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The Conference  
Board of Canada

# International Visitors Heading North Again

Yukon's Travel Markets Outlook to 2027



Issue briefing | July 27, 2023

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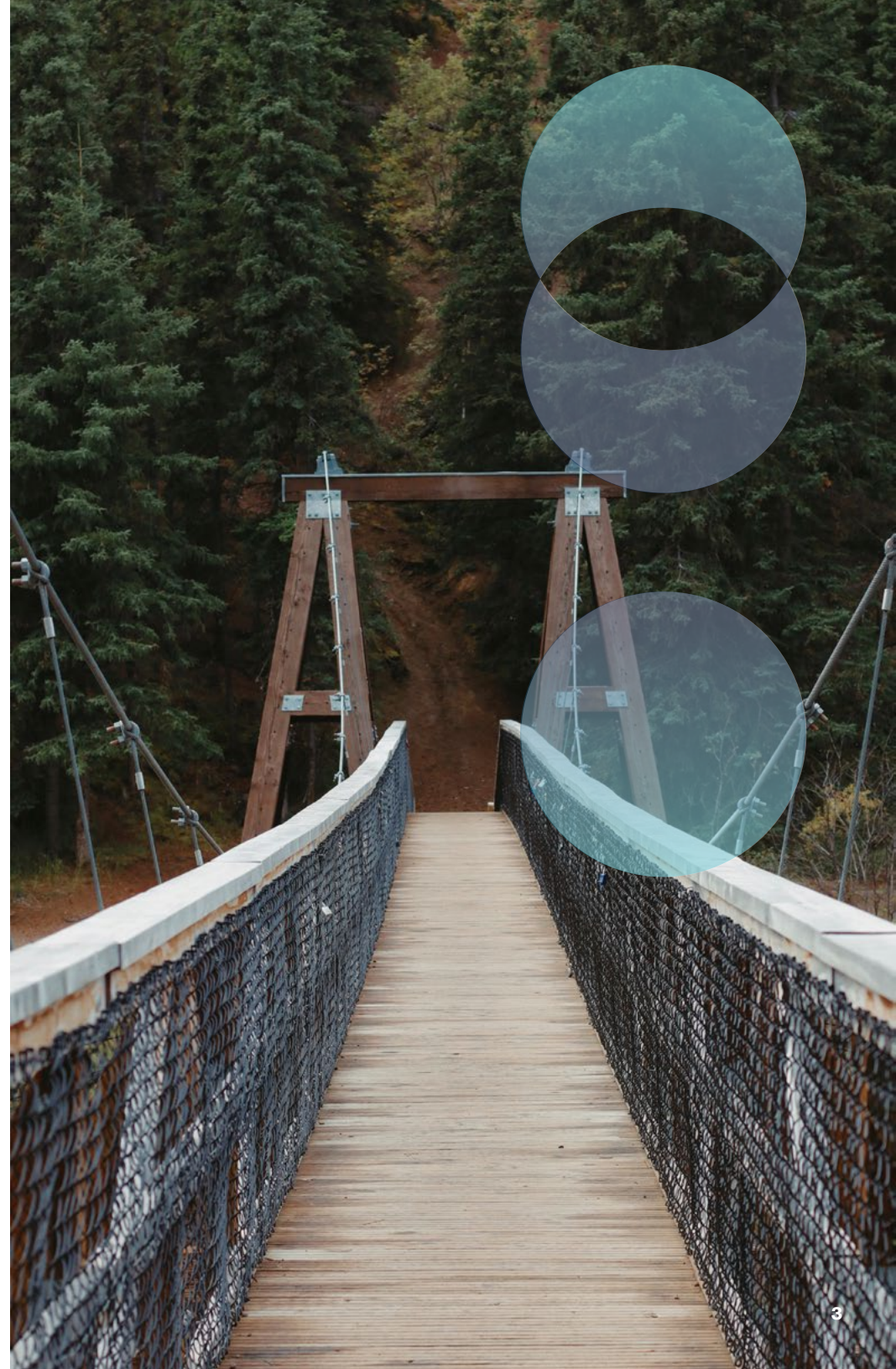
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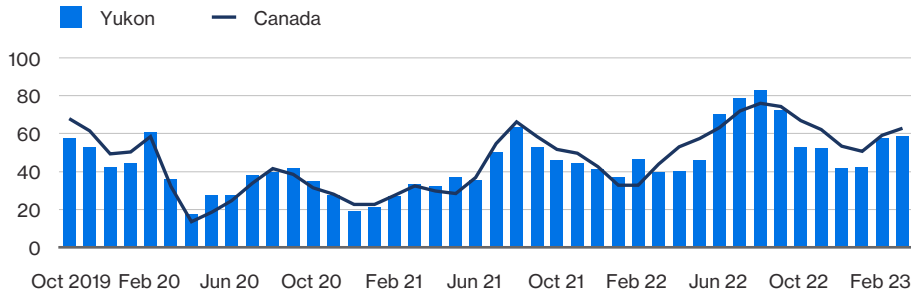
# Key findings

- Total visits to Yukon will grow by 144.3 per cent in 2023, 18.9 per cent in 2024, and 9.0 per cent in 2025.
- Domestic visitation to Yukon is estimated to have recovered in 2022. We expect that the development of the Northern Indigenous Tourism Lodge Network, part of Destination Canada's Tourism Corridor Strategy Program, will further increase interprovincial visits to Yukon.
- The return of international tourists will drive the recovery of Yukon's travel market over the next few years. Overnight visits from both the United States and overseas will gradually return to pre-pandemic levels by 2025.
- Labour market challenges are particularly severe in Yukon. We expect that the territory's tourism market will be constrained by worker shortages in the near term, though industry strategies to alleviate these challenges will help over the forecast period.



# Yukon snapshot

**Chart 1**  
Hotel occupancy rate  
(per cent)



Source: CBRE Hotels, *Trends in the Hotel Industry National Market Report*.

**Chart 2**  
Consumer confidence, Canada  
(index; 2014 = 100)



Source: The Conference Board of Canada.

## Forecast risk



**Short term**

Wildfire activity, which has been particularly severe in 2023, may lead to road closures along critical access routes to Yukon. Prolonged closures could significantly reduce travel to Yukon, especially during the summer months when most visits take place.



**Medium term**

Persistently elevated job vacancies in tourism-linked sectors pose a critical challenge to tourism's growth in Yukon. While efforts are being made to alleviate labour strains in the tourism industry, these may not be as successful as anticipated. Worker shortages may curb trips more than expected over the forecast period.

**Chart 3**

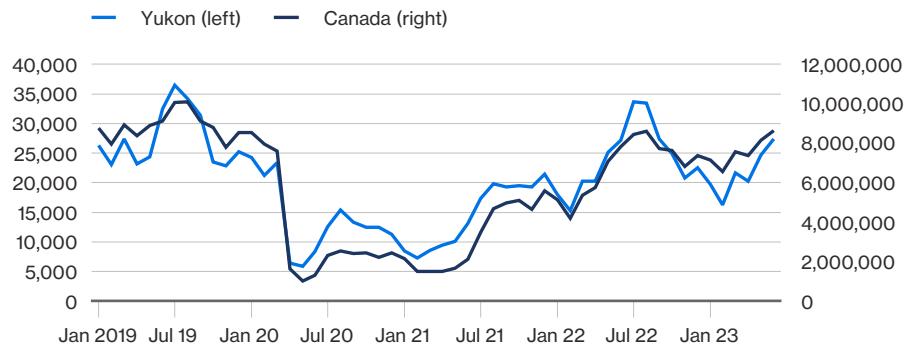
Employment and active businesses in the tourism industry  
(employment and number of active businesses, index; Jan 2020 = 100, seasonally adjusted)



Source: Statistics Canada.

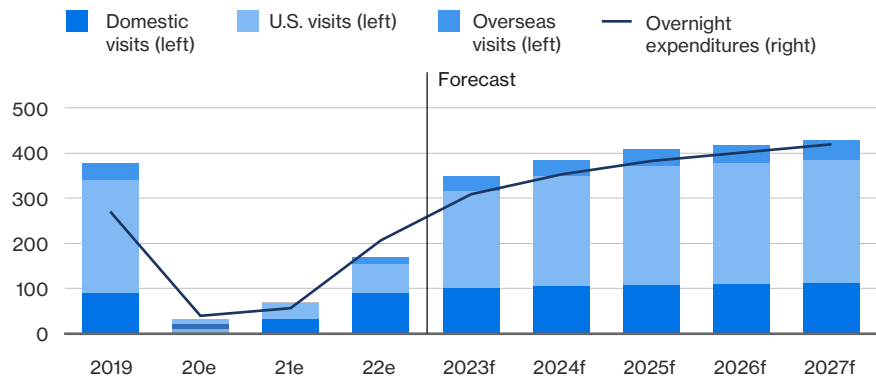
# Yukon snapshot (cont'd)

**Chart 4**  
Direct air access to territory  
(number of direct seats, 000s)



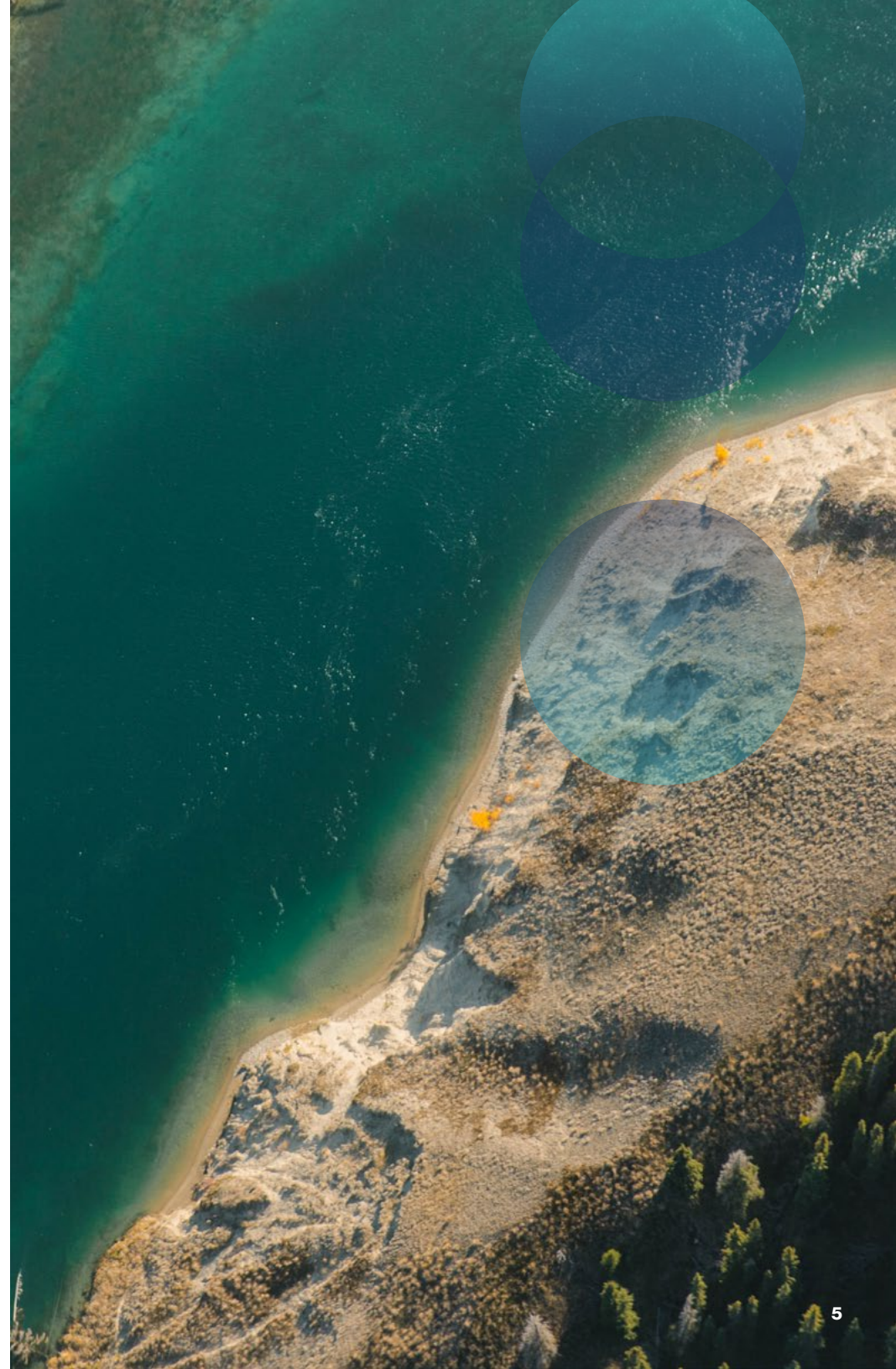
Source: OAG Analyser.

**Chart 5**  
Overnight visits and tourism expenditures  
(visits, millions; expenditures, C\$ billions)



Note: Unshaded area represents forecast data.  
e = estimate  
f = forecast

Sources: The Conference Board of Canada; Statistics Canada.



# Overview

Tourism activity has picked up sharply in Yukon after several years of disruption. Visitation will move closer to pre-pandemic levels in 2023, though a complete recovery will be a bit more stubborn to elicit than for Canada as a whole.

Yukon's reliance on visitors from the United States and overseas was detrimental to its tourism sector during the last few years. However, visitation will rebound further as visitors from these markets return to Canada over the next few years. Total visits to Canada will recover to 2019 levels faster than the territory in 2023, though Yukon will catch up fully in 2024 and 2025.

The territory will also benefit from investment funding from both the federal and territorial governments. New funding from the Government of Yukon includes a \$1-million annual Community Tourism Destination Development Fund.<sup>1</sup> The new program will prioritize sustainable tourism development, including improvements to accommodations, attractions, activities, and amenities. Funding will also be distributed to tourism-related projects under the Yukon 125 Fund, which has been established to support celebrations this year related to Yukon's 125th anniversary since joining Canada.<sup>2</sup>

Growth in Yukon's tourism industry, however, remains constrained by the territory's remoteness relative to the provinces. Tourism growth here hinges on accessibility. Total air capacity to Yukon is hovering below its 2019 level, averaging 82.8 per cent of this level during the first half of 2023.

Driving to Yukon even from nearby British Columbia is typically a multi-day affair. And, given the limited number of routes, any disruption can have devastating effects on visitation. Recent wildfire activity along the Alaska Highway, for example, may inhibit some visitors from reaching Yukon this year.

The flexibility of tourism supply in Yukon will also be limited, even as demand picks up this year. As of February 2023, the number of active tourism businesses in Yukon remained below its 2018–19 range. While this is also true at the national level, business recovery has lagged slightly in Yukon. And the recovery of employment in tourism-linked industries has fared considerably worse. Tourism employment is seasonal, but the number of employees in Yukon's accommodation services industry in January and February 2023 sat at only 84.0 per cent of their level during the same period in 2019. For Canada as a whole, accommodation services employment sat at 93.0 per cent of this level.

Although the average wage in Yukon's accommodation and food services industry is higher than the Canadian average, the number of job vacancies in Yukon's accommodation and food services industry is higher than the Canadian average and remains above its pre-pandemic range. Restaurant owners and accommodation providers have had to cut operating hours and capacity due to the shortage of workers.

<sup>1</sup> Government of Yukon, "New Funding Program to Provide \$1 Million a Year."

<sup>2</sup> Egwu, "Yukon Government Announces Fund for Community Initiatives."

At the same time, the unemployment rate in Yukon was 3.7 per cent in April 2023. And based on our territorial forecast, we anticipate that the unemployment rate will average 4.3 per cent between 2023 and 2025. This will be significantly lower than the national rate. If these trends of low unemployment and high job vacancies persist, significant work will need to be done to attract workers to both the territory and the tourism sector.

Total visits to Yukon will grow by 144.3 per cent in 2023, 18.9 per cent in 2024, and 9.0 per cent in 2025.

# Domestic activity

Preliminary estimates suggest that domestic (intra- and interprovincial) overnight visits to Yukon recovered to their 2019 level in 2022. Hotel occupancy rates for Yukon also exceeded the national average in June, July, and August last year. While this suggests that Yukon's travel market is recovering at a slightly faster pace than much of the rest of the country, domestic tourism makes up a comparatively smaller share of the territory's visitation base.

For the remainder of the forecast period, we expect that domestic visit growth will settle into its medium-run trend over the next couple of years. Domestic overnight visits to Yukon will grow by 11.4 per cent in 2023 and 3.9 per cent in 2024. Between 2025 and 2027, these visits will grow by an annual average of 1.6 per cent.

Interprovincial visits to Yukon will benefit from Destination Canada's Tourism Corridor Strategy Program, which will develop travel routes in key areas of Canada. One of these corridors—selected for its high growth potential—will be the Northern Indigenous Tourism Lodge Network, which will develop tourism links between Yukon, the Northwest Territories, and Northern British Columbia. Demand for Indigenous-themed tourism is increasing, and these efforts will likely bolster domestic tourism volumes to Yukon over the forecast period. The groundwork for future developments will be laid in the first phase of the program, so material benefits from the strategy will likely appear in the medium term.



# United States and overseas

International visitors are critical for the health of Yukon's tourism market. The last few years saw international travel collapse, which disproportionately impacted Yukon's ability to attract tourists and tourism revenues. However, Yukon's travel market will recover as international tourists return.

Alaska's proximity to Yukon makes it a critical source of U.S. visitors. In 2022, same-day arrivals from the United States to Yukon were only 18.0 per cent of their 2019 level (compared with a 49.0 per cent recovery rate at the national level). Delays in removing travel restrictions likely discouraged some same-day visitation last year.<sup>3</sup> However, with the ArriveCAN app and other border protocols now lifted, same-day visits to Yukon will markedly increase. Cruise tourism to Skagway, Alaska, is also recovering, which provides another source of same-day visits to Yukon. Whitehorse is approximately two hours away from Skagway, which offers cruise passengers an opportunity to visit the city.

During the first two months of 2023, same-day arrivals from the U.S. averaged 55.0 per cent of their level during the same period in 2019. We expect same-day visits to Yukon will reach their pre-pandemic range by 2024.

The bulk of the recovery of overnight visitation from U.S. travellers to Yukon will happen this year. Challenges and uncertainty at Yukon border crossings and access points disrupted some visitation last year, even as demand for travel picked up.<sup>4</sup> We expect that these issues will be largely resolved for the 2023 season. Overnight visits from the U.S. will grow by 245.8 per cent in 2023 and 13.3 per cent in 2024. However, overnight U.S. visits won't fully return to their 2019 level until 2025.

Direct air capacity from overseas to Yukon has not fully reached its pre-pandemic level, though some months in 2022 and 2023 have seen capacity climb higher than in 2019. However, air capacity to Yukon will likely be reduced over the forecast period. Condor, a German airline, has offered flights between Frankfurt, Germany, and Whitehorse for more than 20 years. However, the airline will stop providing this service in 2024 until at least 2026 while the Erik Nielsen Whitehorse International Airport is upgraded. The upgrades will require planes to land on a smaller, secondary runway that is unsuitable for Condor's Airbus aircraft.<sup>5</sup> The loss of this capacity likely won't have a critical impact on German visitation to Yukon, as alternative routes to the territory are still available. However, these circumstances do highlight one of the challenges of tourism in Canada's North, where infrastructure gaps can create negative spillover effects.

Overnight visits to Yukon from overseas will grow by 116.8 per cent in 2023 and 14.6 per cent in 2024. Overseas overnight visits will recover to their 2019 level in 2025.

3 CBC News, "Tourism Rebounded in Yukon Last Year."

4 Yukon Party Caucus, "Tourism Sector Ready to Rebound With Proper Support."

5 Whitehorse Star, "Condor Will Be Gone Until 2026 at Earliest."



# Overall performance

After mining, the tourism industry is the second-largest contributor to Yukon's GDP. The territorial economy, therefore, stands to benefit greatly from the territory's recovering tourism market. While the return of visitors to Yukon will take slightly longer than for much of Canada, tourism will fare much better throughout the forecast period than during the last few years.

Labour market troubles are familiar to Yukon's tourism operators, and industry officials have developed a recruitment and retention plan to fill in labour gaps over the coming years. The plan's three main goals are to make private sector employment more attractive to the territorial workforce, build labour force capacity within Yukon, and attract a stable supply of workers to the tourism sector from outside the territory.<sup>6</sup> Attracting workers to Yukon will likely require an integrated approach, as housing, the cost of living, and the territory's remoteness continue to deter people from permanently settling in Yukon.

A restored tourism partnership agreement between the City of Whitehorse and the Government of Yukon will likely result in greater integration between tourism stakeholders. The agreement will see both governments share information and work together on opportunities to expand tourism supply in the territory, improve infrastructure, and market Whitehorse as a business tourism destination. Whitehorse also intends to build a new convention centre in the city as part of the Yukon Tourism Development Strategy's aim of doubling business tourism revenues by 2028.<sup>7</sup>

Travel price growth has been slightly less extreme in Yukon than the Canadian average. However, prices of goods and services in Yukon are typically higher than in southern Canada. Travel price growth is expected to ease in 2023. Gasoline prices, in particular, have fallen since their surge following Russia's invasion of Ukraine last year. But prices will not reverse in Yukon, and while higher prices will boost tourism expenditure growth, they will also deter some visitors from taking a trip to Yukon this year.

Yukon remains unique as a Canadian destination. And this uniqueness will benefit the territorial tourism market as tourism operators capitalize on emerging travel trends—namely, increasing interest in sustainable travel and Indigenous tourism. In 2022, Yukon became a member of the United Nations World Tourism Organization's International Network of Sustainable Tourism Observatories, which will help the territory to make travel more sustainable and broadcast Yukon's commitment to sustainable values. Existing and future tourism offerings linked to these themes in Yukon will likely see an uptick in interest over the forecast period.



<sup>6</sup> Tourism Industry Association of the Yukon, "Yukon Recruitment and Retention Action Plan."

<sup>7</sup> Government of Yukon, "Request for Proposals Issued for New Convention Centre in Whitehorse."

## Appendix A

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## Methodology

The findings of this issue briefing have been developed through an extensive review of academic and grey literature, a review of available data sources, econometric modelling, and discussions with The Conference Board of Canada's Economic Forecasting team.

This forecast was completed on June 2, 2023.

## Acknowledgements

This issue briefing was developed by the Economic Forecasting knowledge area at The Conference Board of Canada. Research and writing were prepared by Kiefer Van Mulligen, Senior Economist.

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