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

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RTO Multi-Year Research Program

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RTO 9: Quarterly Insights Report Executive Summary

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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.





## 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.





# EXECUTIVE SUMMARY (cont'd)

## Regional Insights: RTO 9

### Spending Patterns and Growth

RTO 9 continues to experience significant growth in tourism spending, driven by both domestic and international visitors. From January to July 2024, total spending reached \$1.2 billion, reflecting a 10% year-over-year increase. Domestic tourism remains dominant, contributing 73% of total revenue. International markets, particularly the U.S., have seen substantial growth with a 17% year-over-year increase in spending. Inter-provincial travel, notably from Quebec, also plays an essential role, contributing 10% to total spending with a long-term growth rate of 5.5% per year. Overseas visitors, while still a smaller portion of the market, have demonstrated encouraging short-term growth of 17.3%.

### Spending by Category

- **Food and Beverage as Leading Category:** Accounting for 33% of total spending, Food & Beverage remains the highest contributor, driven by intra-provincial travellers.
- **Transportation:** Contributing 31% to total spending, transportation has shown strong growth, particularly by inter-provincial travellers.
- **Recreation and Entertainment:** With 43% short-term growth, this category offers potential for further expansion, especially in overseas markets, where it holds more significance (22%).
- **Accommodation and Retail:** Accommodation represents 12% of total spending, with moderate growth, mainly supported by international visitors. Retail remains the smallest category, contributing 8%, suggesting opportunities for improvement.



## EXECUTIVE SUMMARY (cont'd)

### Occupancy and Pricing Trends

- **Short-Term Rentals:** Occupancy rates for short-term rentals in RTO 9 have increased to 45% in June 2024, following a significant drop in 2023. However, rates remain lower than in 2021 and 2022. ADR has steadily risen, reaching \$225 in June 2024, a 12% increase from the previous year. There is potential to fill more units, especially during peak seasons.
- **Hotel Performance:** Hotel occupancy rates in RTO 9 have recovered to 67% in June 2024, aligning closely with pre-pandemic levels. ADR for hotels reached \$174, a 10% year-on-year increase. Although rates have risen, occupancy remains below the provincial average, suggesting an opportunity to enhance value offerings.





# DEFINING THE FUTURE OF TOURISM IN ONTARIO

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