

Changes to the Travel Tours Index of the Consumer Price Index (CPI), effective with the September 2013 CPI

Background

The Consumer Price Index (CPI) measures the rate at which the prices of representative goods and services in a fixed consumer basket change over time. In order to accurately reflect changes in the market and in the behaviour of consumers, Statistics Canada periodically reviews and updates the concepts and methods applied to the various components of the CPI program.

The Travel Tours Index, part of the CPI, was updated with the September 2013 CPI release on October 18, 2013. The Travel Tours component accounts for 0.80% of the 2011 CPI basket by weight and belongs to the Recreation, education and reading index, which is a major component of the CPI.

Prior to this methodology review, the most popular holiday packages were priced according to travel agents' records in three months of the year, from January to March. The index in other months carried forward the March value and did not change as no pricing was done in those months. The methodology review determined that a significant number of the most popular holiday packages change between March (which ends one collection period) and January (which begins the next collection period) for a given destination. This required a high rate of replacement of holiday packages in the pricing sample. Moreover, based on recent International Travel Survey results, it was clear that the nature of and level of expenditure on Canadians' leisure trips abroad change significantly from season to season throughout the year.

The aims of this methodology review of the Travel Tours index were a reduction in the replacement rate during data collection and a more accurate reflection of the habits of consumers regarding the timing and nature of their holiday package trip purchases.

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The Travel Tours Index Review

On October 18, 2013 with the release of the September 2013 CPI, the following changes were made to the index:

1. **Pricing of holiday packages will occur every month** so that the Travel Tours index better reflects the year-round pattern of travel tours purchases.
2. **The sample of destinations was updated** to better represent the most popular destinations of leisure trips purchased by Canadians. These destinations were identified using recent International Traveller Survey data (2005-2011). The destination regions were extended from the United States, Mexico and the Caribbean to include European destinations; furthermore, two more U.S. destinations were added.
3. **The pattern of pricing was changed** to better reflect the time at which Canadians actually book their travel tours. Previously, prices were collected one month and four months prior to the departure date for each destination. This pattern was used to reflect the fact that consumers usually book and pay for their holiday packages ahead of time. This general strategy will be carried forward into the new methodology, with an important modification: an examination of booking patterns has indicated that it is better to collect prices two months in advance for American and Caribbean destinations and four months in advance for European destinations and cruise packages.
4. **The outlet sample was reviewed and changed** to be more representative of where consumers make their travel tour purchases. The new outlet sample is selected from Statistics Canada's Business Register (BR) from a target population of businesses classified by industry, using the North American Industry Classification System (NAICS 2012) in code 561510 (Travel agencies).
5. **The new outlet sample has increased in size.** As before, an outlet sample of travel agencies is drawn from six major Canadian cities with an international airport. Holiday packages will also be priced through Internet databases to provide better coverage. For the Internet price collection, holiday packages will be selected separately from those chosen for travel agencies, allowing a much more diverse product sample to be used in the index calculation.

The updated methodology better reflects the changing consumption patterns and product characteristics of travel tours. It should be noted that the introduction of monthly pricing to a series that has previously been stationary for a large part of the year brings with it increased volatility. In particular, the indicators of change (either 1-month change or 12-month change) no longer remain at the same values for each of the months in the April to December period. Destinations and outlets are now updated more frequently. This regular update process is more effective in capturing changes to the products purchased by consumers, in a more timely fashion.