

Skift ADVISORY

BUILDING A DATA-DRIVEN DECISION-MAKING CULTURE WITHIN ONTARIO'S TOURISM INDUSTRY

RTO Multi-Year Research Program

RTO 6: Quarterly Insights Report Executive Summary

September 2024



EXECUTIVE SUMMARY



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Pan-Ontario Insights

In 2024, Ontario's tourism sector continues to show a resilient recovery trajectory, building on the post-pandemic rebound. However, the industry faces key challenges, including inflationary pressures, changing visitor spending behaviours, and the need to address seasonal imbalances in tourism activity.

Macroeconomic Influences

Tourism inflation, driven by rising costs in transportation, food, and other essential services, has influenced traveller decision-making. Price sensitivity has become more apparent, with travellers opting for value-for-money experiences. Inflationary pressure on the Consumer Price Index (CPI) and Travel Price Index (TPI) reflects broader economic conditions affecting the cost of travel-related services. As a result, sustainable economic growth depends heavily on monitoring these macroeconomic trends to mitigate negative impacts and ensure continued visitor satisfaction.

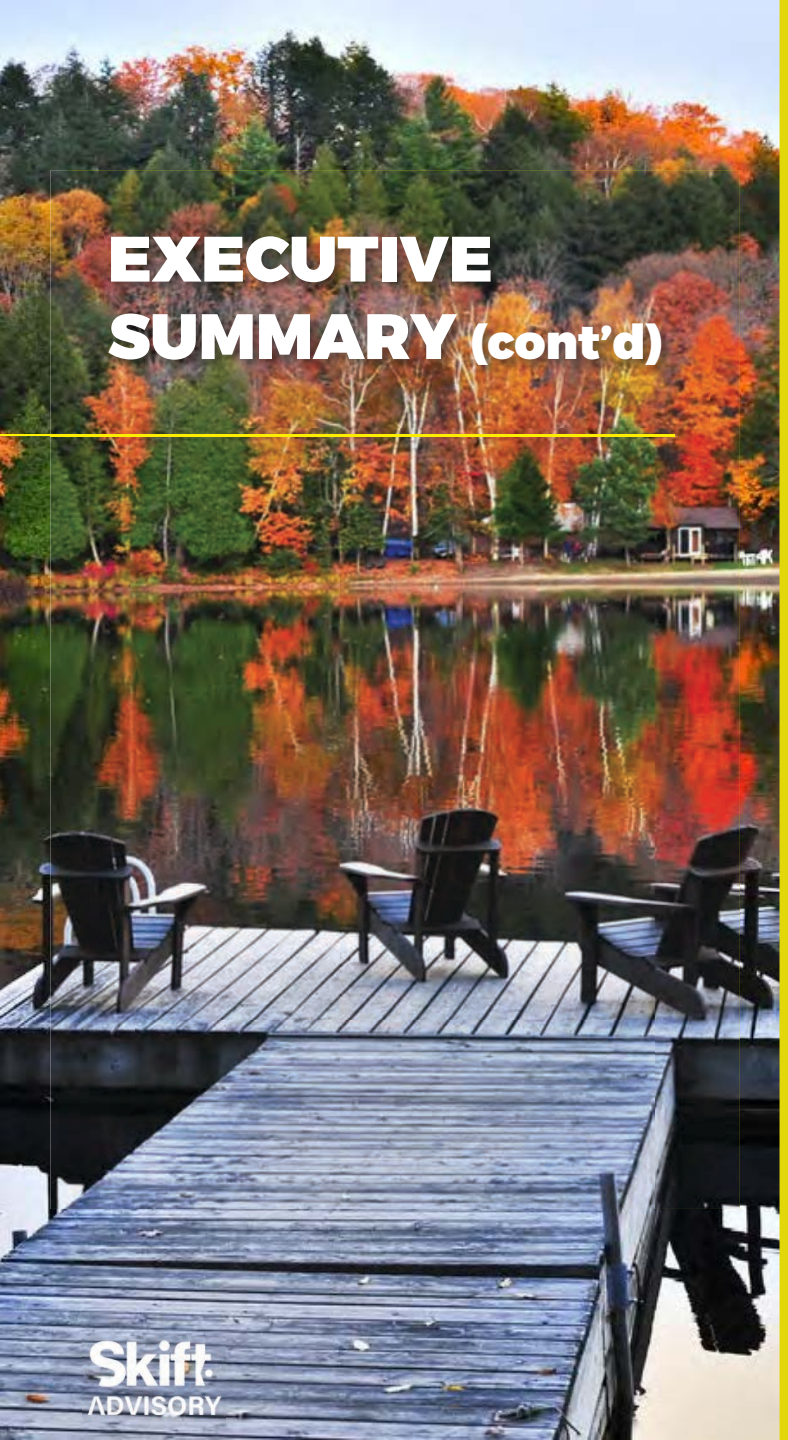
Visitor Spending and Seasonal Trends

While tourism spending has increased compared to pre-pandemic levels, seasonal imbalances persist. The winter season continues to underperform in both visitor numbers and spending, particularly among U.S. visitors, where winter deficits have yet to return to pre-pandemic levels. In contrast, Ontario has experienced a significant recovery in summer tourism, driven by strong domestic engagement and increased international spending from markets such as China and India. Targeted marketing campaigns and enhanced product offerings are essential to smoothing these seasonal fluctuations and ensuring year-round economic growth.

Border Crossings and International Trends

Border crossings into Ontario have yet to fully recover to pre-pandemic levels, with key international markets like the U.S. still falling short. However, emerging markets such as China, India, and Brazil are rapidly growing. Ontario's proximity to the U.S. continues to be a significant driver of tourism, and the state of cross-border travel remains critical to the sector's overall health. Strategic efforts should focus on attracting more U.S. travellers while capitalizing on the strong growth from other international markets.

Source: Destination Ontario: Ontario Tourism Industry Health Check August 2024



EXECUTIVE SUMMARY (cont'd)

Workforce and Employment in Tourism

Ontario's tourism workforce has rebounded well post-COVID, with employment figures for 2022 showing recovery across key sectors. The industry now employs over 700,000 workers, with a growth rate of 7% projected through 2025. However, challenges persist, particularly in the transportation and accommodation sectors, where wage disparities and an aging workforce could impact labour availability. Investment in workforce development, recruiting younger workers and addressing labour shortages will be crucial for sustained growth in this sector.

Tourism Spending and Economic Growth

Ontario's tourism sector saw $16.1 billion in spending during the first half of 2024, a modest 3.1% increase compared to 2023. Domestic tourism remains a critical pillar, with domestic travellers contributing to 53% of total spending. However, international spending has shown a slight decline, particularly from overseas markets. The growth in domestic travel provides Ontario with a stable foundation for continued economic sustainability. Nevertheless, targeted marketing and branding efforts are essential to counterbalance the slowdown in international spending and fully capitalize on local engagement.

Shifting Trends in Spending Categories

Food and Beverage remains the most significant spending category, accounting for 33% of tourism spending in 2024. Accommodation follows closely, while Recreation and Entertainment, although crucial for visitor experience, shows troubling signs of stagnation. This indicates a need to innovate entertainment offerings to align with visitor preferences and provide enriching experiences. On the other hand, culinary tourism presents a promising area for growth, with Ontario's diverse food scene poised to attract domestic and international visitors.

Source: Tourism HR Canada Snapshot Of The Tourism Sector Labour Market: Ontario February 2023 ; Destination Canada Data Collective Lodging Aligned Spend Reporting 2024 YTD Ontario: "Estimated spend data is derived from Destination Canada's Lodging Spend Reporting (August, 2024). Use, distribution, or republication of these estimates requires Destination Canada's written consent."



EXECUTIVE SUMMARY (cont'd)

Regional Insights: RTO 6

Spending Patterns and Growth

RTO 6 has experienced steady growth in both domestic and international tourism spending. Between January and July 2024, total spending reached $1.8 billion, representing an 11% year-on-year growth. Domestic spending comprised most of this, with $1.3 billion, while international spending amounted to $502 million. The U.S. and Overseas markets showed the most robust short-term growth, contributing significantly to the region's performance. Intra-provincial spending continues to dominate, accounting for 60% of total tourism revenue, while inter-provincial spending remains below pre-pandemic levels.

Spending by Category

- **Food and Beverage Leads**: This category dominates tourism spending in RTO 6, making up 34% of total spending and showing 18.5% short-term growth. Local food events, farm-to-table experiences, and partnerships with local producers have contributed to this.
- **Transportation**: This solid secondary category makes up 21% of tourism spending, with intra-provincial travellers driving much of the growth.
- **Retail**: While it constitutes 16% of spending, retail growth lags behind other categories, with 1.6% growth in the short term and 4.3% in the long term. Targeted efforts can boost retail spending.
- **Accommodation**: While accommodation spending remains important, its share of tourism spending has narrowed due to the strong performance of food and transportation categories.

Source: Destination Canada Data Collective Lodging Aligned Spend Reporting 2024 YTD Ontario: "Estimated spend data is derived from Destination Canada's Lodging Spend Reporting (August, 2024). Use, distribution, or republication of these estimates requires Destination Canada's written consent."



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Occupancy and Pricing Trends

- **Short-Term Rentals**: Despite a 66% increase in ADR for short-term rentals (now $187), occupancy rates are still lagging at 40%, seven percentage points below 2022 levels. Rising ADR indicates a higher willingness to pay, but more needs to be done to boost overall occupancy.
- **Hotel Performance**: Hotel occupancy in RTO 6 has outperformed the provincial average, reaching 84% in June 2024, marking a significant nine percentage point increase from 2023. Hotel ADR has grown to $190, up 7% YoY, supporting the region's position as a strong player in the accommodation sector.

Source: Destination Ontario: Ontario Tourism Industry Health Check August 2024



DEFINING THE FUTURE OF TOURISM IN ONTARIO

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