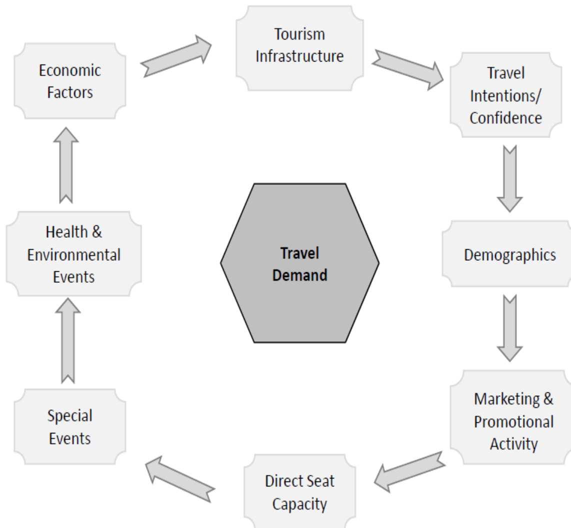
Background

The Conference Board prepares annual five-year forecasts of travel by Canadians to the USA, the Caribbean, Mexico, Asia/Pacific, and Europe. Many data sources are used to develop these forecasts. The main drivers of outbound leisure travel demand considered within the forecasts are depicted in Figure 1.

Figure 1. Drivers of Outbound Travel Demand



The Conference Board is the largest economic forecaster in Canada with econometric models of the economy at national, provincial, metropolitan, and industrial levels. These models, involving over one thousand variables, are an important input into the outbound travel forecasts.

The data collected from the travel intentions surveys conducted each year is another input into the travel forecasts. Other sources used include planned air capacity, marketing/ development reports, event data, political and environmental insights, and Canada's demographic profiles.

The forecasts assume that no major economic, political, military, or terrorist events will take place over the forecast period and that no major health or environmental issues will occur.

Forecast Assumptions and Risks

Direct air capacity is always a crucial variable to a forecast for a specific destination. An increase or decrease in direct capacity to a destination usually has a significant effect on arrivals. Additional capacity can occur either when a new carrier enters a market, or an existing provider introduces new routes or an increase in service. Air capacity is also affected by the demise of carriers which reduces available seats and can result in higher air fares. No carrier failures are anticipated over the forecast period. As such, the current forecast assumes that seat capacity data filed with OAG as of May 2016 will not change for the remaining months of the year.

Economic factors such as exchange rates and the growth in Canadian's real disposable income impacts the volume of outbound travel, while conflict, war, and other political, environmental and health issues influence travel patterns. Civil unrest, terrorist attacks, health crises, and significant weather events can have a short-term negative impact on travel to a destination.

Since the end of the recession in 2009, Canada's economy has been growing at a rate that supports outbound leisure travel. In fact, Canada has been one of the stronger outbound travel markets in the Western world – especially when compared with the United States and Europe. This is expected to continue throughout the forecast period, though significant growth is not anticipated, and regional differences will occur.

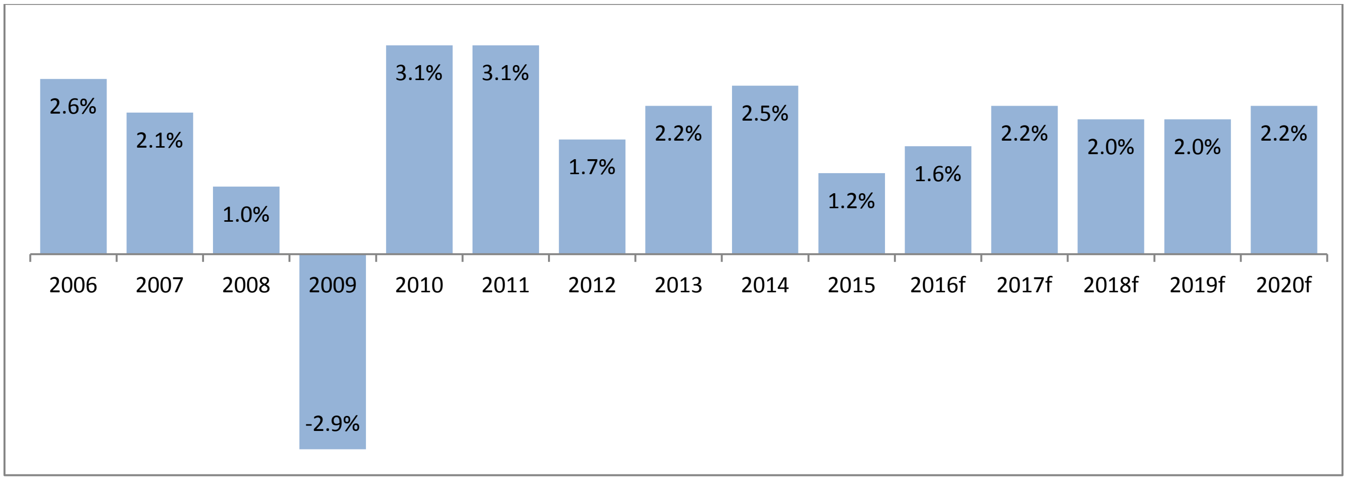
Population demographics are also a key contributor to outbound travel forecasting. Canada's population will grow by 4.2 per cent over the forecast period, and will age considerably. Baby boomers (those born between 1946 and 1964) are expected to continue to drive the outbound leisure travel market in the coming decade. Furthermore, multi-generational travel will be supported by the demographic shift; as of 2015 there were more seniors (65+) in Canada than children (≤14).

Many economic, demographic and travel industry factors are in place to support an increase in Canadian leisure travel during the forecast period. While outbound travel is forecast to grow over the next five years, not all destinations will share equally in this growth.

Canadian Economic Trends

Following lackluster performance in 2015, Canada's economy is forecast to grow by a modest 1.6 per cent in 2016. Reduced activity in the energy and resource sectors in the prairies along with expectations of weak business investment will result in average growth of 2.0 per cent between 2016 and 2020. Provincially, the Conference Board forecasts strong economic growth in British Columbia and Ontario over the short-term; both of these provinces are expected to perform better than the country as a whole. On the other hand, real GDP growth in Atlantic Canada will be negatively affected by economic conditions in Newfoundland and Labrador, and Alberta and Saskatchewan will continue to struggle with the impact of lower oil prices.

Figure 2. Per cent Change in Real GDP, basic prices (2007 $)



Source: CBoC forecast, May 2016

At the same time, household spending is expected to remain fairly stable and real disposable income is forecast to average 2.1 per cent annual growth during the period. These factors are sufficient to support modest growth in outbound leisure travel in the short-term. However, the Canadian dollar lost 19 per cent of its value against the U.S. dollar between 2013 and 2015. The dollar, which averaged USD $0.91 in 2014 after trading around par for an extended period, is expected to post an annual average in the mid- to high-seventy cent range throughout the forecast period. Higher travel prices in the U.S. and the Caribbean and Mexico combined with a less favourable exchange rate will result in lower growth to these regions during the forecast period.

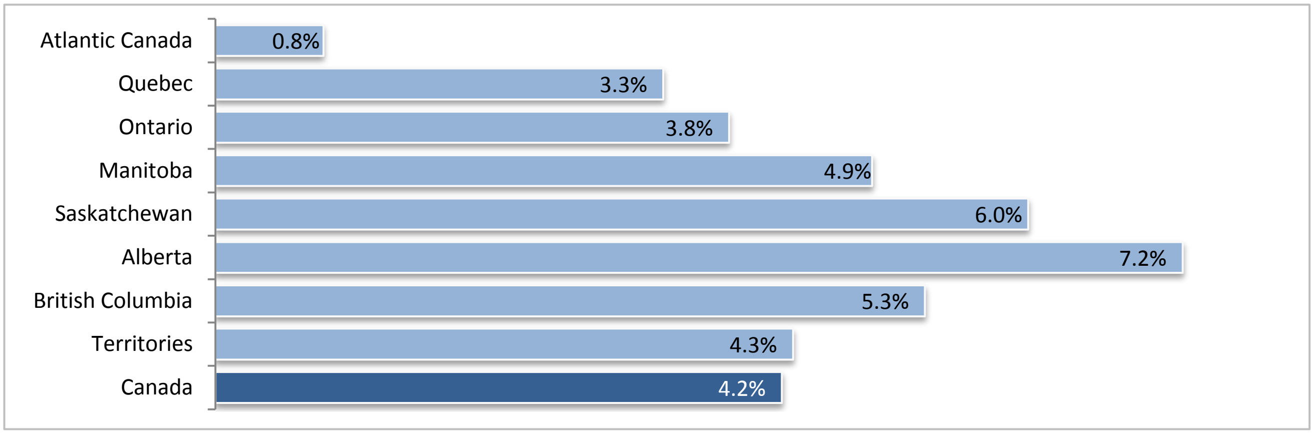
Economic Indicators	2016f	2017f	2018f	2019f	2020f
Real GDP (% change)	1.6%	2.2%	2.0%	2.0%	2.2%
Real Disposable Income (% change)	1.9%	1.9%	2.1%	2.3%	2.3%
Household Spending (% change)	1.8%	1.9%	1.9%	1.9%	1.9%
CAD/USD	$1.34	$1.29	$1.26	$1.23	$1.21
CAD/EUR	$1.44	$1.37	$1.37	$1.38	$1.39
CAD/GBP	$1.86	$1.86	$1.87	$1.85	$1.84
CAD/AUD	$0.94	$0.93	$0.94	$0.95	$0.96
HKD/CAD	HK$ 5.76	HK$ 6.01	HK$ 6.16	HK$ 6.31	HK$ 6.41
JPY/CAD	¥ 88.17	¥ 96.52	¥ 99.39	¥ 101.60	¥ 103.04

Source: Conference Board of Canada (May 2016 Outlook), Oxford Economics World Outlook

Canadian Demographics

Canada's population is expected to surpass 37.8 million by 2020, an increase of 4.2 per cent. Growth will be greatest in Alberta (7.2%) and Saskatchewan (6.0%). In the most populous provinces—Ontario and Quebec—the population is expected to increase 3.8 per cent and 3.3 per cent, respectively. The Atlantic Provinces are expected to experience a more modest 0.8 per cent growth through 2020 to reach almost 2.4 million people.

Figure 3. Canadian Population Forecast, 2016-2020 (% change)



Source: CBoC forecast, September 2015

The share of Canada's population aged 55+ is increasing dramatically. Between 2016 and 2020, the number of Canadians aged 55-64 will increase 6.7 per cent, while the volume of people aged 65 and older will increase 15.2 per cent. This trend applies across the provinces as well. For example, the number of residents aged 65 or older will increase 20.1 per cent in Alberta, 16.9 per cent in BC, and 15.0 per cent in Ontario.

Figure 4. Per cent Change in Population by Age and Region, 2020 *versus* 2016

% change in population by age	Atlantic Canada	Quebec	Ontario	Manitoba	Saskatchewan	Alberta	BC	Canada
under 15	0.6%	6.3%	2.8%	6.6%	9.2%	10.3%	4.3%	5.1%
15-24	-6.7%	-7.1%	-4.5%	-1.9%	-1.8%	-1.3%	-1.6%	-4.2%
25-34	-1.4%	2.9%	5.4%	5.2%	5.0%	-0.1%	5.5%	3.6%
35-44	-2.4%	6.0%	4.2%	8.3%	14.7%	14.3%	7.2%	6.4%
45-54	-9.1%	-7.4%	-7.2%	-4.7%	-4.0%	-0.3%	-4.7%	-6.1%
55-64	3.1%	3.8%	9.3%	6.0%	4.2%	8.2%	5.8%	6.7%
65+	14.4%	13.6%	15.0%	13.0%	12.5%	20.1%	16.9%	15.2%

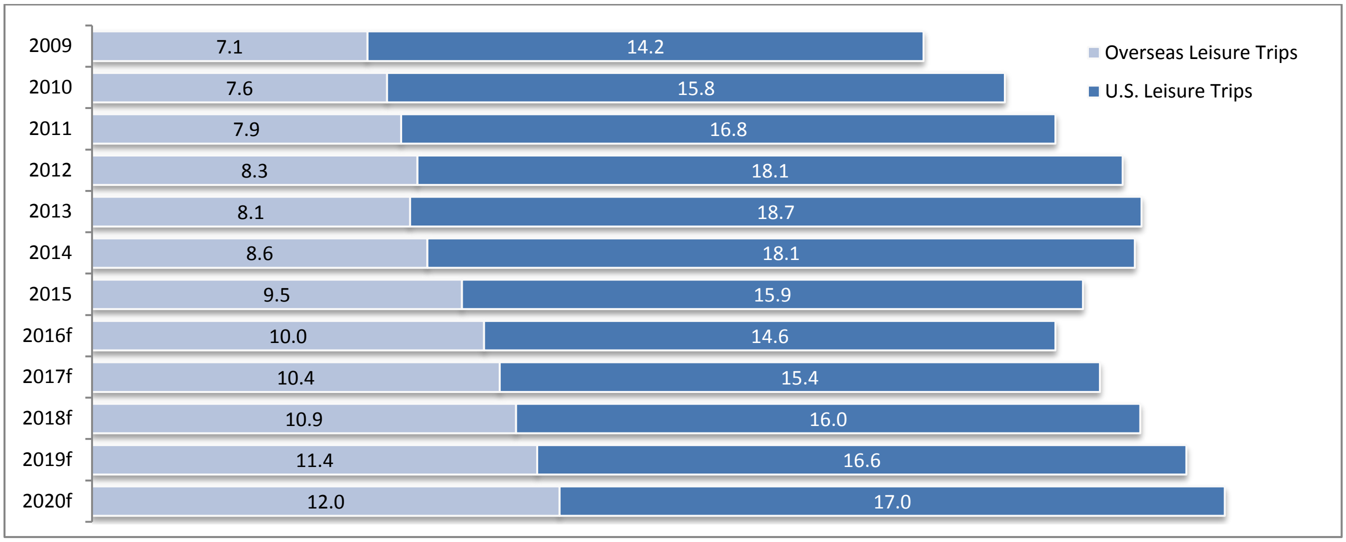
Source: CBoC forecast, September 2015

In 2015, the number of Canadians aged 65+ surpassed the number of children (14 and under) for the first time in Canadian history. Canada's aging population will help grow outbound leisure travel as the propensity to take leisure trips outside the country increases with age. In fact, Canadians 55+ are about 40 per cent more likely to travel outside of Canada for leisure purposes than their younger counterparts. Given this trend, it stands to reason that if Canadians 55 and older continue to take the same proportion of pleasure trips in 2020 as they did in 2010, outbound travel for this age group will see significant growth. Trips to the U.S. by this age cohort would see growth of 33.7 per cent and travel to non-U.S. destinations would increase 32.3 per cent. In contrast, the volume of trips by Canadians aged 35-54 would decline due to a drop in the number of Canadians aged 45-54.

Outbound Leisure Travel Forecast

After the 2009 global recession negatively impacted leisure travel, outbound trips by Canadians rebounded strongly and, until recently, continued to increase each subsequent year. In 2015, growth was registered in overseas leisure trips (+10.1%), but travel to the United States declined by 1.7 million trips. Almost all of this decrease was due to a significant drop in trips by automobile as the Canadian dollar fell to an average of $0.78 during the year. As a higher proportion of Canadians visited destinations other than the U.S., the share of overseas leisure trips grew from 32.2 per cent in 2014 to 37.3 per cent in 2015. Higher annual proportions of overseas travel is expected to continue in the short-term.

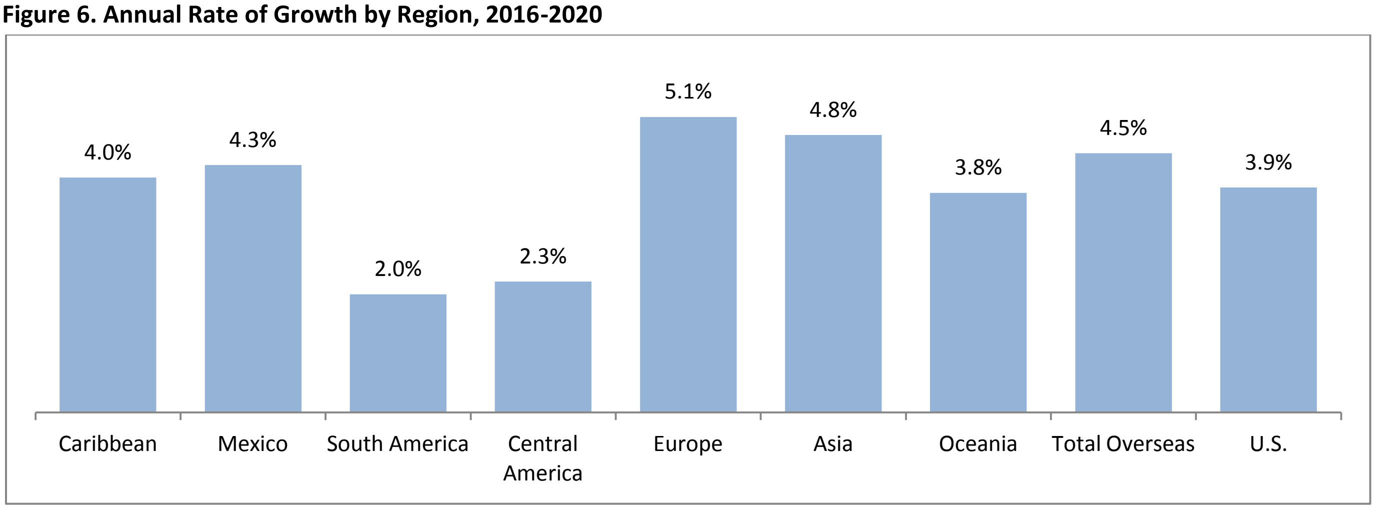
Figure 5. Outbound Leisure Trips to U.S. and Overseas Destinations (millions)



Source: Statistics Canada, CBoC estimates.

Outbound leisure travel is forecast to grow at a 4.1 per cent average annual rate between 2016 and 2020. While this is a slower rate of growth than seen between 2000 and 2015 (4.4%), it still corresponds to a relatively strong outbound travel market. In the short-term, growth will be propelled by increases in overseas travel, as the volume of trips to the U.S. is expected to be more modest than in recent years. Following a couple of years of declines, leisure trips to the U.S. are forecast to return to a more normal growth scenario in 2017. Throughout the forecast period, trips to the U.S. are expected to post a compound average annual rate of growth of 3.9 per cent through 2020, while the average annual rate expected for overseas destinations is 4.5 per cent

Figure 6. Annual Rate of Growth by Region, 2016-2020



Source: CBoC

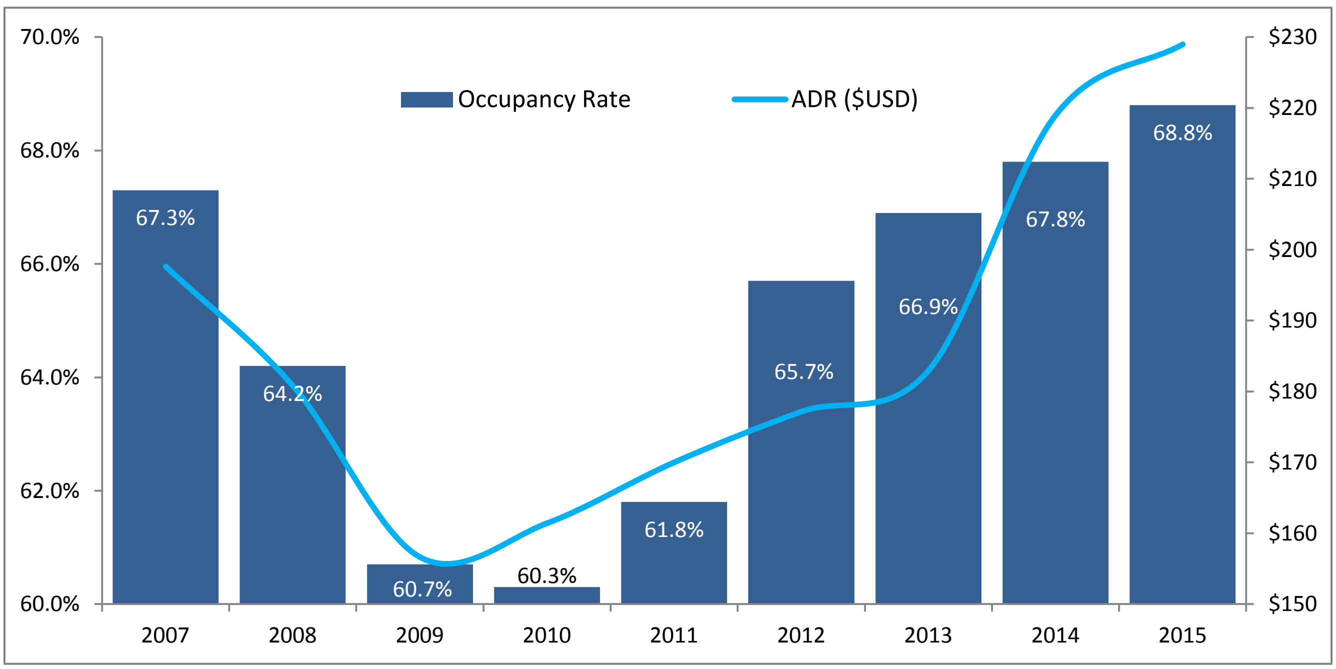
Caribbean & Mexico

Tourism Performance

Leisure travel to the Caribbean and Mexico from Canada grew by 4.5 per cent in 2015. However, a lengthy period of increased visitation—arrivals grew at an average annual rate of 7.0 per cent between 2006 and 2014— has resulted in higher travel prices. In 2015, even with an average daily rate approaching $230 USD, the Caribbean saw the highest overall level of occupancy the region has seen. While many properties saw a boost in occupancy due to the strength of the U.S. and South American markets, Canadians were enticed by attractive package options and ample seat capacity to a number of destinations. However, in contrast with recent years, the number of destinations recording decreases in Canadian arrivals exceeded the number with increases. Throughout the year, the top performing destinations were Curaçao (45.5%), Suriname (58.0%) and Barbados (17.8%).

Even though the Canadian market showed considerable resilience in 2015, its overall share of Caribbean arrivals dropped marginally from 12.1 per cent to 11.8 per cent, with 3.4 million Canadians coming to the Caribbean.

Figure 7. Caribbean Occupancy Rates and ADR (USD$)



Source: STR Global, Caribbean Hotel and Tourism Association

Tourism Infrastructure and Airline Seat Capacity

Canadians are savvy travellers who are influenced by the availability of affordable, clean, and safe tourism infrastructure in any given destination. The tourism industry attracts the majority of foreign investment in many countries in the Caribbean, and interest in luxury and ultra-luxury accommodation has many governments in the Caribbean focussing on developments that will appeal to high-yield tourists. According to STR Global, there were 231 thousand rooms available in 1,923 hotels throughout the region (excluding Cuba) in 2015 with another 9 thousand rooms currently under construction or in the final planning stages. Construction of the largest project in the region, the Baha Mar in the Bahamas, has been at a standstill for over a year. However, other new developments and consistent luxury brands will help the region compete for the Canadian market.

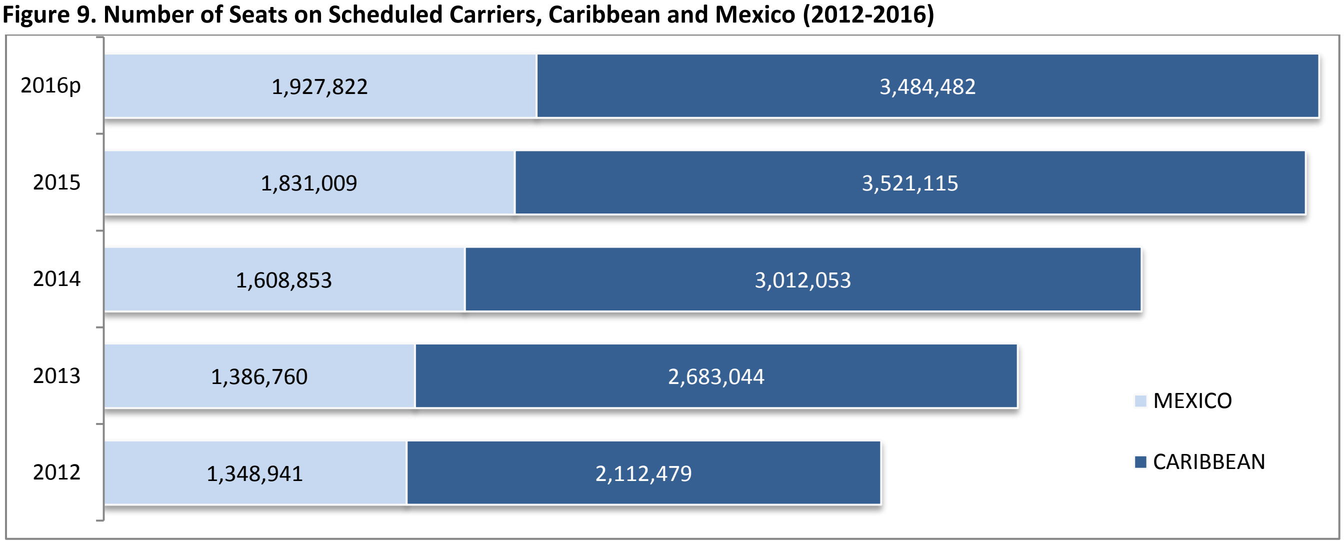
Figure 8. Accommodation Supply, Occupancy and ADR in the Caribbean and Mexico

Country	Accommodation Supply		Average Daily Rate (ADR)		Occupancy Rate	
	# Properties	# Rooms	2015 ADR ($ USD)	% change	2015	% change
Antigua & Barbuda	49	3,823	--	--	--	--
Aruba	35	7,026	$287	4.4%	66.5%	0.8%
Bahamas	125	13,547	--	--	--	--
Barbados	92	5,850	$293	-0.1%	68.7%	5.4%
Bermuda	24	2,119	$347	6.3%	52.5%	-1.7%
British Virgin Islands	33	1,126	--	--	--	--
Cayman Islands	60	3,887	$364	14.3%	68.0%	-5.0%
Curacao	36	4,163	$152	3.7%	71.4%	4.0%
Dominica	32	674	$134	21.4%	50.6%	-2.3%
Dominican Republic	228	61,836	$131	6.5%	70.9%	-0.5%
Grenada	39	1,643	--	--	--	--
Haiti	24	1,332	--	--	--	--
Jamaica	203	23,220	$242	14.6%	71.0%	-2.1%
Martinique	52	4,242	--	--	--	--
Puerto Rico	160	15,847	$192	3.2%	74.6%	4.2%
Saint Lucia	55	4,051	$351	11.3%	77.2%	-6.0%
St. Kitts & Nevis	23	1,736	--	--	--	--
St. Maarten	41	3,676	--	--	--	--
St. Vincent & the Grenadines	37	912	--	--	--	--
Trinidad & Tobago	73	4,055	$159	-0.1%	66.0%	2.0%
Turks & Caicos	37	2,908	$891	9.0%	69.2%	1.9%
U.S. Virgin Islands	79	4,792	$325	6.1%	76.1%	11.5%
All Caribbean	**1,923**	**230,831**	**$229**	**4.6%**	**68.8%**	**1.4%**
Mexico	--	**356,672**	--	--	**59.6%**	**2.5%**

Source: STR Global, December 2015, Caribbean Hotel and Tourism Association, Secretaría de Turismo de México

Tourism performance is directly dependent on the number of flights available. Even though travel to the region is more expensive compared with some U.S. sun destinations, seat capacity has been expanding. Compared to 2012, carriers have increased capacity to Caribbean destinations by 64.9 per cent and by 42.9 per cent to Mexico. In 2016, carriers are planning to offer fewer seats to the Caribbean (-1.0%), but 97 thousand more seats to Mexico (5.3%).

Figure 9. Number of Seats on Scheduled Carriers, Caribbean and Mexico (2012-2016)



Source: OAG

Competition amongst Canada's major package operators is expected to continue as Air Canada, Air Transat, and WestJet expand their capacity. After increasing 16.9 per cent in 2015, direct flight capacity to Caribbean destinations is expected to drop slightly to just under 3.5 million seats while capacity to Mexico will increase 5.3 per cent to 1.9 million seats. Almost all of the volume decrease in Caribbean capacity is a result of reduced service to Jamaica by Sunwing.

Figure 10. Number of Direct Seats to Caribbean and Mexico, by Carrier (2012-2016)

	2012	2013	2014	2015	2016	% Change (16 vs.15)	CARG 2012-2016
Air Canada	925,275	888,276	971,011	1,045,815	1,201,501	14.9%	6.7%
Air Transat	403,355	706,678	877,494	1,125,269	1,150,613	2.3%	30.0%
Sunwing	895,527	1,132,650	1,348,893	1,560,006	1,387,071	-11.1%	11.6%
WestJet	915,452	1,062,436	1,136,858	1,156,398	1,206,630	4.3%	7.1%
Other Carriers	320,948	277,174	286,650	464,258	463,843	-0.1%	9.6%
Total	**3,460,557**	**4,067,214**	**4,620,906**	**5,351,746**	**5,409,658**	**1.1%**	**11.8%**

Source: OAG

Figure 11. Scheduled Direct Air Capacity by Country

Country	2014	2015	% Change
Antigua	29,584	26,348	-10.9%
Aruba	38,142	35,403	-7.2%
Bahamas	138,608	133,058	-4.0%
Barbados	97,242	106,238	9.3%
Bermuda	51,078	51,242	0.3%
Cayman Islands	21,505	22,176	3.1%
Cuba	1,556,617	1,546,518	-0.6%
Curacao	13,432	13,410	-0.2%
Dominican Republic	726,901	725,978	-0.1%
Grenada	13,504	7,752	-42.6%
Guadeloupe	12,007	17,704	47.4%

Country	2014	2015	% Change
Haiti	34,559	37,083	7.3%
Jamaica	497,870	459,003	-7.8%
Martinique	14,837	13,986	-5.7%
Puerto Rico	15,765	18,930	20.1%
Saint Kitts & Nevis	2,126	2,190	3.0%
Saint Lucia	45,352	41,812	-7.8%
St Maarten	46,608	56,973	22.2%
Trinidad & Tobago	120,790	110,226	-8.7%
Turks & Caicos	44,210	55,806	26.2%
Caribbean	**3,520,737**	**3,481,836**	**-1.1%**
Mexico	**1,831,009**	**1,927,822**	**5.3%**

Source: OAG

Outlook for the Caribbean and Mexico

The winter travel season continues to be the most important period for Canadian travel to the Caribbean and Mexico. Canadians made 3.5 million trips to the Caribbean during winter 2015-16 compared with 1.2 million during summer 2015[1]. One of the issues affecting the growth in travel to the region is the lack of direct capacity, especially in the summer season. While growing, the number of seats to the Caribbean is less than total arrivals during the period. This forces Canadians to take indirect flights, which affects their choice of destination during the trip planning process. Caribbean countries also face competition from Mexico which welcomed 1.7 million Canadian visitors in 2015. Mexico is expected to see tourism infrastructure investment reach USD $46 billion by 2024 compared with the Caribbean's USD $8.3b.[2]

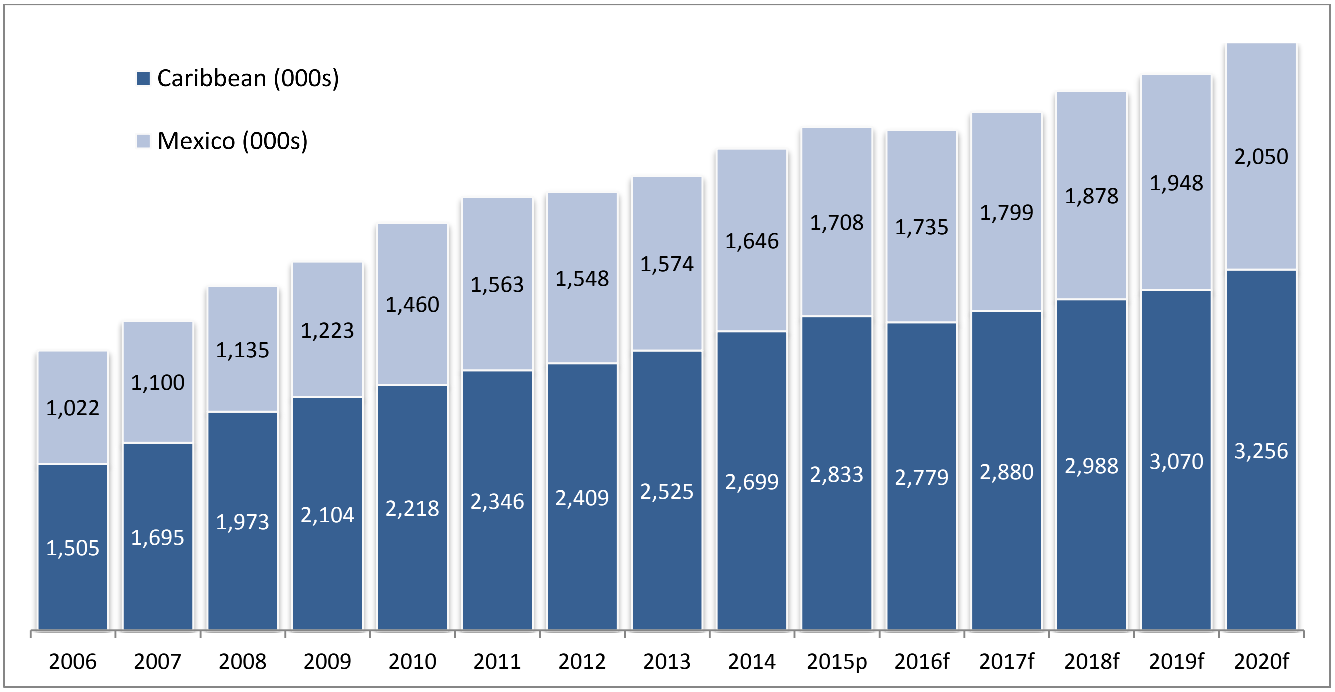
Modest growth in Canada's economy combined with an aging population, a less favourable exchange rate, and higher prices will result in slower visit growth to the Caribbean and Mexico in the coming years. In Caribbean destinations, room rates increased 4.6 per cent last year, and are now averaging USD $229/night. Because these factors will dampen visitor volumes, trips from Canada are forecast to decline in 2016, but recover and grow at an average annual rate of 4.0 through 2020. The distribution of trip destinations will vary during the forecast period as a lower dollar prompts travel to mass market sun destinations and fewer trips to comparatively expensive countries. Cuba and the Dominican Republic

[1] Based on arrivals data from 23 countries.

[2] World Travel and Tourism Council

accounted for 68.1 per cent of arrivals in the Caribbean compared to 63.5 per cent in winter 2012-13. Throughout the forecast period, the share of overseas trips to Mexico should remain stable around 14.0 per cent, but the share of trips to the Caribbean is expected to decline to 22.0 per cent from 24.0 per cent.

Figure 12. Number of Leisure Visits from Canada to the Caribbean and Mexico each year (000s)



Source: Statistics Canada, Caribbean Tourism Organization, Conference Board of Canada.

Even with a drop in market share, Canadian travel to Caribbean destinations is expected to surpass 3 million by 2020. Still, the Caribbean cannot be complacent. Cost-effective packages, decent air lift, and improved economic growth are expected to positively impact trips to the region. But, uncertainty about the impact of the Zika virus, the strong U.S. dollar, and economic implications stemming from the resource sector slowdown will temper growth over the short-term. These factors will also affect travel to Mexico, but the vast array of package options at various price points combined with significant seat capacity will help the destination grow its Canadian arrivals at an average annual rate of 4.3 per cent through 2020.

Regional Outlook, Selected Countries

The following table presents the number of Canadian arrivals to Mexico and 23 Caribbean destinations from 2011 through 2015 and the visitation forecast through 2020. Historical arrivals data is obtained from country's various tourist boards and statistical agencies and includes trips for all purposes. The forecasts are made by the Conference Board of Canada using an econometric model adjusted to reflect air lift and room capacity.

Mexico is expected to bring in an average 38.6 per cent of Canadians travelling to the region throughout the forecast period. Within the Caribbean, Cuba and the Dominican Republic captured 66.2 per cent of arrivals in 2015. They are expected to account for a slightly larger proportion of Caribbean trips in the short-term, but will capture an average of two-thirds of Canadian arrivals through 2020.

Figure 13. Forecast of Canadian Arrivals (all trip purposes) to Caribbean Destinations (000s)

	2011	2012	2013	2014	2015	*2016f*	*2017f*	*2018f*	*2019f*	*2020f*
Anguilla	2,823	3,291	3,575	3,703	3,397	*3,037*	*3,147*	*3,266*	*3,287*	*3,524*
Antigua & Barbuda	22,416	24,185	30,235	27,701	23,270	*26,426*	*26,577*	*29,397*	*29,185*	*31,677*
Aruba	40,558	45,520	44,338	43,767	44,166	*43,012*	*43,019*	*45,729*	*48,641*	*49,829*
Bahamas	124,166	131,064	123,720	144,141	151,356	*143,063*	*145,224*	*153,519*	*157,664*	*163,723*
Barbados	71,953	72,020	67,295	65,814	74,494	*65,305*	*65,464*	*72,187*	*75,478*	*75,811*
Bermuda	29,217	30,565	27,613	29,170	24,988	*28,952*	*29,245*	*30,267*	*30,545*	*33,057*
Cayman Islands	24,629	24,092	23,640	24,908	24,299	*24,600*	*24,860*	*25,478*	*26,166*	*27,762*
Cuba	1,002,318	1,071,696	1,105,729	1,175,077	1,299,980	*1,278,762*	*1,328,259*	*1,371,873*	*1,408,243*	*1,493,078*
Curacao	8,785	9,743	9,561	12,532	18,488	*15,187*	*15,734*	*16,332*	*16,773*	*17,543*
Dominica	2,502	2,553	2,636	1,832	2,998	*1,791*	*1,783*	*1,813*	*1,797*	*1,912*
Dominican Republic	665,640	685,889	684,071	712,245	750,898	*759,360*	*770,963*	*783,928*	*805,094*	*854,204*
Grenada	7,237	7,822	9,038	10,347	10,790	*10,523*	*10,681*	*11,326*	*11,766*	*13,108*
Guadeloupe	23,572	19,565	16,239	14,000	12,000	*11,636*	*9,959*	*8,084*	*7,199*	*6,874*
Haiti	--	--	--	32,606	37,155	*32,203*	*32,369*	*33,172*	*33,148*	*35,522*
Jamaica	378,938	403,200	399,331	419,898	391,409	*379,680*	*418,523*	*440,959*	*462,929*	*498,286*
Puerto Rico	24,051	23,904	22,451	21,935	22,120	*21,128*	*21,131*	*21,655*	*21,640*	*23,305*
Saint Lucia	35,393	37,709	35,985	41,502	38,677	*36,449*	*39,487*	*42,862*	*41,917*	*44,106*
St. Kitts & Nevis	5,961	7,073	6,611	6,217	9,293	*6,110*	*5,928*	*5,910*	*5,808*	*5,982*
St. Maarten	33,256	41,925	46,300	51,146	53,273	*52,514*	*54,352*	*57,355*	*58,734*	*62,998*
St. Vincent	6,719	7,424	7,089	7,203	7,515	*7,170*	*7,264*	*7,518*	*7,587*	*8,195*
Trinidad & Tobago	40,653	35,600	34,000	54,866	53,191	*54,187*	*54,466*	*58,795*	*57,027*	*58,727*
Turks & Caicos	42,282	37,877	31,797	27,859	36,512	*31,286*	*31,468*	*33,930*	*34,546*	*35,592*
U.S. Virgin Islands	6,901	7,041	7,000	5,242	6,000	*5,100*	*5,127*	*5,254*	*5,250*	*5,626*
Mexico	1,563,150	1,547,641	1,574,340	1,646,158	1,707,798	*1,735,123*	*1,801,057*	*1,880,304*	*1,949,875*	*2,051,269*

Sources: 2011-2015 from tourist boards and government agencies in respective countries; Conference Board of Canada forecast for 2016-2020.

Mexico

Even though they were highly publicized, events regarding drug cartels, the Zika virus, and violence against tourists did not have much of an impact on Canadian travel to Mexico in recent years. Since 2010, Canadian visitation to Mexican destinations has grown at an annual average rate of 3.3 per cent. In 2015, total arrivals grew 3.7 per cent to 1.7 million[3]. The faster rate of growth seen in the last couple of years is linked to the fall of the Canadian dollar as travellers increasingly sought out cost-effective vacation options. Since many sun destinations are priced in USD, the fall of the loonie did affect where Canadians opted to travel.

While there has also been little change in hotel room supply for the past few years, occupancy rates are on the rise. Rates now exceed their pre-recession levels in key destinations like Cancun and Riviera Maya, where occupancy is being supported by an increase in U.S. arrivals to Mexico.

[3] *Secretaría de Turismo de México*

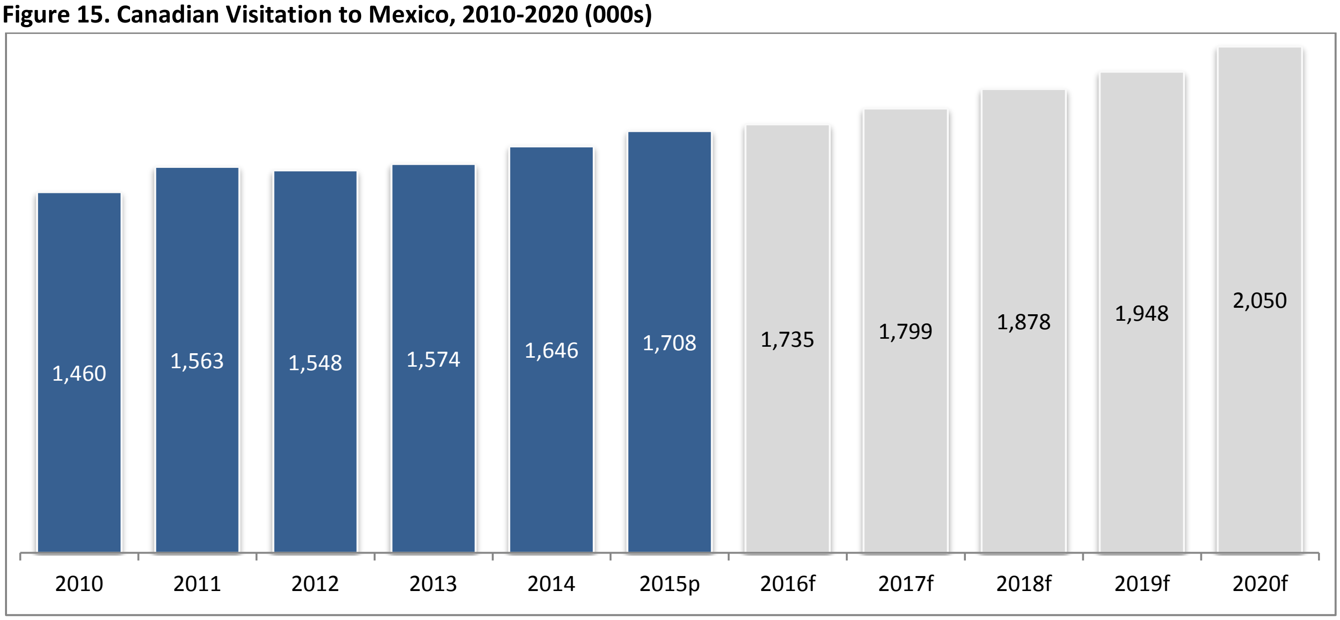
Figure 14. Hotel Supply, Occupancy Rates, and Air Capacity by Destination

2015	Canadian Arrivals	Arrivals (annual % change)	Direct Seat Capacity	Seat Capacity (annual % change)	# Rooms (2015)	Occupancy Rate (2015)	Occupancy Rate (annual % change)
Mexico	**1,707,798**	**3.7%**	**1,831,009**	**13.8%**	**356,672**	**59.6%**	**2.5%**
Acapulco	4,197	-22.0%	3,654	61.1%	36,524	81.3%	1.9%
Cancun	970,101	2.3%	1,003,491	9.8%	18,591	40.0%	1.2%
Cozumel	24,219	9.6%	27,502	66.8%	31,815	77.0%	1.8%
Huatulco	35,651	-0.8%	35,110	8.1%	4,429	56.8%	4.7%
Ixtapa	37,204	23.5%	30,729	43.8%	3,610	55.9%	2.6%
Los Cabos	127,321	1.0%	132,280	13.5%	5,042	54.9%	7.3%
Manzanillo	18,758	1.1%	13,875	60.9%	11,461	70.4%	7.5%
Mazatlan	32,316	1.7%	29,668	6.7%	3,531	43.2%	0.4%
Mexico City	104,319	18.2%	230,483	26.0%	9,152	59.0%	3.9%
Puerto Vallarta	321,524	5.1%	321,185	12.3%	49,819	67.1%	2.9%

Source: Secretaría de Turismo de México, OAG

Mexico remains the number one outbound destination for Canadian travellers outside of the U.S. While most of the new seat capacity offered in 2016 will be destined for Mexico City, an increase in direct service to destinations such as Ixtapa and Huatulco will be attractive to travellers. Excess supply, low occupancy rates, and increased access will keep prices competitive leading to an average annual growth rate of 4.3 per cent over the forecast period.

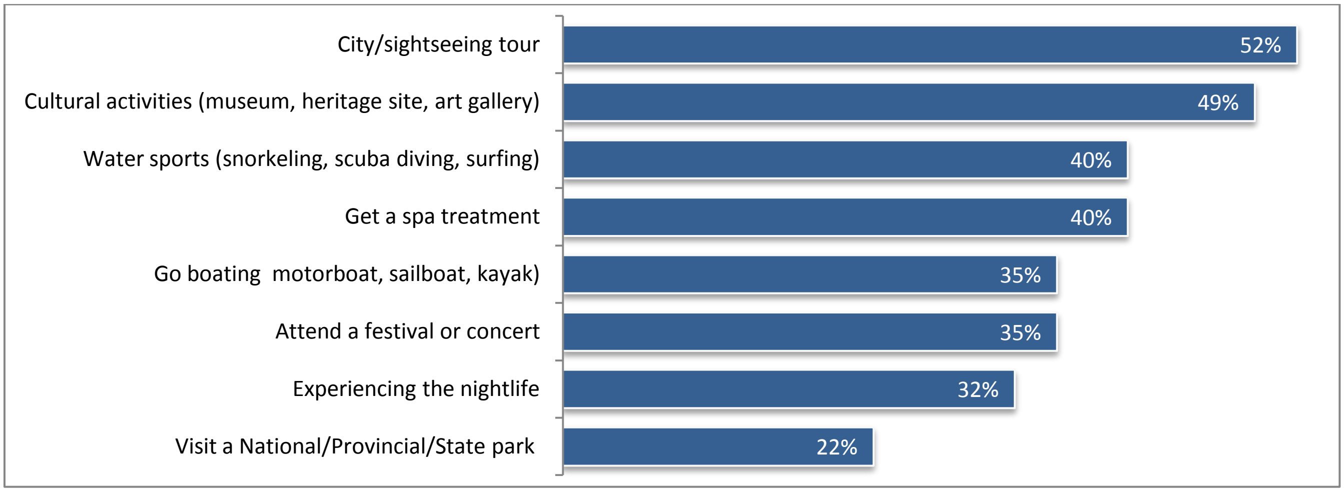
Figure 15. Canadian Visitation to Mexico, 2010-2020 (000s)



Source: Mexico Tourist Board, Statistics Canada, Conference Board of Canada

According to the World Travel and Tourism Council, investment in Mexico's tourism industry will grow at an average annual rate of 6.7 per cent to reach USD $15.1b in 2026. Recognizing the growing demand for experiential tourism, Mexico has placed greater emphasis on promoting the country's historical, cultural and activity based resources, most recently with the *"Vivelo para Creerlo"* (Live It to Believe It) campaign. About half of all Canadians who planned to visit Mexico during winter 2015-16 indicated that they would participate in a guided tour and/or cultural activity during their visit. Another four-in-ten travellers planned to purchase a spa treatment and/or water-based activity.

Figure 16. Intended Activities of Canadian Winter Travellers to Mexico



Source: Conference Board of Canada, Winter Travel Intentions Survey (June 2015)

Looking forward, Mexico will remain the top destination for Canadians travelling outside of the U.S. While most Canadians travel to Mexico in the winter months, summer season arrivals have grown at an average annual rate of 14.9 per cent since 2009. In 2015, more than 393 thousand Canadians travelled to Mexico during the summer season, an increase of 30 thousand arrivals compared to the previous year.

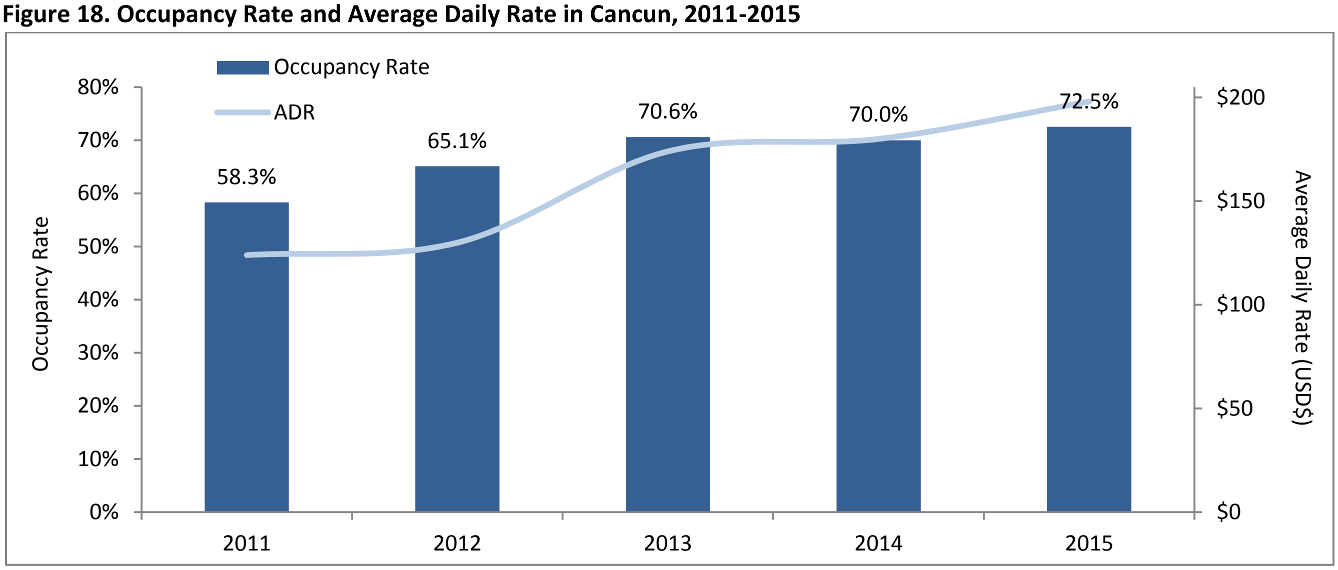
Figure 17. Canadian Arrivals in Mexico by Season, 2010-2015

	2010	2011	2012	2013	2014	2015	CARG 2009-2015
SUMMER (May - October)	310,392	347,280	324,107	349,356	362,943	393,174	14.9%
WINTER (November - April)	1,193,480	1,227,740	1,202,898	1,271,621	1,311,062	1,322,047	2.7%

Source: Mexico Tourist Board

By 2020, Mexico will welcome an estimated 2 million Canadian visitors half of whom will arrive in Cancun. In 2015, Canadian arrivals in Cancun surpassed 970 thousand. After increasing 6.3 per cent last summer, visits to Cancun actually decreased 2.5 per cent during the 2015-16 winter season. Even though the average daily room rate was up 10.0 per cent to USD $198, Cancun continues to have the highest occupancy rate of the main beach areas.

Figure 18. Occupancy Rate and Average Daily Rate in Cancun, 2011-2015

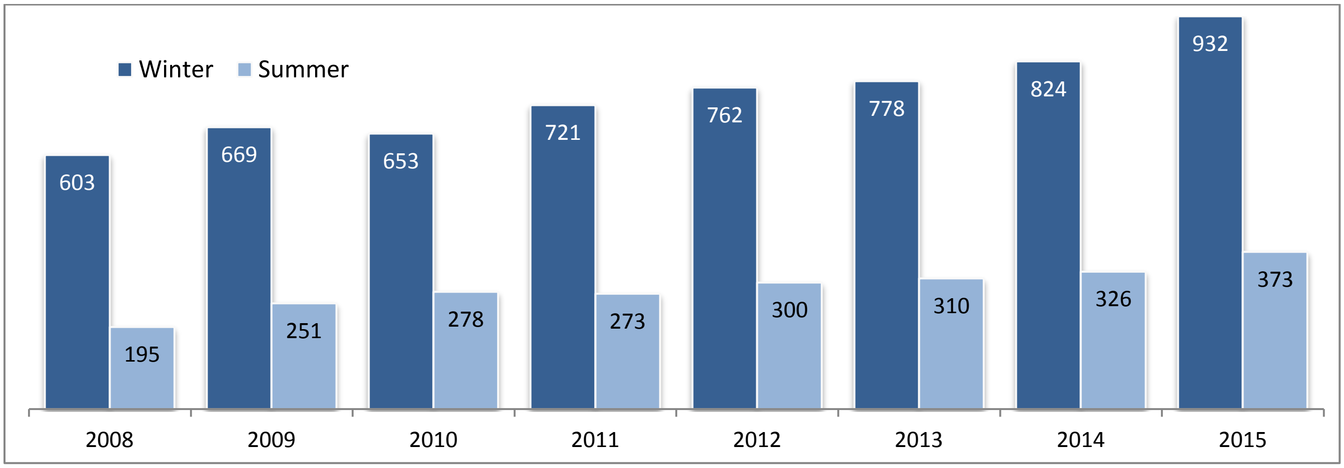


Source: STR Global, Mexico Tourist Board, Caribbean Hotel and Tourism Association

Cuba

Canadian travel to Cuba surpassed the 1 million mark in 2011 and has continued to increase every year since. Even though year-over-year growth is slowing, in 2015, Cuba managed to increase their market share to 42 per cent of Canadian trips to the Caribbean region. Since 2010, the country has seen an average annual growth rate of 6.6 per cent. Visitation during both the summer and winter seasons has increased in recent years reaching 1.3 million in 2015. Most recently, the summer 2015 season saw arrivals grow 14.2 per cent to 373 thousand.

Figure 19. Canadian Arrivals in Cuba, by Season (000s)

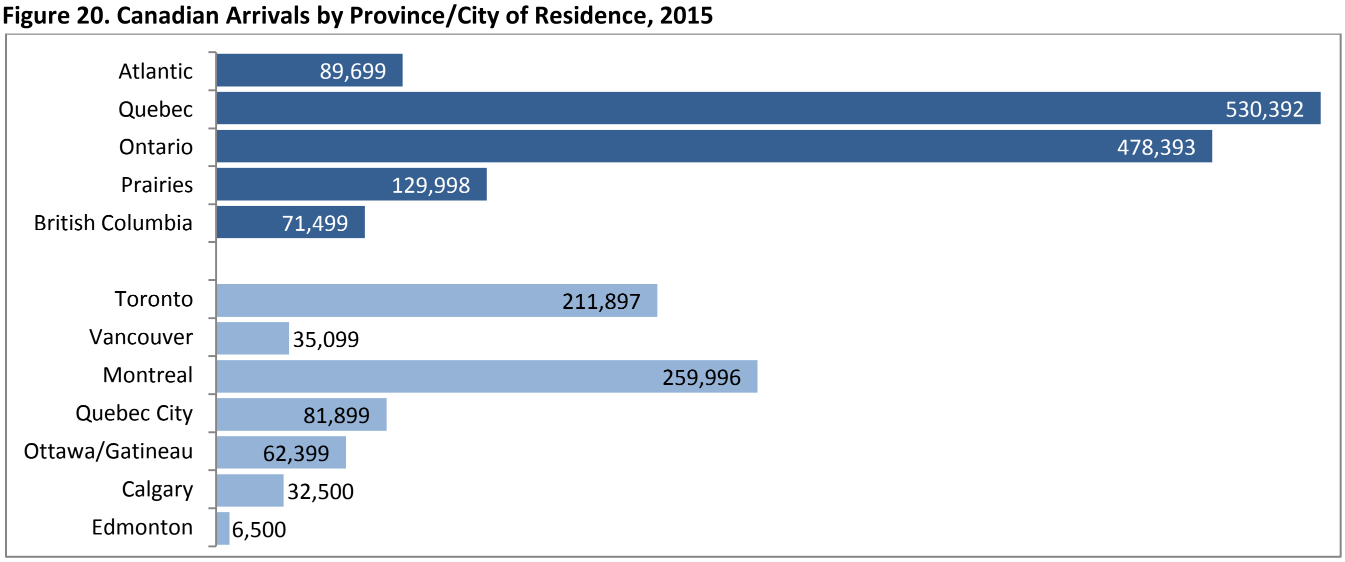


Source: La Oficina Nacional de Estadísticas de Cuba

Cuba is among the first destinations Canadians think of when asked which Caribbean country they are interested in visiting. By offering convenient and cost-effective vacation options at a variety of price points, Cuba was able to benefit from the low Canadian dollar and increase its market share last year. At the same time, the average annual occupancy rate reached 58.6 per cent, with four- and five-star properties posting above average results (63.5% and 61.0%, respectively).

With more than three-quarters of travellers in 2015 residing in Quebec and Ontario, these two regions continue to be the main source markets for travel to Cuba. Stable capacity and moderately strong provincial economies will strengthen this trend going forward. Even though carriers intend to decrease seat capacity slightly (-0.6%) in 2016, more than 1.5 million direct seats will be available. Almost 90 per cent of the scheduled service will depart from cities in Ontario and Quebec.

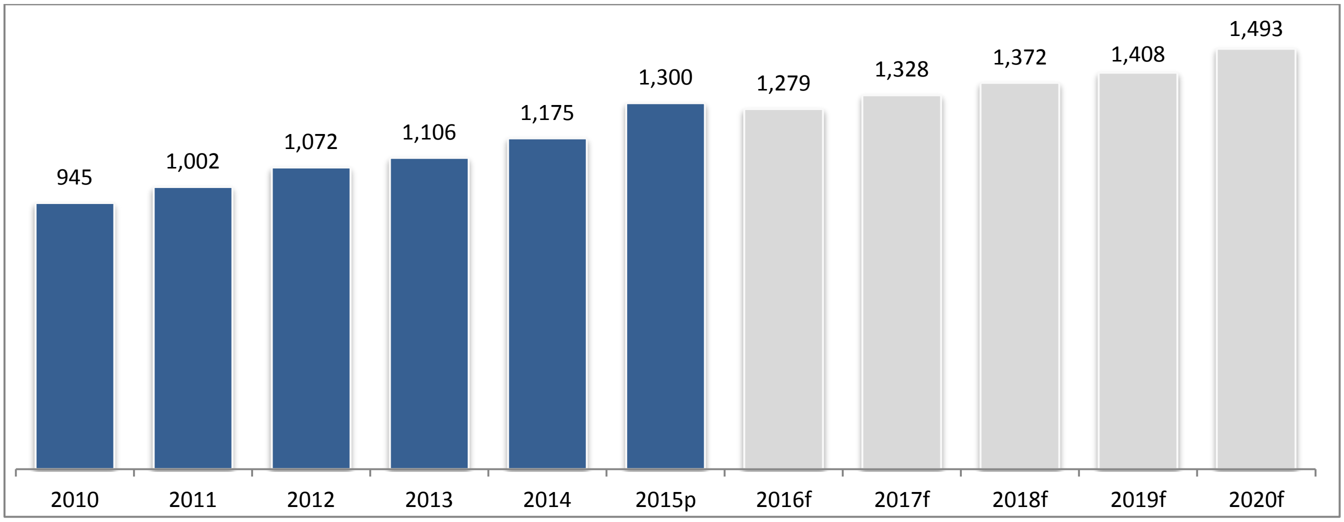
Figure 20. Canadian Arrivals by Province/City of Residence, 2015



Source: PMB, La Oficina Nacional de Estadísticas de Cuba

An emphasis on the country's offerings and unique culture in marketing messages will help to sustain visit growth in the coming years. With plenty of available direct seat capacity, Cuba will continue to have one of the highest average annual rates of growth of all major Caribbean destinations over the forecast period. Canadian arrivals to Cuba are forecast to grow at an average annual rate of 3.9 per cent between 2016 and 2020. While the lifting of the U.S. embargo will result in significant changes for Cuba's tourism industry, full tourist access is not expected to occur during the forecast period. Until then, the destination will continue to see an increase in the number of Canadian visitors who want to experience Cuba before its landscape is changed by the development required to accommodate the U.S. market.

Figure 21. Canadian Visits to Cuba, 2010-2020 (000s)

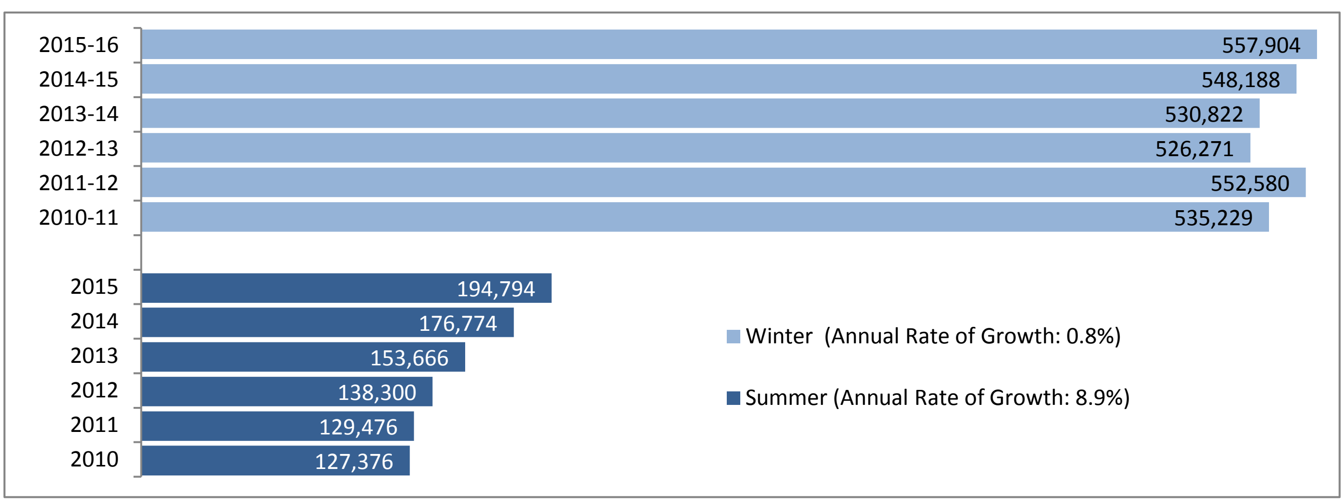


Source: La Oficina Nacional de Estadísticas de Cuba, Conference Board of Canada

Dominican Republic

After dropping off in winter 2012-13, Canadian travel recovered the following winter and has grown at an average annual rate of 2.0 per cent each winter since. Reaching 558 thousand in 2015-16, the volume of winter trips is now back to pre-recession levels. In addition, summer travel grew from 129 thousand in 2011 to almost 195 thousand in 2015. Even though a large number of Canadians are visiting the Dominican Republic each year, the destination is losing market share. The proportion of Caribbean arrivals in the Dominican went from 29 per cent in 2008 to 24 per cent in 2015. In comparison, Cuba's share of visits grew from 37 per cent to 42 per cent.

Figure 22. Canadian Arrivals by Season, Summer 2010 - Winter 2015-16

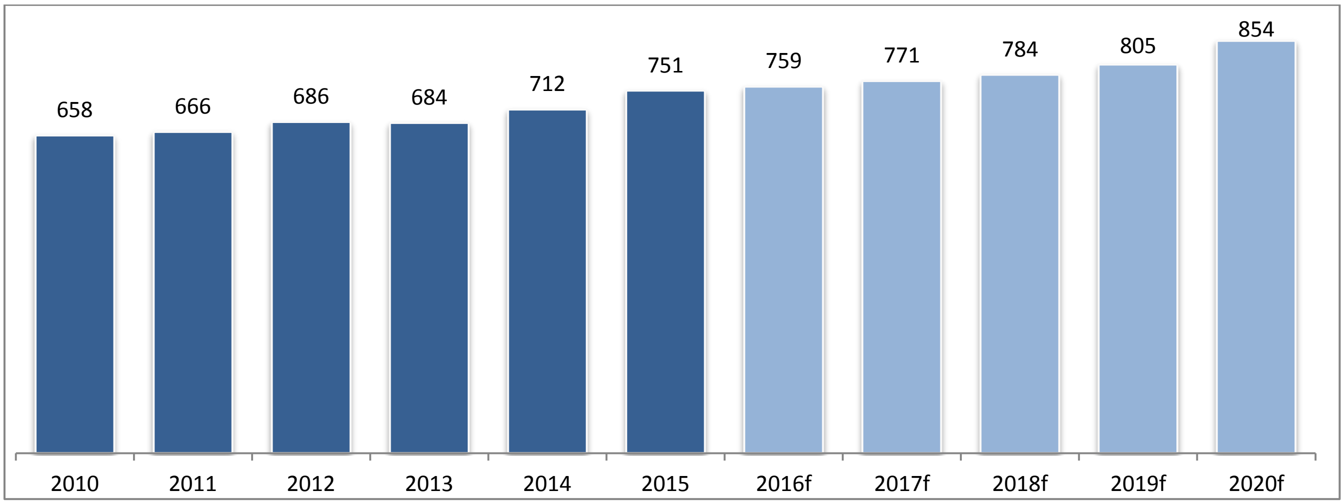


Source: Banco Central de la República Dominicana

The destination has successfully increased in Canadian market share in the off-season. In summer 2010, 13.7 per cent of Canadian trips to the Caribbean were to the Dominican; this increased to 15.8 per cent during summer 2015. Cities in the Dominican Republic offer plenty of direct seat capacity and attractive off-season prices. Compared to 2015, carriers are reporting an 11.6 per cent increase in capacity for summer 2016, which will help grow visitation throughout the season. More than three-quarters of the new capacity will be offered by Air Canada, Air Transat, and Sunwing out of Montreal.

Canadian visits to the Dominican Republic are forecast to grow at a compound average annual rate of 3.0 per cent between 2016 and 2020. Most travellers will arrive in Punta Cana, however destinations such as Puerto Plata, La Roma, and El Catey are expected to continue to grow their Canadian market.

Figure 23. Canadian Visits to the Dominican Republic, 2010-2020 (000s)

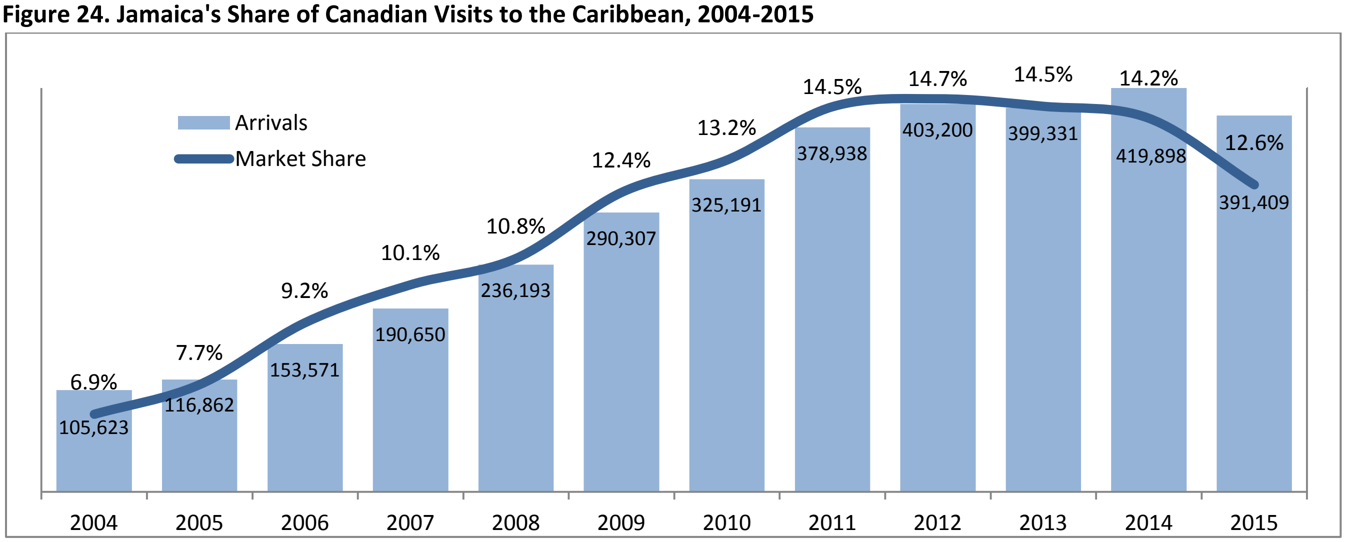


Source: Banco Central de la República Dominicana, Conference Board of Canada

Jamaica

From 2004 to 2012, Jamaica steadily grew its share of Canadian trips to the Caribbean. The country saw just 6.9 per cent of total visits in 2004, but that grew to 14.7 in 2012. This increase in market share led to an average annual rate of growth of 7.7 per cent between 2009 and 2014. Then the dollar tanked and Canadian trips took a huge hit, falling -6.8 per cent in 2015. Having lost out on visitors who travelled to other relatively less expensive destinations throughout the year, Jamaica's market share now sits at 12.6 per cent. Canadians made 28 thousand fewer visits in 2015 than in 2014.

Figure 24. Jamaica's Share of Canadian Visits to the Caribbean, 2004-2015

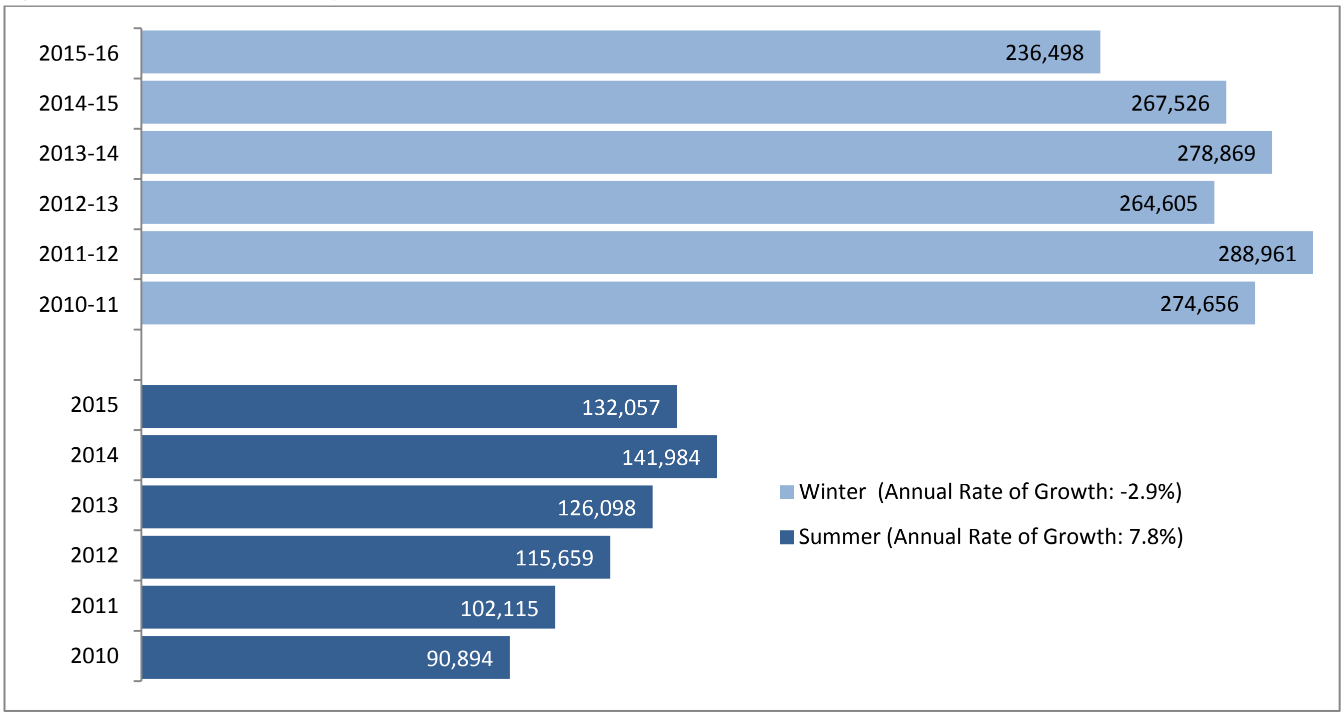


Source: Jamaica Tourist Board, Conference Board of Canada

A lack of new development and high prices have affected visitation and made it more difficult for Jamaica to compete with other destinations. According to the WTTC, capital investment in Jamaica's tourism infrastructure ranked 40 out of 184 countries in 2015. Rivals Cuba and the Dominican Republic rank 59th and 83rd, respectively. Over the next ten years Jamaica's tourism industry is expected to attract USD $666.3 million in capital investment, a 6.1 per cent increase over 2015.[4] Price will be the main challenge for Jamaica's tourism industry over the short-term. In January 2016, a package price analysis of all-inclusive trips indicated that compared to January 2015, average package prices for Jamaica increased the most (+22.0%) of the main destinations studied.

After a slight drop in 2013 (-1.0%), Canadian visits grew 5.2 per cent in 2014, but tumbled -6.8 per cent in 2015. This decline resulted in a drop in market share, which now sits at 18.4 per cent; it was 20.2 per cent in 2014. The volume of winter visits declined -11.6 per cent, and summer arrivals fell -7.0 per cent. Since 2010, the volume of summer arrivals has grown at an average annual rate of 7.8 per cent. On the other hand, winter season visits have declined by an annual average of -2.9 per cent since 2010-11. Last winter, seasonal visits fell to their lowest level since 2009-10, following the recession.

Figure 25. Canadian Arrivals by Season, Summer 2010 - Winter 2015-16



Source: Jamaica Tourist Board

Even though the volume of visits from Ontario fell -3.6 per cent in 2015, this market accounted for two-thirds of winter visitors and almost three-quarters of summer visitors, making it the most important market for Jamaica. While almost 12 thousand fewer Ontarians travelled to Jamaica in winter 2015-16, it was one of the markets with the smallest percentage decline during the period (-7.0%).

After increasing to half a million direct seats in 2014, capacity declined slightly in 2015 and is expected to fall -7.8 per cent in 2016. The reduction of 41 thousand seats stems from service changes by Air Transat and Sunwing as both airlines intend to decrease capacity from Toronto.

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[4] WTTC Travel & Tourism Economic Impact 2016.

Figure 26. Seasonal Arrivals in Jamaica by Province of Residence

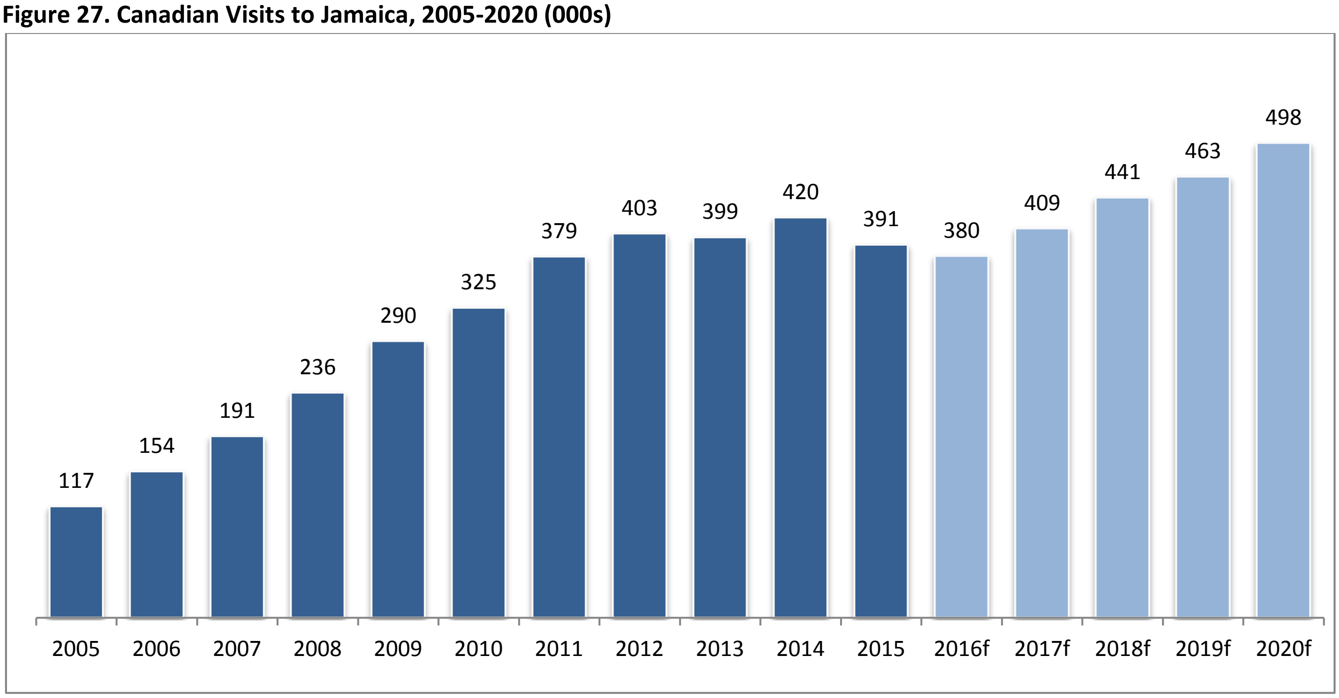
Nov - April	Winter 2010-11	Winter 2011-12	Winter 2012-13	Winter 2013-14	Winter 2014-15	Winter 2015-16	% Change	% Share (2015-16)
Ontario	157,961	168,153	157,380	168,908	167,614	155,846	-7.0%	65.5%
Quebec	40,310	38,861	37,370	37,678	34,890	27,317	-21.7%	11.5%
Alberta	25,028	26,756	24,036	26,411	23,040	17,472	-24.2%	7.3%
BC	11,823	10,258	7,756	7,696	7,092	6,937	-2.2%	2.9%
Prairies	21,452	24,450	18,837	18,507	17,428	15,139	-13.1%	6.4%
Atlantic	17,686	20,046	18,854	19,256	17,087	14,905	-12.8%	6.3%
Other	396	437	372	413	375	346	-7.7%	0.1%
Total	**274,656**	**288,961**	**264,605**	**278,869**	**267,526**	**237,962**	**-11.1%**	**100.0%**

May - Oct	Summer 2012	Summer 2013	Summer 2014	Summer 2015	% Change	% Share (2015)
Ontario	83,383	93,335	101,754	97,746	-3.9%	74.0%
Quebec	17,003	16,146	20,150	15,669	-22.2%	11.9%
Alberta	6,203	7,195	9,443	8,513	-9.8%	6.4%
BC	3,071	3,213	3,549	3,331	-6.1%	2.5%
Prairies	1,880	1,997	1,956	1,982	1.3%	1.5%
Atlantic	3,971	4,097	5,015	4,700	-6.3%	3.6%
Other	148	115	117	116	-0.9%	0.1%
Total	**115,659**	**126,098**	**141,984**	**132,057**	**-7.0%**	**100.00%**

Source: Jamaica Tourist Board

Higher prices, combined with mediocre economic performance and a decrease in seat capacity, is expected to result in a further drop in Canadian arrivals in Jamaica in 2016. The destination will be in a more favorable position to grow arrivals once the Canadian economy recovers and prices adjust, but a rebound to 2014 volumes is not anticipated until 2018. Until then, Jamaica's share of Canadian trips to the Caribbean is expected to drop to 12.5 per cent. It reached a high of 14.7 per cent in 2012, but has faltered each year since. Between 2016 and 2020, Canadian visits to Jamaica are forecast to grow at an average annual rate of 4.9 per cent.

Figure 27. Canadian Visits to Jamaica, 2005-2020 (000s)



Source: Jamaica Tourist Board, Conference Board of Canada

Bahamas

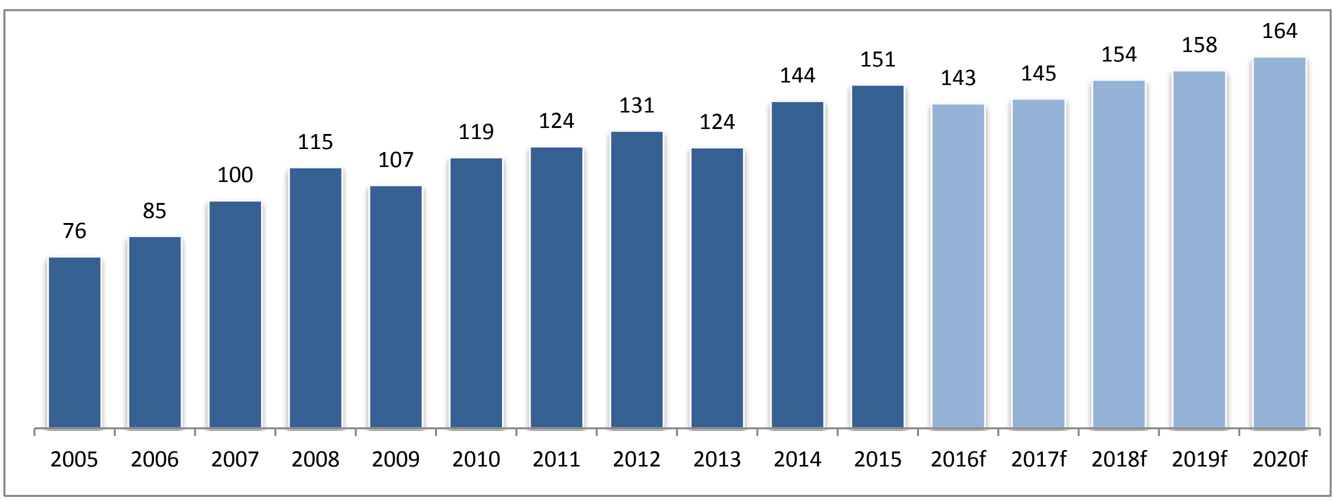
As a higher end destination, the Bahamas attracts more high income travellers than most other Caribbean destinations and as such was not as affected by the economic and currency changes in the Canadian market. Arrivals grew 5.0 per cent last year to surpass 151 thousand. Of Canadians who have vacationed out of the country in the past three years, 53.9 per cent of those who visited the Bahamas have a household income of over $100k. Furthermore, the country attracts an older market; more than one-third of visitors are aged 50-64.

Sixty-eight per cent of Canadian arrivals in 2015 occurred during the winter months. After two seasons of strong growth, the winter 2015-16 season saw visits drop off. Most resort regions were spared from extensive damage, but one of the factors that decreased demand to the region was the passage of Hurricane Joaquin at the start of the winter season. Following the storm, airline seat capacity was reduced by -4.7 per cent.

Of the three carriers that provide direct service to the Bahamas from Canada, Air Canada and WestJet do not plan to alter their capacity in 2016. Sunwing is currently reporting a reduction of almost 7 thousand seats, however the airline has increased service by more than 500 per cent since 2012.

Canadian arrivals to the Bahamas grew at a compound average annual rate of 4.9 per cent between 2010 and 2015. Given the price point, and the lower Canadian dollar, the Bahamas is expected to grow their Canadian market at an average annual rate of 3.4 per cent between 2016 and 2020. While not included in the current forecast, the eventual opening of the stalled Baha Mar casino project along with an associated increase in direct seat capacity would provide an additional boost to arrivals during the forecast period.

Figure 28. Canadian Visits to the Bahamas, 2005-2020 (000s)



Source: Bahamas Ministry of Tourism, Conference Board of Canada

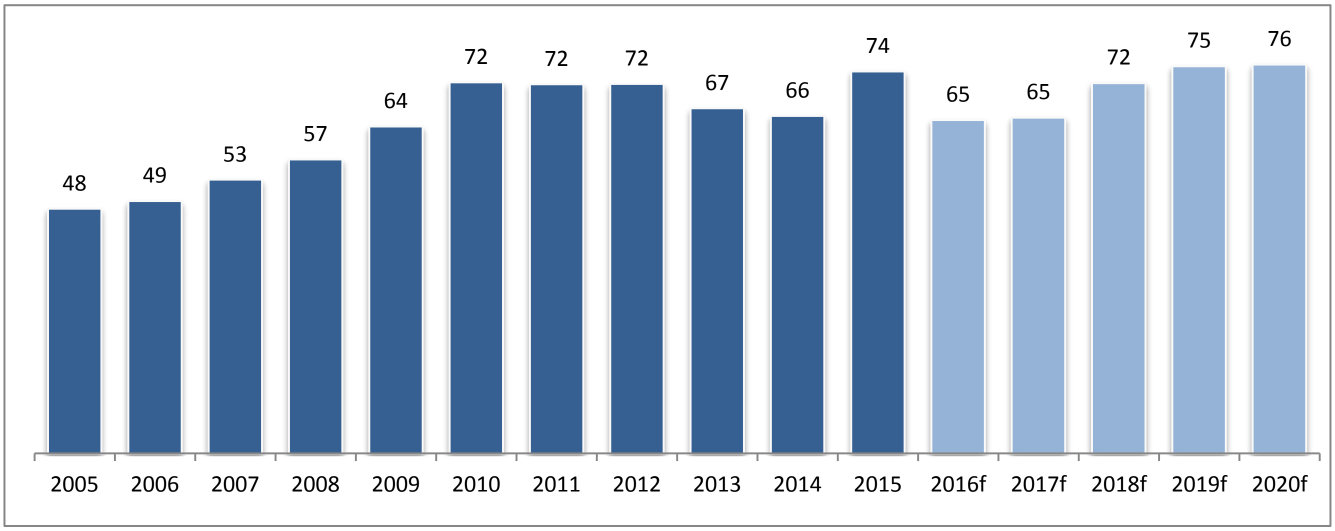
Barbados

After reaching a near record high in 2012, Canadian travel to the Barbados declined in 2013 and 2014, then rebounded strongly in 2015 to surpass 74 thousand arrivals. As a place that competes with Antigua, the Cayman Islands, Turks & Caicos, St Lucia, and the US Virgin Islands, the Barbados is a lower volume but high-yield destination. Average room rates in Barbados were USD $293 in 2015, making the destination one of the most expensive in the Caribbean, especially when the Canadian exchange rate is taken into account.

Arrivals fell -2.2 per cent in 2014 after declining -6.6 per cent the previous year. According to estimates from the Barbados Statistical Service, Canadian visitation grew 13.2 per cent in 2015. This positive performance corresponds to an increase in direct seat capacity by Air Canada. After growing by 8,600 seats in 2015, Air Canada plans to add another 9 thousand seats in 2016. This will help grow arrivals, which will undoubtedly be affected by the exchange rate over the short-term.

However, higher than average accommodation prices are expected to keep growth restrained at an average annual rate of 3.8 per cent. More than seven out of ten arrivals occur during the winter months, making the November through April winter travel season the most important period for Canadian travel to Barbados.

Figure 29. Visits to the Barbados, 2005-2020 (000s)

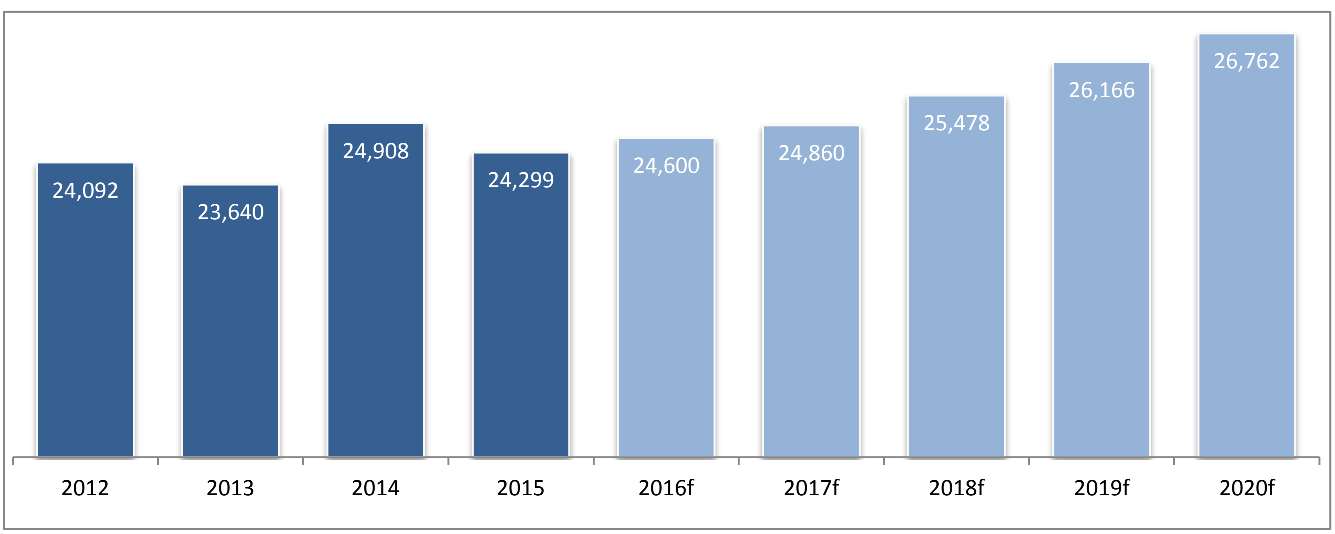


Source: Barbados Statistical Service, Conference Board of Canada

Cayman Islands

With almost three-quarters of Canadians arriving in the Cayman Islands in the winter months, the November to April period remains the most important season for the destination. Following the introduction of WestJet flights, the number of arrivals had not fluctuated much between winter 2010-11 and the 2014-15 season. Then, the value of the loonie fell and winter 2015-16 saw arrivals drop by -1.5 per cent. Direct capacity is expected to remain stable in the coming years with both Air Canada and WestJet offering about half of the available seats each. With no foreseeable increase in seat capacity and an ADR that is 60 per cent higher than the average rate for the Caribbean overall, arrivals are forecast to grow at an average annual rate of 2.1 per cent throughout the forecast period.

Figure 30. Canadian Visits to the Cayman Islands, 2012-2020



Source: Cayman Islands Department of Tourism, Conference Board of Canada

Other Caribbean Destinations

Receiving between 20 and 55 thousand visits each, the remaining smaller Caribbean destinations capture a combined total of around 6 per cent of the Canadian market in recent years. These include Antigua, Aruba, Saint Lucia, St. Maarten, and Turks & Caicos. In 2015, these five destinations welcomed 196 thousand Canadians, 2.0 per cent more than in 2014. Many of these smaller destinations have package prices that are significantly more than the high volume destinations in the region. This makes it virtually impossible for lower-volume countries to compete for the mass market traveller attracted to highly discounted options in Mexico, Cuba, and the Dominican Republic. Therefore, appealing to the higher end of Canada's travel market is crucial for growth.

Even as other destinations saw arrivals drop off, Aruba (0.9%), St. Maarten (4.2%), and Turks & Caicos (31.1%) saw increases in their Canadian market last year. Room rates in these destinations, as well as in Antigua and Saint Lucia, are significantly higher than the average for the Caribbean overall. This can temper demand, but travellers opting for these destinations are generally less price sensitive than those who travel to higher-volume destinations.

While direct seat capacity from Canada to St. Maarten (22.2%) and Turks & Caicos (26.2%) is expected to increase in 2016, the carriers serving Antigua (-10.9%), Aruba (-7.2%), and Saint Lucia (-7.8%) plan to reduce the number of available seats. While WestJet plans to increase capacity to Antigua, a reduction in service by Air Canada will result in a net loss of three thousand seats in 2016. Sunwing Airlines intends to reduce service to Aruba, but plans to double its capacity to St Maarten. Both Air Canada and WestJet have plans to increase capacity to the Turks & Caicos in 2016.

A lack of new resort development and little growth in direct seat capacity will restrict Antigua's visit growth to an average of 28 thousand per year. A reduction in capacity will dampen travel to Aruba in the next couple of years, but arrivals are expected to recover by 2018 and grow at an average annual rate of 3.7 per cent through 2020. Without any new development or capacity growth, Saint Lucia is expected to experience another year of declines from the Canadian market, but will rebound by 2018 and grow at an annual average rate of growth of 4.9 per cent through 2020. Both St. Maarten and Turks & Caicos will benefit from the introduction of more direct seats from key markets, but the high price point will dampen overall growth. While performance at the start of the forecast period is negligible, arrivals in these destinations over the medium-term will be supported by a wealthier, older travel population who seek out unique travel opportunities.

Figure 31. Canadian Arrivals in Select Lower-Volume Destinations, 2014-2020

	2014	2015p	2016f	2017f	2018f	2019f	2020f	CARG 2016-2020
Antigua	27,701	23,270	*26,426*	*26,577*	*29,397*	*29,185*	*31,677*	*4.6%*
Aruba	43,767	44,166	*43,012*	*43,019*	*45,729*	*48,641*	*49,829*	*3.7%*
Saint Lucia	41,502	38,677	*36,449*	*39,487*	*42,862*	*41,917*	*44,106*	*4.9%*
St. Maarten	51,146	53,273	*52,514*	*54,352*	*57,355*	*58,734*	*62,998*	*4.7%*
Turks & Caicos	38,767	36,512	*31,286*	*31,468*	*33,930*	*34,546*	*35,592*	*3.3%*

Source: respective tourism agencies, Caribbean Tourism Organization, Conference Board of Canada