Michigan Tourism: A Look Back at the Year 2003

Lori A. Martin & Charles Shih Travel, Tourism & Recreation Resource Center March 10, 2004
Michigan Travel Industry Indicators, 2003 vs. 2002

Graph 1: Overall Precipitation in Michigan

[Bar chart showing percent change for winter, spring, summer, fall, and annual precipitation compared to 2002 and normal levels.]

Source: Data for 10 weather stations obtained from the Midwestern Climate Center

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Michigan Travel Industry Indicators, 2003 vs. 2002

Graph 2: Average Maximum Temperatures in Michigan

Source: Data for 12 Weather Stations obtained from the Midwestern Climate Center

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Michigan Travel Industry Indicators, 2003 vs. 2002

Graph 3: Economic Indicators

- Michigan Regular Unleaded Gasoline Prices (Nominal)
- 14.1%

- National Regular Unleaded Gasoline Prices (Real)
- 17.2%

- Restaurant Prices (Detroit/Ann Arbor/Flint)
- 1.6%

- Lodging Prices (U.S. City Average)
- 0.3%

- Expectations Index (EI)
- -10.5%

- Present Situation Index (PSI)
- -17.5%

- Consumer Confidence Index (Composite of EI and PSI)
- -10.8%

- Exchange Rate $Can/$US ($US Stronger)
- -28.2%

Percent Change, 2003 vs. 2002

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

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Michigan Travel Industry Indicators, 2003 vs. 2002
Graph 4: Travel Activity Indicators

Highway Traffic Counts (All Available Rural Stations)
State Park Overnight Stays (All Parks)
CVB Room Assessments, U.P. (6 CVBs) CVB
Room Assessments, N.L.P. (12 CVBs) CVB
Room Assessments, S.L.P. (14 CVBs) CVB
Room Assessments, Statewide (32 CVBs)
SIC 701 Sales + Use Taxes
SIC 701 Use Taxes
SIC 701 Sales Taxes

Percent Change, 2003 vs. 2002

Sources: MDOT; MDNR, Parks & Recreation; MSU Travel, Tourism & Recreation Resource Center; Michigan Dept of Treasury, Office of Revenue & Tax Analysis

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Michigan Travel Industry Indicators, 2003 vs. 2002
Graph 5: Monthly Percent Change in Hospitality Taxes

Source: Michigan Department of Treasury, Office of Revenue and Tax Analysis
Michigan Travel Industry Indicators, 2003 vs. 2002

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

Source: Travel Michigan, Michigan Department of Transportation

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Michigan Travel Industry Indicators, 2003 vs. 2002

Graph 8: Upper Peninsula Travel Indicators

Sources: Mackinac Bridge Authority; Michigan Department of Transportation; Travel Michigan

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Michigan Travel Industry Indicators, 2003 vs. 2002
Graph 9: Monthly Percent Change in Indicators

Source: MSU Tourism Center; The Conference Board
Michigan Travel Industry Indicators, 2003 vs. 2002
Graph 10: Percent Change in Assessments and Properties

- U.P.: -1.07%
- N.L.P.: 0%
- S.L.P.: 6.15%
- Statewide: 2.44%

Source: 2004 TTRRC Survey of Assessment Districts
### Michigan Travel Industry Indicators

**Graph 11: Percent Change Anticipated for 2004 Assessments**

<table>
<thead>
<tr>
<th></th>
<th>U.P.</th>
<th>N.L.P.</th>
<th>S.L.P.</th>
<th>Statewide</th>
</tr>
</thead>
<tbody>
<tr>
<td>8%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4%</td>
<td></td>
<td></td>
<td>2.7%</td>
<td>3.5%</td>
</tr>
<tr>
<td>2%</td>
<td></td>
<td></td>
<td></td>
<td>2.3%</td>
</tr>
<tr>
<td>0%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-2%</td>
<td></td>
<td>-1.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-4%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Michigan Tourism Outlook Conference

March 10, 2004
Kellogg Center
East Lansing, Michigan

FORECAST 2004

Prepared by:
Donald F. Holecek and Teresa Herbowicz
Travel, Tourism and Recreation Resource Center
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>2%</td>
<td>1%</td>
</tr>
<tr>
<td>Travel spending</td>
<td>-2%</td>
<td>1%</td>
</tr>
<tr>
<td>Travel prices</td>
<td>2-3%</td>
<td>1%</td>
</tr>
</tbody>
</table>
COMERICA REPORTS:

"Despite the second-half rebound in Michigan Tourism activity in 2003, the sharply negative comparisons of the first half left Michigan's 2003 tourism industry 2.1 percent below 2002 for the annual average."

"Airline and museum traffic picked up, while vehicular traffic – especially to Canada -- and hotel/motel occupancy slipped in 2003."

David Littmann,
chief economist at Comerica Bank
TAX COLLECTION AND TRAFFIC COUNT TREND IN MICHIGAN

Average annual change:
3.7% - traffic counts
4.7% - sales and use tax collection

- Traffic Counts
- Sales and Use Tax Collection

Yearly percentage change from 1985 to 2003.
WHY 2003 RESULTS WERE BELOW LONG-TERM TREND?

- The economy rebounded, but job growth was anemic.
- The war in Iraq and poor weather dampened travel demand in the first half of 2003.
- Consumers traveled, but spent less on their trips.
- Cheap deals on Internet continue to limit industry’s pricing power.
- Rebound in business travel volume, but not in spending.
- Michigan travel promotion reduced.
- Minimum new product to stimulate Michigan travel.
## TRENDS IN FACTORS THAT INFLUENCE TRAVEL (I)

### Exchange Rates

Source: The Wall Street Journal

<table>
<thead>
<tr>
<th>Country</th>
<th>Feb. 17 2004</th>
<th>Feb. 15 2003</th>
<th>% Change</th>
<th>U.S. $ is ...</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
<td>1.31</td>
<td>1.52</td>
<td>-13.8</td>
<td>weaker</td>
</tr>
<tr>
<td>Japan</td>
<td>105.08</td>
<td>120.66</td>
<td>-12.9</td>
<td>weaker</td>
</tr>
<tr>
<td>Euro</td>
<td>0.78</td>
<td>1.08</td>
<td>-27.8</td>
<td>weaker</td>
</tr>
<tr>
<td>Mexico</td>
<td>10.90</td>
<td>10.82</td>
<td>+0.7</td>
<td>stronger</td>
</tr>
<tr>
<td>J.P. Morgan Index</td>
<td>91.1</td>
<td>110.0</td>
<td>-17.2</td>
<td>weaker</td>
</tr>
</tbody>
</table>
TRENDS IN FACTORS THAT INFLUENCE TRAVEL (II)

Interest rates

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2003</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>30-year mortgage</td>
<td>5.66</td>
<td>5.86</td>
<td>-3.4</td>
</tr>
<tr>
<td>(average)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>30-year treasury</td>
<td>4.91</td>
<td>4.86</td>
<td>+1.0</td>
</tr>
<tr>
<td>bond</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>90-day treasury</td>
<td>0.90</td>
<td>1.06</td>
<td>-15.1</td>
</tr>
<tr>
<td>bill</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Gasoline prices

Data Source: AAA Michigan after mid February.

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2003</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unleaded regular</td>
<td>1.71</td>
<td>1.75</td>
<td>-2.3</td>
</tr>
<tr>
<td>- Michigan</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Sources:
CNNMoney (money.cnn.com/markets/bondcenter/latest_rates.html) of February 18, 2003
# TRENDS IN FACTORS THAT INFLUENCE TRAVEL (III)

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2003</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Consumer Confidence Index</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Source: The Conference Board</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>End of February</td>
<td>87.3</td>
<td>64.0</td>
<td>+36.4</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Unemployment</strong></th>
<th><strong>(U.S. - %, seasonally adjusted)</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Source: Labor Market Analysis Office and Bureau of Labor Statistics</td>
<td></td>
<td></td>
</tr>
<tr>
<td>January</td>
<td>5.6</td>
<td>5.7</td>
</tr>
</tbody>
</table>
## TRENDS IN FACTORS THAT INFLUENCE TRAVEL (IV)

<table>
<thead>
<tr>
<th>Stock market</th>
<th>11,722</th>
<th>Record levels:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Jan 2000</td>
<td>5,048 Mar 2000</td>
</tr>
<tr>
<td>Dow Jones Industrial Avg.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>February 17, 2004</td>
<td>10,714.88</td>
<td>2,080.35</td>
</tr>
<tr>
<td>February 14, 2003</td>
<td>7,908.80</td>
<td>1,310.17</td>
</tr>
<tr>
<td>12-month change</td>
<td>+2,806.08</td>
<td>+770.18</td>
</tr>
<tr>
<td>% change (year-to-year)</td>
<td>+35.5</td>
<td>+58.8</td>
</tr>
<tr>
<td>% change (year-to-date)</td>
<td>+2.50</td>
<td>+3.84</td>
</tr>
</tbody>
</table>
30-YEAR TREASURY BOND INTEREST RATES

Source: The Wall Street Journal

f - Datum of mid-February
UNEMPLOYMENT RATES

Sources: Michigan Department of Labor & Economic Growth, Employment Service Agency
Office of Labor Market Information - LAUS Data
CONSUMER CONFIDENCE INDEX

Base year: 1985 = 100

Source: The Conference Board

f- datum for February

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

Source: “Surveys of Consumers” University of Michigan
By Nick Ut, AP

Source: USA TODAY
GASOLINE PRICES
(Unleaded regular)

Sources: AAA Michigan
Federal Reserve Bank of Minneapolis.
MICHIGAN GASOLINE PRICES
(Unleaded regular)

Source: AAA Michigan
GROWTH OF REAL DISPOSABLE INCOME
UNITED STATES

Source: RSQE - University of Michigan

p = projected as of February 13, 2004
GROWTH OF REAL DISPOSABLE INCOME MICHIGAN

Source: RSQE - University of Michigan

p = projected as of November 2003
RATE OF INFLATION
DETOUR CPI

Source: RSQE - University of Michigan

\[ p = \text{projected as of November 2003} \]
RATES OF PRICE INFLATION
UNITED STATES

Source: RSQE - University of Michigan

p = projected as of February 13, 2004
CIVILIAN UNEMPLOYMENT RATE
UNITED STATES

Source: RSQE - University of Michigan

p = projected
as of February 13, 2004
UNEMPLOYMENT RATE
MICHIGAN

Source: RSQE - University of Michigan

p = projected as of November 2003
COMPOSITION OF CHANGES IN MICHIGAN EMPLOYMENT

Source: RSQE - University of Michigan

p = projected as of November 2003
TREND IN MICHIGAN TRAVEL INTENTIONS INDEX

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

Source: Travel, Tourism & Recreation Resource Center

Due to lack of funding to conduct the Michigan Travel Market Survey, Travel Intentions Index data were not collected after June 2003.
OVERALL TRAVELER SENTIMENT INDEX

Index = measure of travelers’ financial and time-wise ability to travel, interest in leisure travel, perception of service quality, and affordability of travel.

# ECONOMIC FORECASTS FOR 2004

<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>4.1%</td>
<td>1.9%</td>
<td>5.6%</td>
</tr>
<tr>
<td><strong>economic forecast</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Consensus values; based on opinions of 60 representatives of major companies.  
Real GDP and unemployment rates for fourth quarter of 2004.

<table>
<thead>
<tr>
<th></th>
<th>Real GDP</th>
<th>Consumer prices</th>
<th>Unemployment rate</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>The Livingston survey</strong></td>
<td>4.2%</td>
<td>1.9%</td>
<td>5.6%</td>
</tr>
<tr>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

Average values; based on opinions of 25 forecasters.

<table>
<thead>
<tr>
<th><strong>Federal Reserve</strong></th>
<th>4.7%</th>
<th>1.1%</th>
<th>5.9%</th>
</tr>
</thead>
</table>

www.federalreserve.gov/boarddocs/hh/2004/february/fullreport.htm (Central tendencies)
FORECAST FOR U.S. TRAVEL IN 2004

Travel volume

4.2% Business travel

3.2% Leisure travel

Travel spending

4.4%

Travel prices

Source: Travel Industry Association of America (TIA)
NEGATIVE INDICATORS 2004 (I)

- Unemployment is high in Michigan and its prime travel markets, and it will decline only slightly.
- Stocks are up significantly but below their peak—negative wealth effect.
- Low interest rates hurting retiree incomes tied to money market, certificates of deposits, etc.
- Low-interest refinancing income boost is waning.
- Fear and inconvenience of air travel.
NEGATIVE INDICATORS 2004 (II)

- 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 is relatively low and volatile.
- Continuing promotion budget slippage.
THE WILD CARDS

- Terrorism – will it strike again this year? Where?
- Disruption in fuel supply.
- Gasoline prices above $2.50?
POSITIVE INDICATORS 2004 (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 2003 in what proved to be a challenging year.
- Investment funding abundant or “cheap”.

POSITIVE INDICATORS 2004 (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.
- National travel forecast improved over last year.
- Business and conference travel is rebounding.
- Business profits strong – more investments, more travel.
TTRRC / MSU PROJECTIONS FOR MICHIGAN TOURISM IN 2004

Travel volume: 3-4%
Travel spending: 4-5%
Travel prices: 1-2%

Travel, Tourism & Recreation Resource Center, Michigan State University
Outdoor recreation/camping - 4-5%
Golfing (upscale resorts) - 2-3%
Gaming - 4-5%
Shopping - 4-6%
Lodging - 3-4%
FOR MICHIGAN TOURISM IN 2004 BY REGION

Upper Peninsula: 4-5%
Northern Lower P.: 3-4%
Southwestern region: 2-3%
Southeastern region: 3-4%
Dr. Donald F. Holecek, Director
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Michigan State University
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Web site: www.tourismcenter.msu.edu/MTVTA/