

effect on travel spending.

For over-night travel spending, expected foreign prices, domestic prices, exchange rates, income, uncertainty, and the Free Trade Agreement term are statistically significant at the 5-percent level. Homogeneity in prices is also rejected for over-night travel spending, suggesting that consumers respond differently to changes in the components of relative prices. Although domestic prices are a significant determinant, their contribution is slight. That is, the magnitude of the coefficient associated with Canadian price is significantly smaller than that associated with either expected foreign price or the exchange rate.¹⁸ In other words, expected price in the United States and the nominal exchange rate are the primary price factors that explain over-night travel spending. As is the case with same-day travel spending, uncertainty surrounding the forecast based on past U.S. prices appears more important than is uncertainty associated with purchasing power parity.

There are also important differences regarding the contribution of each determinant for the different type of travel spending. In general, we find that over-night spending is less responsive to changes in domestic prices, expected U.S. prices and the exchange rate than is same-day travel spending (restrictions on the estimated model confirm this conjecture statistically). This also holds for income and foreign price uncertainty. Overall, the influence of the set of identified determinants differs, depending on whether travel is same-day or over-night.

¹⁸ The χ^2 statistic is 28.89 and 16.10, respectively.