

Strong Dollar Diminishes Canadian Hotel Industry Profits

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Canada's hoteliers can expect profits to drop by almost 26 per cent to \$822 million in 2008, due to the continued decline in spending by American tourists, according to the Conference Board's Canadian Industrial Outlook: Canada's Accommodation Industry - Winter 2008.

'The ongoing strength of the dollar is making Canada a relatively more expensive destination for tourists from around the world,' said Alex Fritsche, Senior Economist. 'At the same time, the strong dollar means the number of Canadians travelling outside of the country is increasing at a faster rate than the number of Canadians travelling at home.'

The widening gap between Canadian spending abroad and foreign tourism spending in Canada is limiting the profit outlook for the accommodation industry over the next four years.

In addition, labour shortages are constraining the industry's profitability as tight labour markets push up wages and increase labour costs.

Still, healthy domestic spending on accommodation should help profits grow by almost four per cent in 2009. The influx of visitors to the Vancouver Olympic Winter Games in 2010 is also expected to provide a significant boost to industry profits.

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