Michigan Tourism 2002: Year In Review

Lori A. Martin & Charles Shih
Michigan Travel, Tourism & Recreation Resource
Michigan Travel Industry Indicators, 2002 vs. 2001

Graph 1: Overall Precipitation in Michigan

2002 vs. 2001

-13% -21%

-11%

-12% -9%

-30%

-47%

Winter Spring Summer Fall Annual

2002 vs. Normal

Source: Data for 12 Weather Stations Obtained from the Midwestern
Michigan Travel Industry Indicators, 2002 vs. 2001

Graph 2: Average Maximum Temperatures in Michigan

Source: Data for 12 Weather Stations Obtained from the Midwestern
Michigan Travel Industry Indicators, 2002 vs. 2001

Graph 3: Economic Indicators

-7.6%
-7.1%
2.2%
-1.0%
17.7%
-33.1%
-9.2%
1.3%

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
Percent Change, 2002 vs. 2001

Sources: University of Michigan, Dept. of Economics; Bureau of Economic Analysis; AAA Michigan; The Conference Board; Federal Reserve Board

March 5, 2003

Michigan Travel, Tourism & Recreation Resource Center
Michigan Travel Industry Indicators, 2002 vs. 2001
Graph 4: Travel Activity Indicators

- Highway Traffic Counts (All Available Rural Stations) State Park Overnight Stays (All Parks)
- Aggregate Attractions Attendance (10 Attractions) CVB Room Assessments, UP (UPTRA + 6 CVBs) CVB Room Assessments, NLP (14 CVBs)
- CVB Room Assessments, SLP (13 CVBs)
- CVB Room Assess., Statewide (UPTRA + 33 CVBs) SIC 701 Sales + Use Taxes
- SIC 701 Use Taxes
- SIC 701 Sales Taxes
-15%  -10%   -5%   0%   5%   10%

**Percent Change, 2002 vs. 2001**

*Sources: MDOT; MDNR, Parks & Recreation; Michigan Historical Museum; US NPS; Soo Locks; Flint Cultural Center; MSU Tourism Center; Michigan Dept of Treasury, Office of Revenue & Tax Analysis*

March 5, 2003  Michigan Travel, Tourism & Recreation Resource Center
Graph 5: Monthly Percent Change in Hospitality Taxes

Source: Michigan Department of Treasury, Office of Revenue and Tax Analysis
Michigan Travel Industry Indicators, 2002 vs. 2001

Graph 6: Monthly Changes in Michigan Travel Indicators

Sources: Michigan Department of Transportation; AAA Michigan; The Conference Board; Michigan
Michigan Travel Industry Indicators, 2002 vs. 2001
Graph 7: Welcome Center Visitor Counts & Traffic Counts

Source: Travel Michigan, Michigan Department of Transportation
Michigan Travel Industry Indicators, 2002 vs. 2001

Graph 8: Upper Peninsula Travel Indicators

Sources: Mackinac Bridge Authority; MDOT; Travel
Michigan

March 5, 2003

Michigan Travel, Tourism & Recreation Resource Center
Michigan Travel Industry Indicators, 2002 vs. 2001

Graph 9: Monthly Percent Change in Indicators

Source: MSU Tourism Center; The Conference Board
Michigan Travel Industry Indicators, 2002 vs. 2001

Graph 10: Percent Change in Assessments and Properties

Source: 2003 TTRRC Survey of Assessment Districts, Travel
Michigan
Graph 11: Percent Change Anticipated for 2003 Assessments

<table>
<thead>
<tr>
<th>Region</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.P.</td>
<td>3.2%</td>
</tr>
<tr>
<td>N.L.P.</td>
<td>1.1%</td>
</tr>
<tr>
<td>S.L.P.</td>
<td>1.9%</td>
</tr>
<tr>
<td>Statewide</td>
<td>1.9%</td>
</tr>
</tbody>
</table>

Source: 2003 TTRRC Survey of Assessment Districts
Michigan Tourism Outlook Conference

March 5, 2003
Kellogg Center
Michigan State University

Prepared by:
Donald F. Holecek and Teresa Herbowicz
Travel, Tourism and Recreation Resource Center

FORECAST 2003
How accurate were TTRRC’s projections for Michigan’s tourism in 2003?

<table>
<thead>
<tr>
<th></th>
<th>Projected by TTRRC</th>
<th>Actual data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Travel volume</td>
<td>3-4%</td>
<td>3.1%</td>
</tr>
<tr>
<td>Travel spending</td>
<td>5-6%</td>
<td>-10%</td>
</tr>
<tr>
<td>Travel prices</td>
<td>3-4%</td>
<td>0%</td>
</tr>
</tbody>
</table>
WHY 2002 PROJECTIONS WERE OFF TARGET?

- Economic forecasts were too “rosy”.
- Growing unemployment.
- Consumers travel, but spend less on a trip.
- Cheap deals on Internet and easy substitutions on the trip.
- Threat of war with Iraq.
- No rebound in business travel.
- Continuing decline in stock markets.
## TRENDS IN FACTORS THAT INFLUENCE TRAVEL (I)

### Exchange rates

Euro data: x-rates.com (www.x-rates.com/cgi-bin/hlookup.cgi)
Other data: The Wall Street Journal

<table>
<thead>
<tr>
<th>Country</th>
<th>Feb. 14</th>
<th>Feb. 15</th>
<th>% change</th>
<th>U.S. $ is ...</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
<td>1.52</td>
<td>1.59</td>
<td>-4.4</td>
<td>weaker</td>
</tr>
<tr>
<td>Japan</td>
<td>120.66</td>
<td>132.57</td>
<td>-9.0</td>
<td>weaker</td>
</tr>
<tr>
<td>Euro</td>
<td>1.08</td>
<td>1.14</td>
<td>-5.3</td>
<td>weaker</td>
</tr>
<tr>
<td>Mexico</td>
<td>10.82</td>
<td>9.06</td>
<td>+19.4</td>
<td>stronger</td>
</tr>
<tr>
<td>J.P. Morgan Index</td>
<td>110.0</td>
<td>124.60</td>
<td>-11.7</td>
<td>weaker</td>
</tr>
</tbody>
</table>

Travel, Tourism & Recreation Resource Center, Michigan State University
## TRENDS IN FACTORS THAT INFLUENCE TRAVEL (II)

### Interest rates

<table>
<thead>
<tr>
<th>Rate Type</th>
<th>2003</th>
<th>2002</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>30-year mortgage (average)</td>
<td>5.86</td>
<td>6.86</td>
<td>-14.6</td>
</tr>
<tr>
<td>30-year treasury bond</td>
<td>4.86</td>
<td>5.48</td>
<td>-11.3</td>
</tr>
<tr>
<td>90-day treasury bond</td>
<td>1.06</td>
<td>1.71</td>
<td>-38.0</td>
</tr>
</tbody>
</table>


### Gasoline prices

<table>
<thead>
<tr>
<th>Type</th>
<th>2003</th>
<th>2002</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unleaded regular - Michigan</td>
<td>1.75</td>
<td>1.15</td>
<td>+52.2</td>
</tr>
</tbody>
</table>

Data Source: AAA Michigan after mid February.

Travel, Tourism & Recreation Resource Center, Michigan State University
# TRENDS IN FACTORS THAT INFLUENCE TRAVEL (III)

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2002</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Consumer Confidence Index</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>End of February</td>
<td>64.0</td>
<td>94.1</td>
<td>-32.0</td>
</tr>
</tbody>
</table>

Data source: The Conference Board

**Unemployment**

(U.S. - %, seasonally adjusted)

Data source: Labor Market Analysis Office and Bureau of Labor Statistics

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2002</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>5.7</td>
<td>5.6</td>
<td>+1.8</td>
</tr>
</tbody>
</table>
## TRENDS IN FACTORS THAT INFLUENCE TRAVEL (IV)

### Stock market

Data source: The Wall Street Journal

<table>
<thead>
<tr>
<th></th>
<th>Dow Jones Industrial Avg.</th>
<th>Nasdaq composite</th>
<th>S&amp;P 500</th>
</tr>
</thead>
<tbody>
<tr>
<td>February 14, 2003</td>
<td>7,908.80</td>
<td>1,310.17</td>
<td>834.89</td>
</tr>
<tr>
<td>February 15, 2002</td>
<td>9,903.04</td>
<td>1,805.20</td>
<td>1,104.18</td>
</tr>
<tr>
<td>12-month change</td>
<td>-1,994.24</td>
<td>-495.03</td>
<td>-269.29</td>
</tr>
<tr>
<td>% change (year-to-year)</td>
<td>-20.14</td>
<td>-27.42</td>
<td>-24.39</td>
</tr>
<tr>
<td>% change (year-to-date)</td>
<td>-5.19</td>
<td>-1.9</td>
<td>-5.11</td>
</tr>
</tbody>
</table>
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: Michigan Department of Career Development, Employment Service Agency
Office of Labor Market Information - LAUS Data

Travel, Tourism & Recreation Resource Center, Michigan State University
CONSUMER INDEXES
(January 2001 – February 2003)

Base year: 1985 = 100

Data source: The Conference Board
CONSUMER INDEXES
(January 2001 – February 2003)

Data source: “Surveys of Consumers” University of Michigan
GASOLINE PRICES: 1979 – 2002
(Unleaded regular)


Travel, Tourism & Recreation Resource Center, Michigan State University
MICHIGAN GASOLINE PRICES
January 2001 - February 2003
(Unleaded regular)

Data source: AAA Michigan
TOM'S SHELL

Sell
Sell

Cash or Credit

Regular

AR

Plus

LE

First 9

Premium

First 9

Born

9
GROWTH OF REAL GDP
UNITED STATES

Source: RSQE - University of Michigan

p = projected as of February 14, 2003
GROWTH OF REAL DISPOSABLE INCOME
UNITED STATES

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>2.9</td>
</tr>
<tr>
<td>1997</td>
<td>2.8</td>
</tr>
<tr>
<td>1998</td>
<td>3.1</td>
</tr>
<tr>
<td>1999</td>
<td>3.2</td>
</tr>
<tr>
<td>2000</td>
<td>3.5</td>
</tr>
<tr>
<td>2001</td>
<td>1.8</td>
</tr>
<tr>
<td>2002</td>
<td>4.5</td>
</tr>
<tr>
<td>2003p</td>
<td>3.2</td>
</tr>
<tr>
<td>2004p</td>
<td>3.8</td>
</tr>
</tbody>
</table>

Source: RSQE - University of Michigan

p = projected as of February 14, 2003

Travel, Tourism & Recreation Resource Center, Michigan State University
GROWTH OF REAL DISPOSABLE INCOME MICHIGAN

Source: RSQE - University of Michigan

p = projected as of November 2002

Travel, Tourism & Recreation Resource Center, Michigan State University
RATE OF INFLATION
DETROIT CPI

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>2.6</td>
</tr>
<tr>
<td>1997</td>
<td>2.4</td>
</tr>
<tr>
<td>1998</td>
<td>2.2</td>
</tr>
<tr>
<td>1999</td>
<td>2.5</td>
</tr>
<tr>
<td>2000</td>
<td>3.5</td>
</tr>
<tr>
<td>2001</td>
<td>2.9</td>
</tr>
<tr>
<td>2002</td>
<td>2.7</td>
</tr>
<tr>
<td>2003p</td>
<td>2.7</td>
</tr>
<tr>
<td>2004p</td>
<td>2.4</td>
</tr>
</tbody>
</table>

Source: RSQE - University of Michigan

p = projected as of November 2002

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

Source: RSQE - University of Michigan

p = projected as of February 14, 2003
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>5.0</td>
</tr>
<tr>
<td>1998</td>
<td>4.5</td>
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<tr>
<td>1999</td>
<td>4.2</td>
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<tr>
<td>2000</td>
<td>4.0</td>
</tr>
<tr>
<td>2001</td>
<td>4.8</td>
</tr>
<tr>
<td>2002</td>
<td>5.8</td>
</tr>
<tr>
<td>2003p</td>
<td>5.8</td>
</tr>
<tr>
<td>2004p</td>
<td>5.5</td>
</tr>
</tbody>
</table>

Source: RSQE - University of Michigan

p = projected as of February 14, 2003
UNEMPLOYMENT RATE
MICHIGAN

Source: RSQE - University of Michigan
p = projected as of November 2002

Travel, Tourism & Recreation Resource Center, Michigan State University
COMPOSITION OF CHANGES IN EMPLOYMENT

Actual

Source: RSQE - University of Michigan

Travel, Tourism & Recreation Resource Center, Michigan State University

p = projected as of November 2002
TREND IN MICHIGAN TRAVEL INTENTIONS INDEX

Index = 3-month moving average
Index = % more intentions - % less intentions + 100

Source: Travel, Tourism & Recreation Resource Center
<table>
<thead>
<tr>
<th></th>
<th>Real GDP</th>
<th>Consumer prices</th>
<th>Unemployment rate</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Business Week’s</strong></td>
<td>3.2%</td>
<td>2.2%</td>
<td>5.7%</td>
</tr>
<tr>
<td>economic forecast</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Consensus values; based on opinions of 66 representatives of major companies.
Real GDP and unemployment rate is for fourth quarter 2003.

<table>
<thead>
<tr>
<th></th>
<th>3.2%</th>
<th>2.3%</th>
<th>5.7%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>The Livingston survey</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Average values; based on opinions of 29 forecasters.

<table>
<thead>
<tr>
<th></th>
<th>3.2-3.5%</th>
<th>1.2-1.5%</th>
<th>5.7-6.0%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Federal Reserve</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Board of Governors of the Federal Reserve System. “Monetary Policy Report to the Congress”
TRAVEL INDUSTRY ASSOC. OF AMERICA’S FORECAST FOR U.S. DOMESTIC TRAVEL IN 2003

- **Travel volume**: 2.5%
- **Travel spending**: 4.1%
- **Travel prices**: 3.3%
NEGATIVE INDICATORS 2003 (I)

- 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 are down significantly since 2000– negative wealth effect.
- Low interest rates hurting retiree incomes tied to money market, certificates of deposits, etc.
- Fear and inconvenience of air travel.
NEGATIVE INDICATORS 2003 (II)

“The entire [worldwide] travel and tourism industry is being held hostage by the threat of war” with Iraq and North Korea.

State deficit – reductions in services and/or closings of premises.

Pricing power is limited by lower prices offered on Internet and substitutions on the trip.

Consumer confidence near a historical low.

Continuing promotion budget slippage.

Travel, Tourism & Recreation Resource Center, Michigan State University
THE WILD CARDS

- War with in Iraq and North Korea – When will uncertainty diminish?
- Terrorism – will it strike again this year, especially if we go to war?
- Disruption in fuel supply.
- Gasoline prices above $2.50?
POSITIVE INDICATORS 2003 (I)

➡️ Moderately positive economic forecasts.
➡️ 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.
POSITIVE INDICATORS 2003 (II)

- Weaker dollar, especially versus Canadian currency.
- Continuation of consumers’ tendency to limit air and long-distance travel.
- Record sales of RVs.
- Negative psychology may be unwarranted and/or overblown.
TTRRC / MSU PROJECTIONS FOR MICHIGAN TOURISM IN 2003

Provided gas prices do not go above $2.50.

**Travel volume**
Traffic counts

2%

**Travel spending**
Use and sales lodging tax

-2% *

**Travel prices**
Lodging and restaurant price changes / 2

2-3% *

*) This combination points to occupancy rate decline of 4-5%.
TTRRC / MSU PROJECTIONS FOR MICHIGAN TOURISM IN 2003
BY SELECTED MARKET SEGMENT

Provided gas prices do not go above $2.50.

Outdoor recreation/camping - 0-1%
Golfing (upscale resorts) - 0%
Gaming - 3-4%
Shopping - 3-4%
Lodging - -(2-3)%
TTRRC / MSU PROJECTIONS FOR MICHIGAN TOURISM IN 2003 BY REGION

PROVIDED GAS PRICES DO NOT GO ABOVE $2.50.

Upper Peninsula 1%
Northern Lower P. 2%
Southwestern region 3%
Southeastern region 0%
What does your beagle board predict for me today?

Well?

Bleah!
Dr. Donald F. Holecek, Director
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Web site: www.tourismcenter.msu.edu/MTVTA/
Web site: www.imakenews.com/tourism/