

Return of U.S. Visitors Will Fuel Growth

Yukon's Travel Markets Outlook to 2028



Contents

3

Key findings

4

Yukon snapshot

6

Overview

7

Domestic activity

8

United States and overseas

10

Overall performance

12

Appendix A
Bibliography

13

Methodology

Key findings

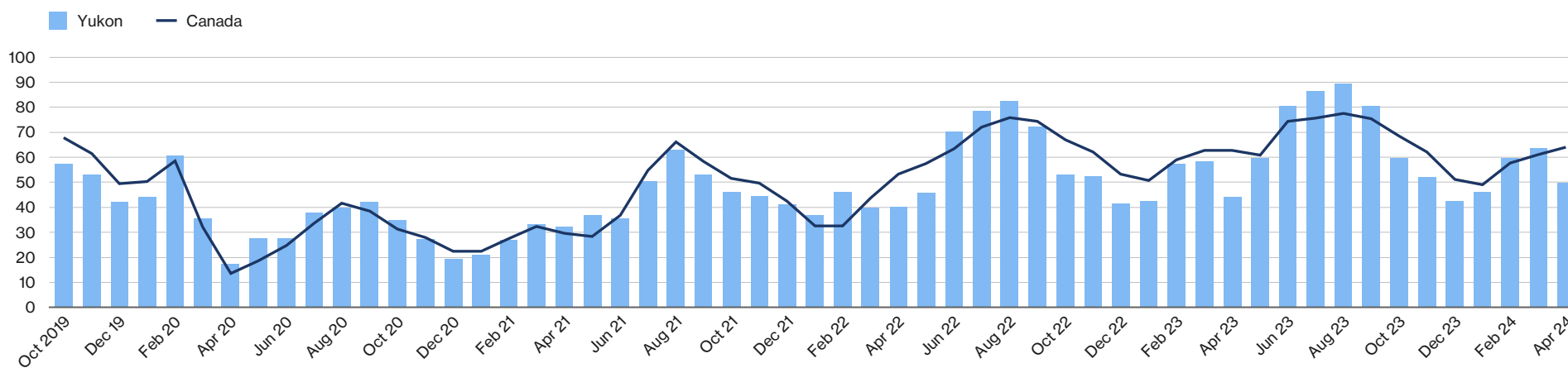
- Overnight visits to Yukon will grow by 25.0 per cent in 2024, 11.6 per cent in 2025, and an annual average of 6.1 per cent between 2026 and 2028.
- The return of more visitors from the United States will drive Yukon's overnight visit growth this year. Overnight visits from the U.S. will recover in 2025.
- Elevated job vacancy rates in Yukon's tourism-linked industries could curb destination development and limit territorial tourism's growth potential.
- The development of Indigenous tourism, along with the Northern Indigenous Tourism Lodge Network Corridor, will support travel growth in Yukon beyond the forecast horizon.



Yukon snapshot

Chart 1

Hotel occupancy rate
(per cent)



Sources: CBRE Hotels Trends in the Hotel Industry National Market Report; The Conference Board of Canada.

Forecast risk



Short term

Strong Canadian population growth could contribute to higher domestic visitation to Yukon, particularly in 2024 and 2025, as population growth rates remain elevated.

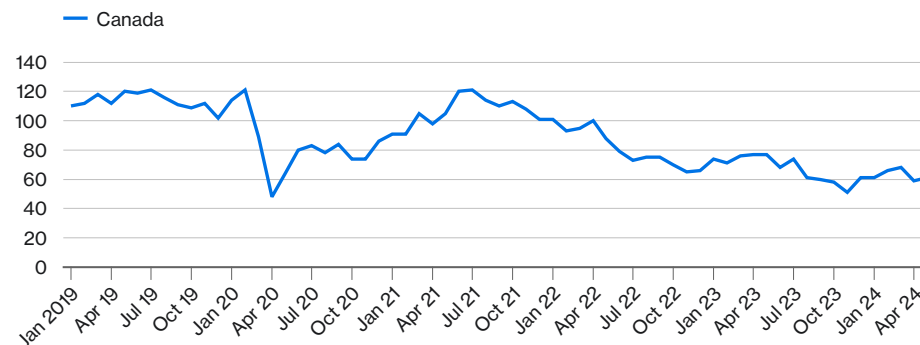


Medium term

Wildfire activity could unpredictably curb tourism in Yukon and fuel negative perceptions about visiting the territory.

Chart 2

Consumer confidence
(index; 2014 = 100)



Source: The Conference Board of Canada.

Yukon snapshot (cont'd)

Chart 3

Employment and active businesses in Yukon's tourism industry

(employment and number of active businesses, index; Jan 2020 = 100, seasonally adjusted)



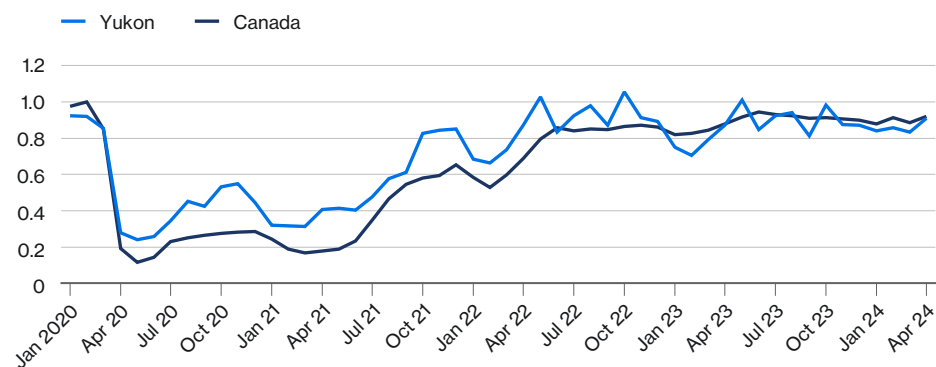
Note: Data on active businesses are available only to February 2024.

Sources: Statistics Canada; The Conference Board of Canada.

Chart 4

Direct air access to province

(share of direct seat volume relative to same month in 2019, per cent)



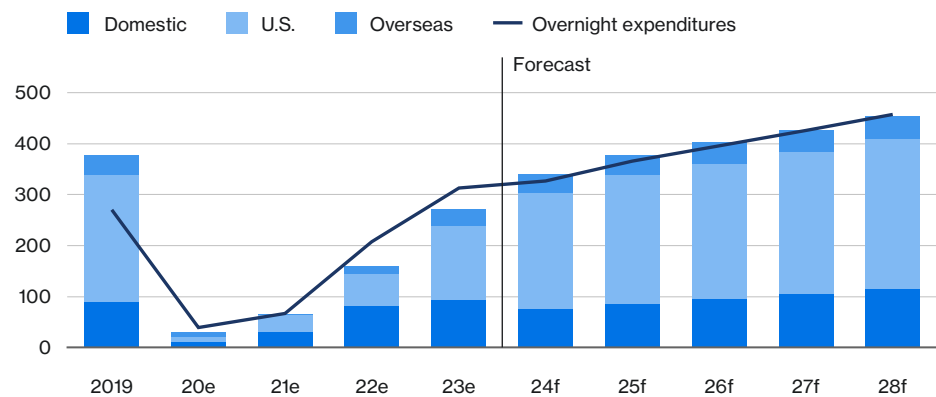
Sources: OAG Analyser; The Conference Board of Canada.



Chart 5

Overnight visits and tourism expenditures, Yukon

(visits, millions; expenditures, C\$ millions)



e = estimate; f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

Overview

Yukon's travel market has recovered comparatively slowly. Yet good things are in store for tourism in the territory.

Before the pandemic, Yukon's travel market strongly relied on international visitors. When Canada's borders were closed in 2020, this had a disproportionately negative impact on the territorial travel market. Tourism in the territory is still reckoning with these impacts.

During the last two years, however, tourism activity has picked up, and we expect that Yukon's travel market is on track to see overnight visits above their 2019 level by 2025. Throughout the forecast period, tourism growth will be propelled primarily by an increase in visits from the United States. Domestic visit growth will remain steady throughout the forecast, growing by about 11 per cent annually from 2025 to 2028. In the near term, however, Canadian consumer confidence remains low and adds a downside risk to the outlook. Overseas visits will expand and have substantial upside potential over the medium term.

Severe wildfires, exacerbated by climate change, threaten tourism activity in all provinces and territories. Given Yukon's remoteness and limited accessibility, this may be a particularly severe challenge for tourism in the territory. In May, wildfire activity led to the closure of the Alaska Highway connecting Yukon with British Columbia, one of the key routes connecting the two jurisdictions.¹



Depending on the severity of a given fire season, road closures could become a recurring facet of the summer tourism season. This could unpredictably restrict tourism activity in certain regions of the territory. Wildfire smoke may also deter tourists from visiting Yukon during peak wildfire periods. The threat of wildfires has greatly increased insurance costs, which is an added strain on small-scale tourism operators.²

Overnight visits to Yukon will expand by 25.0 per cent in 2024, 11.6 per cent in 2025, and an annual average of 6.1 per cent between 2026 and 2028.

1 Elliot, "Alaska Highway Reopens Following Wildfire Closure."

2 Elliot, "Yukon Tourism Operators See Demand."

Domestic activity

Disaggregated visitation data for Canada's territories is released with a lag. But preliminary figures suggest that overnight domestic business visits to Yukon experienced a sharp increase in 2023, and this surge may have propelled overnight domestic visits above their 2019 level. Mining and construction account for much of the economic activity in Yukon, and the notable increase in business visits may be related to activity in these industries.

Based on historical travel volumes and the delayed return of business tourism in most jurisdictions since the onset of the pandemic, we assume that this spike in domestic business visits was a transient phenomenon. Accordingly, we expect that total overnight domestic visits to Yukon will decline in 2024. However, overnight domestic pleasure visits will surpass their 2019 level.

Within-province tourism will be reinforced by a new shuttle service connecting Haines Junction with Whitehorse. The shuttle runs three times per week along the approximately 150-kilometre route throughout the year.³ Adding transportation links between Yukon communities not only makes visiting Yukon more attractive but could also help to increase the number of visits each domestic and international tourist makes per trip in the territory.

Interprovincial visits to Yukon tend to originate from British Columbia, Ontario, and Alberta. Overnight visit growth from these provinces will drive domestic pleasure visits higher in 2024. Canadian population growth, which has been particularly quick in these provinces in recent years, will remain atypically strong in 2024. This will mechanically add to domestic visit growth to Yukon.

Domestic tourism growth will also be supported by Travel Yukon's latest marketing campaign, "It's a Little Bit Metal," which is targeting visitors from these provinces.⁴

From 2025 to 2028, most overnight interprovincial visit growth will stem from residents of British Columbia. Visits from Ontario residents will also grow, though Air North's cancellation of direct winter flights between Whitehorse and Toronto (citing weak demand) will do little to help Yukon increase visitation during traditional shoulder seasons. Summer flights between the two cities will remain in place, however.⁵ Overall, direct domestic air capacity to Yukon remained flat in 2023 and throughout the first four months of 2024, averaging about 86 to 87 per cent of its 2019 level.

Domestic overnight visits to Yukon (including both within-province and interprovincial visits) will grow by an annual average of 11.1 per cent from 2025 to 2028.

3 Pilkington, "New Shuttle Service."

4 Jeffrey, "Travel Yukon Wants to Show Tourists."

5 CBC News, "Air North Cancels Winter Flights."

United States and overseas

Increasing volumes of tourists from the United States will be the primary driver of overnight visit growth to Yukon in 2024. We expect that overnight U.S. visits will surpass their 2019 level in 2025. Same-day visitation between Alaska and Yukon will also add to tourism growth throughout the forecast period. Excursions between Alaska cruise ports and Yukon will bolster these visits, though new limits on cruise tourist volumes in Juneau to combat overtourism could impact visitor volumes in other Alaskan communities if these limits are extended.⁶

Accessibility remains a perennial challenge for Yukon's travel market. However, private and public sector efforts are contributing to improving transportation linkages in the territory. Connectivity between Alaska and Yukon will improve in the near term, encouraging visit growth. In April, government officials from Alaska and Yukon met with representatives from Air North to discuss the potential for air connections between the two regions.⁷

The Little Gold Creek border crossing on the Alaska–Yukon border will open from mid-May to mid-September in 2024 and beyond. This will allow the seasonal crossing to remain open for an additional four weeks, which will include long weekends in May and September.⁸ The crossing has been operating for a shorter period since reopening after pandemic travel restrictions.

Upgrades to the Alaska Highway connecting Yukon with Alaska will begin in 2025 and extend to 2027. Thawing permafrost has spawned hazardous conditions along a 222-kilometre span of the highway. These repairs and upgrades will be funded by the Government of Alaska.⁹ Maintaining this transportation link and ensuring that travel along the route is efficient will benefit Yukon tourism by supporting same-day and overnight U.S. visitation. Investments in infrastructure like this are also crucial for incentivizing secondary investments along the route (such as recreational facilities and other tourism-centric offerings) and could generate positive spillover effects. Alaska's funding speaks to the importance of the route for, and the enduring prospects for tourism growth from, the United States.

Overnight visits from the United States will expand by 56.1 per cent in 2024, 11.5 per cent in 2025, and an annual average of 5.2 per cent from 2026 to 2028.

Overseas visitation to Yukon has historically stemmed from diverse source markets. However, based on data from the Visitor Travel Survey, there has been some concentration of tourists from Germany and, at least in 2019, Mexico and Switzerland. Arrivals to Canada from Mexico have been swift to recover, and this may have benefited the recovery of overseas visits to Yukon. However, as of January 2024, many Mexican nationals are required to apply for a visa to enter Canada, and this could deter some Mexican tourists. In the best case, the visa requirement will slow the pace of Mexican visit growth, which was accelerating before the pandemic.

⁶ Bohrer, "A New Agreement Would Limit Cruise Passengers."

⁷ Government of Yukon, "Government of Yukon Leadership Meets."

⁸ Bossons, "Canada–U.S. Border Crossing."

⁹ Government of Yukon, "New Funding for North Alaska Highway."

Visitors from some of Canada's other fastest-recovering international source markets, like France, have not historically been among the most important source markets for Yukon.

In 2023, arrivals to Canada from Germany remained lower than before the pandemic. However, we expect their recovery will continue in 2024. Based on historical travel patterns, the return of these German tourists will contribute most to Yukon's overseas overnight visit growth in 2024. As this recovery unfolds, we expect that the number of overseas visits to Yukon will reach its 2019 level this year.

Overnight visit growth from 2025 to 2028 will stem largely from countries other than Germany, including countries outside Canada's top 10 international source markets. Japanese visitors, for example, could become more prominent in the territory following the signing of an agreement between the Yukon government and two Japanese tourism companies last year.¹⁰ (The deal revolves around aerial tours for aurora viewing from Whitehorse.) The Japanese Consul General also met with Yukon's premier in March to discuss greater collaboration in tourism, cultural exchange, and economic matters.¹¹ In February, Dawson City also signed a sister-city agreement with Zabreh, Czechia, which could lead to greater interest in and promotion of Yukon tourism among residents of the latter region.¹²

Whitehorse will host the Arctic Winter Games in 2026. The city had originally been slated to host the games in 2020, though the pandemic forced their cancellation. The event's coordinators expect it to draw about 2,000 athletes and coaches, including many from overseas, to Whitehorse.¹³

Overnight visits to Yukon from overseas will expand by 11.8 per cent in 2024 and by an annual average of 3.9 per cent from 2025 to 2028.

Upgrades to the Erik Nielsen Whitehorse International Airport will see the facility's main runway rebuilt, closing that runway until the fall. The improvements won't impede tourist arrivals, as air traffic will be temporarily diverted to a secondary runway. The project will cost \$248 million and is being supported by the federal National Trade Corridor Fund to expressly support Yukon's mining and tourism sectors.¹⁴



¹⁰ Bossons, "Yukon Government Inks Tourism Deal."

¹¹ Government of Yukon, "Statement From Premier Pillai on Visit With Japanese Consul."

¹² Kenny, "Dawson City Celebrates a Sister."

¹³ CBC News, "Whitehorse Confirmed as Host of the 2026 Arctic Winter Games."

¹⁴ Government of Canada, "Minister of Transport."

Overall performance

Tourism activity in Yukon will continue to pick up this year even as economic headwinds mount. The expansion of overnight visits from U.S. tourists will contribute most to total overnight visit growth throughout the forecast period. Total domestic visits to Yukon will steadily begin to increase again in 2025, driven by pleasure visits and visits to friends and relatives.

Relative to 2019 visit levels, Yukon's recovery appears to be lagging the national average. This weakness is based on Yukon's greater-than-average reliance on international visitors. By the end of the forecast period, however, overnight visits will be about 20 per cent higher in Yukon than in 2019. At the national level, we expect they will be about 18 per cent higher.

Supply-side indicators of Yukon's tourism sector generally bode positively for the outlook, though challenges remain. The number of active tourism businesses in Yukon rebounded quickly from the disruption of pandemic lockdowns. Tourism business counts have remained just shy of their January 2020 level since late 2020. Employment in the tourism-linked accommodation and food services sector was slower to recover but sat at approximately 98 per cent of its January 2020 level in March 2024 (the latest data point).

Employment in Yukon's accommodation and food services industry may have nearly recovered, but employers are still struggling to find the workers they need. The job vacancy rate in this sector peaked at 18.9 per cent in the second quarter of 2022. This rate sat at 14.1 per cent in the first quarter of 2024 (not seasonally adjusted). While this is an improvement, Yukon's rate remains much higher than the Canadian average of 4.6 per cent in the first quarter of 2024.

All else being equal, insufficient staffing levels will constrain the Yukon tourism industry's capacity for growth. If recruitment and retention challenges are not mitigated, tourists could experience lower-quality service, reduced opening hours for attractions and restaurants, or scarce accommodations. Existing workers in the industry may also be at greater risk for burnout, which could cascade into worsening retention challenges. Although Yukon is a bucket list destination for many Canadian and international tourists, labour market challenges could make the territory less competitive in comparison to the provinces. Some prospective tourists may opt to visit elsewhere. Tourism supply—in this case, the tourism labour market—must grow alongside tourism demand.

The industry isn't idle in response to these challenges. The development of a recruitment and retention task force led to the release of an action plan in 2023. The goals of the plan aim to ease many of the challenges outlined above—namely, building the capacity and competitiveness of Yukon's tourism workforce while also attracting a steady supply of workers from outside the territory. A Yukon Tourism Training Fund, supported by the Government of Yukon's Economic Development branch, is also helping individuals in the territory to acquire critical tourism industry skills. These initiatives should mitigate some of the tourism industry's labour market challenges.

Institutionally, tourism growth in the territory continues to be led by the Yukon Tourism Development Strategy, which runs from 2018 to 2028. One of the key goals of the strategy, which was penned before the pandemic, is to increase revenue to Yukon tourism businesses to \$525 million by 2028 (a doubling of the approximately \$263 million estimated by the territory in 2018).¹⁵ Our projections for total expenditures don't anticipate this goal being reached, though the impacts of the last several years have likely led to some recalibration among Yukon tourism policy-makers. At the same time, elevated travel price inflation has helped to lift nominal spending in recent years.

Increasing interest in Indigenous tourism will add momentum to visit growth in Yukon. The territory's inclusion in Destination Canada's Northern Indigenous Lodge Network corridor will capitalize on this trend. By linking the 140+ existing Indigenous-owned lodges in the Northwest Territories, Northern British Columbia, and Yukon, developing more, and enhancing the cultural offerings available

from these lodges, tourism growth can be enhanced throughout the region. Ongoing engagement with involved communities as well as the creation of a detailed business case to attract developer interest will follow as tangible near-term steps from the initiative. The creation of the network will materialize beyond the forecast period.¹⁶

In June 2024, seven Yukon tourism businesses received \$800,000 to improve accessibility, boost guest capacity, and transition to clean energy.¹⁷ Given the high concentration of visitation to Yukon during the summer, portions of the funding for initiatives with year-round tourism potential could be particularly advantageous for boosting visit growth. These include funding for a winter tourism expansion at the Yukon Wildlife Preserve and new programming at the MacBride Museum in Whitehorse.

¹⁵ Government of Yukon, "Yukon Tourism Development Strategy."

¹⁶ Destination Canada, "Northern Indigenous Tourism Lodge Network."

¹⁷ Government of Canada, "CanNor Investment."

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.

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