Michigan Tourism: The Year In Review

Donald F. Holecek, Charles Shih & Lori A. Martin
Michigan Travel, Tourism & Recreation Resource Center
March 6, 2002
Michigan Travel Industry Indicators, 2001 vs. 2000
Graph 1: Overall Precipitation in Michigan

Source: Data for 11 Weather Stations Obtained from the Midwestern Climate Center
Michigan Travel Industry Indicators, 2001 vs. 2000

Graph 2: Average Maximum Temperatures in Michigan

Source: Data for 11 Weather Stations Obtained from the Midwestern Climate Center
Michigan Travel Industry Indicators, 2001 vs. 2000
Graph 3: Economic Indicators

Percent Change, 2001 vs. 2000

Current-dollar GDP
Real GDP
U.S. Unemployment Rate
Unemployment Rate in Great Lakes Region
Unemployment Rate in Michigan
U.S. CPI-U
Michigan Regular Unleaded Gasoline Prices (Nominal)
National Regular Unleaded Gasoline Prices (Real)
Restaurant Prices (Detroit/Ann Arbor/Flint)
Lodging Prices (U.S. City Average)
Expectations Index (EI)
Present Situation Index (PSI)
Consumer Confidence Index (Composite of EI and PSI)
Exchange Rate $Can/$US ($US Stronger)

Sources: University of Michigan, Dept. of Economics; Bureau of Economic Analysis; Bureau of Labor Statistics; AAA Michigan; The Conference Board; Federal Reserve Board
**Michigan Travel Industry Indicators, 2001 vs. 2000**

**Graph 4: Travel Activity Indicators**

<table>
<thead>
<tr>
<th>Category</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highway Traffic Counts (All Available Rural Stations)</td>
<td>3.9%</td>
</tr>
<tr>
<td>State Park Overnight Stays (All Parks*)</td>
<td>-4.1%</td>
</tr>
<tr>
<td>Aggregate Attractions Attendance (10 Attractions**)</td>
<td>-1.9%</td>
</tr>
<tr>
<td>CVB Room Assessments, UP (UPTRA + 6 CVBs)</td>
<td>-2.6%</td>
</tr>
<tr>
<td>CVB Room Assessments, NLP (11 CVBs)</td>
<td>-0.7%</td>
</tr>
<tr>
<td>CVB Room Assessments, SLP (12 CVBs)</td>
<td>-0.6%</td>
</tr>
<tr>
<td>CVB Room Assess., Statewide (UPTRA + 29 CVBs)</td>
<td>0.5%</td>
</tr>
<tr>
<td>SIC 701 Sales + Use Taxes</td>
<td>-5.5%</td>
</tr>
<tr>
<td>SIC 701 Use Taxes</td>
<td>-3.5%</td>
</tr>
<tr>
<td>SIC 701 Sales Taxes</td>
<td>-8.1%</td>
</tr>
</tbody>
</table>

Percent Change, 2001 vs. 2000

Sources: MDOT; MDNR, Parks & Recreation; Cook Energy Info Center; Greenfield Village & HFM; Michigan Historical Museum; US NPS; Soo Locks; MSU Tourism Center; Michigan Dept of Treasury, Office of Revenue & Tax Analysis

* Does not include state park overnight stays for the month of October.

** Does not include visitor counts from the three state parks for the month of October.
Michigan Travel Industry Indicators, 2001 vs. 2000
Graph 5: Monthly Percent Change in Hospitality Taxes

Source: Michigan Department of Treasury, Office of Revenue and Tax Analysis
Graph 6: Monthly Changes in Michigan Travel Indicators

Sources: Michigan Department of Transportation; AAA Michigan; The Conference Board; Michigan Department of Natural Resources, Bureau of Parks and Recreation

State Park data for October is not reported.
Michigan Travel Industry Indicators, 2001 vs. 2000
Graph 7: Welcome Center Visitor Counts & Traffic Counts

Welcome Centers: **U.P. Data** = Sault Ste. Marie, Menominee, Marquette, Ironwood, & Iron Mt.; **N.L.P. Data** = Mackinaw City & Clare; **S.L.P. Data** = Port Huron, New Buffalo, Monroe Coldwater & Dundee

Source: Travel Michigan, Michigan Department of Transportation
Michigan Travel Industry Indicators, 2001 vs. 2000
Graph 8: Upper Peninsula Travel Indicators

Sources: Mackinac Bridge Authority; MDOT; Travel Michigan
Michigan Travel Industry Indicators, 2000 vs. 1999
Graph 9: Monthly Percent Change in Indicators
Michigan Travel Industry Indicators, 2000 vs. 1999

Source: MSU Tourism Center; The Confidence Board
Michigan Travel Industry Indicators, 2001 vs. 2000
Graph 10: Monthly Percent Change in Indicators

Source: MSU Tourism Center; The Conference Board
Michigan Travel Industry Indicators, 2001 vs. 2000
Graph 11: Percent Change in Assessments and Properties

Source: 2002 TTRRC Survey of Assessment Districts
Michigan Travel Industry Indicators
Graph 12: Percent Change Anticipated for 2001 Assessments

Source: 2001 TTRRC Survey of Assessment Districts
Source: 2002 TTRRC Survey of Assessment Districts

Note: Lodging Outlook Survey by Smith Travel Research
Room Revenue for Detroit – 12.8%.

001 compared to Dec. 2000)
Michigan
Tourism Outlook
Conference

FORECAST
2002

Prepared by:
Donald F. Holecek and Teresa Herbowicz
Travel, Tourism and Recreation Resource Center
March 6, 2002
Kellogg Center
## How Accurate Were TTRRC's Projections for Michigan's Tourism In?

<table>
<thead>
<tr>
<th></th>
<th>Projected by TTRRC</th>
<th>Actual data</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Travel volume</strong></td>
<td>2%</td>
<td>3.9%</td>
</tr>
<tr>
<td><strong>Travel spending</strong></td>
<td>3%</td>
<td>-5%</td>
</tr>
<tr>
<td><strong>Travel prices</strong></td>
<td>3–4%</td>
<td>1.4%</td>
</tr>
</tbody>
</table>
WHY 2001 PROJECTIONS WERE OFF TARGET?

- Economic forecasts were too “rosy”.
- The events on 9/11 shocked the travel industry:
  - Auto travel replaced some air travel;
  - Lodging sales plummeted due to lost convention and business travel;
  - Price discounting eroded industry sales revenue.
- Weather conditions were favorable boosting auto travel and outdoor recreation activities such as camping.
# TRENDS IN FACTORS THAT INFLUENCE TRAVEL (I)

## Exchange rates

Data source: The Wall Street Journal

<table>
<thead>
<tr>
<th></th>
<th>Feb. 15 2002</th>
<th>Feb. 15 2001</th>
<th>% change</th>
<th>U.S. $ is ...</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
<td>1.59</td>
<td>1.53</td>
<td>+3.9</td>
<td>stronger</td>
</tr>
<tr>
<td>Japan</td>
<td>132.57</td>
<td>115.44</td>
<td>+14.8</td>
<td>stronger</td>
</tr>
<tr>
<td>Germany</td>
<td>2.24</td>
<td>2.16</td>
<td>+3.6</td>
<td>stronger</td>
</tr>
<tr>
<td>Mexico</td>
<td>9.06</td>
<td>9.68</td>
<td>-6.4</td>
<td>weaker</td>
</tr>
<tr>
<td>J.P. Morgan Index</td>
<td>124.60</td>
<td>116.90</td>
<td>+6.6</td>
<td>stronger</td>
</tr>
</tbody>
</table>
THE DOLLAR DEFIES RECESSION'S GRAVITY
(Business Week, March 11, 2002, p. 23)

Index: Mar 1973 = 100

Information is based on the Federal Reserve data.
### TRENDS IN FACTORS THAT INFLUENCE TRAVEL (II)

#### Interest rates


<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2001</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>30-year mortgage</td>
<td>5.80</td>
<td>6.77</td>
<td>-14.3</td>
</tr>
<tr>
<td>30-year treasury bond</td>
<td>5.48</td>
<td>5.65</td>
<td>-3.0</td>
</tr>
<tr>
<td>90-day treasury bond</td>
<td>1.71</td>
<td>4.93</td>
<td>-65.3</td>
</tr>
</tbody>
</table>

#### Gasoline prices

Data Source: AAA Michigan after mid February.

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2001</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unleaded regular - Michigan</td>
<td>1.15</td>
<td>1.47</td>
<td>-21.8</td>
</tr>
</tbody>
</table>
## Trends in Factors That Influence Travel (III)

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2001</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Consumer Confidence Index</strong>&lt;br&gt;Data source: The Conference Board</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>End of February</td>
<td>94.1</td>
<td>106.8</td>
<td>-11.9</td>
</tr>
</tbody>
</table>

| **Unemployment**<br>(U.S. - %, seasonally adjusted)<br>Data source: Labor Market Analysis Office and Bureau of Labor Statistics |      |      |          |
| January               | 5.6  | 4.2  | +33.3    |
## Stock market

Data source: The Wall Street Journal

<table>
<thead>
<tr>
<th>Date</th>
<th>Dow Jones Industrial Avg.</th>
<th>Nasdaq composite</th>
<th>S&amp;P 500</th>
</tr>
</thead>
<tbody>
<tr>
<td>February 15, 2002</td>
<td>9,903.04</td>
<td>1,805.20</td>
<td>1,104.18</td>
</tr>
<tr>
<td>February 15, 2001</td>
<td>10,891.02</td>
<td>2,552.91</td>
<td>1,326.61</td>
</tr>
<tr>
<td>12-month change</td>
<td>-987.98</td>
<td>-747.71</td>
<td>-222.43</td>
</tr>
<tr>
<td>% change</td>
<td>-9.07</td>
<td>-29.29</td>
<td>-16.77</td>
</tr>
<tr>
<td>12/31/01-to-date % change</td>
<td>-1.18</td>
<td>-7.44</td>
<td>-3.82</td>
</tr>
</tbody>
</table>
POWERFUL PAYCHECKS
(Business Week, March 11, 2002, p. 22)

Index: 1990 = 100

Information is based on the Wells Capital Management data.
30-YEAR TREASURY BOND INTEREST RATES

Data source: The Wall Street Journal

f - Data of mid-February

Travel, Tourism & Recreation Resource Center / Michigan State University
UNEMPLOYMENT RATES

Data source: Labor Market Analysis Office

Travel, Tourism & Recreation Resource Center / Michigan State University
CONSUMER CONFIDENCE INDEX

Data source: The Conference Board
CONSUMER CONFIDENCE INDEX
(January 2001 – February 2002)

Data source: The Conference Board
GASOLINE PRICES: 1979 - 2001
(unleaded regular)

GASOLINE PRICES IN 2001 / 2002
(unleaded regular)

Data source: AAA Michigan

Travel, Tourism & Recreation Resource Center / Michigan State University
GROWTH OF REAL GDP
UNITED STATES

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>2.3</td>
</tr>
<tr>
<td>1997</td>
<td>3.7</td>
</tr>
<tr>
<td>1998</td>
<td>3.9</td>
</tr>
<tr>
<td>1999</td>
<td>4.2</td>
</tr>
<tr>
<td>2000</td>
<td>5.2</td>
</tr>
<tr>
<td>2001</td>
<td>1.1</td>
</tr>
<tr>
<td>2002p</td>
<td>1.5</td>
</tr>
<tr>
<td>2003p</td>
<td>3.4</td>
</tr>
</tbody>
</table>

Source: RSQE - University of Michigan

p = projected as of February 2002

Travel, Tourism & Recreation Resource Center / Michigan State University
GROWTH OF REAL DISPOSABLE INCOME UNITED STATES

Source: RSQE - University of Michigan

p = projected as of February 2002
GROWTH OF REAL DISPOSABLE INCOME MICHIGAN

Source: RSQE - University of Michigan

p = projected as of November 2001
RATE OF INFLATION
DETROIT CPI

Source: RSQE - University of Michigan  

p = projected  
as of November 2001

Travel, Tourism & Recreation Resource Center / Michigan State University
RATES OF PRICE INFLATION
UNITED STATES

**Source:** RSQE - University of Michigan

p = projected as of February 2002
CIVILIAN UNEMPLOYMENT RATE
UNITED STATES

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>5.4</td>
</tr>
<tr>
<td>1997</td>
<td>5</td>
</tr>
<tr>
<td>1998</td>
<td>4.5</td>
</tr>
<tr>
<td>1999</td>
<td>4.2</td>
</tr>
<tr>
<td>2000</td>
<td>4</td>
</tr>
<tr>
<td>2001</td>
<td>4.8</td>
</tr>
<tr>
<td>2002</td>
<td>6.0</td>
</tr>
<tr>
<td>2003</td>
<td>5.8</td>
</tr>
</tbody>
</table>

Source: RSQE - University of Michigan

p = projected as of February 2002

Travel, Tourism & Recreation Resource Center / Michigan State University
MICHIGAN UNEMPLOYMENT RATE

Source: RSQE - University of Michigan

p = projected as of November 2001
COMPOSITION OF CHANGES IN EMPLOYMENT

Source: RSQE - University of Michigan

Travel, Tourism & Recreation Resource Center / Michigan State University

p = projected as of November 2001
Trend in Michigan Travel Intentions Index

Index = 3-month moving average
Index = % more intentions - % less intentions + 100
# Economic Forecasts for 2002

<table>
<thead>
<tr>
<th>Economic Forecast</th>
<th>Real GDP</th>
<th>Consumer prices</th>
<th>Unemployment rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Week's</td>
<td>2.5%</td>
<td>2.2%</td>
<td>6.1%</td>
</tr>
<tr>
<td>经济预测</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consensus values; based on opinions from 59 economists.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real GDP is a yearly average from quarterly forecasts, unemployment rate is for fourth quarter 2002.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Livingston survey</td>
<td>0.9%</td>
<td>1.8%</td>
<td>6.0%</td>
</tr>
<tr>
<td>活动调查报告</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average values; based on opinions of about 31 out of 38 forecasters.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal Reserve</td>
<td>2.75%</td>
<td>.</td>
<td>6.1%</td>
</tr>
<tr>
<td>Fed储备</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>February 27, 2002.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average values for GDP rate and unemployment; actual projections were: 2.5%-3.0% and 6.0% - 6.25% respectively.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Travel, Tourism & Recreation Resource Center / Michigan State University
TRAVEL INDUSTRY ASSOCIATION OF AMERICA'S FORECAST FOR U.S. DOMESTIC TRAVEL IN 2002

- Travel volume: 1.3%
- Travel spending: 1.4%
- Travel prices: 2.3%
NEGATIVE INDICATORS 2002

- The U.S. economy is “probably” climbing out of a recession BUT recovery is expected to be sluggish and slow to materialize.
- Unemployment is high and expected to rise until economic recovery is well under way.
- Stocks were down significantly in 2000 and 2001 - negative wealth effect.
- Low interest rates hurting retiree incomes tied to money market, certificates of deposits, etc.
- Strong dollar, especially versus Canadian currency.
- Fear and inconvenience of air travel.
Of March 1, 2002 (Excerpts)

TOP STORIES

- Chip Makers Offer Upbeat Outlook - Reuters
- Protein Design Labs Predict Steep 2002 Losses - Reuters
- Kenneth Cole Gains on Upbeat Outlook - Reuters
- Construction Spending Surges - Reuters
- Nestle Profits Jump – Dow Jones
- Gateway Projects More Red Ink - Reuters
- H&R BlockBoosts Outlook - Reuters
- Limited, Intimate Brands Forecast Flat Earnings - Dow Jones
- Riverstone Warns, to Cut Jobs - Dow Jones
- EchoStar Narrows Loss as Revenue Surges - Dow Jones
- Novell Posts Surprise Profit - Reuters
- AMR to Run Deficit in 2002 - Reuters
- Weekly Jobless Claims Rise - Reuters
- Best Buy Boosts Guidance – Dow Jones
- Fourth Quarter GDP Revised Higher - Dow Jones
- Tiffany’s Sales Slide - Dow Jones

Market Monitor

<table>
<thead>
<tr>
<th>Index</th>
<th>Value</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>DJIA</td>
<td>10368.86</td>
<td>262.73</td>
</tr>
<tr>
<td>Nasdaq</td>
<td>1802.74</td>
<td>71.25</td>
</tr>
<tr>
<td>Rus 2000</td>
<td>478.34</td>
<td>8.98</td>
</tr>
</tbody>
</table>

3/1/2002 6:20 PM

Front Page News

- U.S. Vehicle Sales Top Forecasts
- Manufacturers Snap 18-Month Slump
- AT&T Wireless Warns of Weak Cash Flow
- AIG Sues Reinsurer Over Sept. 11 Losses
- Sprint Secures Much-Needed Loan
- Analyst Upgrade Sparks Yahoo Shares
- Consumer Spending Rises
THE WILD CARDS

- Terrorism - will it strike again this year?
- Weather - rarely “normal” in Michigan.
- International event that disrupts fuel supply.
POSITIVE INDICATORS 2002

- Relatively low gasoline prices.
- Somewhat improved economy.
- Improving consumer confidence.
- Moderate inflation.
- Strong auto travel probable: new car sales, less air travel, reduced travel budgets.
- Underlying demand is growing.
- Industry performance was “OK” in 2001 in what proved to be a challenging year.
TTRRC / MSU PROJECTIONS FOR MICHIGAN TRAVEL IN 2002

Travel volume
Traffic counts
3-4%

Travel spending
Use and sales lodging tax
5-6%

Travel prices
Lodging and restaurant price changes / 2
3-4%
TTRRC / MSU PROJECTIONS FOR TRAVEL VOLUME IN 2002 BY SELECTED MARKET SEGMENT

Outdoor recreation/camping - 0-1%
Golfing (upscale resorts) - 1-2%
Gaming - 5-6%
Shopping - 5-6%
Lodging - 7-8%
TTRRC/MSU PROJECTIONS FOR TRAVEL VOLUME IN 2002 BY REGION

Upper Peninsula 1-2%

Northern Lower P. 3-4%

Southwestern region 3-4%

Southeastern region 3%