Journal of Travel Research

http://jtr.sagepub.com/

Impacts of the World Recession and Economic Crisis on Tourism: North America

J. R. Brent Ritchie, Carlos Mario Amaya Molinar and Douglas C. Frechtling

Journal of Travel Research 2010 49: 5 originally published online 3 December 2009
DOI: 10.1177/0047287509353193

The online version of this article can be found at:
http://jtr.sagepub.com/content/49/1/5

Published by:
SAGE
http://www.sagepublications.com

On behalf of:
Travel and Tourism Research Association

Journal of Travel Research
49(1) 5–15

DOI: 10.1177/0047287509353193
http://jtr.sagepub.com

Impacts of the World Recession and Economic Crisis on Tourism: North America

J. R. Brent Ritchie,[1] Carlos Mario Amaya Molinar,[2] and Douglas C. Frechtling[3]

Abstract

This article has been prepared as part of the International Academy for the Study of Tourism's initiative to provide a better understanding of the impact that the economic crisis of 2008-2009 has had, is having, and will have on the well-being and performance of the global tourism industry. More specifically, it seeks to serve as an information "backgrounder" for the North American components of the study. As such, it provides a concise assessment of the current and evolving status of the tourism sector in each of the three countries in North America. Information on Canada was drawn from data provided by Statistics Canada, the country's centralized government-funded statistical agency, as well as information bulletins issued by the Canadian Tourism Commission. Information on Mexico was drawn from a number of official reports prepared by several government agencies. Information on tourism in the United States was assembled primarily from available data from the U.S. Bureau of Economic Analysis from their U.S. Travel and Tourism Satellite Account system. In summary, the present backgrounder reveals that tourism in Canada and the United States has been, and is being, affected by the current economic crisis, and it appears likely that it will be further affected in the near future. In contrast, tourism in Mexico has been affected more directly and to a much greater extent by the swine flu pandemic, exchange rates, and weather conditions than by the economic crisis itself.

Keywords

tourism, economics, impacts, Canada, Mexico, United States

Introduction

This article has been prepared as part of the International Academy for the Study of Tourism's (IAST's) initiative to provide a better understanding of the impact that the economic crisis of 2008-2009 has had, is having, and will have on the well-being and performance of the global tourism industry. More specifically, this article seeks to make two main contributions to the total IAST initiative. First, it provides a documentation of the current and evolving impacts of tourism in the three countries that make up North America (Canada, Mexico, and United States of America). It also seeks to provide insights into the current and evolving mindset of North Americans with respect to their level of confidence that tourism will weather the current economic crisis and emerge in a healthy state.

Choosing a Point of Departure

It seems only appropriate that the following statement from the title of the cover story in an issue of the International Labor Organization's (ILO's) *World of Work* magazine serve as the point of departure for this article. The article was titled "Grim and Getting Grimmer: Global Financial Crisis to Hike World Unemployment" (ILO 1998). We suspect that no one reading this special issue of the *Journal of Travel Research* will be surprised by this quote. What makes it somewhat surprising, however, is the fact that it was the cover story taken from a 1998-1999 issue, not 2008-2009. If this is indeed the reality we face—that we seem to be bouncing from one crisis period to another—then surely it is time to either give up hoping that we will return to a period of stable, high economic growth with near-full employment or admit that it is time to change the definition of success, particularly when we also appear to be facing the ongoing deterioration of the global environment on which a quality tourism experience so heavily depends. Perhaps we are entering a period when the almost exclusive pursuit of economic growth should be tempered by a desire to achieve a more modest level of "stable happiness"—when growth may not be totally eschewed, but where success is viewed as multidimensional and when the intrinsic

[1]University of Calgary, Alberta, Canada
[2]Universidad de Colima, Colima, Mexico
[3]Department of Tourism and Hospitality Management, Washington, D.C.

Corresponding Author:
J. R. Brent Ritchie, World Tourism Education and Research Centre, University of Calgary, 2500 University Drive NW, Scurfield Hall, Room 499, Calgary, Alberta, Canada T2N 1N4
E-mail: britchie@ucalgary.ca

joy of travel and the happiness it can bring from experiencing new or well-known landscapes as well as new and well-established interpersonal relationships are accorded greater value than appears to currently be the case. We shall see . . .

Current and Evolving Impact on Tourism in North America

In an attempt to document the current and evolving impact of the economic crisis, the authors sought to compile and integrate all available and relevant tourism statistics providing a national perspective for Canada, Mexico, and the United States. In this regard, it should be pointed out that both Canada and Mexico provided a comprehensive range of national tourism data—due in large part to the capable and well-funded government statistical agencies that are found in these two countries. On the other hand, the comprehensive national perspectives on tourism data that was previously provided by the private sector United States Travel Data Center, has now been replaced by data from the U.S. Travel and Tourism Satellite Accounts, which have been available quarterly since the beginning of 1998 (Bureau of Economic Analysis U.S. 2009). While somewhat less comprehensive than the tourism data for Canada and Mexico, they still provide a revealing picture of U.S. tourism developments in the current recession.

Tourism in Canada: Current and Evolving Perspectives

The following data from Statistics Canada documents the level of demand in the tourism sector in 2008 (Statistics Canada 2008a, 2008b). These data (see Figure 1) reveal that in 2008, spending by total tourism demand in Canada suffered the first decline in five years, that is, since 2003 when tourism was hit by SARS (Severe Acute Respiratory Syndrome). More specifically, spending by Canadians on tourism edged down 0.4% in the third quarter of 2008, compared to a +0.7% increase in the previous quarter. However, it then fell another 0.1% in the fourth quarter of 2008.

The weakness in tourism spending within Canada was mirrored in lower travel spending outside the country as Canadians made fewer outbound trips compared to the preceding quarter.

However (see Figure 2), spending by international visitors to Canada was unchanged in real terms in the fourth quarter of 2008, after declining in the three previous quarters.

The above trends continued into 2009, with the result that the Canadian Tourism Commission (CTC) International Travel Account (ITA) report, which measures the difference between the amount spent by Canadians abroad and foreigners in Canada, for the first quarter (2009) showed that the decline in Canadian spending in overseas travel sparked a 7% decline in the ITA. In summary, the results from the beginning of the year reflected the following:

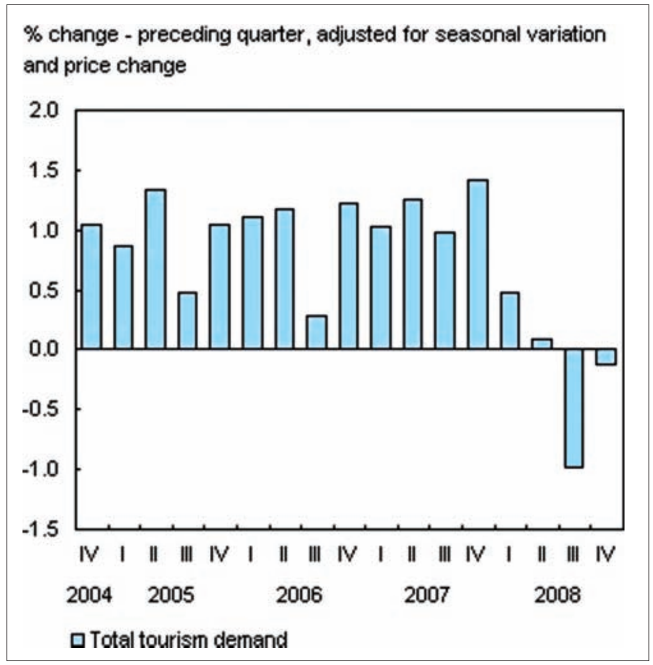

Figure 1. Canadian tourism spending down again
Source: Statistics Canada (2009, p. viii)
Note: Percentage change from the preceding quarter, adjusted for seasonal variation and price change

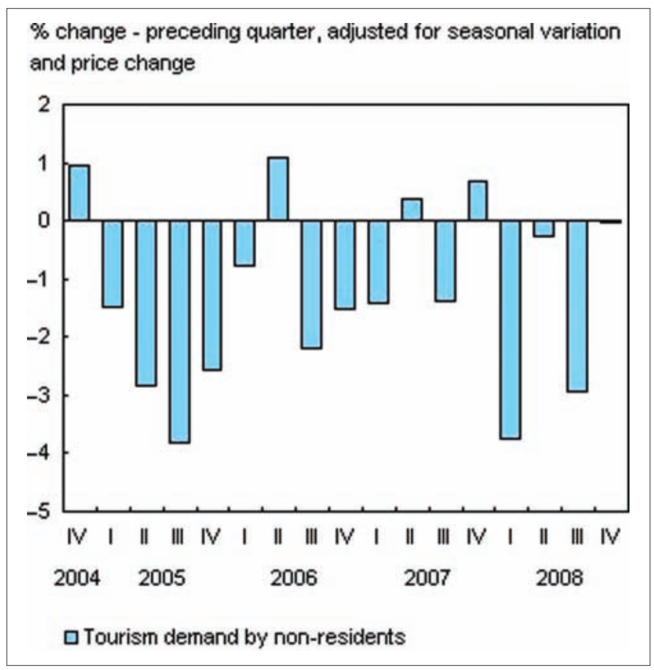

Figure 2. Canadian tourism exports flat in fourth quarter
Source: Statistics Canada (2009, p. ix)
Note: Percentage change from the preceding quarter, adjusted for seasonal variation and price change

- Canadian spending in the United States fell to 4.1 billion (CDN), a 15% year-on-year decrease. This, in addition to a prolonged winter and economic

uncertainty, did nothing to encourage potential travelers to reach for their wallets.
- The travel deficit with the United States fell by $638 million on the first quarter of 2008, a startling 18% decrease. This improvement was caused by the lower Canadian spending relative to the drop in U.S. visitor spending in Canada (6%).
- International travel overall was hit too. Canadians spent almost $8 billion, down 6% for the same period past year.
- Total receipts from all visitors enjoying their stays in Canada dropped to $2.9 billion, side by side with a 6% fall in travel volume over Q1 2008 (CTC July 24, 2009).

Data from *Travelweek* (2009) indicate that overseas travel by Canadians in January dropped by 6.6%, while air travel to the United States was down by 4% during the same period. Conversely, based on *Travelweek* data for the same period, total inbound travel to Canada from overseas and the United States was down 2.5%. In total, a 3.3% decline in travel from the United States was offset by a 1.7% increase in travel from overseas nations.

Further to the above, the July 6, 2009, issue of the CTC's Media Centre highlighted a Conference Board of Canada report, *Tourism Intelligence Bulletin*, that financial downturns are a big factor in Canadians' summer vacation plans (Conference Board of Canada 2009). However, down below the 49th parallel, American vacation intentions rose slightly in June from their record low in April, according to the Consumer Confidence Survey conducted by the U.S. Conference Board. The flu, and fear of it, kept Japanese tourists at home. The large anticipated overseas exodus for Golden Week holiday in late April–early May did not materialize this year. Over in la belle France, a recent study—*France Online*: *Where Brand Matters* (CTC July 6, 2009)—by e.marketer.com concluded that local consumers are more likely to be influenced by good branding when making a purchase than are other markets.

While all of the foregoing major economic trends in the Canadian tourism market have been evolving, the Canadian Tourism Commission has been actively tracking a number of more qualitative trends and occurrences across the tourism scene in Canada. These have included the ongoing active development of the "Exploring Canada" Brand and the supporting award-winning Explorer Quotient (EQ), a free online marketing and sales tool that has been put at the fingertips of the Canadian travel industry. The commission's EQ is a segmentation tool that goes beyond traditional market research to find out exactly why people travel and why different types of travelers seek out entirely different travel adventures. Looking beyond traditional demographics and behavioral information, such as "the typical German travelers," EQ helps businesses close the sale. Consumers can go online to take a quick and fun quiz that reveals their "Explorer Type." There are nine types, including Free Spirit, Cultural Explorer, and Authentic Experiencer. Then companies can cater their offerings to match the desires of their target EQ types (CTC July 29, 2009).

Another recent CTC-driven initiative designed to complement the EQ program and to develop Canadian tourism is the LOCALS KNOW campaign—a campaign in which some of Canada's brightest stars in print, on stage, and in sport have shared their favorite place around the country (CTC July 23, 2009). The CTC campaign appears to have captured the country's imagination. Since its launch on June 1, 2009, the LOCALS KNOW site has been attracting 10,000 daily visitors who have uploaded some 3,000 travel nuggets across Canada to date, generating 1.8 million page views along the way. Indeed, the CTC campaign has outstripped all expectations, with more than two million page views and 450,000 site visits across Canada.

Looking to the future, the CTC has begun a vigorous Connecting with Canadians program, a countdown to the 2010 Olympic Winter Games in Vancouver/Whistler. It is a significant project linking Canada with Olympic and Paralympic athletes and their families in the buildup to the Vancouver 2010 Olympic and Paralympic Winter Games (CTC July 13, 2009). The program adds another string to the bow of CTC's Olympic Games Tourism Strategy: to enhance Canada's image as a premier four-season tourism destination and to accelerate awareness of Canada's tourism brand: "Canada, Keep exploring." The family will also take CTC's innovative "Explorer Quotient" test that matches personality types with travel adventures (CTC August 21, 2009).

In the midst of the foregoing excitement, the CTC has continued to address more mundane, yet potentially critical areas. First, following on from a 2009 market analysis of India (which formed part of the spadework resulting from the $40-million stimulus funding package awarded to the CTC by the federal government), a total of that $10 million per year is being directed into five emerging and priority international markets: Brazil, China, India, Mexico, and the United States (CTC August 20, 2009).

Despite all its best efforts, the CTC research department reported that 2009 continued to be a roller-coaster ride—as evidenced by the following: Canada's price competitiveness for the German market was projected to improve for the third quarter of 2009, with a 5% year-on-year drop for a seven-night stay. The Canadian dollar also depreciated 15% against the Chinese renminbi between May 2008 and 2009. An average 10-night stay in Canada should be 23% less for Chinese travelers in Canada in the third quarter of 2009 compared with 2008 (CTC August 18, 2009). International travelers made 1.4 million overnight trips in May 2009, a 7% year-on-year drop. Canadians stayed at home too. Overnighters to the United States totaled 1.5 million (–6%), while those visiting other countries just nudged over 570,000 (–5%). However, consumer confidence continued to rise in Canada for the third successive month. The *Index of Consumer Confidence*, released by the Conference Board of Canada, rose to 81.4.

And that good feeling was replicated in the United States. The Conference Board's consumer confidence index marched on to the heady heights of 54.9, a big jump from 40.8 in April. Conversely, numbers from overseas key markets fared particularly badly in May 2009, down 20% compared with the same month in 2008. Japan (–48%), South Korea (–36%), Australia (–22%), and the United Kingdom (–21%) were the worst hit. However, year-to-date figures reveal that China and India are bucking the downward trend with gains of 8% and 4%, respectively. Other markets showed encouraging signs. Overnight trips from Spain (13%), Switzerland (11%), and Hong Kong (9%) were all up compared with those for 2007 (CTC August 13, 2009). Despite these positive signs, there appears to be little respite in view for the Canadian tourism sector. Financial worries and health concerns still loom large in wannabe travelers' minds.

Summary for Canada

Data for 2008 and early 2009 indicated that the economic crisis has definitely been affecting the performance of the Canadian tourism sector. Consequently, the future does not look much, if any, brighter. Based on key trends identified by the Conference Board of Canada/Canadian Tourism Research Institute (CTRI), the worsening economy is continuing to dampen the travel plans of Canadians. Leisure travel intentions, in particular, have taken a dramatic tumble. In brief, the declining economic prospects have taken a toll on Canadians' future travel plans. Survey data from late 2008 from the CTRI indicate that only 39.1% of Canadians plan to take a winter holiday—down from 47.5% a year earlier (CTRI 2008). On a regional basis, a news article in the *Calgary Herald* (Gignac 2009) reported that Alberta continues to battle a tourism slump, the result of a triple threat of negative forces (including swine flu, recent passport restrictions, and of course ongoing economic woes).

Tourism in Mexico: Current and Evolving Perspectives

Since the beginning of 2005 and until the first half of 2008, there has been a steady increase in the arrival of international visitors from around the world to Mexico. Despite natural disasters, wars, and terrorism, the average growth rate in visitation was almost 6%. However, monetary income from tourism trailed somewhat behind the number of visitors. During the first half of 2008, the arrival of international tourists grew by 5%; by the end of the year, this indicator had plunged to –1%. According to the projections for the year 2009, international tourism activity will stagnate, with a growth rate of 0%, which could even drop to –1% in a negative scenario (UNWTO 2008).

In reviewing the impacts of tourism in Mexico, it is important to keep in mind that the income of the Mexican Government is primarily from oil and that the tax collection system has serious limitations that have given rise to tax evasion and a widespread informal economy that does not pay taxes. The main inflow of foreign funds comes from oil exports, the remittances sent by migrants working in the United States, and tourism. The Mexican Government is especially concerned about the drop in the price of oil and probably even more concerned about the reduction in its proven hydrocarbon reserves (see Table 1).

Table 1. Proven Oil Reserves in Mexico, 1998-2006

Year	Proven Oil Reserves (billions of barrels)	Reserves in Years
1998	28, 862.9	25.8
1999	24,700.10	23.3
2000	24,631.30	22.3
2001	23,660.40	20.7
2002	22,419.00	19.3
2003	15,123.60	13.5
2004	14119.6	11.4
2005	12882.2	10.6
2006	11813.8	9.7

Source: Ministry of Energy, Mexico (Aguirre 2009)

In the late 1990s, a large number of manufacturing plants previously brought to Mexico with foreign investment began to migrate to China so as to take advantage of the low price of labor. On the other hand, U.S. immigration policy changes and the collapse of the real-estate and construction markets in the United States caused a decline in the large flow of remittances sent by Mexican migrants to their families, whose amount within a few years of the Fox administration climbed to $26,000 million every year, without the need for any kind of consideration given in exchange. Therefore, the tourism industry is one of only a handful of choices available to the Mexican Government to ensure the ongoing inflow of foreign funds.

Something good that could be said about the Mexican economy, considering, is the fact that it has been rather resilient and that this did not happen by a stroke of luck, especially if we remember that the country went through brutal economic crises in 1976, 1982-1990 (the debt crisis), and 1994, characterized by devaluation, three-digit inflation, massive bankruptcies, capital flight, rampant unemployment, and widespread impoverishment. Paradoxically, since the late 1990s, it has been commonly said that the indicators of the Mexican economy are very healthy in macroeconomic terms even though almost 50% of the Mexican population live under the poverty line (Banco Mundial 2004) according to accepted international standards.

Between 2005 and 2008, within the context of the global tourism activity, it can be said that the performance of Mexico's tourism industry has been no better than average, or rather mediocre, to use a more negative description. In favor of the industry, we can argue that the socioeconomic context in which it finds itself makes it impossible for tourism to do more, as mentioned earlier.

Mexico's performance is even more surprising if we take into account the fact that the country is the next-door neighbor to one of the countries from which more tourists come, and if we take into account, on the other hand, the wide variety of natural and cultural attractions found in the country, including one of the most important examples of biodiversity in the world, the thousands of kilometers of beaches, forests, reefs, and volcanoes, and with regard to culture, the rich pre-Colombian and colonial heritage composed of the folklore and the several traditions that change from one region to the next.

The official communiqués of the United Nations World Tourism Organization show that they believe that the performance of the Mexican tourism industry is no better than average, at least according to the references made in *Tourism Barometer* (in issues published between 2005 and 2009). Mexico is usually ranked among the top 10 countries receiving the largest number of tourists, shifting between the 7th and 10th positions. However, it was never ranked among the top 10 countries receiving the most income from tourists; in this respect, it is possible that the rankings that are given reflect the countries that receive fewer visitors but benefit from higher expenditure levels. In addition, with regard to tourism, Mexico usually shows good results when the Mexican peso is devalued against currencies such as the American dollar and the Euro.

We now present official information from the Ministry of Tourism of the Mexican Government concerning the overall results yielded by the country's tourism industry throughout the year 2008. The tourism statistics were prepared by the Technical Committee on Tourism Statistics and Geographical Information, composed of officials from the National Institute for Statistics, Geography and Informatics (INEGI), the Bank of Mexico, the National Migration Institute (INAMI), and the Ministry of Tourism (DATATUR 2009).

Tourist Arrivals

There has been a downward trend in the number of international visitors coming to Mexico over the years, although 2005 was the year when the largest number of travelers visited the country (Table 2). The most dramatic decline seen in the data occurred in 2006 and 2007 (declines of 5.2% and 5.7%, respectively). Between 2007 and 2008, the number of visitors fell only by 0.7%. The decline in the number of visitors between 2005 and 2006 was the result of the damage caused by Hurricane Wilma, which devastated Cancún and the Mayan Riviera in November 2005. The decline in the number of visitors between 2006 and 2007 was mainly seen along the border and includes both tourists and excursionists. In fact, border excursionists show the lowest decline between 2005 and 2008: a fall of 16%. It should be noted that even though the number of border excursionists decreased by 2.5% between 2007 and 2008, the flow of border tourists grew by 11%. The length of stay of tourist trips went from a national average of 2.17 nights spent in hotels in 2007 to an estimated 1.99 nights in 2008, a decrease of 8.29% from one year to another.

Table 2. International Visitors Coming to Mexico, 2004-2008

	Thousands of People (January-December)				
	2004	2005	2006	2007	2008
Visitors	99,250	103,146	97,701	92,179	91,462
Tourists	20,618	21,915	21,353	21,370	22,637
Inbound	11,553	12,534	12,608	12,956	13300
Border	9,065	9,381	8,745	8,414	9,338
Excursionists	78,632	81,231	76,348	70,810	68,825
Border	72,139	74,524	69,832	63,995	62,394
On a cruise	6,493	6,707	6,516	6,815	6,431

Source: Ministry of Tourism, Mexico (Amaya et al. 2009)

It has been said that drug violence along the border has deterred international visitors from coming to Mexico, especially along the border with the United States of America. However, this is a weak argument. While the drug cartels are extremely dangerous, they only target the members of rival cartels, soldiers, or police officers; they never attack people that are not involved in their affairs or in drug trafficking. While every innocent casualty of these clashes is a tragedy, so far the numbers have been relatively small. As a consequence, the volume of inbound border tourists has grown 11% over the period.

In summary, according to official statistics, the global economic recession has not really had a very damaging impact on the number of international visitors traveling to Mexico. In this respect, natural disasters have doubtless had a much more powerful impact, for example, Hurricane Wilma, or from the economic point of view, the peso–dollar exchange rate, since the latest devaluation of the Mexican peso against the dollar by almost 27% during the year 2008 resulted in excursionists turning into tourists.

It is true that the number of international visitors fell by 3.08% between January 2008 and January 2009, but the most dramatic plunge was seen between January 2006 and January 2007 (5.35%) and between January 2007 and January 2008 (3.9%), even though no economic recession had been declared in these time periods.

Foreign Currency Brought to Mexico by International Visitors

As shown in Table 3, the mean expenditure by international visitors in Mexico rose steadily between 2004 and 2008, showing an average gain of 7.44% over that period of time. Nevertheless, we see that the expenditure rate grew by 8.48%

Table 3. Mean Expenditure by International Visitors in Mexico

	Dollars (January-December)				
	2004	2005	2006	2007	2008
Visitors	109	114	125	139	145
Tourists	407	417	448	484	478
Inbound	674	678	710	750	761
Border	66	69	69	74	75
Excursionists	31	33	34	35	36
Border	28	30	31	32	32
On a Cruise	65	67	70	72	74

Source: Ministry of Tourism, Mexico (Amaya et al. 2009)

between 2004 and 2007, and only by 4.32% between 2007 and 2008. This means that people continued to travel but their consumption was more moderate. Because of the declining exchange rate, it is necessary to keep in mind that more things could be bought with fewer dollars. On the other hand, it is necessary to note that the inflation rate (8.2% in 2008) was much lower than the devaluation of the Mexican peso against the dollar (27%) during the same period of time.

The Impact of the Economic Recession on Tourism Companies in Mexico

It is very difficult in Mexico to convince businessmen to share information about their company, especially when it relates to matters concerning income, sales, and profits. To understand the impact that the economic recession has had on tourism companies, we examined the tourism companies that are quoted on the Mexican Stock Exchange, as these companies are required to publish their information and results.

Mexico's equity market is not very big. There are a total of 130 companies listed, although some of them are no longer quoted on the equity market because of today's financial turbulence. After searching among the companies of the service sector, we found 10 companies that are to some extent linked with tourism.

Of the 10 companies that were selected, 2 are engaged in the food and beverages industry, 1 in entertainment, 4 in accommodation, and 3 in airport operations.

Only 2 of the 10 companies that were studied reported net losses between 2007 and 2008: CIE, the entertainment company, reported a loss of –243.26% and, Posadas, Mexico's iconic accommodation company, had a loss of 408.5% from 2007 to 2008. Posadas's negative numbers are to a large extent the result of the fact that in 2005 Posadas bought Mexicana de Aviación, an airline in the red that was owned by the Federal Government. Posadas is a very renowned accommodation company that has always been in the blue. When the airline was bought, financial analysts agreed that the purchase of the airline was a very risky move.

Three of the other eight companies reported a decline in their net earnings during 2008 but no losses. The growth in earnings reported by the other five companies ranged from 9.8% to 1,637%. The two food and beverages companies saw a decline in their share of earnings, while with regard to the hotel companies, one reported losses, another one saw a fall in its share of earnings, and the other two reported net earnings.

The three airport companies yielded highly positive results, even though they are not fully engaged in the provision of tourist services. The fact that these companies obtained such good financial results has attracted much attention—especially at a time when Mexico's commercial aviation is going through one of the worst times in its history. Nevertheless, it is also true that from the point of view of tourism economy, history shows that airlines have never been role models of profitability. As a matter of fact, only a handful of airlines report ongoing earnings, notably Southwest Airlines.

The Mexican airlines that went bankrupt between 2006 and 2008 were the following: TAESA, ALMA de México, A VOLAR, Aerocalifornia, ALADIA, and Líneas Aéreas Azteca. It is well known that Aeroméxico and Mexicana continue to operate with losses, and it is also well known that Aviacsa struggles to pay its suppliers. In view of the important role that airlines play in tourism development, there should be a government policy aimed at encouraging the development of this important means of transport. A suitable policy in this respect would be more beneficial to the country's tourism development than building more comprehensively planned resorts and hotel rooms.

The case of the airport in Colima is a typical example: in 2006 the airlines that operated there were Aeromar, A VOLAR, Aerocalifornia, and Mexicana, which offered flights to Tijuana and Mexico City, in addition to connecting flights going around the world. In 2009 only Aeromar continues to operate there, with turboprop planes and a fee for flying 600 kilometers to Mexico City that is higher than the cost of a flight from the capital of the country to New York. Most people living in Colima must travel 250 kilometers to the airport of Guadalajara, in Jalisco, to catch their flights.

We close this study of the companies linked with the tourism industry that are quoted on the Mexican Stock Exchange stating that most of them obtained results that can be described as positive or even very positive during the year 2008. This means that so far, in general, today's economic recession has not had an unusually negative impact on them.

Summary for Mexico

Based on the analysis of the official data on the economic evolution and the main indicators of Mexico's tourism industry between January 2008 and January 2009, we can state that the current global economic recession has certainly had an impact on the tourism sector of the Mexican economy, although moderate. This moderate impact is basically reflected in the reduced tourist expenditures, job losses in the sector, and a reduced number of passengers on cruises and border excursionists, although it can be argued that an important part of border excursionists became border tourists, rather than pointing out that they stopped traveling.

The data also confirms that there are other factors that have a greater impact on Mexico's tourism industry than the collapse of the financial markets and the level of economic activity. With regard to the demands of the moment, it was found that Mexican tourism is more greatly affected by natural disasters, such as hurricanes Wilma and Dean, which devastated Cancún and the cruise port named Majahual, on the coast of Quintana Roo, in November 2005 and August 2007, respectively.

Similarly, the data clearly show that the exchange rate had a major influence on the inflow of international visitors. Ironically, when the Mexican economy falters and the peso is devalued, the tourism sector benefits as Mexico's tourist services are more affordable in the eyes of foreign visitors.

With regard to the long term, within the context of the international tourism activity, Mexico's tourism sector appears to have stagnated. This is a situation resulting from the inability of Mexico's political leaders to promote the changes that are needed to make the national economy more competitive, including the disappearance of public and private monopolies, deregulation in strategic sectors, and urgent amendments to the labor and fiscal laws, to name only a few.

With regard to the structural limitations on Mexico's tourism industry, one of the main obstacles to its full development is the lack of professionalism of the industry's key players; a lack of vision for tourism development, which is often confused with the construction of civil works; and the tendency to give preference to sun-and-sea attractions over other cultural and natural attractions that abound in the country.

Yet another factor that has a very negative impact on Mexico's tourism is the tendency to use trade strategies based on low prices rather than quality and the sustainability of tourism operations. This is evidenced by the fact that the rate of inflation of the tourism sector is below the country's general rate of inflation. Consequently, Mexico is not among the countries receiving the most foreign currency from tourism, since it offers a product that is cheap instead of offering a tourist product that is high quality and competitive.

Tourism in the United States: Current and Evolving Perspectives

The current economic downturn in the United States began in December 2007 (Wilkerson 2009). After six years of national economic expansion, financial imbalances leading to unsustainable expansion of the housing and finance sectors pushed the economy into a recession. As of early 2009, the U.S. economy as measured by GDP has fallen by nearly 4%, the severest decline since the Second World War (Advertising Age 2009). This is the longest recession since the Great Depression, and some are dubbing it as "The Great Recession" (Advertising Age 2009, p. 18).

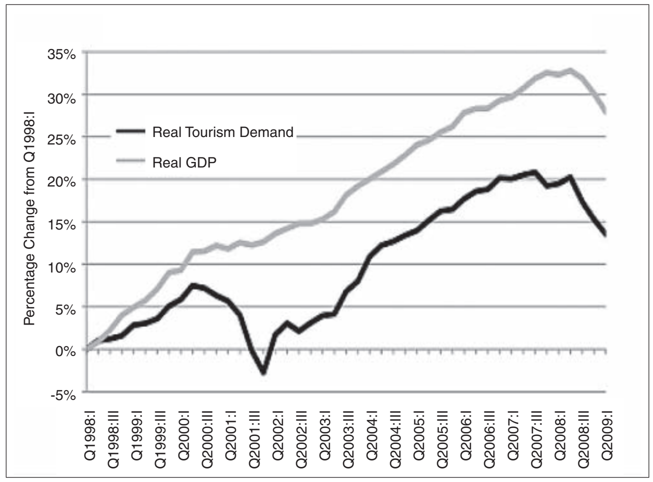

Figure 3. U.S. real tourism demand and GDP, percentage change from the first quarter of 1998

The data for this analysis are derived from the U.S. Travel and Tourism Satellite Accounts available quarterly since the beginning of 1998 (Griffith and Zemanek 2009). To place the current downturn's effects on U.S. tourism into perspective, this discussion examines the courses of tourism demand, prices, and employment in the United States over 45 quarters through 2009's first period. These data provide a rich and authoritative portrait of tourism activities in the United States in response to momentous economic change.

Real Travel Demand

In the U.S. Travel and Tourism Satellite Account (USTTSA), "Real Direct Tourism Output" is the value of products of the U.S. tourism industries sold to foreign and domestic travelers in the United States with price inflation removed. As background, Figure 3 shows that real tourism demand in the United States grew steadily at an average rate of 3.3% a year until the second quarter of 2000. Real GDP, the value of all goods and services produced in the country with price inflation removed, grew markedly faster over this period: 4.9% per year.

In mid-2000, real tourism demand began a slow decline while GDP continued to advance, albeit slowly. In 2001's final quarter, tourism demand plunged to its lowest level in at least four years as the September 11 terrorist attacks on the World Trade Center and the Pentagon discouraged U.S. residents and others from traveling away from home. Over the six quarters from peak to the fourth quarter trough, real travel demand fell by 9.5%. In contrast, the nation's real GDP rose by 1% during this period.

From this low point, real tourism demand grew at a rate of 3.7% per year until reaching a new peak in the third quarter of 2007. The nation's real GDP lagged behind, with a growth rate of 2.7% a year. At that point, the gathering economic recession depressed travel output through the first quarter of

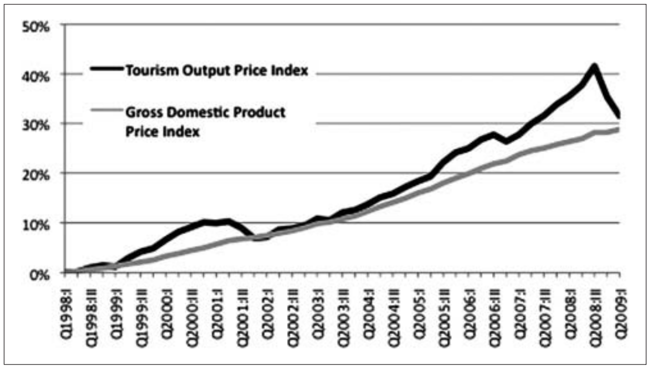

Figure 4. U.S. tourism prices and GDP price indexes, percentage change from the first quarter of 1998

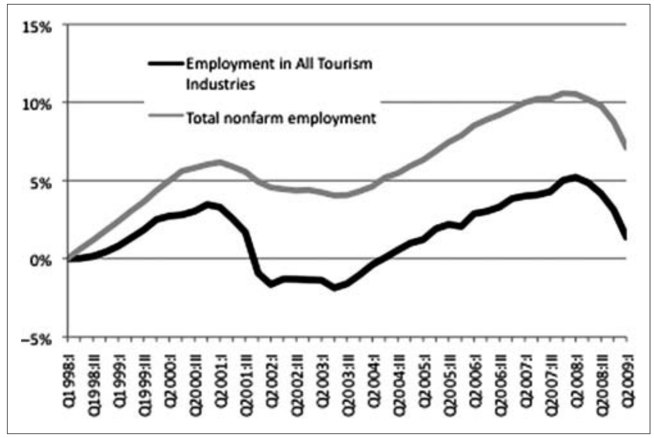

Figure 5. U.S. and tourism employment growth, percentage since the first quarter of 1998

2009 to the lowest level in five years. By the end of this period, real travel demand had fallen 6% over six quarters. So this drop so far has been considerably milder than what had occurred after the 9/11 attacks. But the decline has been at twice the rate as real GDP has fallen. And in 2009's first quarter, real travel demand was less than 15% above its level 20 years earlier, while real GDP was 28% higher.

Travel Prices

The course of the prices of travel away from home in the United States suggests both the health of the tourism industry and the magnitude of constraints on real travel demand. When real tourism demand is growing at a healthy rate, firms can raise prices and secure net income to grow their businesses. On the other hand, when their costs, particularly their energy costs, push upward, tourism firms must raise prices. And consumers normally react to such cost-push inflation by cutting back on their real demand.

Figure 4 compares the courses of Tourism Output Prices in the USTTSA and GDP prices since the first quarter of 1998. It is clear that tourism prices have been much more volatile over the period than those for overall GDP. The latter have grown at a rather steady 2.3% a year over the nine-year period. Prices for all commodities purchased by travelers rose steadily at first about 3.6% a year until peaking in the fourth quarter of 2000. Travel prices, led by transportation, then fell 3% to the fourth quarter of 2001 in the aftermath of the 9/11 disasters. In contrast, the overall price index for GDP rose by 2% over this period.

As the post-9/11 recovery got under way, travel prices rose steadily by about 4.2% a year, until peaking in 2008's third quarter. Transportation costs driven by petroleum prices have been the major contributor to travel price volatility during this period, accounting for 40% to 65% of the growth in the overall tourism price index.

Over the two quarters since travel prices peaked in 2008, they have fallen 7.1%, led by a 20% decline in the cost of gasoline. In contrast, the overall GDP price index rose 0.5 of 1%. This suggests a future market environment more conducive to rising real tourism demand.

Direct Tourism Employment

Direct Tourism Employment in the USTTSA (Figure 5) comprises the number of workers in a quarter engaged in producing direct tourism output. Prior to the 2001 recession, U.S. direct tourism employment rose to a peak of 5.86 million jobs. The combination of the recession and the 9/11 terrorist attacks caused tourism employment to plummet to a low of 5.56 million in 2003's second quarter. It took 24 quarters for tourism employment to regain the earlier peak.

In the ensuing economic recovery, tourism employment rose to a new peak of 5.96 million jobs in the first quarter of 2008. From then through the first quarter of 2009, Direct Tourism Employment has fallen to 5.74 million jobs.

Figure 5 shows the course of tourism employment and overall U.S. employment in percentage terms since the initial period of USTTSA coverage in early 2008. It is clear that up until the 2001 recession and terrorist attacks, tourism employment grew more slowly than overall jobs in the U.S. economy. Then it plunged more than twice as fast as total U.S. employment did, falling as by much as 2.6% in the single quarter following the 9/11 terrorist attacks.

During the recovery from 2003 to mid-2008, tourism employment outpaced overall U.S. job growth by a percentage point, until the current downturn began. Through the first quarter of 2009, jobs directly supported by tourism demand have fallen 3.6% from their peak in 2008, or by more than 200,000 jobs. Total nonfarm employment in the United States is down by 3.1% for this period. Total direct tourism employment has erased nearly all of its gains since 20 years earlier, while total U.S. employment remains considerably above its 1998 levels.

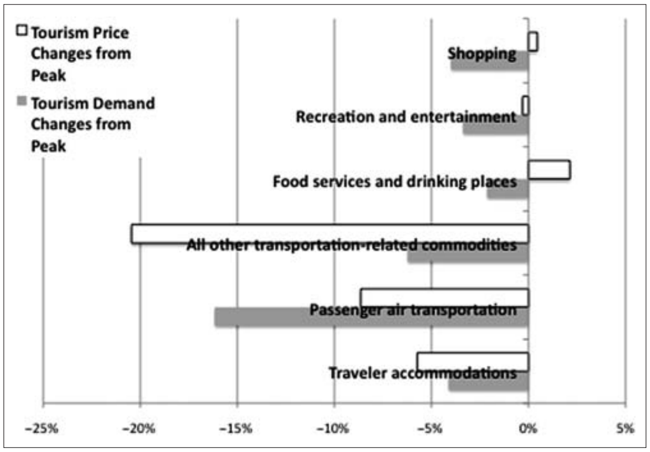

Figure 6. U.S. tourism demand and price index changes from 2008

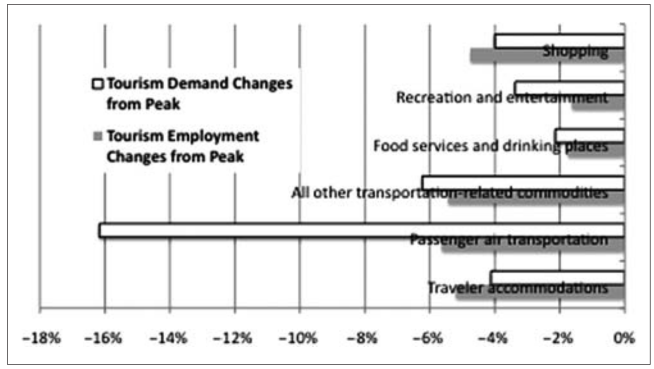

Figure 7. U.S. tourism demand and employment changes from 2008 peak to the first quarter of 2009

Recent Movements

We can investigate the nature of the recent decline in real tourism demand and tourism prices by major product group with the help of Figure 6. Transportation stands out with the largest declines in demand and prices since their peaks in 2008. "All other transportation commodities" is driven by changes in the cost of gasoline. These have dropped considerably. Passenger air transportation shows the largest decline in demand in the chart, despite the drop in fares. These developments suggest consumers will grow their real transportation spending in the near future. Other tourism products have shown smaller reductions in demand and prices. Indeed, tourism price changes for shopping and recreation and entertainment have been negligible and products of food services and drinking places have actually increased through the first quarter of 2009. These items may take longer to produce significant demand increases.

Declines in demand have generally outpaced employment cuts across the tourism industries. Figure 7 shows that only traveler accommodations and shopping have shed workers at a faster rate than demand has fallen in this recession. Indeed, passenger air transportation cut jobs about one third as much as demand has fallen. This may well indicate that the worst of the tourism industry layoffs are over and that we may well see employment growth in the U.S. tourism industries in the quarters to come.

Summary for the United States

The decline in real travel demand in the United States has been considerably milder over the six quarters of the current recession than what had occurred after the 9/11 disasters. Travel demand during the current recession is down at twice the rate of the GDP decline, continuing the relationship seen in 2001.

Overall travel prices have fallen twice as fast in the current recession as they did after the 9/11 attacks. Yet the price index for GDP continues to rise. This suggests that consumers will increase their real travel demand as their incomes begin to grow again, as economists project for the balance of 2009.

Tourism industry employment directly related to tourism demand has fallen more rapidly in the current recession than total U.S. employment, and at a faster rate than during the aftermath of 9/11. Should the Great Recession continue, travel employment declines may well erase all of the growth during the past 20 years. On the other hand, once the economic recovery gets well under way, travel employment may outpace total U.S. job growth as it did during the post-9/11 recovery.

Concluding Remarks

Table 4 provides a summary of the trends in these data from 2004 to 2008. An examination of the data for each of these countries reveals that the impact has been rather uneven—in that a historic retrospective on tourism in each country leads one to conclude that as significant as the current crisis has been—and is, other past events have had an even more significant impact, except for Canada. In the case of the United States, the indelibly etched events of 9/11 have had a much greater impact than the current crisis, while in the case of Mexico, it has been natural disasters that have affected the national tourism industry to a greater extent than the current economic crisis.

In summary, it appears that geography and politics have overshadowed the influence of the current crisis in the case of Mexico and the United States respectively. Canada, on the other hand, while it has been economically impacted, is hoping that the upcoming 2010 Olympic Winter Games in Vancouver will provide the impetus for recovery in its tourism sector. As for the United States, it now possesses a broad range of antiterrorism programs to head off future 9/11s. Mexico, for its part, can only hope for good weather, and an

Table 4. Travel and Tourism Economic Impacts—Trends from 2004 to 2008

	2004	2005	2006	2007	2008
Direct tourism employment (×1,000)					
Canada	598.8	567.6	537.8	531.1	534.0
United States	5,679	5,767	5,847	5,908	5,908
Mexico	1,695.5	1,692.6	1,719.2	1,739.1	1,731.2
Direct tourism employment as percentage of national employment					
Canada	3.8	3.5	3.3	3.1	3.1
United States	4.3	4.3	4.3	4.3	4.3
Mexico	4.1	4.1	4.1	4.0	4.0
Direct impact: tourism real output (billion US$)					
Canada	31.1	33.1	34.9	37.7	37.0
United States	612.6	660.1	709.7	742.2	767.1
Mexico	34.2	38.3	42.0	4537	49.1
Direct impact: tourism real output as percentage of total GDP					
Canada	3.1	2.9	2.7	2.6	2.4
United States	5.4	5.4	5.4	5.3	5.2
Mexico	4.5	4.5	4.4	4.5	4.5

Source: Statistics Canada, U.S. Bureau of Economic Analysis, Mexico Ministry of Tourism (Amaya et al. 2009).

H1N1 virus that will not prove resistant to their soon-to-be released vaccines that the world is waiting for.

Declaration of Conflicting Interests

The authors declared no conflicts of interests with respect to the authorship and/or publication of this article.

Funding

The authors received no financial support for the research and/or authorship of this article.

References

Advertising Age (2009). "How This Ad Recession Compares." *Advertising Age*, 80(27): 18.

Aguirre, M. (2009). Exportaciones de petróleo crudo 1974–2008. Sector Energético Mexicano, Indicadores Anuales [Raw oil exports 1974–1978. Mexican energy sector, annual indicators], with information provided by the Energy Information System of the Ministry of Energy, the Mexican Oil Institute, and the National Institute for Statistics, Geography, and Informatics. http://www.mexicomaxico.org/Voto/PetroCrudo.htm (accessed March 15, 2009).

Amaya, Carlos Mario Molinar, Ernesto Mannuel Conde Pérez, Mauricio Zavala Cordero, and Ana Isabel Carreóón (2009). *Analysis of the Impact of the Global Economy on the Mexican Tourism Industry: Research Report*. Colima, Mexico: Universidad de Colima, School of Tourism.

Banco Mundial (2004). La pobreza en México. Una evaluación de las condiciones, las tendencias y la estrategia del gobierno [Poverty in Mexico: An evaluation of conditions, trends, and government strategy]. http://siteresources.worldbank.org/INTMEXICOINSPANISH/Resources/b_resumen.pdf (accessed March 17, 2009).

Bureau of Economic Analysis U.S. (2009). "Data Tables on U.S. Travel and Tourism Satellite Accounts 1998 to First Quarter 2009 Supplied Electronically by the Office of Travel and Tourism Industries." Washington, D.C.: U.S. Department of Commerce.

Conference Board of Canada (2009). *Tourism Intelligence Bulletin, July 2009*. Ottawa, Ontario: Conference Board of Canada. http://mediacentre.canada.travel/content/ctc_news/tourism-intelligence-bulletin-july-2009 (accessed August 21, 2009).

CTC (2009). *International Travel Account: First Quarter 2009*. Vancouver, British Columbia: Canadian Tourism Commission. http://www.corporate.canada.travel/docs/research_and_statistics/stats_and_figures/ita/ITA_Q1_2009_eng.pdf (accessed August 21, 2009).

CTC (2009, July 6). "Canadian Travel Surged Ahead in French Market in '08: France Leaps Forward in Travellers Planning to Visit Canada, says CTC *Global Tourism Watch* Report." *CTC News Alerts*. http://mediacentre.canada.travel/content/ctc_news/global-tourism-watch-report-2008-france (accessed August 21, 2009).

CTC (2009, July 13). "Countdown to the 2010 Winter Games: CTC Rolls Out 'Connecting with Canadians' program." *CTC News Alerts*. http://mediacentre.canada.travel/content/ctc_news/connecting-with-canadians-korea-lee-kyou-hyuk (accessed August 21, 2009).

CTC (2009, July 23). "Canadian Celebrities Sprinkle Stardust on CTC Campaign: LOCALS KNOW Gets Stamp of Approval from Some of the Country's Finest Authors, Artists and Athletes." *CTC News Alerts*. http://mediacentre.canada.travel/content/ctc_news/locals-know-campaign-celebrities-authors-artists-athletes (accessed August 21, 2009).

CTC (2009, July 24). "Canada Travel Deficit Falls to $5 Billion in Q1 '09," *CTC News Alerts*. http://mediacentre.canada.travel/content/ctc_news/international-travel-account-ita-q1-first-quarter-2009 (accessed August 21, 2009).

CTC (2009, July 29). "EQ Toolkit for Small Businesses Now Online at CTC." *CTC News Alerts*. http://mediacentre.canada.travel/content/ctc_news/explorer-quotient-eq-toolkit-small-medium-businesses (accessed August 21, 2009).

CTC (2009, August 13). "Tourism Suffered a Cold Snap in May." *CTC News Alerts*. http://mediacentre.canada.travel/content/ctc_news/tourism-snapshot-may-2009 (accessed August 24, 2009).

CTC (2009, August 18). "Fears over Flu, Financial Woes Put Squeeze on Global Travel Demand." *CTC News Alerts*. http://mediacentre.canada.travel/content/ctc_news/tourism-intelligence-bulletin-july-2009 (accessed August 24, 2009).

CTC (2009, August 20). "India: 1.15 Billion Reasons It's Worth a Closer Look." *CTC News Alerts*. http://mediacentre.canada.travel/content/ctc_news/india-market-analysis-2009 (accessed August 24, 2009).

CTC (2009, August 21). "Flame On! South Korean Speed-Skating Star Comes to BC, Canada in Advance of 2010 Olympic Torch Relay." *CTC News Alerts*. http://mediacentre.canada.travel/content/ctc_news/vancouver-2010-olympic-torch-relay-chun-lee-kyung (accessed August 25, 2009).

Canadian Travel Research Institute (CTRI) (2008). *Travel Exclusive: Key Trends for the Canadian Travel Industry*. Ottawa, Ontario: CTRI, pp. 1-4.

DATATUR. (2009). Comité Técnico de Estadística y de Información Geográfica del Sector Turismo [*Technical Committee on Statistics and Geographic Information of Tourism Sector*]. http://datatur.sectur.gob.mx/pubyrep/cargas_manuales/comite/pagina_principal.html (accessed March 20, 2009).

Gignac, Tamara (2009, July 17). "Alberta Battles Tourism Slump." *Calgary Herald*, p. A15.

Griffith, Eric S., and Zemanek, Steven L. (2009). "U.S. Travel and Tourism Satellite Accounts for 2005-2008." *Survey of Current Business*, 89(7): 25-38.

International Labor Organization (1998). "Grim and Getting Grimmer. World Employment Report 1998-99: Global Financial Crisis to Hike World Unemployment." *World of Work*, 27: 6-12.

Statistics Canada (2008a). *Government Revenue Attributable to Tourism, 2007: Income and Expenditure Accounts Technical Series*. Ottawa, Ontario: Statistics Canada.

Statistics Canada (2008b). *National Tourism Indicators: Quarterly Estimates, Third Quarter 2008*. Ottawa, Ontario: Statistics Canada.

Statistics Canada (2009). *National Tourism Indicators: Quarterly Estimates, Fourth quarter 2008*. Ottawa, Ontario: Statistics Canada. (Catalogue No. 13-009-X)

Travelweek (2009). "Canadian Travel Overseas Begins to Slow." *Travelweek*, 37(13): 1.

United Nations World Tourism Organization (UNWTO) (2008). *Tourism Highlights 2008*. http://www.unwto.org/facts/eng/pdf/highlights/UNWTO_Highlights08_en_HR.pdf (accessed March 25, 2009)

Wilkerson, Chad R. (2009). "Recession and Recovery across the Nation: Lessons from History." *Federal Reserve Bank of Kansas City Economic Review*, 94(2): 103-22.

Bios

J. R. Brent Ritchie holds the professorship in tourism management at the Haskayne School of Business and is chair of the World Tourism Education and Research Centre, University of Calgary, Canada. His research focuses on tourism destination competitiveness and sustainability, and tourism policy and strategy.

Carlos Mario Amaya Molinar is an associate professor researcher at the Faculty of Tourism, University of Colima, Mexico. Professor Amaya specializes in tourism economics, tourism theory, tourism marketing, and tourism geography.

Douglas C. Frechtling is a professor of tourism studies in the School of Business at the George Washington University, Washington, D.C. His research focuses on measuring the economic impact of tourism on destinations and modeling the impact of economic variables on tourism demand.