



# 2008

## MICHIGAN TOURISM PAST PERFORMANCE AND FUTURE EXPECTATIONS

Driving Tourism 2008, Michigan Lodging and Tourism Conference  
April 13-15, 2008, Grand Rapids, MI

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Michigan State University

## OUTLINE

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- Overview of industry – global, national and Michigan
- 2007 Michigan tourism year-in-review
- 2008 Michigan tourism forecast

# TOURISM INDUSTRY:

## GLOBAL, NATIONAL AND MICHIGAN PERSPECTIVE



## **TOURISM INDUSTRY ON THE GLOBAL LEVEL (I)**

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“...Travel & tourism...the world’s largest generator of wealth and jobs”

- The contribution of Travel & Tourism to Gross Domestic Product (GDP) is expected to rise from 9.9% (US\$5,890bn) in 2008 to 10.5% (US\$10,855bn) by 2018
- The 2007 Travel & Tourism Economy (TTE) growth rate was 4%
- The contribution of the TTE to employment is expected to rise from 238,277,000 jobs in 2008 (8.4% of total employment, or 1 in every 11.9 jobs) to 296,252,000 jobs (9.2% of total employment or 1 in every 10.8 jobs) by 2018
- Real GDP growth for the TTE is expected to be 3.0% in 2008, down from 4.1% in 2007, but to average 4.0% per annum over the next decade

Source: World Travel & Tourism Council [http://www.wttc.travel/bin/pdf/original\\_pdf\\_file/exec\\_summary\\_final.pdf](http://www.wttc.travel/bin/pdf/original_pdf_file/exec_summary_final.pdf)

## **TOURISM INDUSTRY ON THE GLOBAL LEVEL (II)**

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### **Tourism in 2007**

- 898 million international tourist arrivals
- World tourism increased by 6.1% over 2006
- Middle East – fastest growth rate – 13%
- Europe – slowest growth rate – 4.2%

### **Forecast 2008**

- The increase in international tourist arrivals is projected to be around 4%, much in line with the forecast long-term annual growth rate of 4.1% through 2020
- Growth is expected to be more solid as businesses, consumers, governments and international institutions UNWTO are now better able to anticipate shocks and to respond more effectively to crises

Source: UNWTO [http://unwto.org/facts/eng/pdf/barometer/UNWTO\\_Barom08\\_1\\_excerpt\\_en.pdf](http://unwto.org/facts/eng/pdf/barometer/UNWTO_Barom08_1_excerpt_en.pdf)

## **TOURISM INDUSTRY ON THE GLOBAL LEVEL (III)**

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- The United States is number one on the WTTC's list of the top ten countries that are expected to grow their TT demand between 2008 and 2018 ...
- ... and number two (behind China) on the WTTC's list of the top ten countries that are expected to grow their TTE employment the most during the same period.

Source: World Travel & Tourism Council (WTTC)  
[http://www.wttc.travel/bin/pdf/original\\_pdf\\_file/exec\\_summary\\_final.pdf](http://www.wttc.travel/bin/pdf/original_pdf_file/exec_summary_final.pdf)

## **TOURISM INDUSTRY ON THE NATIONAL LEVEL (I)**

The Travel Industry Association of America's (TIA) statistics show that travel is ...

- One of the country's largest industries with
  - \$740 billion in direct travel expenditures
  - \$1.6 trillion in direct, indirect and induced travel expenditures
  - \$110 billion in tax revenue for local, state and federal governments
- One of the country's largest employers with
  - 7.5 million direct travel-generated jobs and
  - \$178 billion direct travel-generated payroll

Source: "Travel and Tourism Works for America," Travel Industry Association of America, 2008.

## **TOURISM INDUSTRY ON THE NATIONAL LEVEL (II)**

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- Travel and tourism (TT) supported 8.3m American jobs in 2006, of which 1.1m were supported by TT exports
- More people are employed by TT-related industries than are employed in the construction industry, the business and financial industries, agriculture, education, or healthcare
- TT exports accounted for 7.6% of all U.S. exports in 2007, and 26% of service exports
- The U.S. TT industry finished the year with a \$17.8 billion balance of trade surplus (increase of 113% over 2006)
- The 19th consecutive year that the TT industry has generated a balance of trade surplus

Source: The U.S. Office of Travel and Tourism Industries (OTTI), 2007 and 2008.



# TOURISM INDUSTRY IN MICHIGAN

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In 2006:

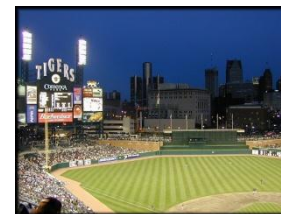
- Direct travel expenditures reached \$18.8 billion, an increase of 6.8% over 2005
  - Direct expenditures on leisure travel reached \$13.3 billion, an increase of 10% over 2005 (71% of direct expenditures)
- 109.2 million person-trips were taken in Michigan
  - 78% leisure-related
  - 41% overnight

Source: Strategic Research Unit, Strategic Directions and IT Division, Michigan Economic Development Corporation.

# MICHIGAN TOURISM:

## A LOOK BACK AT THE YEAR

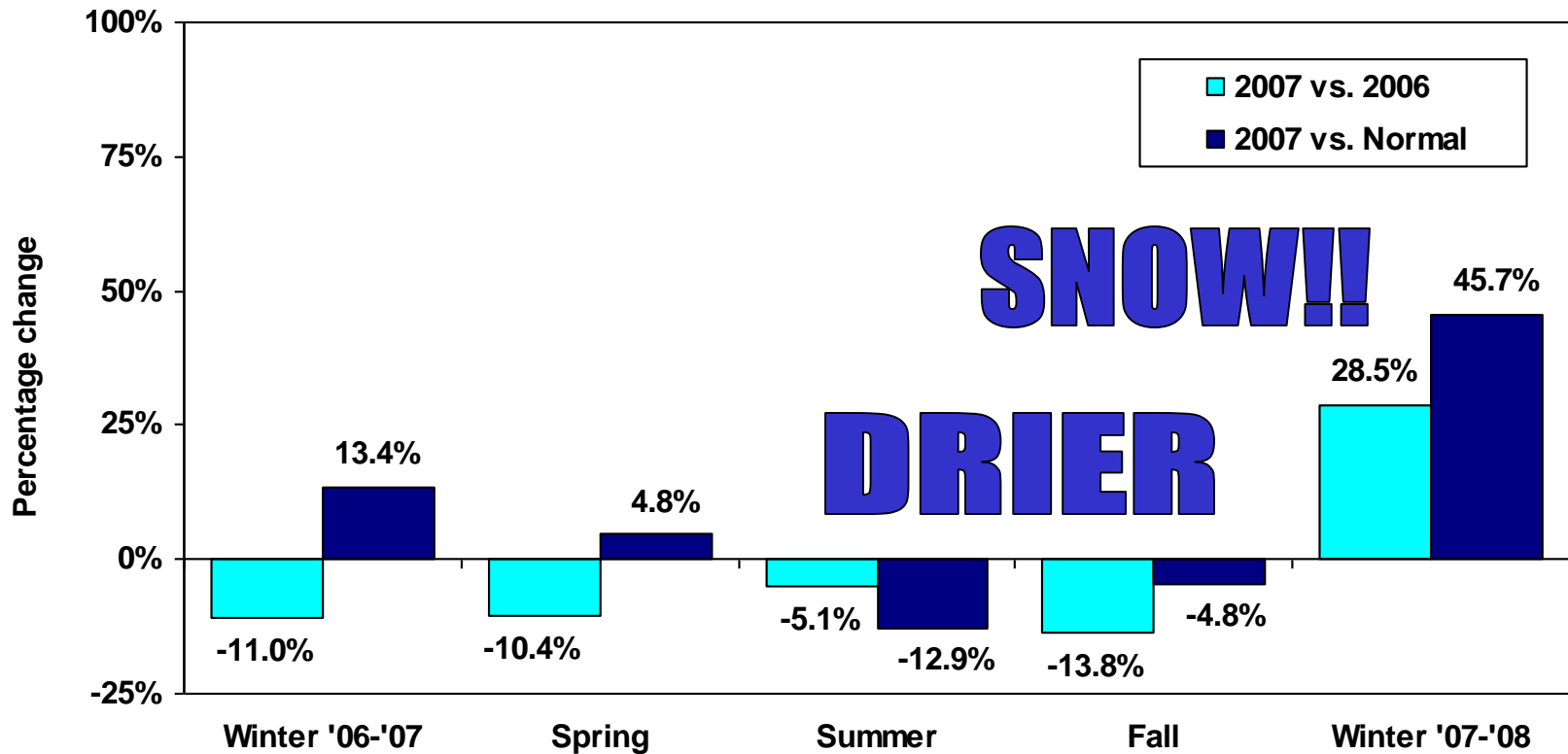
# 2007



## **MICHIGAN TOURISM: A LOOK BACK AT THE YEAR 2007**

- Weather
- Traffic counts and bridge crossings
- Sales and use tax
- Visits to attractions
- Hotel occupancy
- Assessments

# MICHIGAN TOURISM INDUSTRY INDICATORS: OVERALL PRECIPITATION

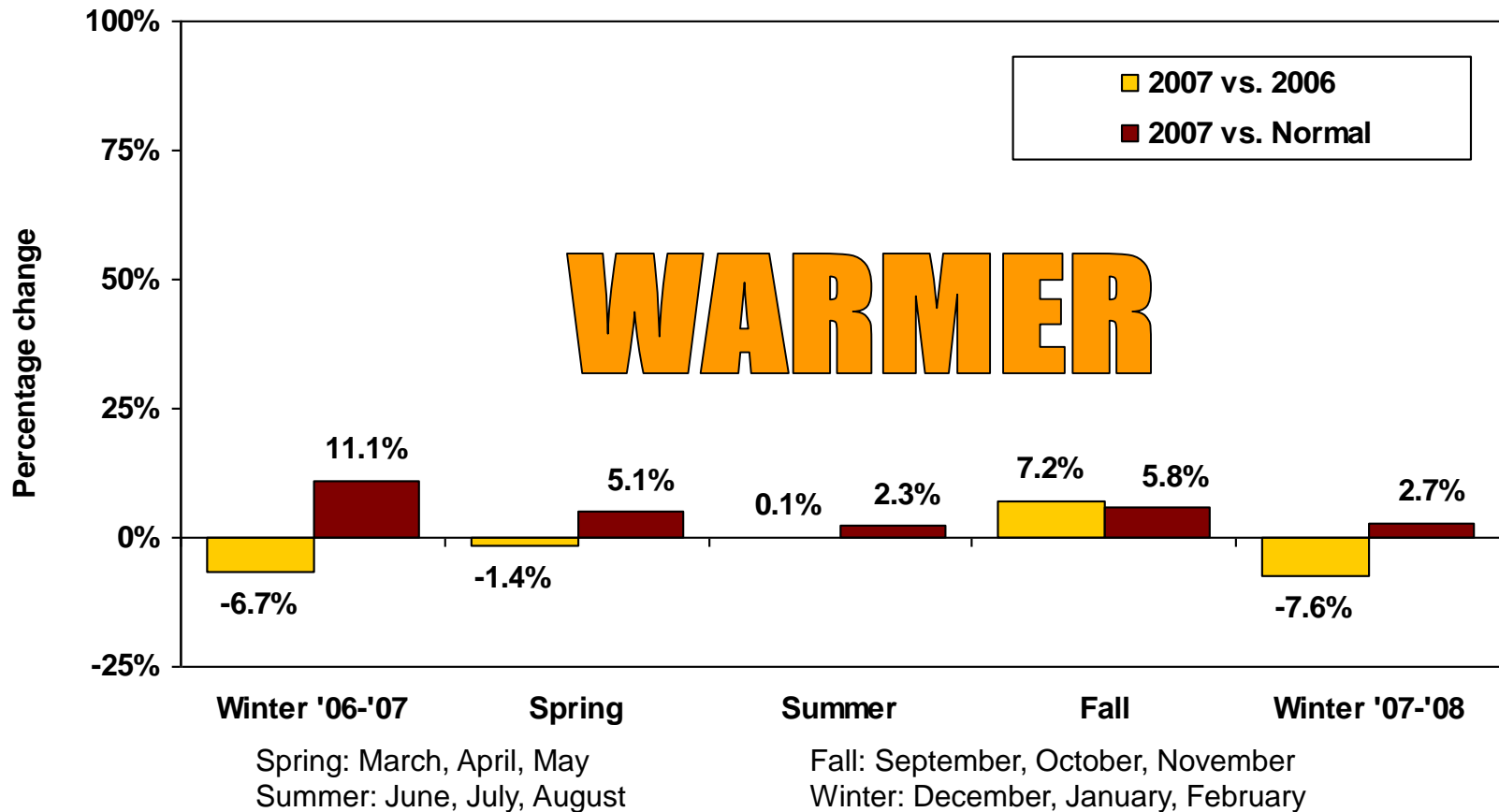


Spring: March, April, May  
Summer: June, July, August

Fall: September, October, November  
Winter: December, January, February

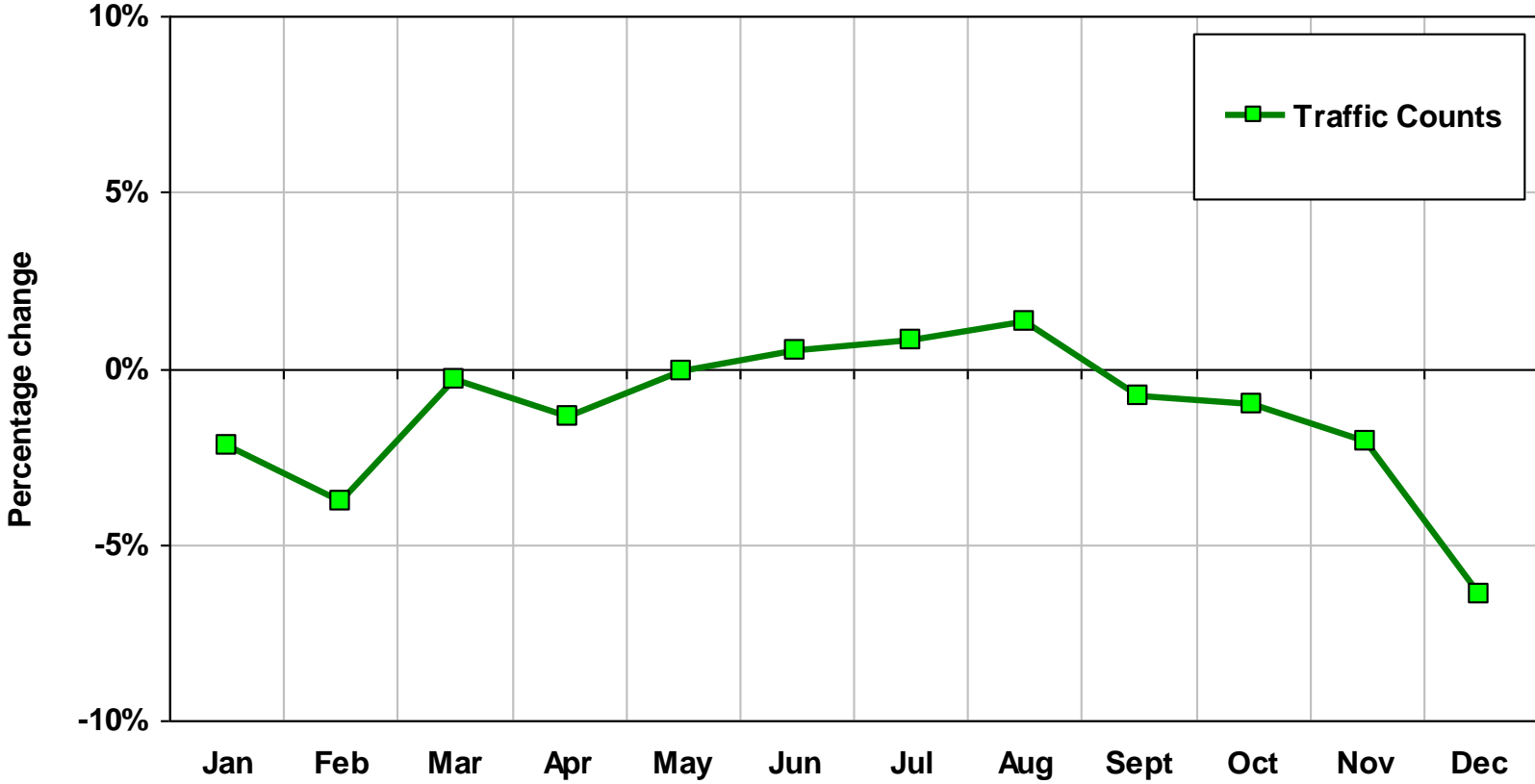
Source: Midwestern Regional Climate Center.

# MICHIGAN TOURISM INDUSTRY INDICATORS: AVERAGE MAXIMUM TEMPERATURES



Source: Midwestern Regional Climate Center.

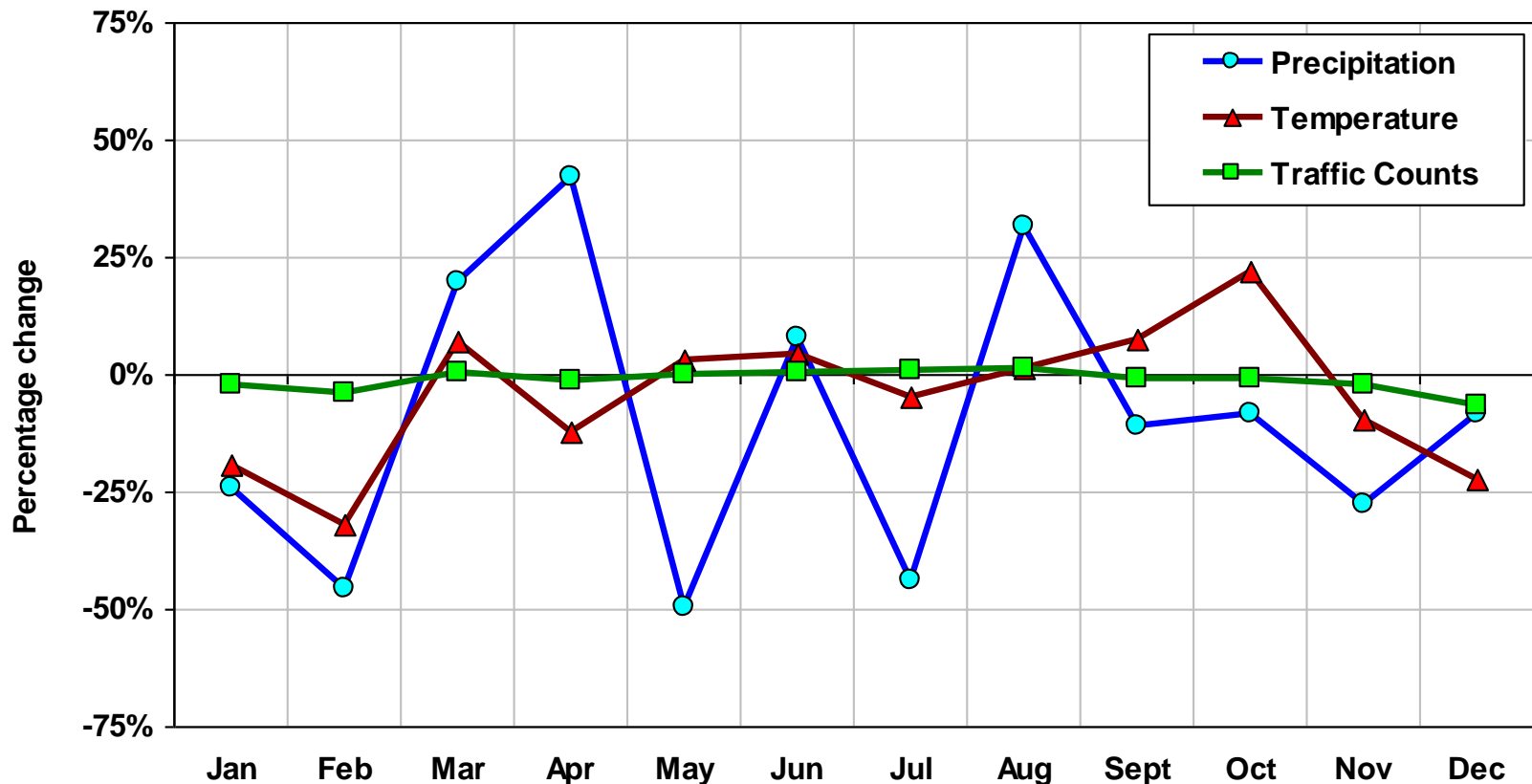
# MICHIGAN TOURISM INDUSTRY INDICATORS: HIGHWAY TRAFFIC COUNTS 2007 VS 2006



Source: Michigan Department of Transportation.

**Annual Change:**  
**-1.2%**

# MICHIGAN TOURISM INDUSTRY INDICATORS: 2007 VS 2006 WEATHER AND TRAFFIC



Source: Midwestern Regional Climate Center;  
Michigan Department of Transportation.

**Annual Changes:**  
**Precip. -12.9% Temp. +3.6% Traffic -1.2%**

# MICHIGAN HIGHWAY TRAFFIC COUNTS YEAR-TO-YEAR CHANGE

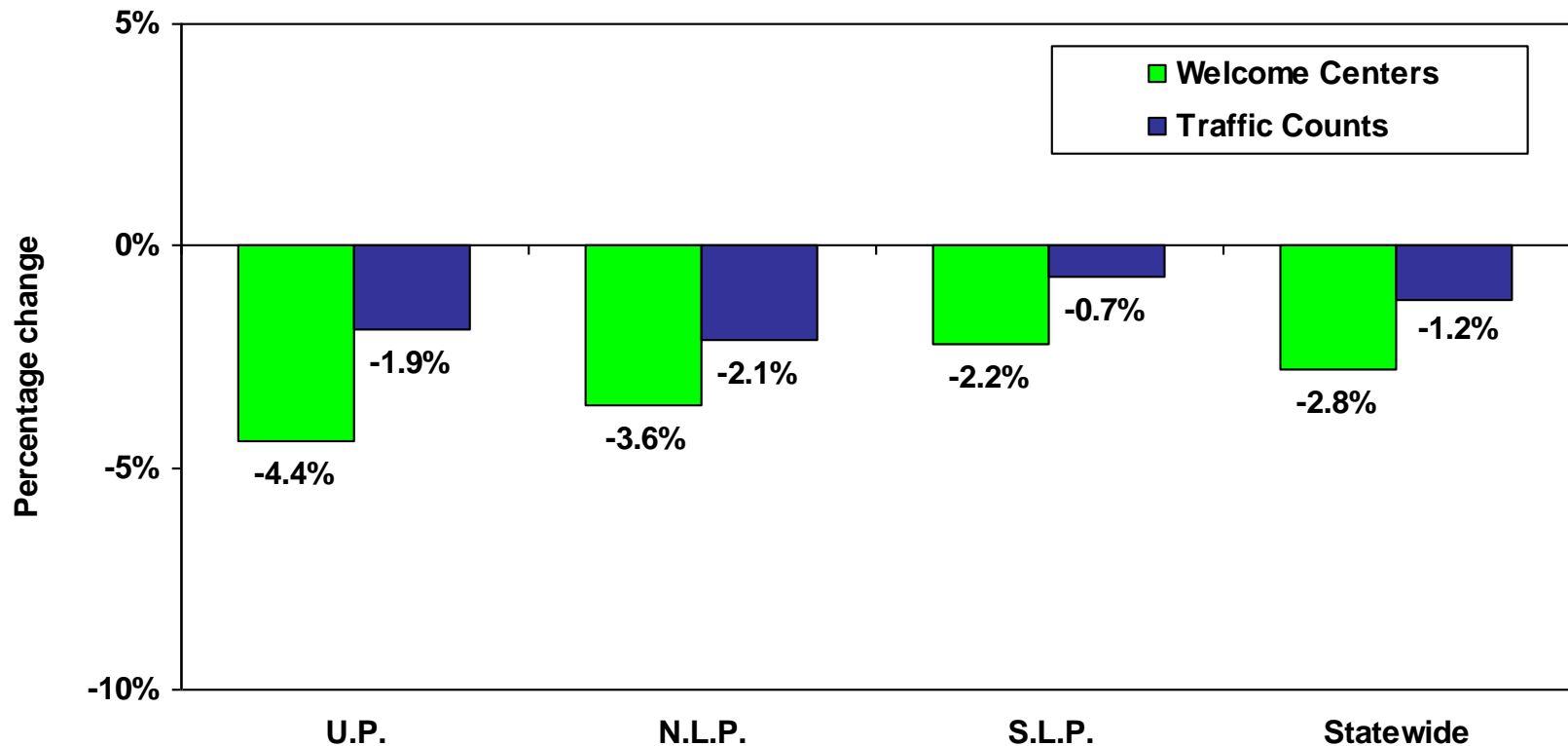
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2001	↑	↑	↑	↓	↓	↑	↑	↓	↓	↓	↑	↑
2002	↑	↑	↓	↑	↑	↑	↑	↑	↑	↑	↑	↑
2003	↑	↑	↑	↑	↑	↓	↓	↑	↓	↑	↑	↑
2004	↓	↑	↑	↑	↓	↓	↑	↓	↑	↓	↓	↓
2005	↑	↓	↓	↓	↑	No change	↓	↓	↓	↓	↓	↓
2006	↑	↓	↑	↓	↓	↓	↓	↓	↑	↓	↑	↑
2007	↓	↓	↓	↓	↓	↑	↑	↑	↓	↓	↓	↓

Source: Michigan Department of Transportation.



# MICHIGAN TOURISM INDUSTRY INDICATORS: 2007 VS 2006

## WELCOME CENTER VISITOR COUNTS & TRAFFIC COUNTS



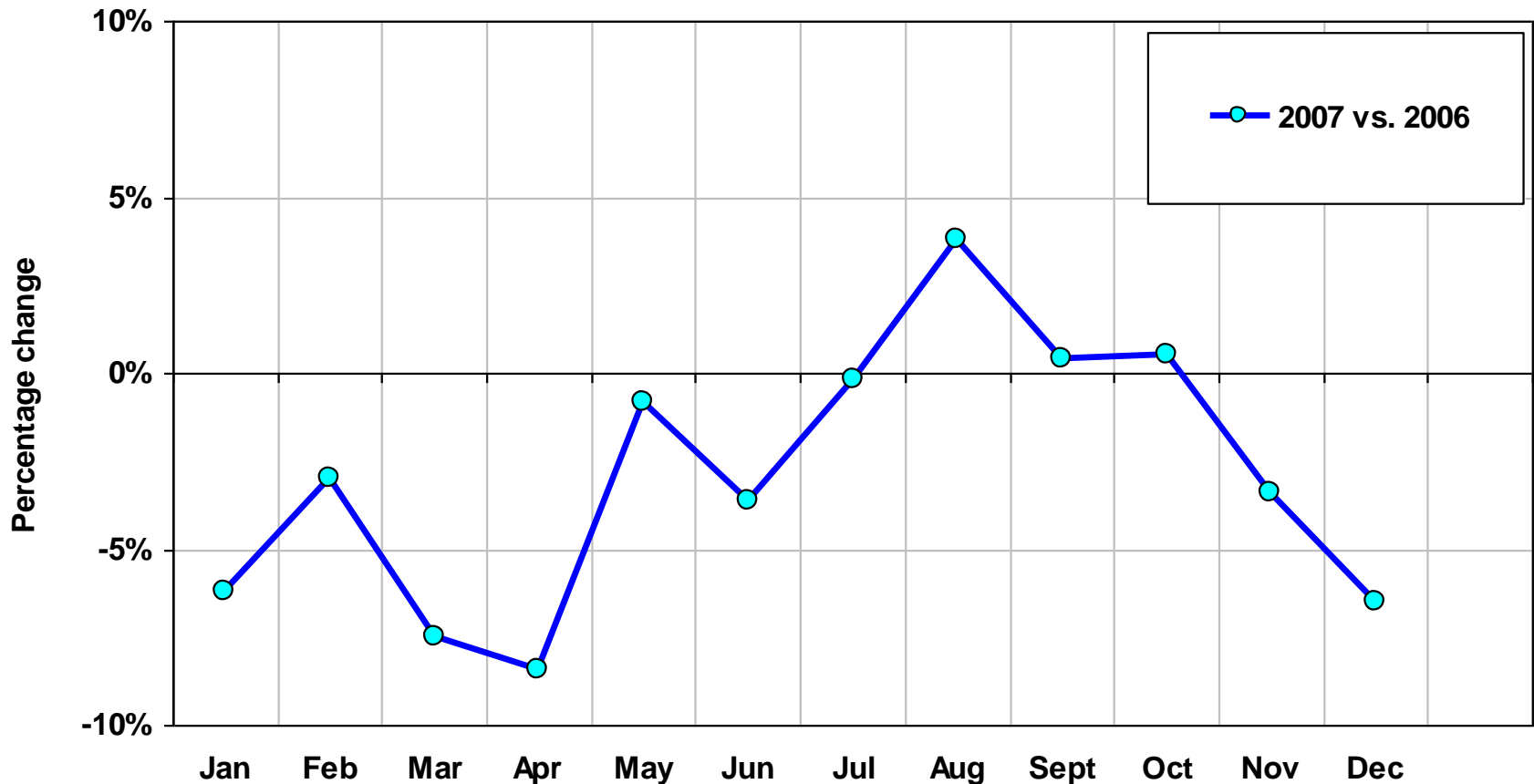
Welcome Centers: U.P. = Sault Ste. Marie, Marquette, St. Ignace, Ironwood, and Iron Mountain

N.L.P. = Mackinaw City and Clare

S.L.P. = Coldwater, Port Huron, New Buffalo, Monroe, and Dundee

Source: Travel Michigan, Michigan Department of Transportation.

# MICHIGAN TOURISM INDUSTRY INDICATORS: MONTHLY MACKINAC BRIDGE CROSSINGS 2007 VS 2006



Annual Change:

- 1.9%

Source: Mackinac Bridge Authority.

# MACKINAC BRIDGE TRAFFIC COUNTS YEAR-TO-YEAR CHANGE

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2001	↓	↓	↑	↑	↓	↓	↑	↑	↓	↓	↑	↑
2002	↓	↑	↓	↓	↑	↑	↑	↑	↑	↑	↓	↑
2003	↑	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓
2004	↓	↑	↓	↓	↓	↓	↓	↓	↑	↓	↓	↓
2005	↑	↓	↑	↓	↓	↓	↓	↓	↓	↓	↓	↓
2006	↓	↓	↓	↑	↓	↓	↓	↓	↑	↓	↑	↑
2007	↓	↓	↓	↓	↓	↓	↓	↑	↑	↑	↓	↓
2008	↓	↓										

Source: Mackinac Bridge Authority.

# MACKINAC BRIDGE TRAFFIC COUNTS

## YEAR-TO-YEAR CHANGE

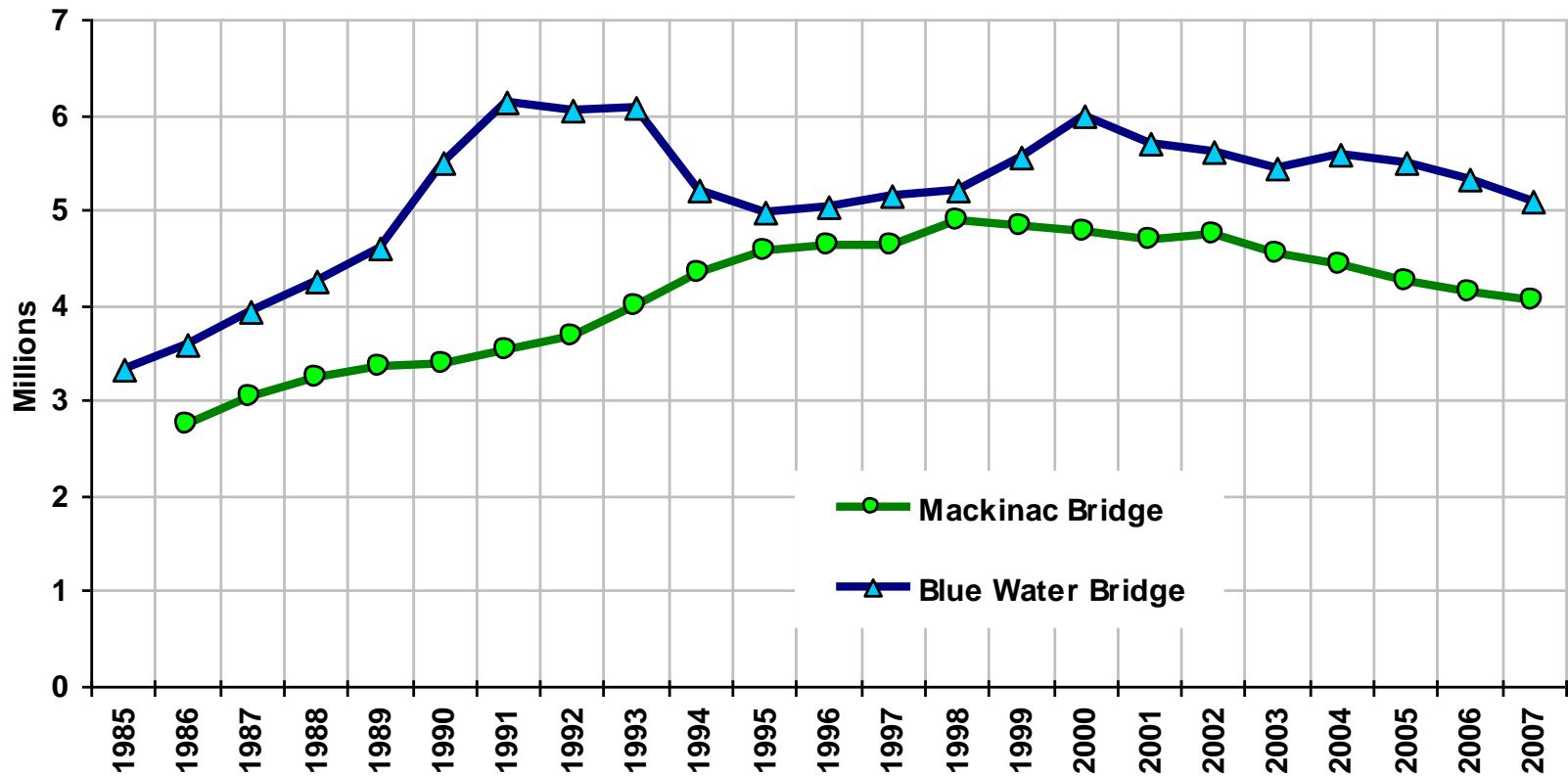
Year	Count (million)	% from prev. year
1988	3.229	6.5%
1989	3.350	3.7%
1990	3.390	1.2%
1991	3.535	4.3%
1992	3.678	4.0%
1993	3.993	8.6%
1994	4.333	8.5%
1995	4.557	5.2%
1996	4.625	1.5%
1997	4.626	0.0%

Year	Count (million)	% from prev. year
1998	4.891	5.7%
1999	4.836	-1.1%
2000	4.756	-1.7%
2001	4.676	-1.7%
2002	4.733	1.2%
2003	4.529	-4.3%
2004	4.427	-2.2%
2005	4.236	-4.3%
2006	4.133	-2.4%
2007	4.054	-1.9%

Source: Mackinac Bridge Authority.

Drop from 1998 to 2007 = - 17.1%

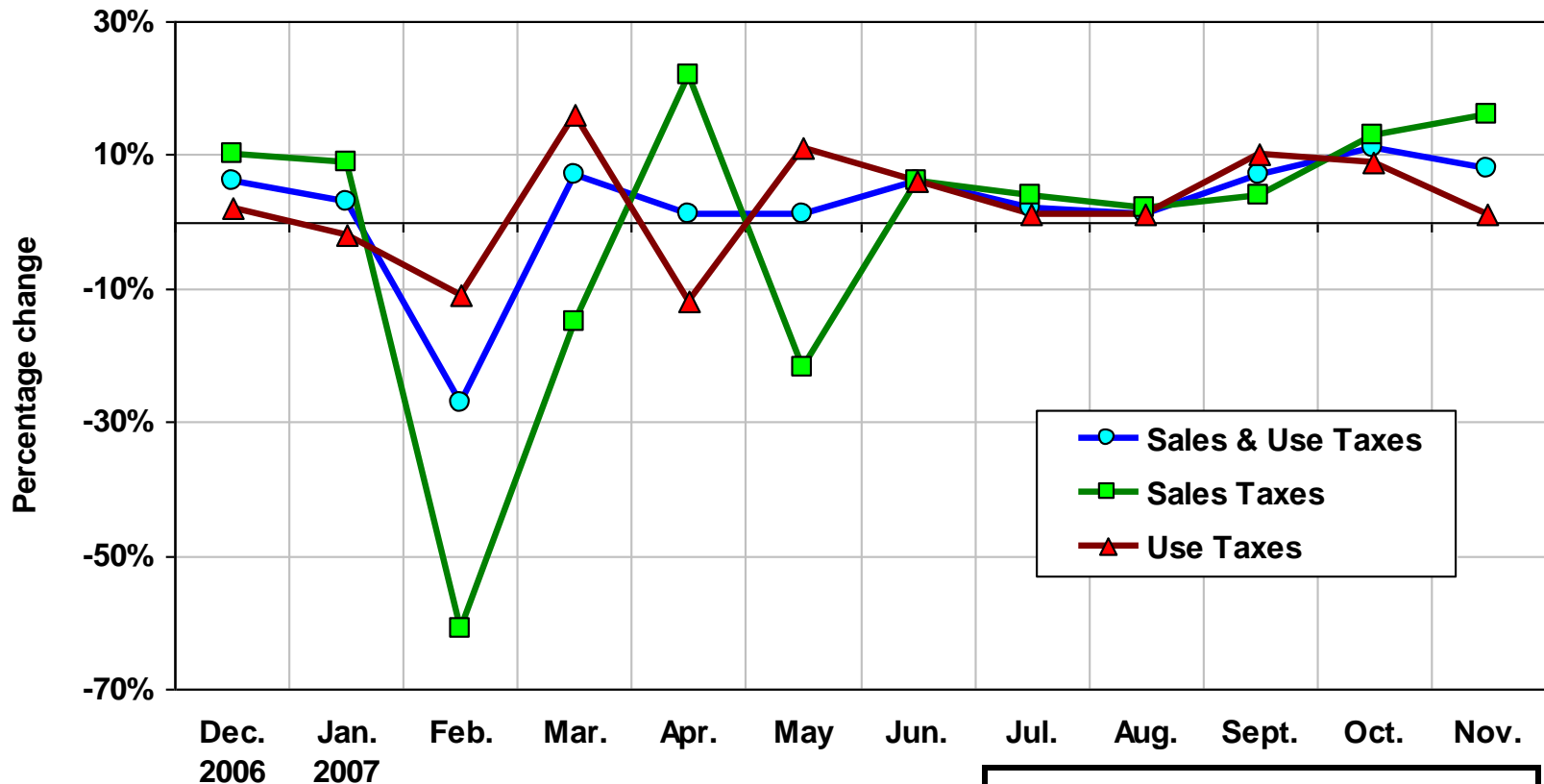
# TRENDS IN TRAFFIC COUNTS ON SELECTED MICHIGAN BRIDGES



Source: Michigan Department of Transportation; Mackinac Bridge Authority; Blue Water Bridge Authority.

# MICHIGAN TOURISM INDUSTRY INDICATORS: 2007 VS 2006

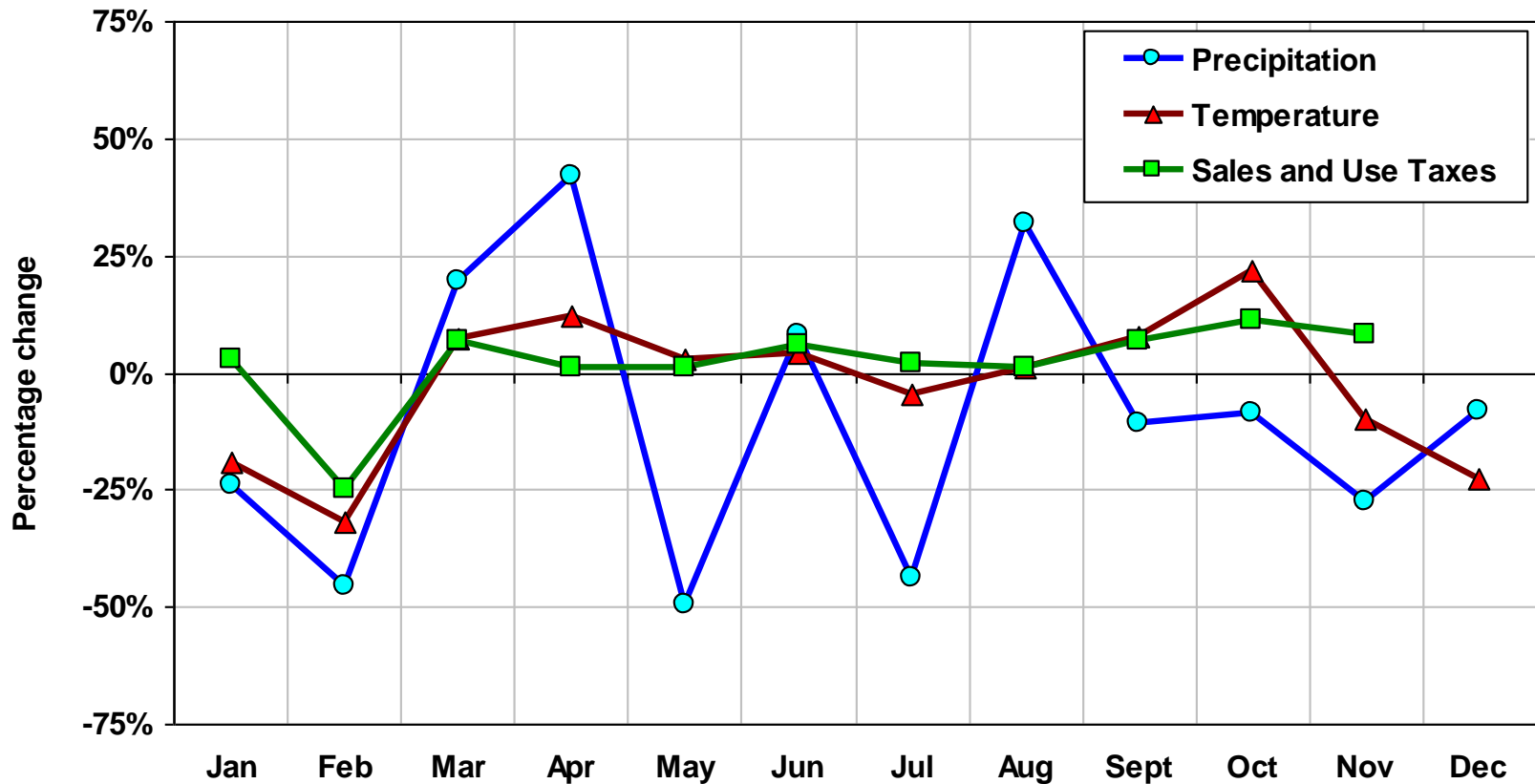
## MONTHLY CHANGES IN HOSPITALITY TAXES (SIC 701)



**Annual Changes:**  
**Sales +1.6%    Use +3.6%**  
**Sales & Use +2.8%**

Source: Michigan Department of Treasury,  
Office of Revenue and Tax Analysis.

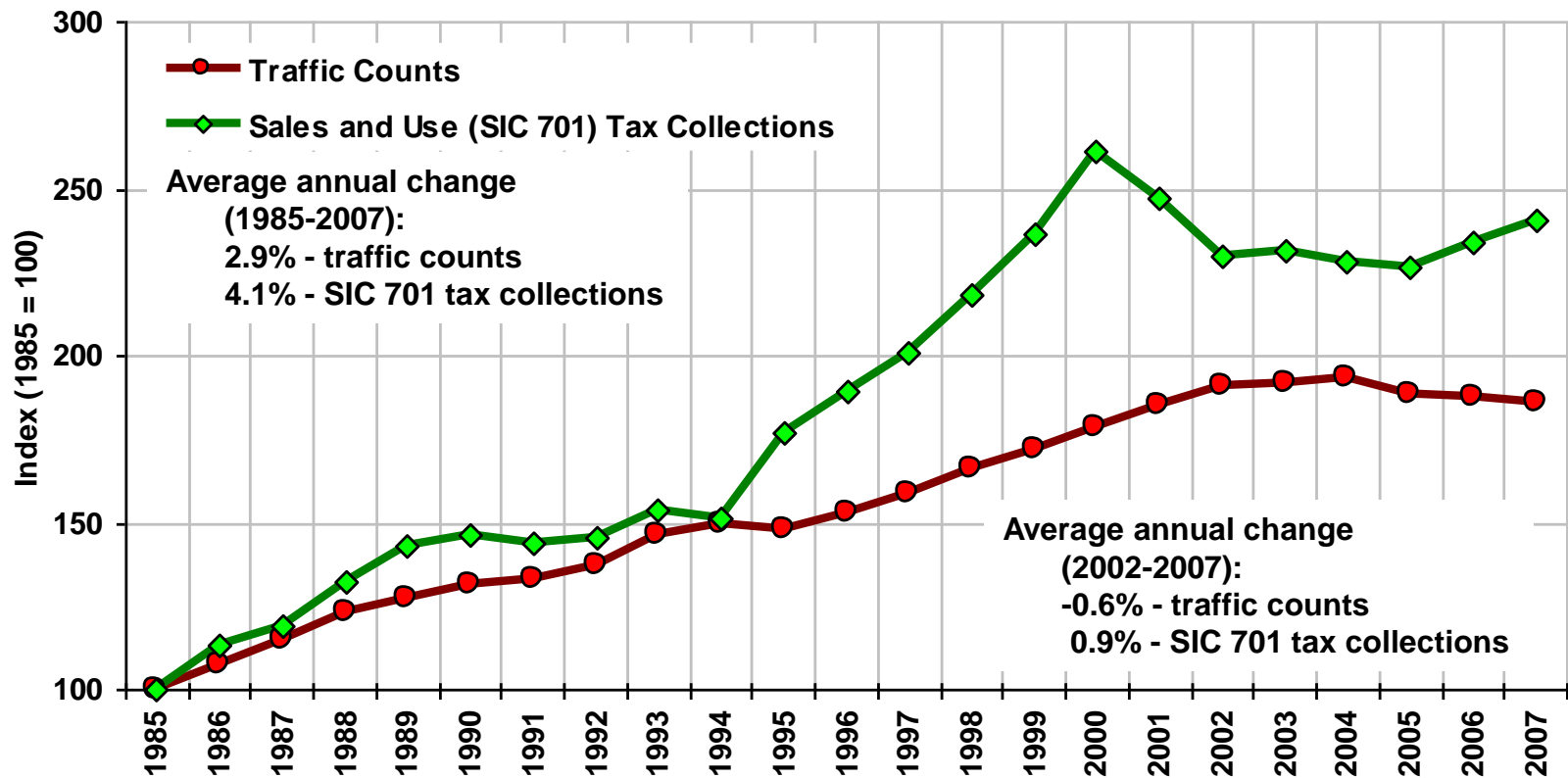
# MICHIGAN TOURISM INDUSTRY INDICATORS: 2007 VS 2006 WEATHER AND TAXES



Source: Midwestern Regional Climate Center;  
Michigan Department of Treasury.

**Annual Changes:**  
**Precip. -12.9%   Temp. +3.6%   Taxes +2.8%**

# HOSPITALITY TAX COLLECTION AND TRAFFIC COUNT TRENDS IN MICHIGAN

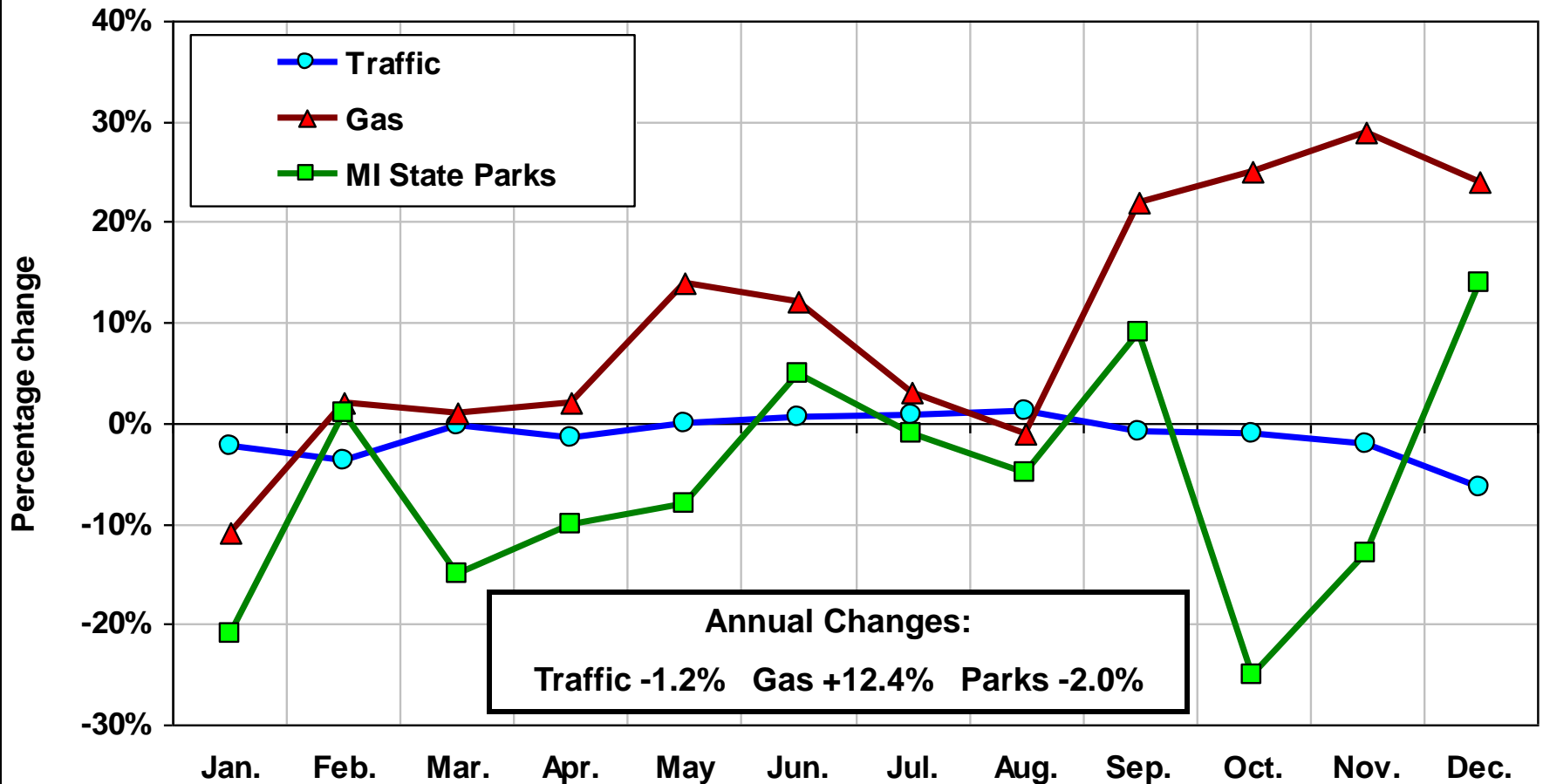


Source: Michigan Department of Transportation and Michigan Department of Treasury.



# MICHIGAN TOURISM INDUSTRY INDICATORS: 2007 VS 2006

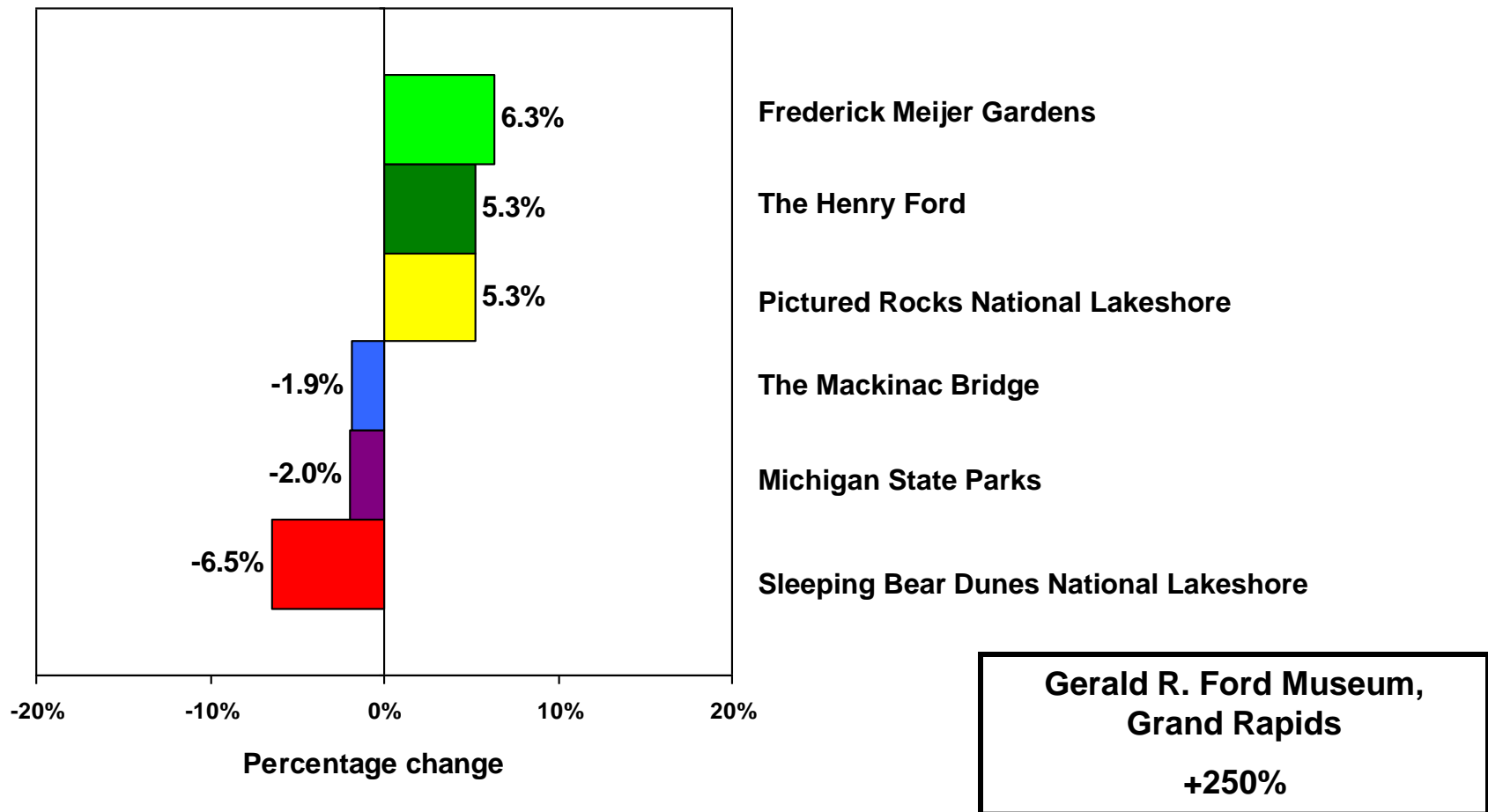
## TRAFFIC, GAS PRICES AND STATE PARK VISITS



Source: Michigan Department of Transportation; AAA Michigan; Michigan Department of Natural Resources.

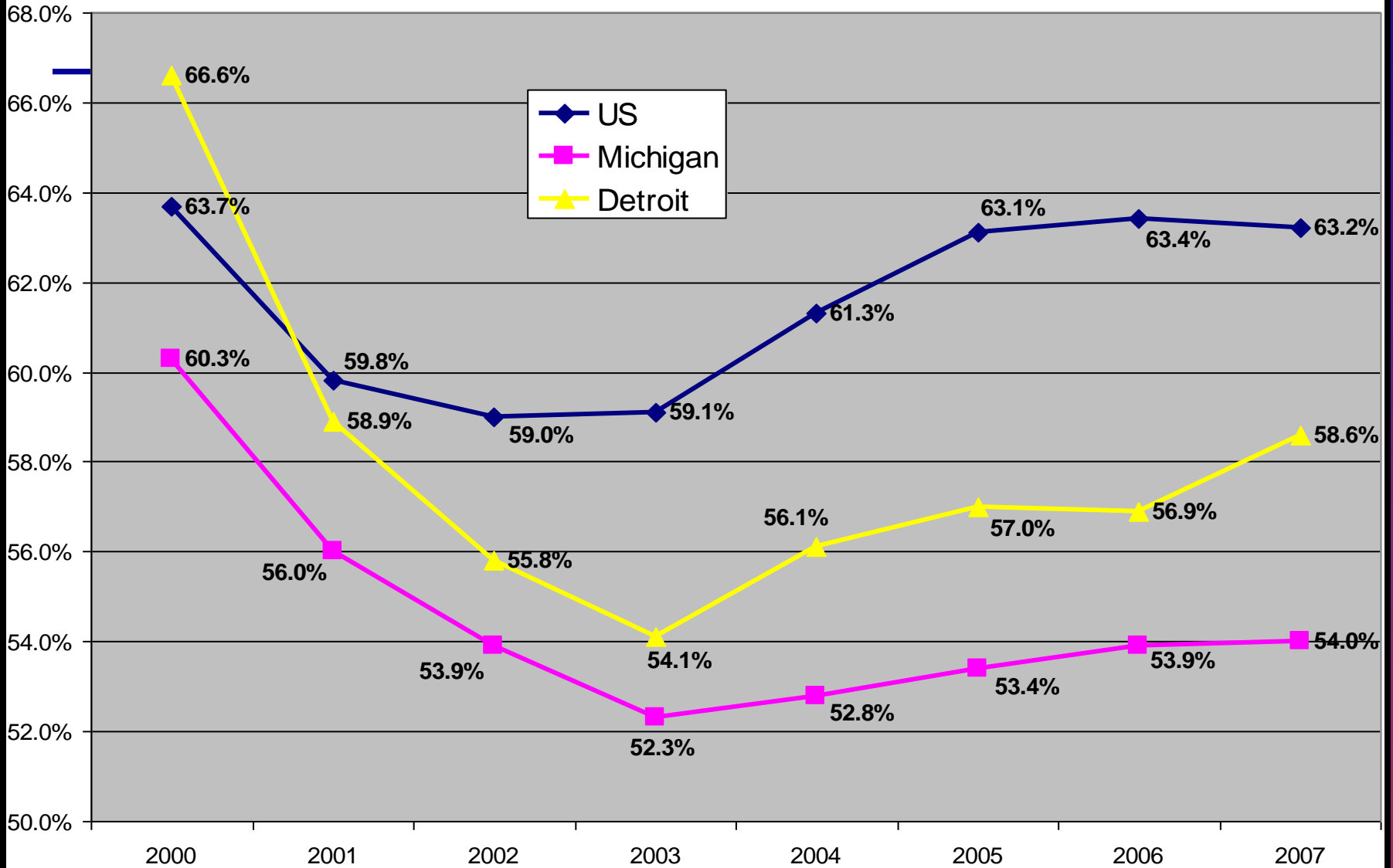
# MICHIGAN TOURISM INDUSTRY INDICATORS

## TOURISM ACTIVITY INDICATORS 2007 vs. 2006



Sources: Meijer Gardens, The Henry Ford, Mackinac Bridge Authority, National Park Service, Michigan Department of Natural resources, GR Ford Museum.

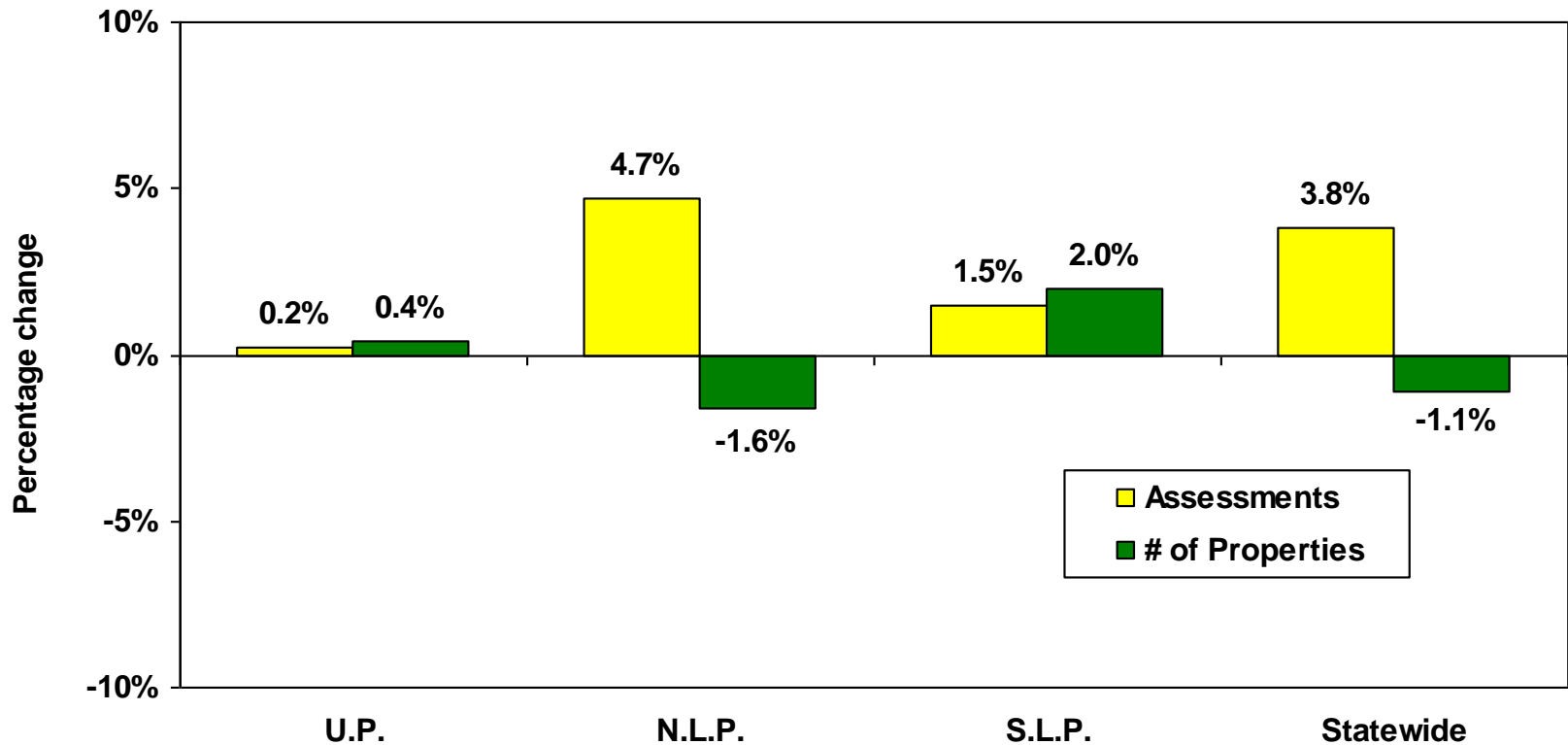
# Hotel Occupancy - US/Michigan/Detroit 2000 to 2007



Source: Smith Travel Research

# MICHIGAN TOURISM INDUSTRY INDICATORS, 2007 VS 2006

## PERCENT CHANGE IN ASSESSMENTS AND PROPERTIES



**CVBs Responding:**  
**UP: 7, NLP: 14, SLP: 11 (32).**

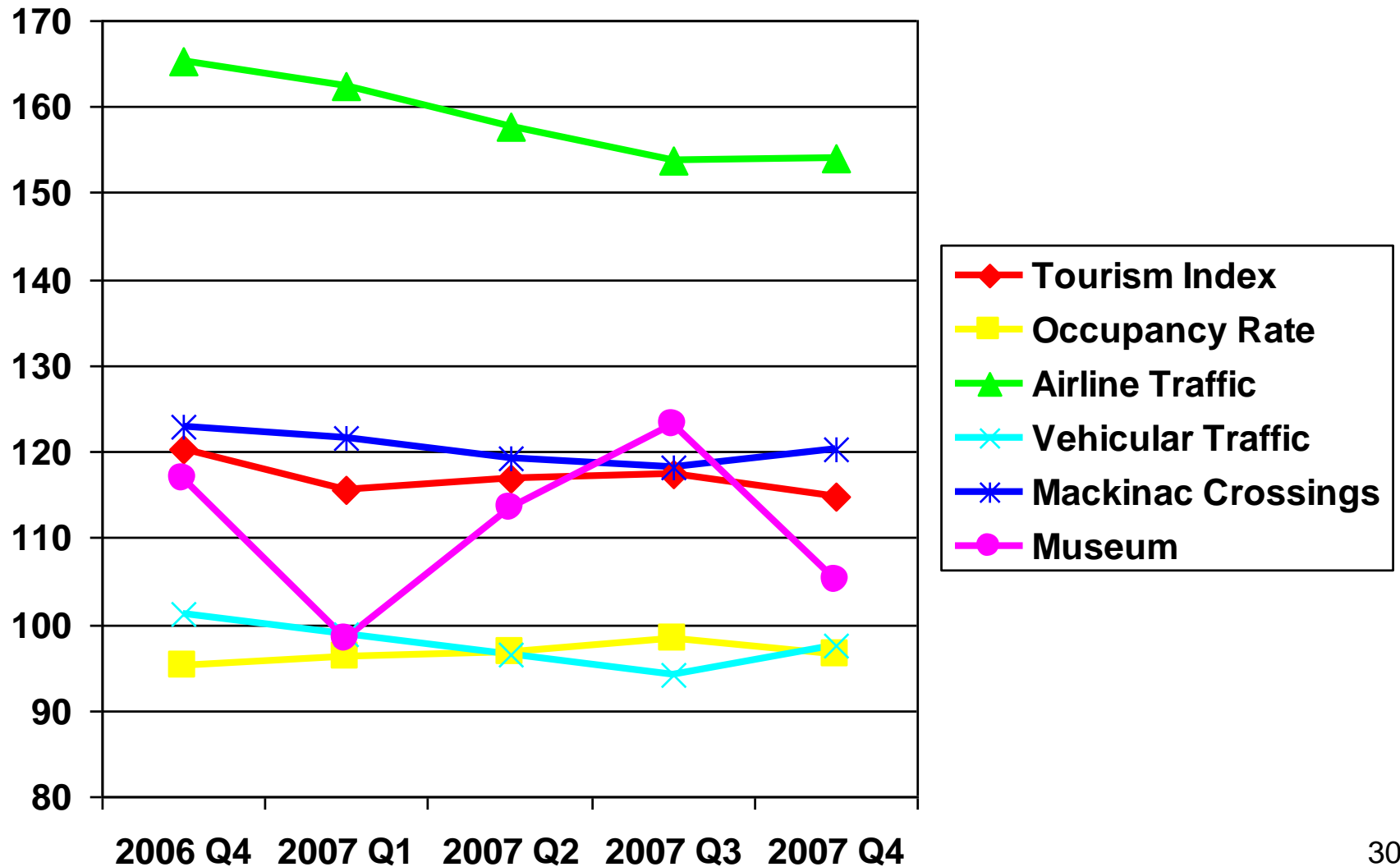
Source: 2008 Dept. of CARRS Survey of Assessment Districts.


## SUMMARY OF MICHIGAN TOURISM INDUSTRY INDICATORS, 2007 VS 2006

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- **Weather:** 2007 was warmer (+3.6%) and drier (-12.9%) than 2006
- **Travel activity:** slightly down (traffic counts -1.2% and Mackinac Bridge crossings -1.9%)
- **Gas prices:** +12.4%
- **Sales and use tax:** +2.8%
- **Visits to attractions:** ±6%
- **Hotel occupancy:** +0-3%
- **Assessments:** +3.8%

# COMERICA BANK MICHIGAN TOURISM INDEX, Q4 2006 – Q4 2007





2008

**MICHIGAN  
TOURISM FORECAST**

## DEVELOPING THE FORECAST (I)

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- Michigan travel activity is tracked by tourism researchers at MSU throughout the year
- Current data are added to extend the long-term trend
  - But we believe that the industry may have slipped to a long-term slower growth pattern
- We review weather patterns for the previous year
- Trend data and economic forecasts are reviewed for their expected impacts – positive and negative



## DEVELOPING THE FORECAST (II)

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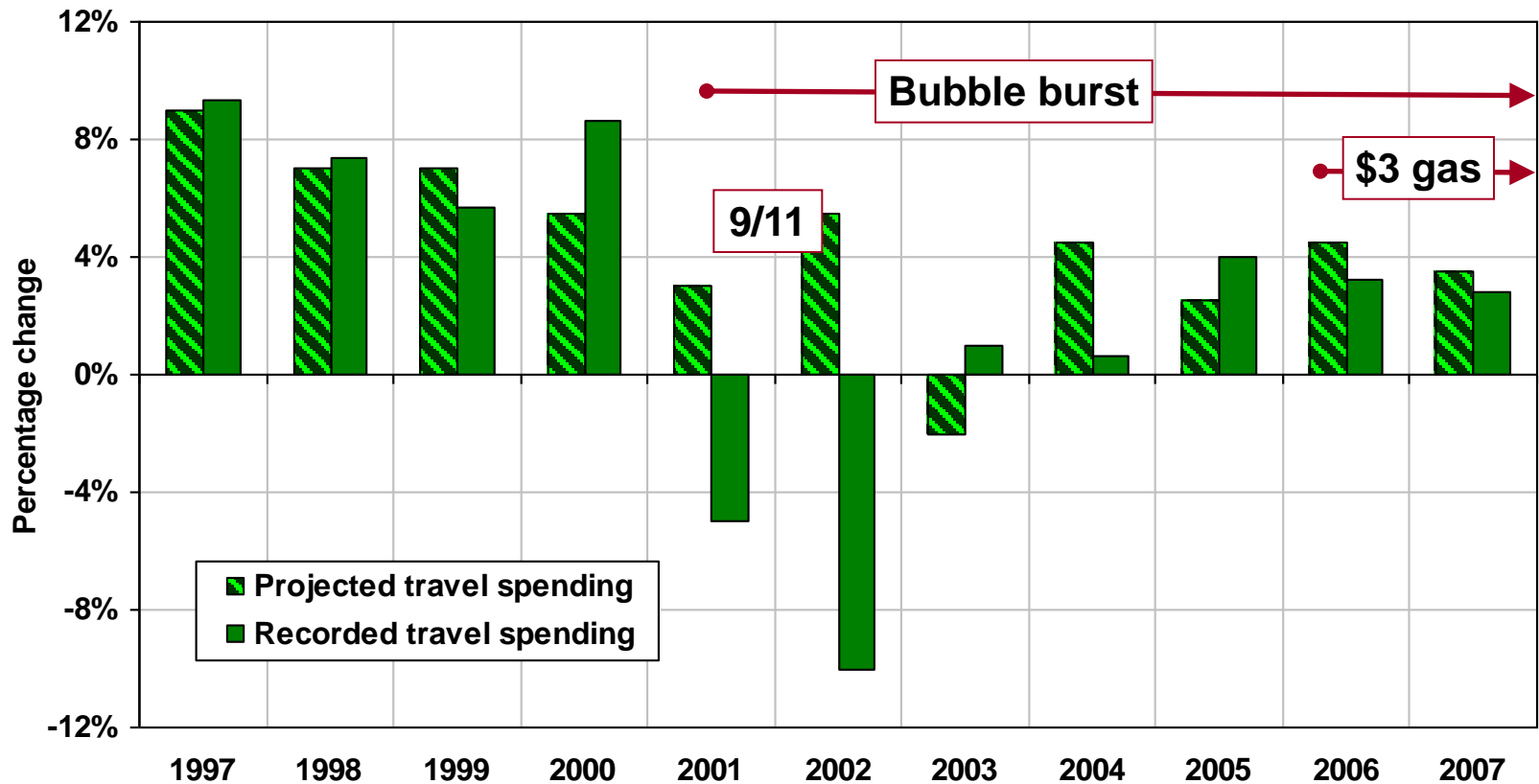
- A survey of CVBs is conducted to assess performance in previous year
- All of the above data are presented and discussed by an assembled “Brain Trust” (in 2008, we met on March 28)
- Each member provides his/her projection and they are averaged to arrive at our collective forecast
- Staff continue to track events and may adjust the original forecast, if any dramatic shifts occur
- Participants in 2008 “Brain Trust” meeting:  
Ken Hayward, Dave Lorenz, Dave Morris, George Moroz, Tracy Padot, Gary Warnell, Dr. Don Holecek, Dr. Sarah Nicholls, Dr. Robert Richardson, Dr. Christine Vogt

# HOW ACCURATE WERE MSU'S PROJECTIONS FOR MICHIGAN TOURISM IN 2007?

	2007		2006	
	Projected by MSU	Actual data	Projected by MSU	Actual data
Travel volume	1-2%	-1.8%	1-2%	-0.5%
Travel spending	3-4%	2.8%	4-5%	3.2%
Travel prices	4-5%	3.2%	5-6%	3.2%

Source: MSU Department of CARRS; Michigan Department of Transportation;  
Michigan Department of Treasury

# HOW ACCURATE WERE MSU'S PROJECTIONS FOR MICHIGAN TOURISM OVER THE YEARS?



Source: MSU Department of CARRS; Michigan Department of Treasury.

## WHY 2007 RESULTS WERE BELOW THE LONG-TERM TREND?

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- Michigan's unemployment rate remained high
- Gasoline prices rose significantly (peak of \$3.31 in May)
- Gasoline prices persistently high throughout Summer 2007 (11% over 2006)
- Housing crisis – mortgage defaults, steep price declines
- Consumer spending slipped
- Limited new products were offered to stimulate Michigan travel
- Automobile industry, suppliers continued to suffer (slow sales growth, labor strikes)

## TRENDS IN FACTORS THAT INFLUENCE TRAVEL (I)

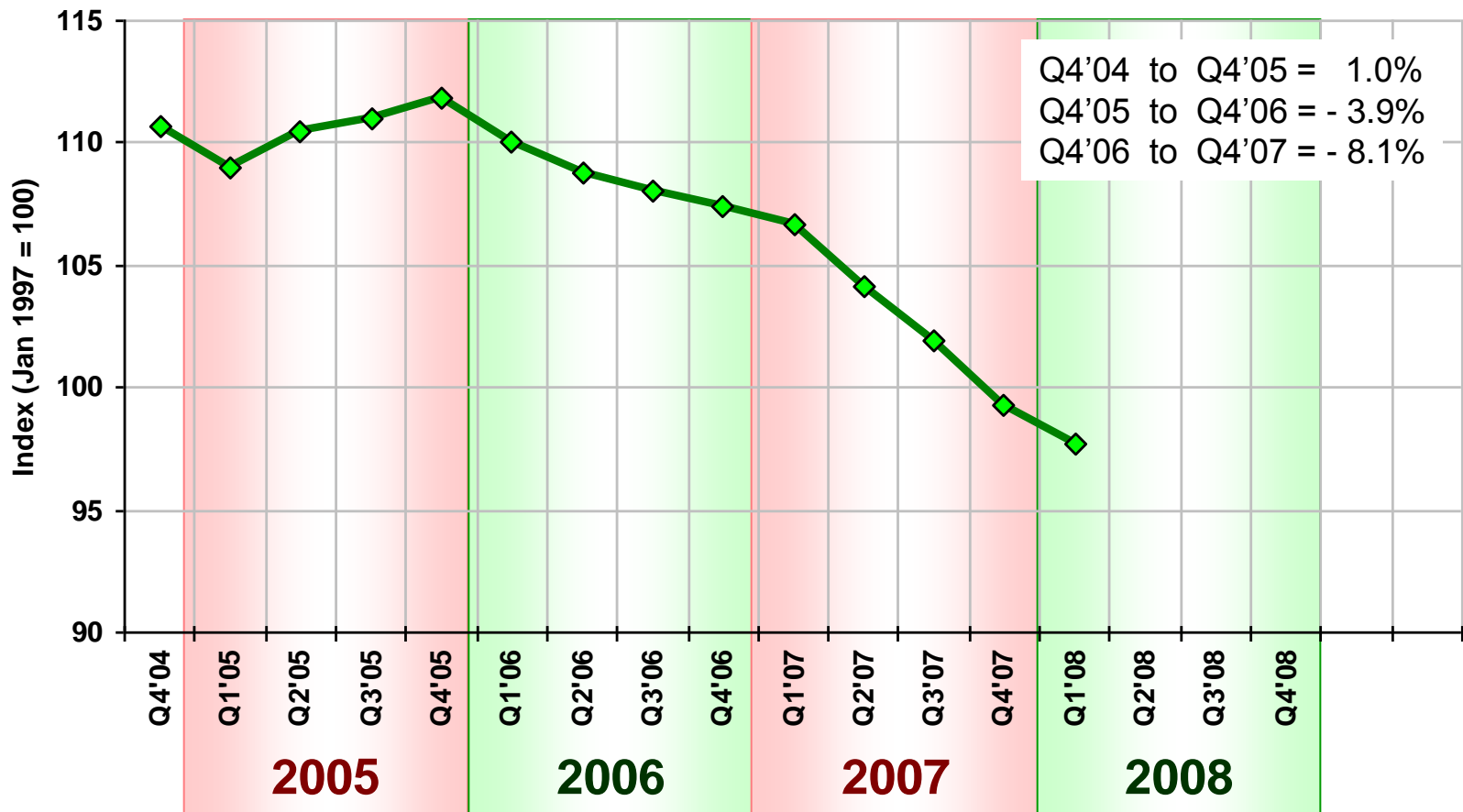
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### Currency Exchange Rates

Per US\$1	April 11 2008	April 11 2007	% change	US \$ is...	Value in 2000
Canada	1.02	1.15	- 11.4%	Weaker	1.46
Euro	0.63	0.75	- 15.2%	Weaker	n.a.
Pound	0.50	0.51	- 1.5%	Weaker	0.64
Peso	10.57	11.00	- 11.5%	Weaker	9.36
Yen	101.19	119.12	- 15.0%	Weaker	109.09
FRB Broad Index	85.19	106.27	- 19.8%	Weaker	117.51

Source: Currencies - [www.oanda.com](http://www.oanda.com); Federal Reserve Bank

# VALUE OF U.S. DOLLAR (FRB BROAD INDEX)



Source: RSQE - University of Michigan.

## TRENDS IN FACTORS THAT INFLUENCE TRAVEL (II)

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	2008	2007	% change
<b>Interest rates – March 25</b>			
30-year mortgage (average)	5.73%	5.68%	+ 0.8%
10-year treasury bond	2.61%	4.63%	- 43.6%
90-day treasury bill	1.29%	5.13%	- 74.9%
Prime rate	5.25%	8.25%	- 36.4%
<b>Gasoline prices - April</b>			
Unleaded regular - Michigan	\$3.38	\$2.31	+ 46.3%

Source: [www.bloomberg.com](http://www.bloomberg.com); AAA Michigan.

## TRENDS IN FACTORS THAT INFLUENCE TRAVEL (III)

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### Stock Market

	<b>Dow Jones Industrial Avg.</b>	<b>Nasdaq Composite</b>	<b>S&amp;P 500</b>
April 11, 2008	12,325	2,290	1,332
April 11, 2007	12,484	2,459	1,439
12-month change	- 159	- 169	- 107
% change (year-to-year)	- 1.3%	- 6.9%	- 7.4%
% change (year-to-date)	- 5.6%	- 12.2%	- 8.0%
Record highs	Apr 07: 13,089 Nov 07: 14,000	n.a.	Oct 07: 1,565

Source: The Wall Street Journal



## STOCK MARKET

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- “The stock market is trading right where it was nine years ago. In fact, adding in dividends and taking inflation into account, stock market investors have lost money since 1999.”

March 26, 2008, Wall Street Journal

- Major indexes fall as investors anticipate weak first-quarter corporate results
- First-quarter earnings for the companies in the S&P 500 are expected to fall by 13.2%

April 9, 2008, money.cnn.com

## TRENDS IN FACTORS THAT INFLUENCE TRAVEL (IV)

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	2008	2007	% change
<b>Consumer Confidence Index</b>			
End of March	64.5	112.5	- 43%
<b>Unemployment</b> (January; seasonally adjusted)			
U.S.	4.8%	4.6%	+ 4.3%
Michigan	7.1%	6.9%	+ 2.9%

Source: The Conference Board; Bureau of Labor Statistics; Michigan Department of Labor & Economic Growth.

## HOUSING PRICES: UNITED STATES VERSUS MICHIGAN (ANNUAL CHANGE)

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Metro Area	Median Price 4Q 2007 (in 000s)	Median Price 4Q 2006 (in 000s)	% Change (1-yr)
U.S.	\$206	\$219	- 5.9%
Northeast	\$262	\$275	- 4.8%
Midwest	\$156	\$162	- 3.7%
South	\$172	\$182	- 5.5%
West	\$324	\$355	- 8.7%
Grand Rapids, MI	\$124	\$130	- 4.6%
Detroit-Warren-Livonia, MI	\$133	\$155	- 13.8%
Lansing-East Lansing, MI	\$109	\$135	- 18.8%

Source: [http://money.cnn.com/2008/02/14/real\\_estate/home\\_prices\\_fall\\_for\\_year/index.htm](http://money.cnn.com/2008/02/14/real_estate/home_prices_fall_for_year/index.htm)

## HOUSING CRISIS

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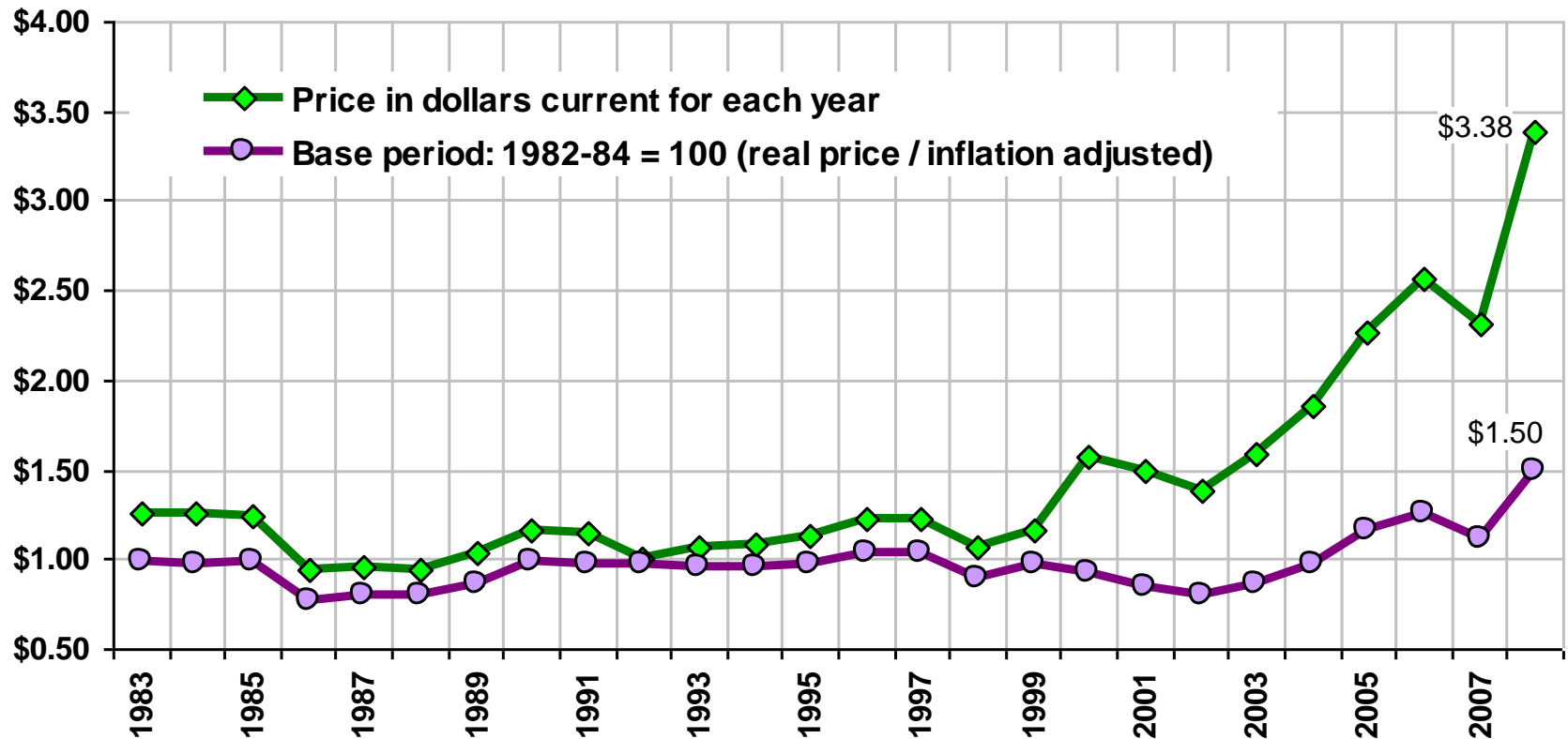
- “...2 million Americans could lose their homes to foreclosure over the next two years.”

April 8, 2008, [money.cnn.com](http://money.cnn.com)

- “Rate of mortgage delinquencies rises”
- “Foreclosures are also increasing”

April 10, 2008, [money.cnn.com](http://money.cnn.com)

# GASOLINE PRICES (Unleaded regular)



Source: AAA Michigan; Federal Reserve Bank of Minneapolis.

## GASOLINE PRICES



- “Oil prices surged to record levels ...topping \$112 a barrel ...”

April 9, 2008, money.cnn.com

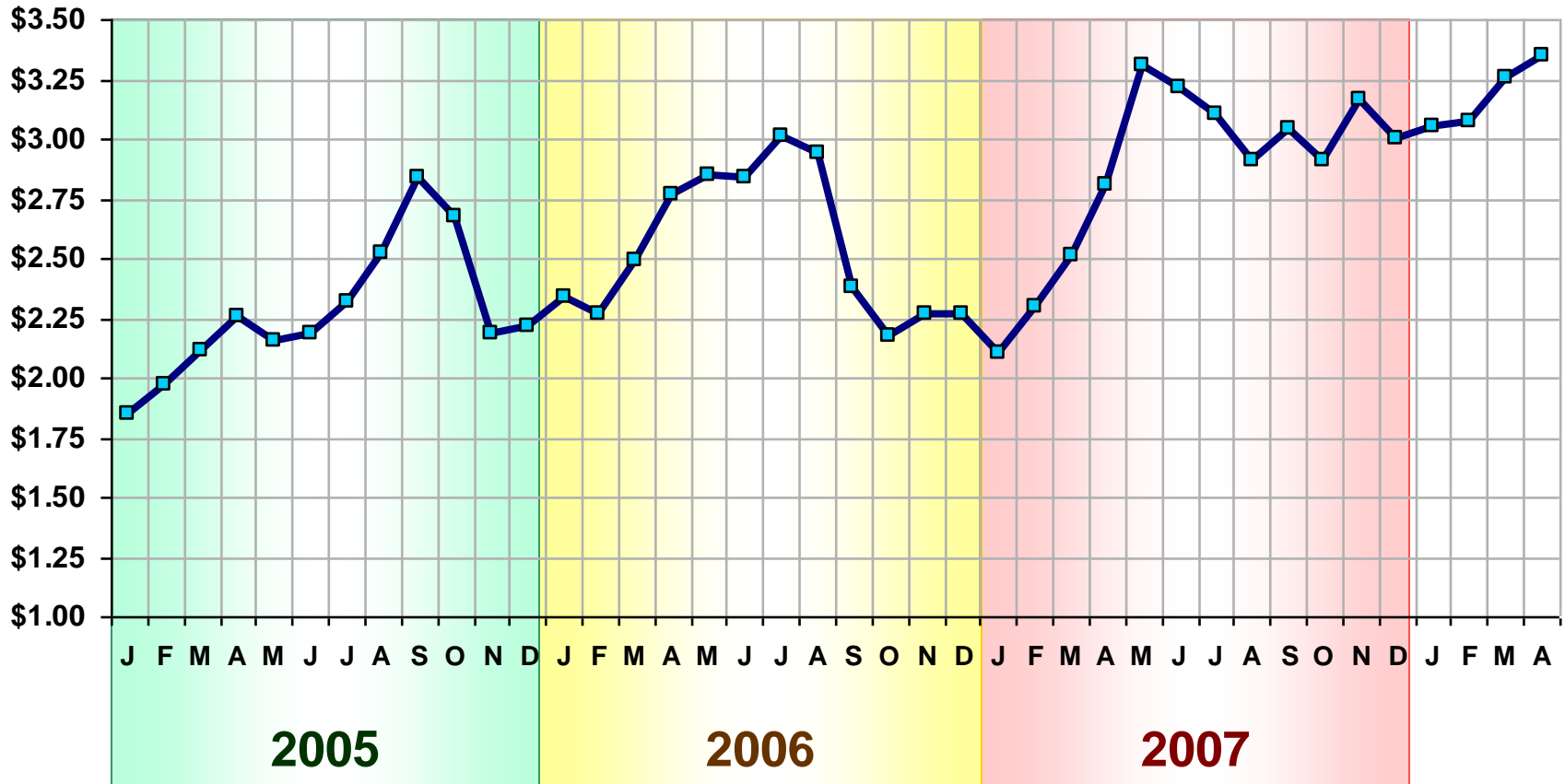
- “...average gasoline prices hit a new record high of \$3.343 at the pump, according to AAA...an all-time inflation-adjusted high...”

April 9, 2008, money.cnn.com

“Gasoline prices in the coming months are likely to top \$4 a gallon in some parts of the country, and perhaps nationally...”

March 14, 2008, USA Today

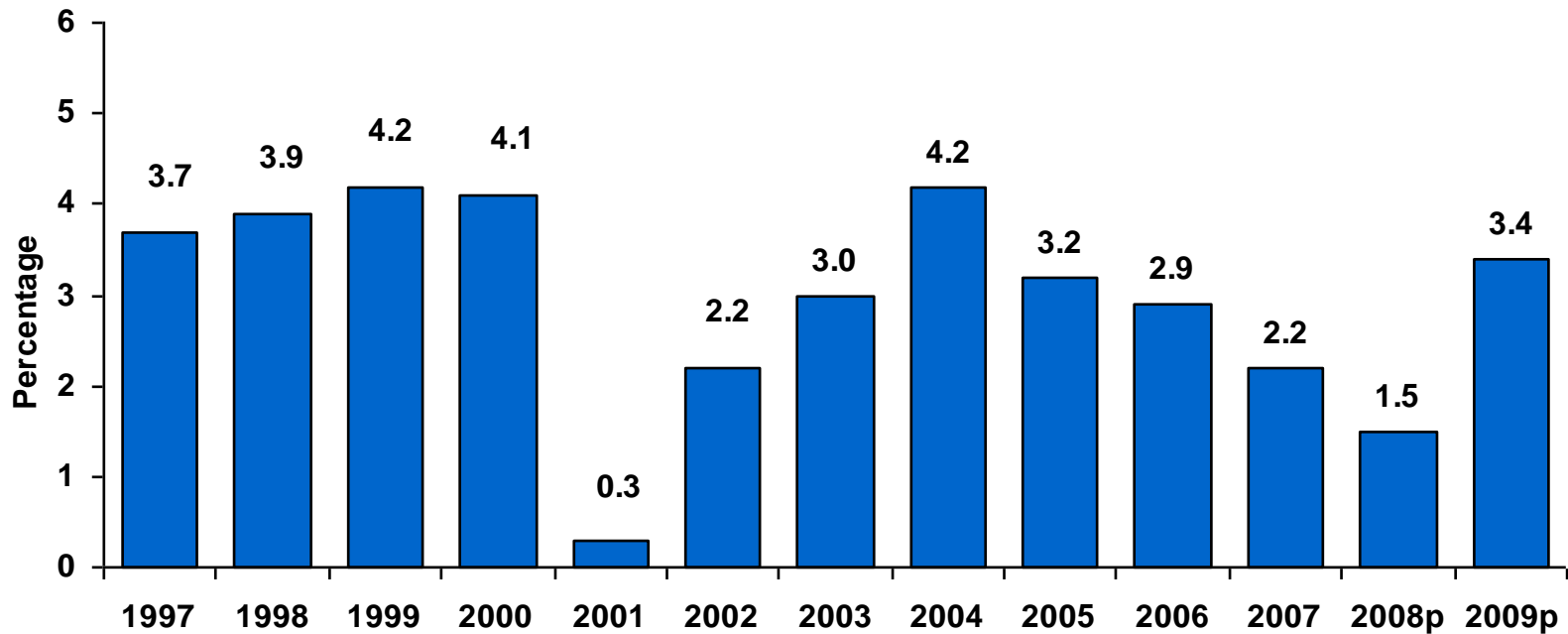
# MICHIGAN GASOLINE PRICES – STATEWIDE AVERAGE (Unleaded regular)



Source: AAA Michigan.

# GROWTH OF REAL GDP UNITED STATES

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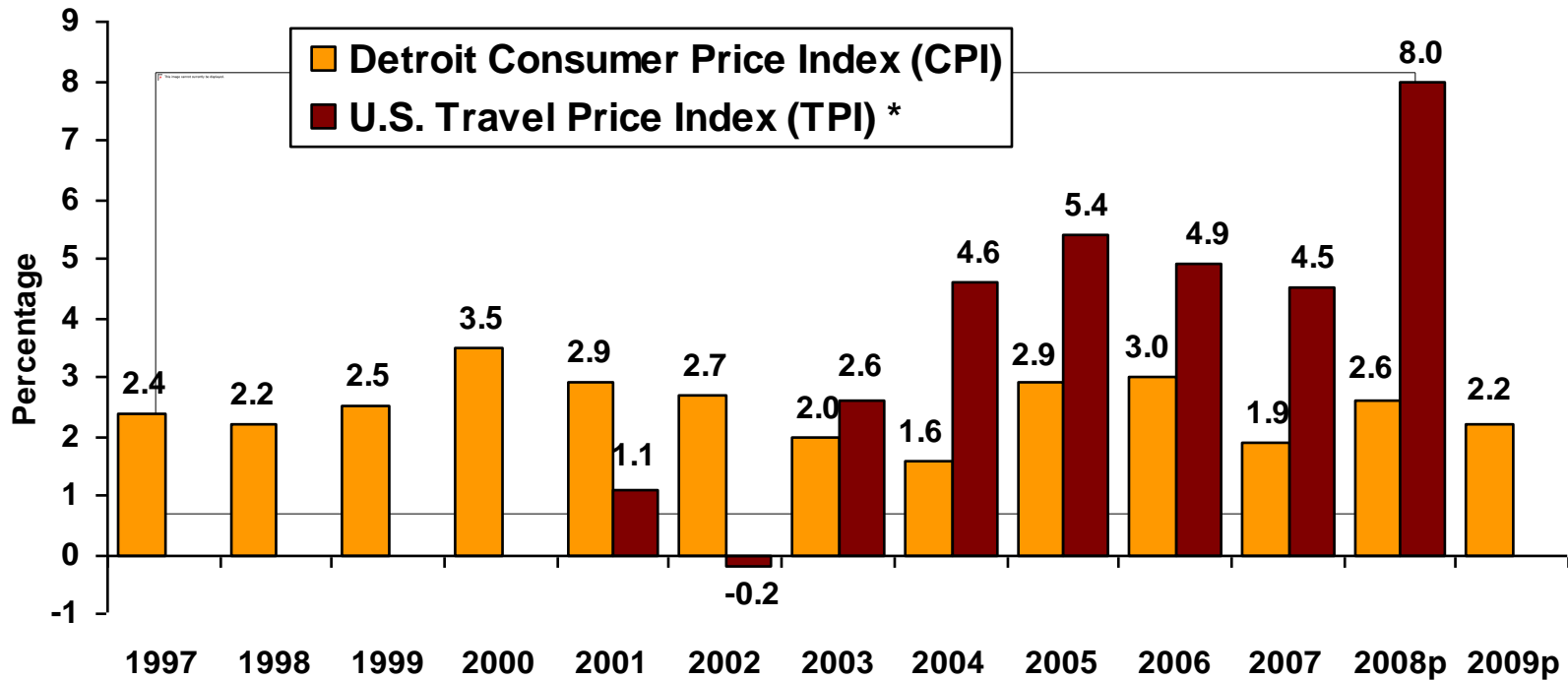
p = projected  
as of March 2008

Source: RSQE - University of Michigan.



# RATE OF INFLATION

## DETROIT CPI and U.S. TPI



\* TPI base for 1982-1984=100

p = projected  
as of fall 2006

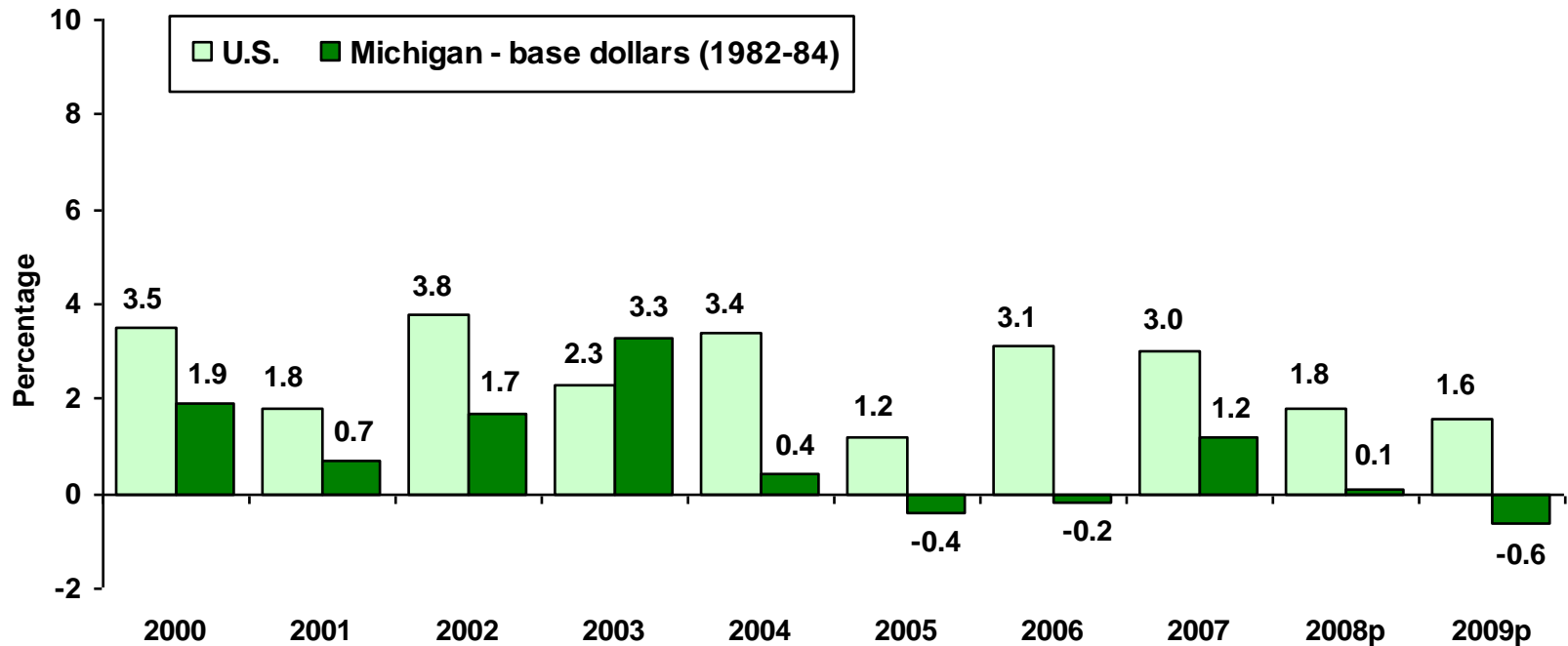
Source: Detroit CPI - RSQE - University of Michigan; TPI - Travel Industry Association of America.

## TRAVEL INDUSTRY

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- Travel prices increased 7.6% in February 2008 (from Feb. 2007)
  - Gasoline prices jumped 32.7 percent from one year ago
  - Lodging prices increased 3.4 percent
  - Airfares increased 7.6 percent
- Travel Industry Association
- Las Vegas air traffic down four months in a row
- April 1, 2008, Travel Weekly
- “Turbulence looms for summer travelers”
  - More than 3,100 flights cancelled in the past three weeks due to failed FAA safety inspections
- April 10, 2008, money.cnn.com
- Four airline companies declare bankruptcy in past several weeks
- April 11, 2008, cnn.com

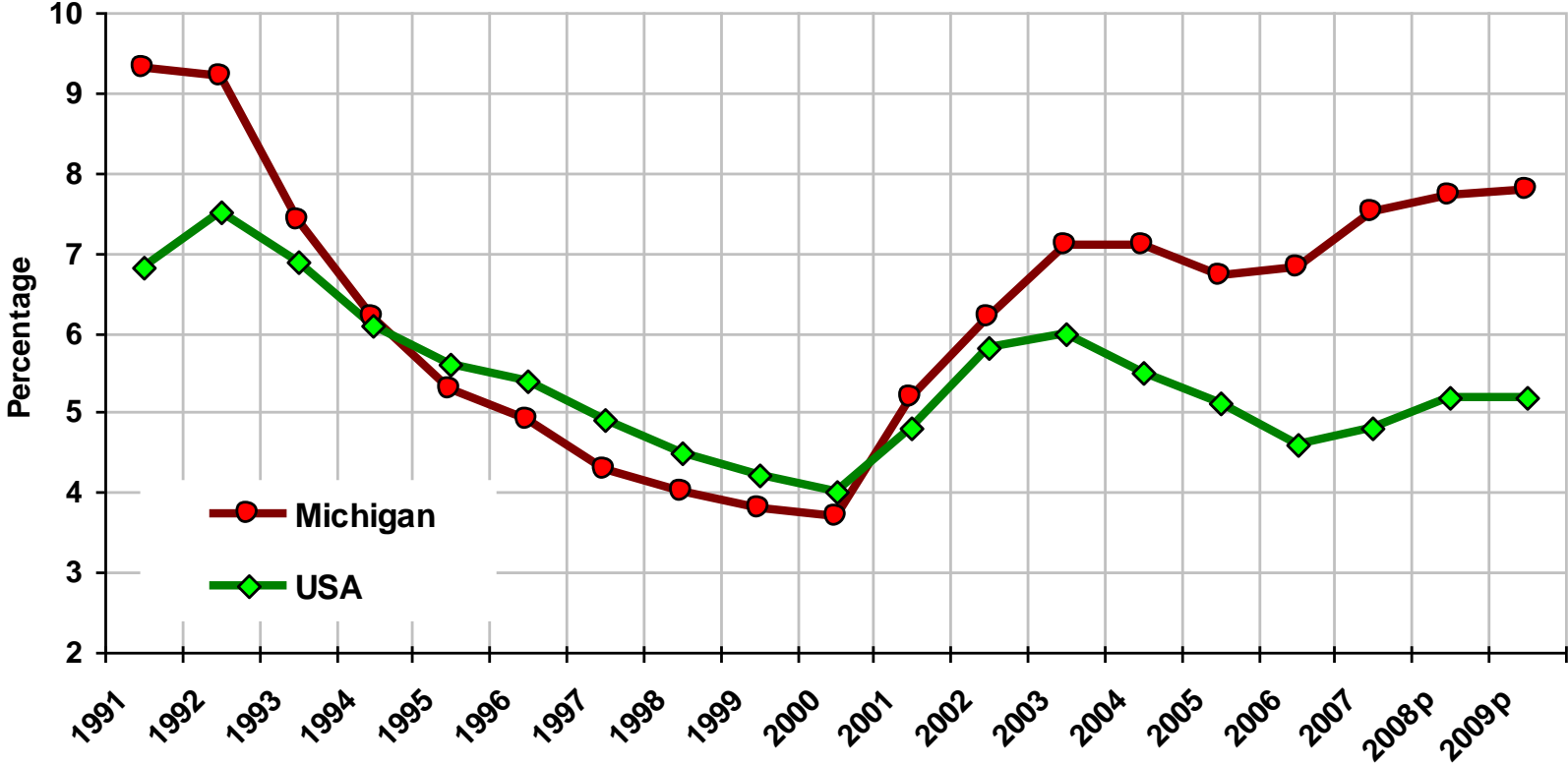
# GROWTH OF REAL DISPOSABLE INCOME UNITED STATES VERSUS MICHIGAN



p = projected  
MI – as of November 2006  
US – as of February 2007

Source: RSQE - University of Michigan.

# UNEMPLOYMENT RATES



Source: Michigan Department of Labor & Economic Growth, Office of Labor Market Information - LAUS Data; U.S. Bureau of Labor Statistics; RSQE - University of Michigan.

## MICHIGAN UNEMPLOYMENT

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<b>Michigan</b>	<b>2006</b>	<b>2007</b>	<b>2008</b> projected	<b>2009</b> projected
Change in Employment (000s)	-84.4	-69.3	-50.0	-23.3
Employment Growth Rate (%)	-1.9	-1.6	-1.2	-0.6

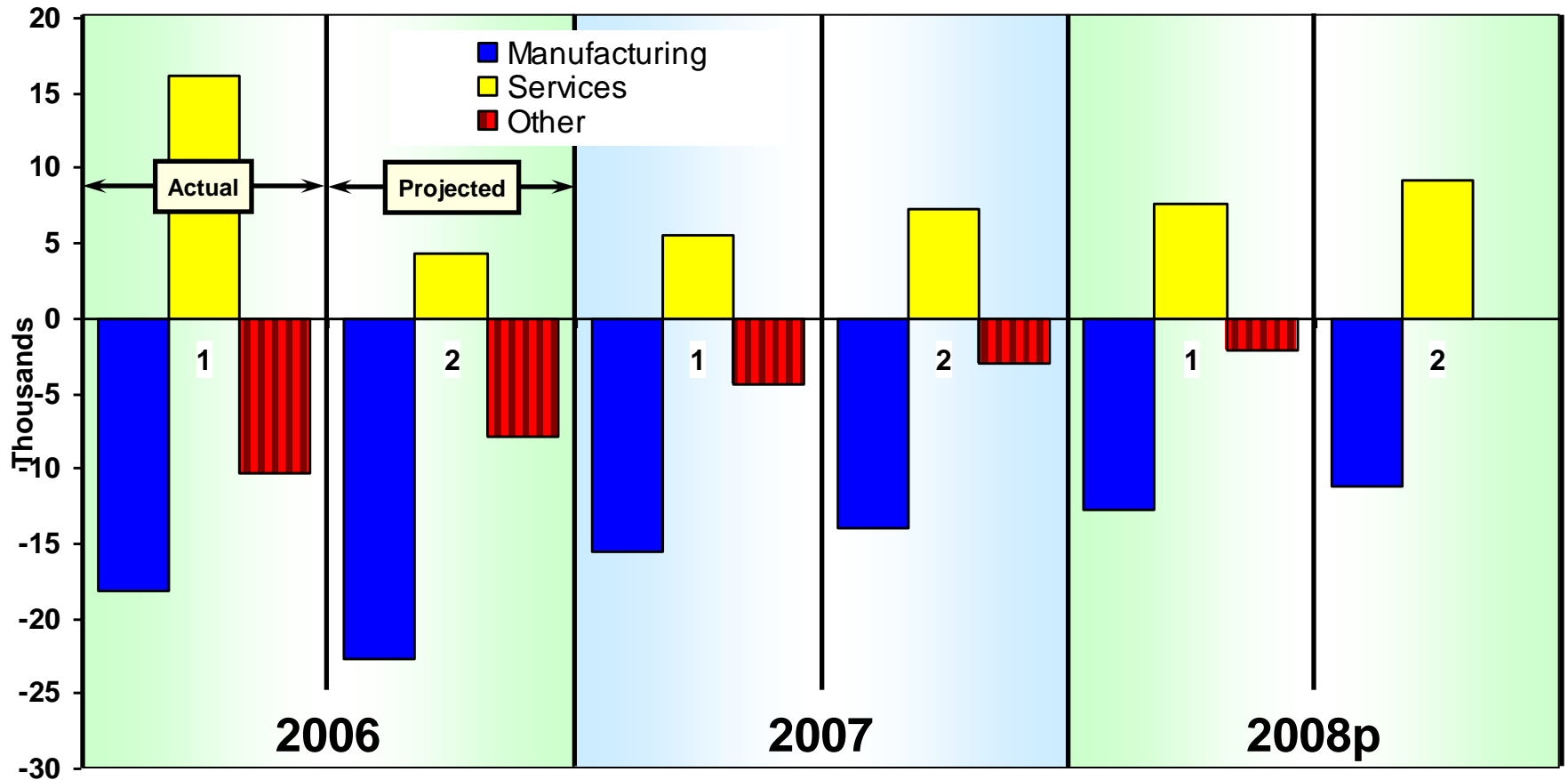
Source: RSQE - University of Michigan

# UNEMPLOYMENT

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- “...state (Michigan) will lose another 51,000 jobs in 2008,” according to a University of Michigan economic study  
November 17, 2007, Lansing State Journal
- “After seven consecutive years of (Michigan) job loss, we see that trend continuing for two more years”
  - April 4, 2008, RSQE, University of Michigan
- “Employers slash jobs for third straight month while unemployment jumps to 5.1%, a nearly three-year high”
- “...net loss of 80,000 jobs lost last month (March)”
  - April 8, 2008, money.cnn.com

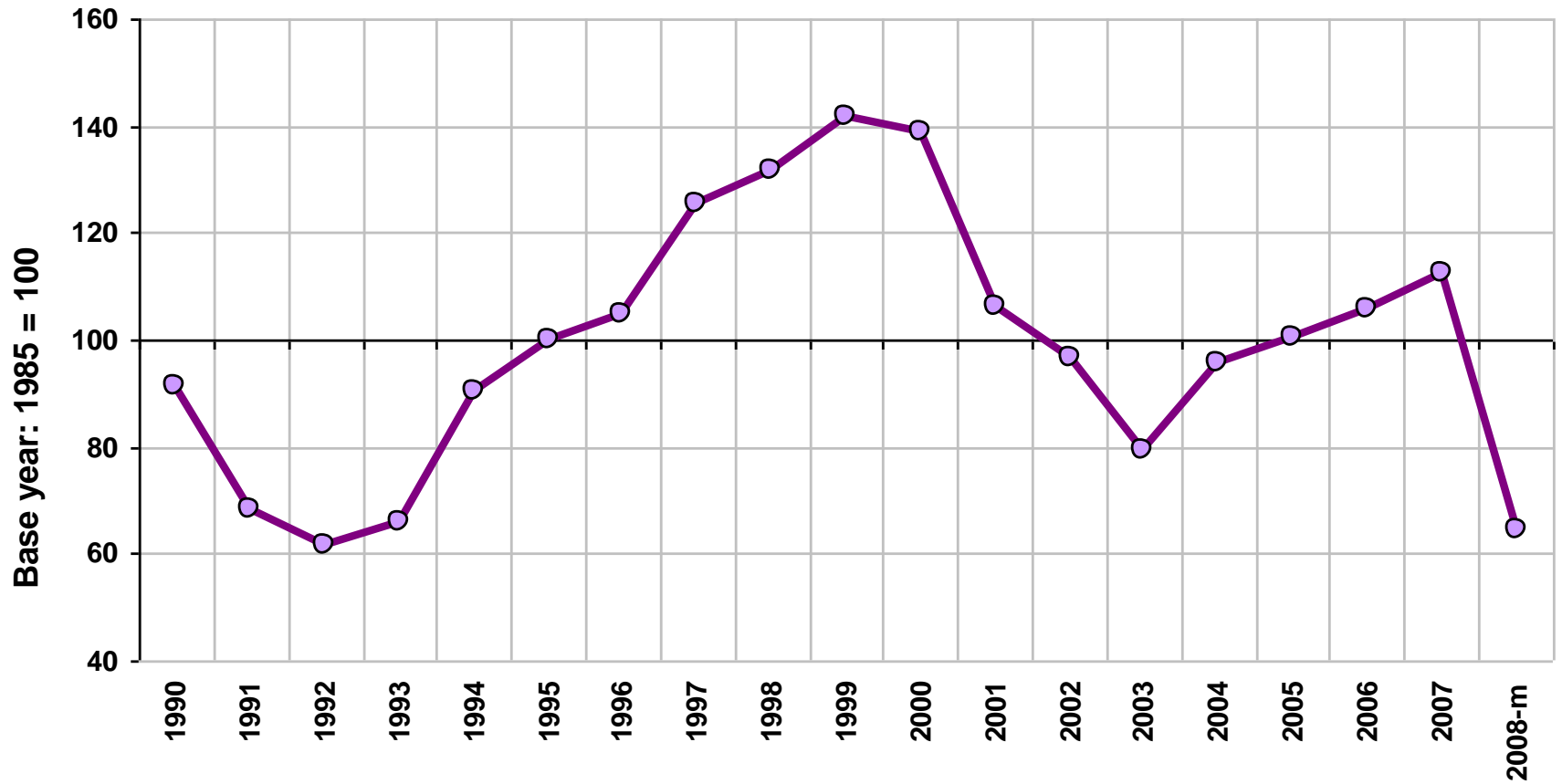
# COMPOSITION OF CHANGES IN MICHIGAN EMPLOYMENT



Source: RSQE - University of Michigan.

p = projected  
as of November 2006

# CONSUMER CONFIDENCE INDEX U.S. RESIDENTS



m- datum for March

Source: The Conference Board.



## CONSUMER CONFIDENCE

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- “Consumer confidence takes dive to five-year low”

USA Today, March 25, 2008

- "Consumers' confidence in the state of the economy continues to fade and the Index (64.5) remains at a five-year low (March 2003, 61.4)”
- “The Expectations Index (47.9), in fact, is now at a 35-year low (Dec. 1973, 45.2), levels not seen since the Oil Embargo and Watergate”

Lynn Franco, Director of The Conference Board Consumer Research Center  
March 25, 2008

# FORECAST FOR U.S. TRAVEL IN 2008

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Travel volume

0.4% Business travel  
2% Leisure travel

Travel spending

5% U.S. residents  
7% International visitors

Travel prices (index)

3.8%

Source: Travel Industry Association of America (Annual Travel Forecast).

## **LODGING SECTOR FORECASTS FOR THE U.S.**

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- PKF Hospitality Research lowered its 2008 forecasts, expects a more “modest pace” of growth
  - Revenue per available room (revpar) – 3% increase
  - Real personal income growth – 1.6%
  - Projects greatest declines for luxury hotels
    - But may benefit from increases in room rates travelweekly.com
- PWC forecast: 0.9% decline in occupancy
- Expansion: 260,000 rooms to be built this year (4.6% increase in supply)

## RESTAURANT SECTOR

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- "Whether or not the rest of the economy is in a recession, the restaurant industry certainly is."
  - Ron Paul, restaurant researcher Technomic
- Dinner traffic (at restaurants) fell 2% last year
  - NPD Group, research firm
- Same-store sales and customer traffic fell in January, the fifth month in a row.
  - National Restaurant Association

## **NEGATIVE INDICATORS FOR MICHIGAN TOURISM 2008 (I)**

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- Economic recession
- Housing crisis
- Unemployment
- Rising fuel costs
- Rising food costs
- Other inflation concerns

## **NEGATIVE INDICATORS FOR MICHIGAN 2008 (II)**

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- The Michigan Tourism Index decreased 2.4 percent between the third and fourth quarters of 2007. The fourth quarter index, at 114.7, is down 4.6 percent from a year earlier and was the lowest reading in 4½ years.
- “Against the background of ongoing recession in Michigan and elevated energy prices, it is no surprise that our tourism index continues to move lower.”
- “With the national economy now headed into recession, I expect further declines for our index in upcoming quarters. However, tourism should hold up better than it did during the 2001 recession.”

Dana Johnson, chief economist  
Comerica Bank, Detroit  
March 31, 2008

## NEGATIVE INDICATORS FOR MICHIGAN TOURISM 2008 (III)

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- “Michigan tourism drops...for the seventh year in a row”  
Comerica Bank’s Michigan Tourism Index
  - Unemployment is high in Michigan and in its prime travel markets
    - Projected to remain high
  - Negative media coverage of Michigan
    - Automobile industry decline
    - Economic gloom
    - Detroit Mayoral scandal
    - Presidential primary election
- Massive negative advertising campaign that harms the state’s image as an attractive tourism destination

## **BRIGHT SPOTS FOR MICHIGAN TOURISM 2008 (I)**

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- Early 2008 Winter season was good for skiing
- Lake levels likely to rise from heavy snowfall
- Economic conditions and gasoline prices may provide incentives for Michigan residents to take vacations close to home
- Value of Canadian dollar has strengthened
- Other foreign currencies are strong against the dollar (USA is relatively less expensive)
- Retirees (and early retirement packages) → more leisure time
- PGA tour, Rothbury Music Festival events



## **BRIGHT SPOTS FOR MICHIGAN TOURISM 2008 (II)**

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- Full impact of post-Labor Day school calendars
- “Pure Michigan” advertising campaign effects (second year)
- “Pure Michigan” extended to southern Ontario
- New regional markets for advertising campaign (e.g., St. Louis)
- State tourism promotion funding (\$40 - \$60 million)
- Resilience of the industry, coping strategies

## **OUT-OF-STATE PROMOTION**

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**Share of out-of-state advertising budget (from CVB survey)**

	<b>2008</b>	<b>2007</b>	<b>% change</b>
UP	46.7%	35.0%	+ 33.5%
NLP	36.3%	29.8%	+ 21.7%
SLP	46.3%	46.6%	- 0.7%
Statewide	43.4%	38.6%	+ 12.5%

## THE WILD CARDS

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- The economy
  - Housing
  - Employment
  - Energy prices
  - Inflation
  - Consumer spending
- Disruption in fuel supply and/or even higher gasoline prices
- Weather variability

# MSU GROWTH PROJECTIONS FOR MICHIGAN TOURISM IN 2008

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**Travel volume**

Traffic counts

- 2%

**Travel spending**

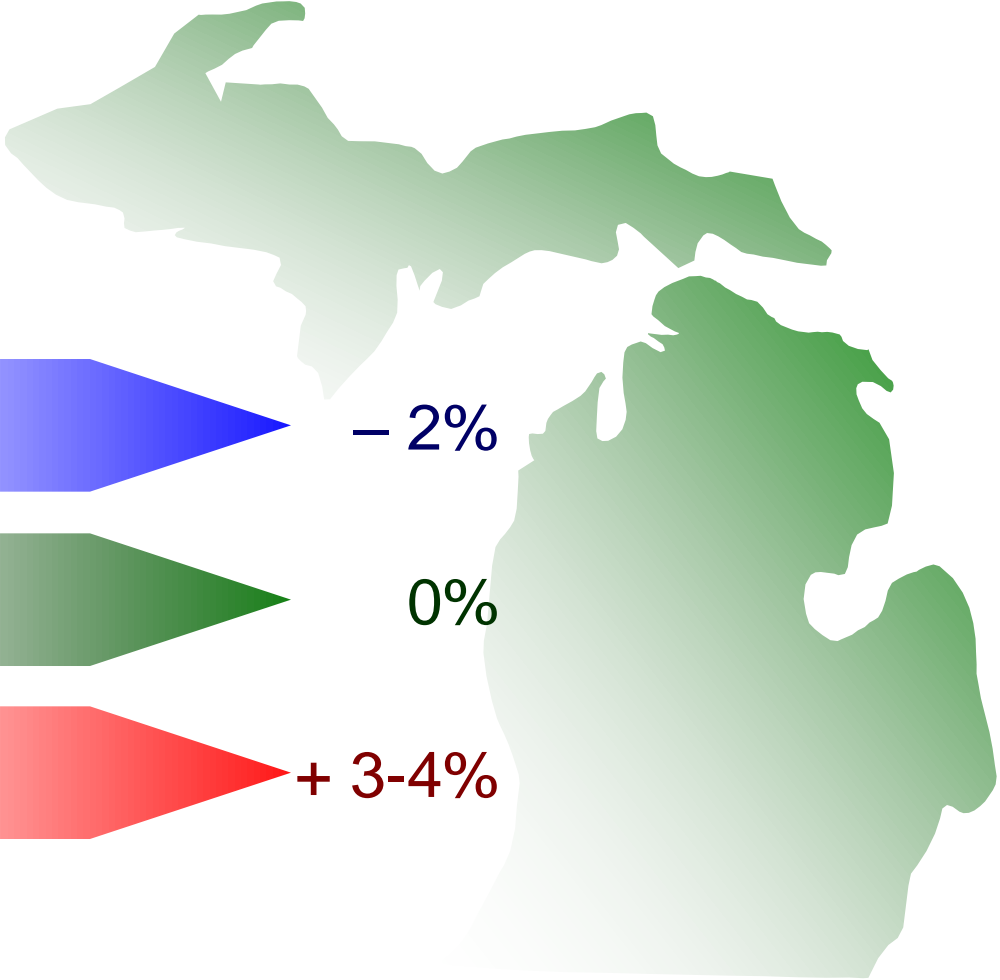
Lodging sales and use tax collections

0%

**Travel prices**

Lodging and restaurant price changes / 2

+ 3-4%



# MSU REVENUE GROWTH PROJECTIONS FOR MICHIGAN TOURISM IN 2008 BY SELECTED SEGMENT



Outdoor recreation/camping - - 2-3%

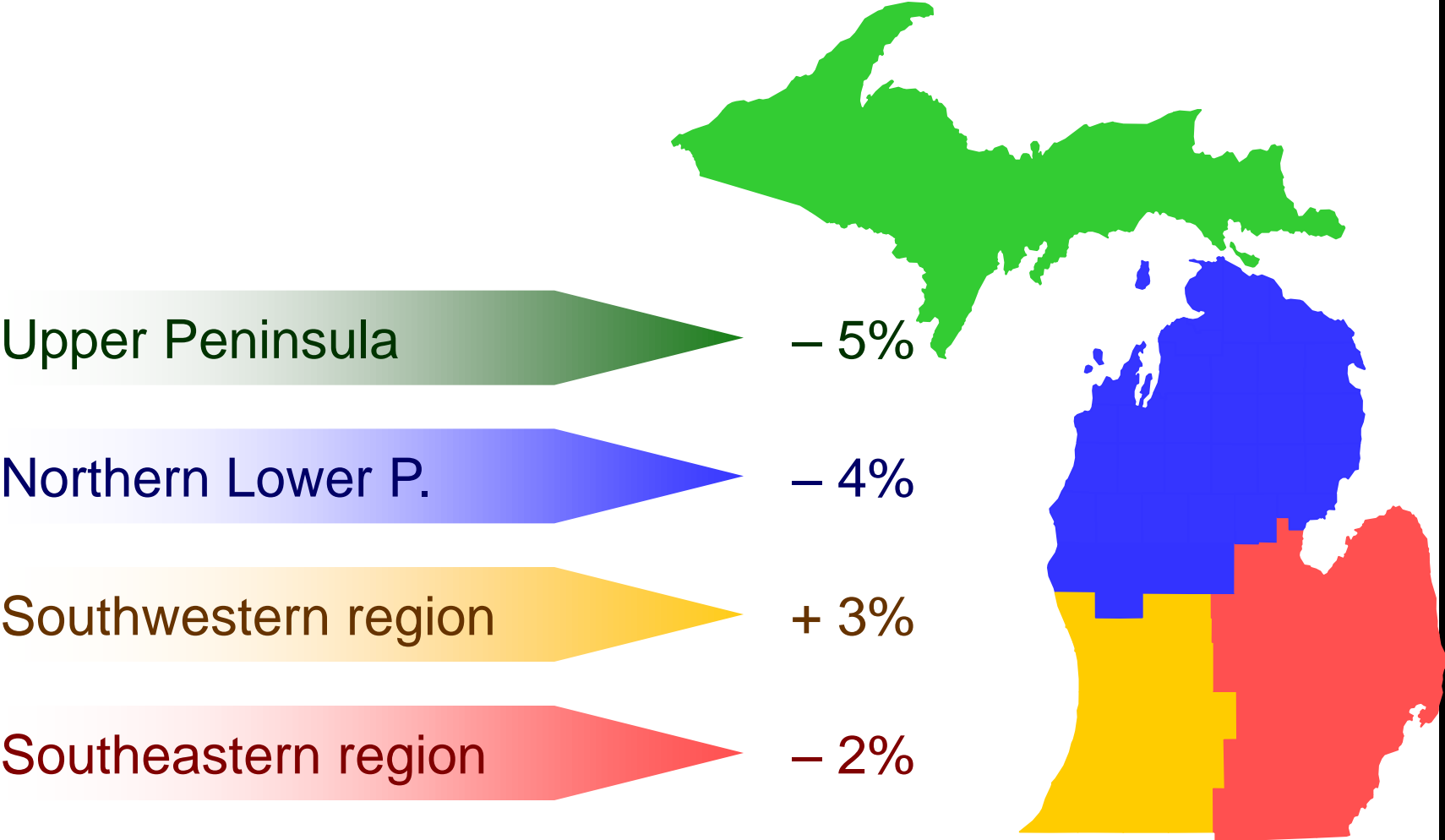
Golfing (upscale resorts) - - 1-2%

Gaming - + 2%

Shopping - - 3-5%

Lodging - 0%

# MSU REVENUE GROWTH PROJECTIONS FOR MICHIGAN TOURISM IN 2008 BY REGION



## **CONTACT INFORMATION**

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