

**Michigan
Tourism Outlook
Conference**

**March 5, 2003
Kellogg Center
East Lansing, Michigan**



**2003
FORECAST**


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HOW ACCURATE WERE TTRRC'S PROJECTIONS FOR MICHIGAN'S TOURISM IN 2003?

	Projected by TTRRC	Actual data
Travel volume	3-4%	3.1%
Travel spending	5-6%	-10%
Travel prices	3-4%	0%



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.
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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

<u>per \$1.00 U.S.:</u>	Feb. 14 2003	Feb. 15 2002	% change	U.S. \$ is ...
Canada 	1.52	1.59	-4.4	weaker
Japan 	120.66	132.57	-9.0	weaker
Euro 	1.08	1.14	-5.3	weaker
Mexico 	10.82	9.06	+19.4	stronger
J.P. Morgan Index	110.0	124.60	-11.7	weaker

TRENDS IN FACTORS THAT INFLUENCE TRAVEL (II)

Interest rates

Data source: CNNMoney (money.cnn.com/markets/bondcenter/latest_rates.html) of February 18, 2003
The Wall Street Journal of February 15, 2002.
The Washington Post Company (www.washingtonpost.com/wp-dyn/articles/A9006-2003Feb14.html) of Feb. 14, 2000

	2003	2002	% change
30-year mortgage (average)	5.86	6.86	-14.6
30-year treasury bond	4.86	5.48	-11.3
90-day treasury bond	1.06	1.71	-38.0

Gasoline prices

Data Source: AAA Michigan after mid February.

Unleaded regular - Michigan	1.75	1.15	+52.2
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TRENDS IN FACTORS THAT INFLUENCE TRAVEL (III)

	2003	2002	% change
Consumer Confidence Index			

Data source: The Conference Board

End of February	64.0	94.1	-32.0
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Unemployment

(U.S. - %, seasonally adjusted)

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

January	5.7	5.6	+1.8
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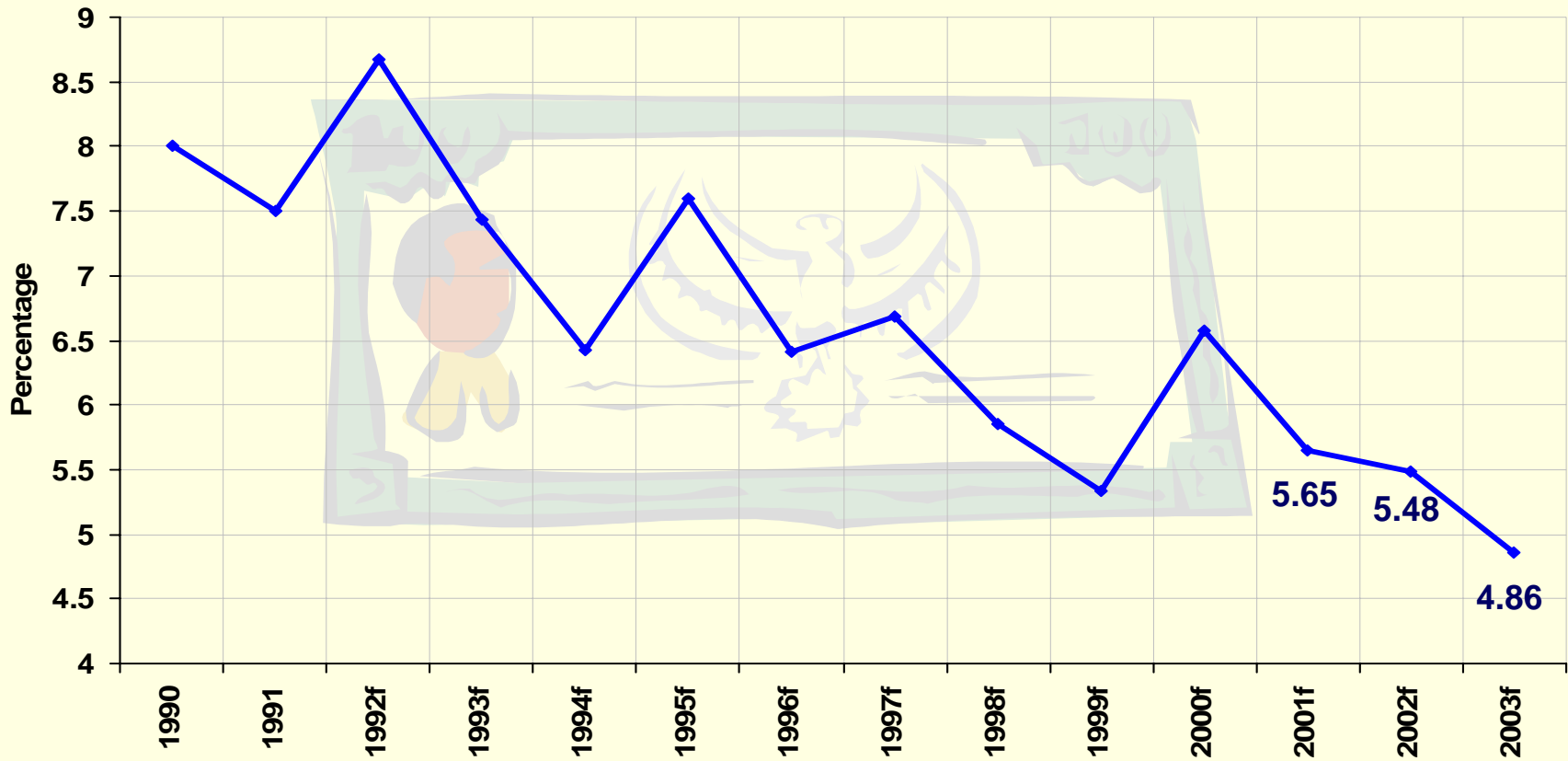
TRENDS IN FACTORS THAT INFLUENCE TRAVEL (IV)

Stock market

Data source: The Wall Street Journal

	Dow Jones Industrial Avg.	Nasdaq composite	S&P 500
February 14, 2003	7,908.80	1,310.17	834.89
February 15, 2002	9,903.04	1,805.20	1,104.18
12-month change	-1,994.24	-495.03	-269.29
% change (year-to-year)	-20.14	-27.42	-24.39
% change (year-to-date)	-5.19	-1.9	-5.11

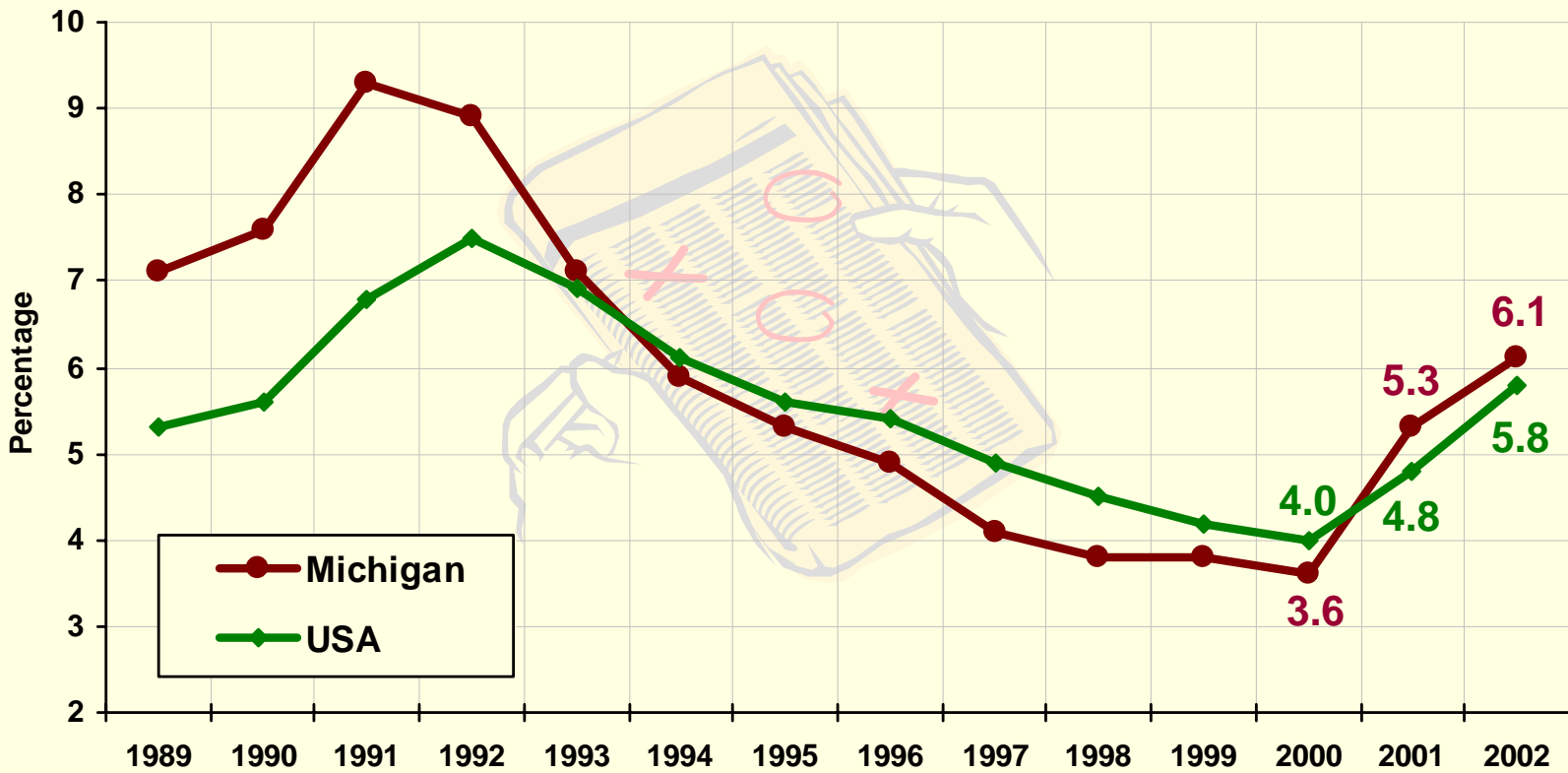
30-YEAR TREASURY BOND INTEREST RATES



Data source: The Wall Street Journal

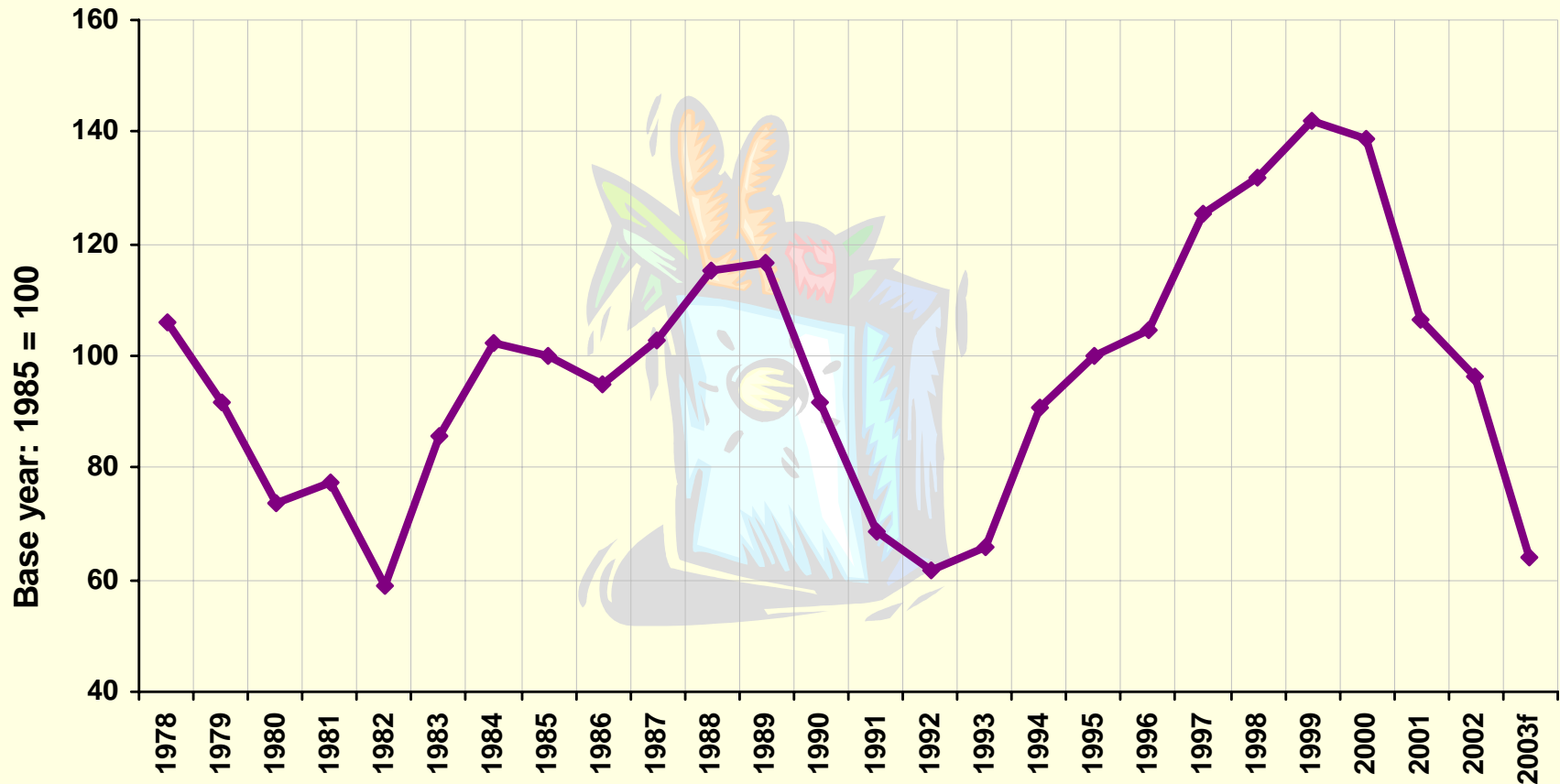
f - Data of mid-February

UNEMPLOYMENT RATES



Data source: Michigan Department of Career Development, Employment Service Agency
Office of Labor Market Information - LAUS Data

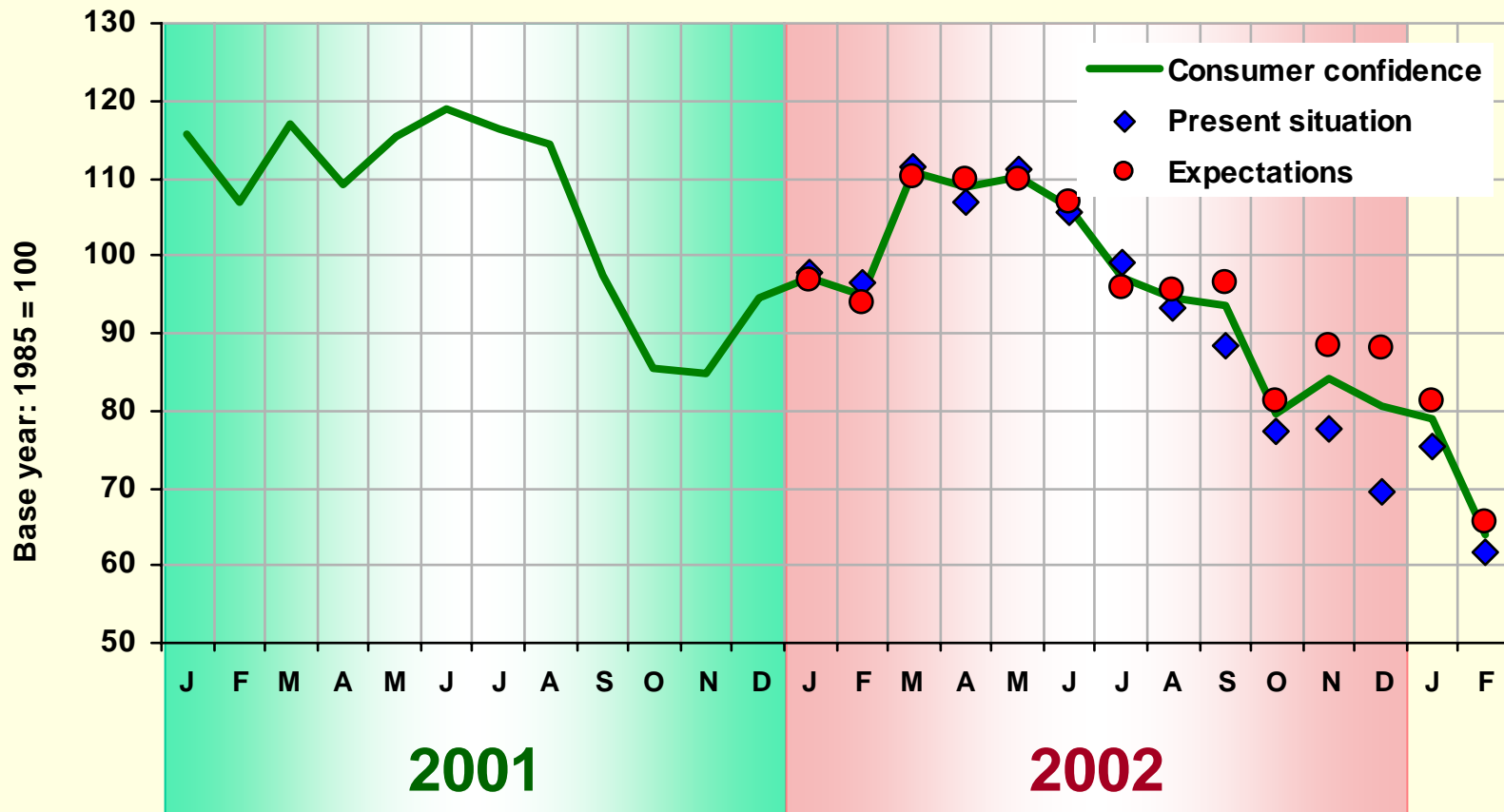
CONSUMER CONFIDENCE INDEX



Data source: The Conference Board

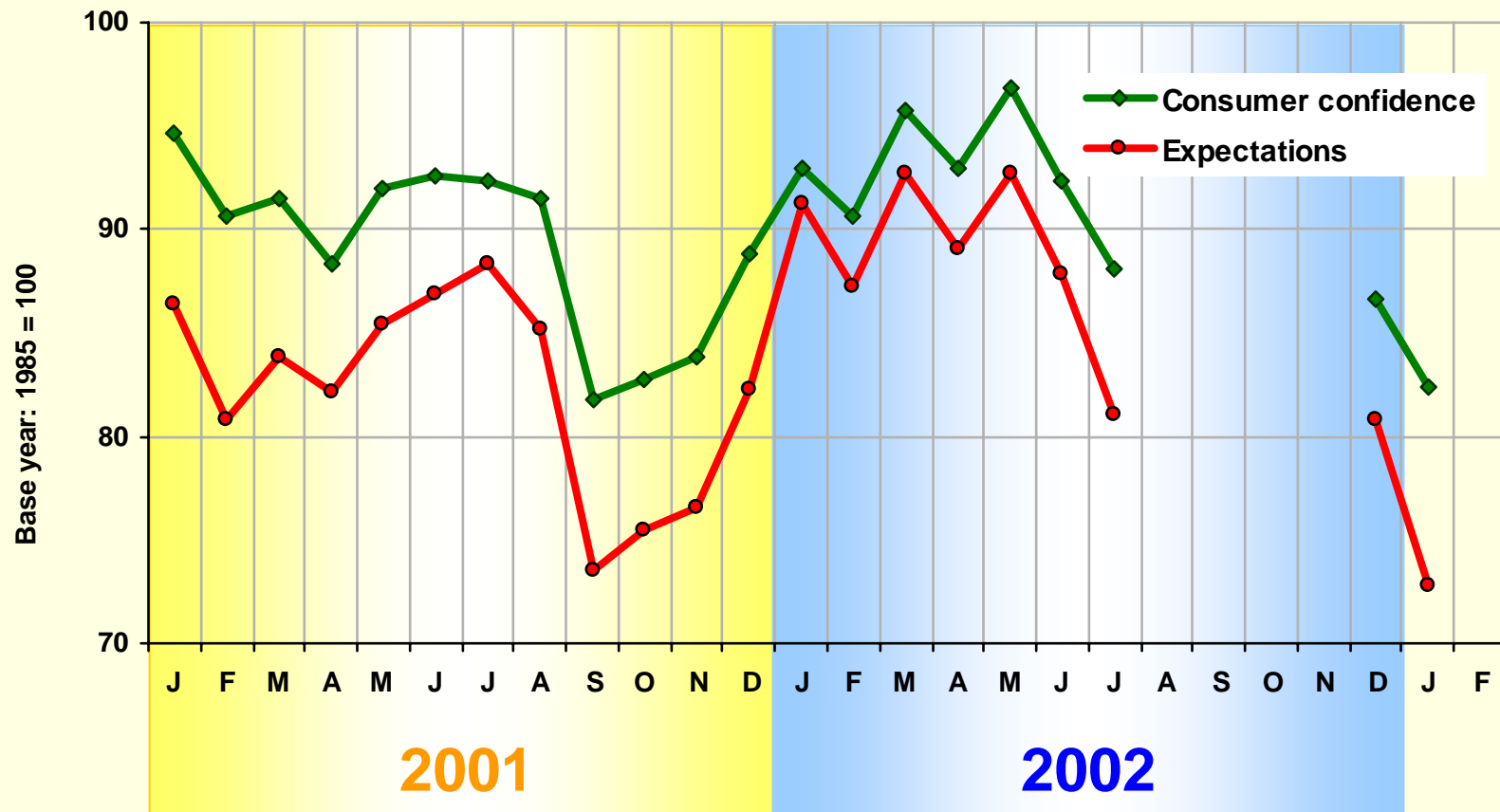
f- datum for February

CONSUMER INDEXES (January 2001 – February 2003)



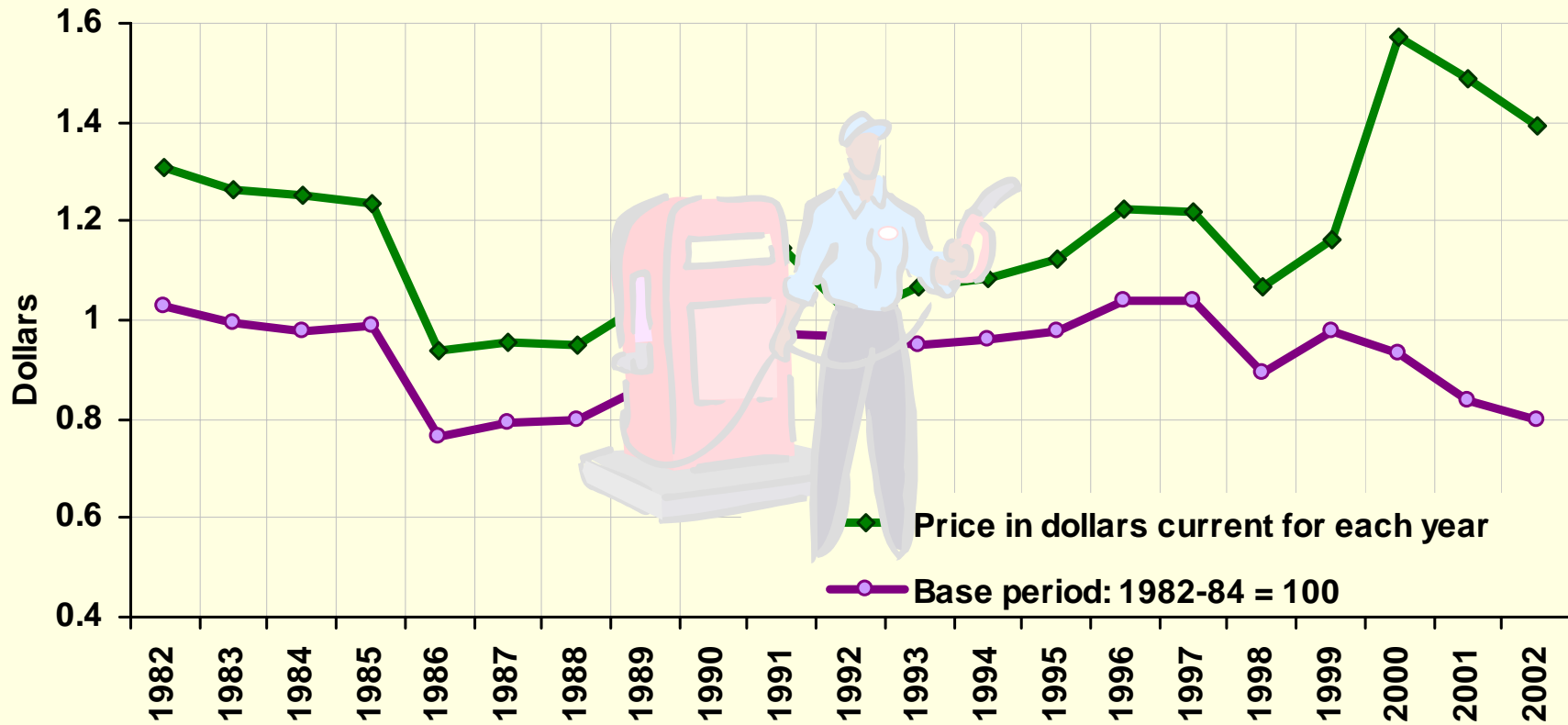
Data source: The Conference Board

CONSUMER INDEXES (January 2001 – February 2003)



Data source: "Surveys of Consumers" University of Michigan

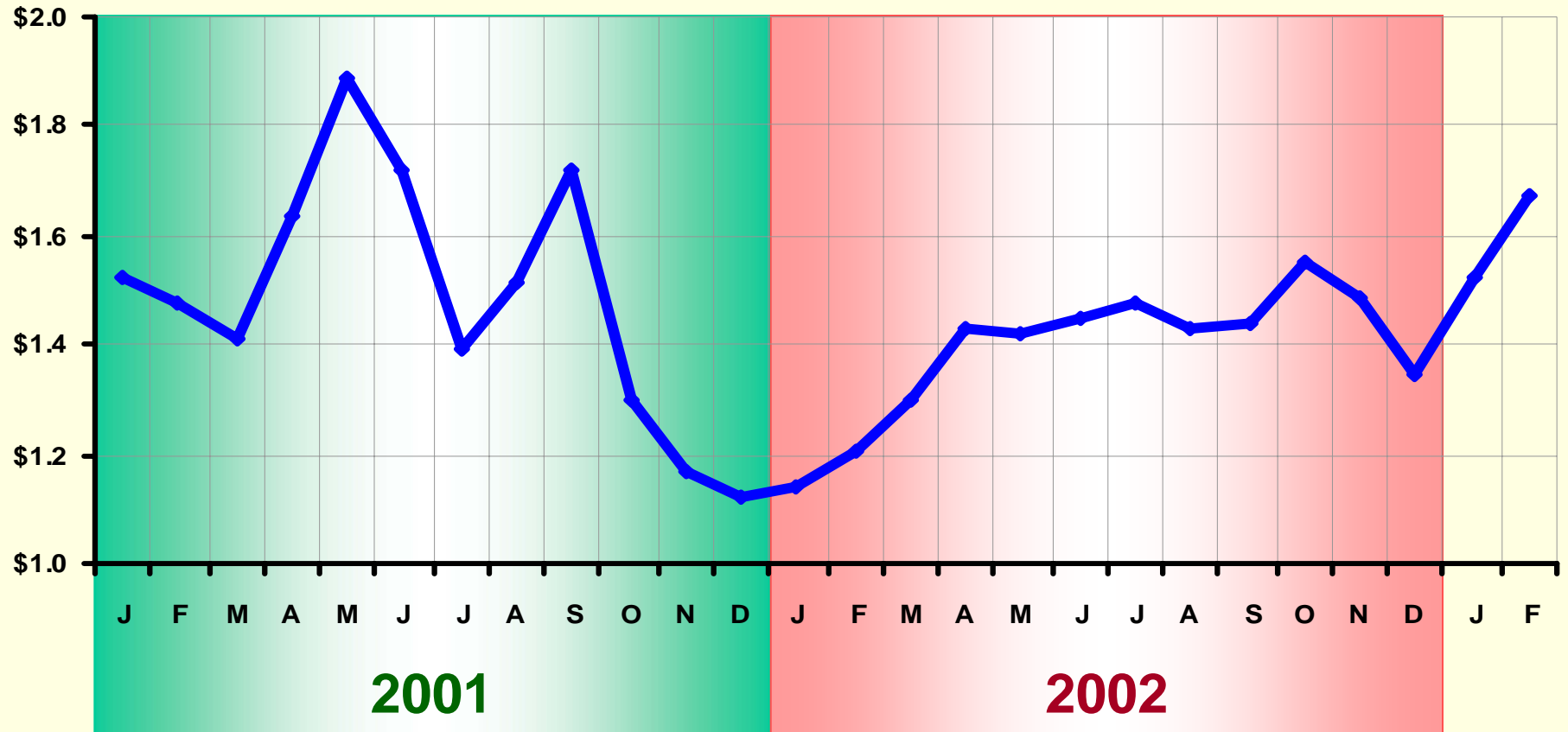
GASOLINE PRICES: 1979 – 2002 (Unleaded regular)



Data source: Bureau of Labor Statistics Data and AAA Michigan.

MICHIGAN GASOLINE PRICES

January 2001 - February 2003
(Unleaded regular)



Data source: AAA Michigan



TOM'S SHELL

*Self
Serve*

*Cash or
Credit*

Regular

ARM 9

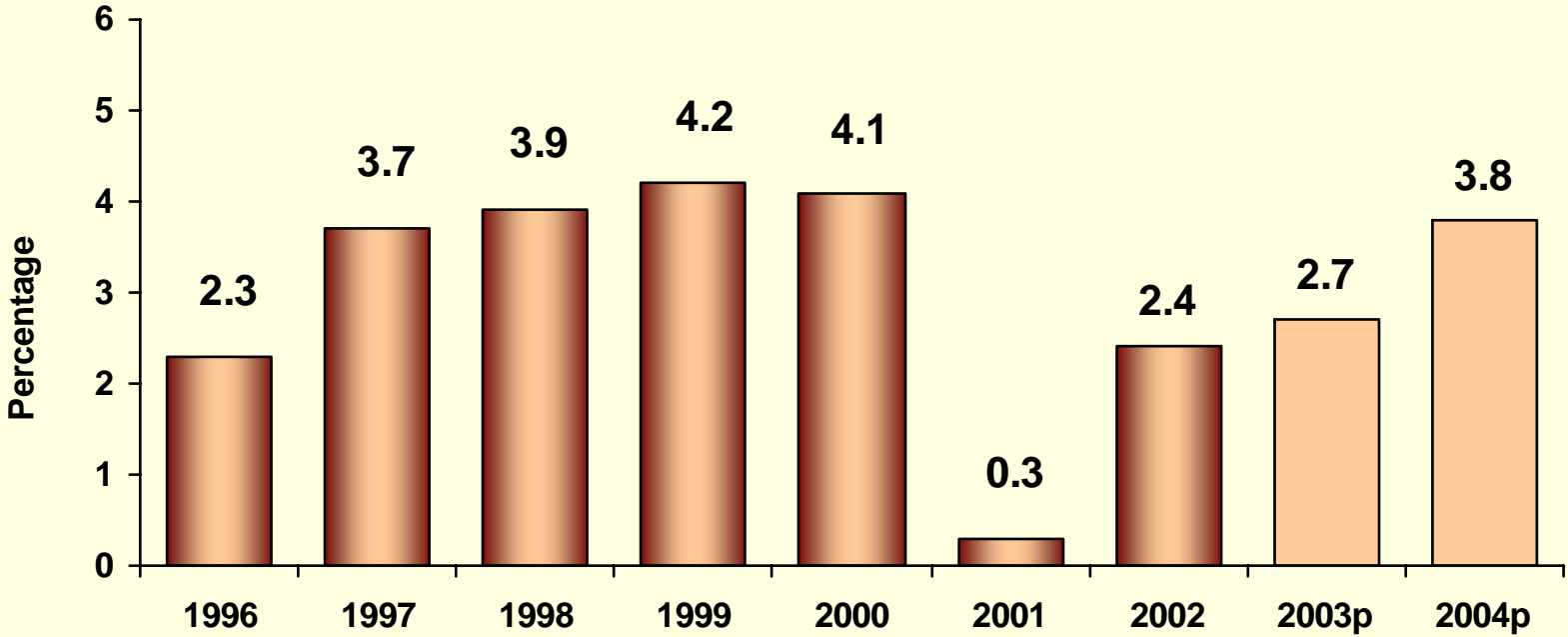
Plus

LEG 9

Premium

**First 9
Born**

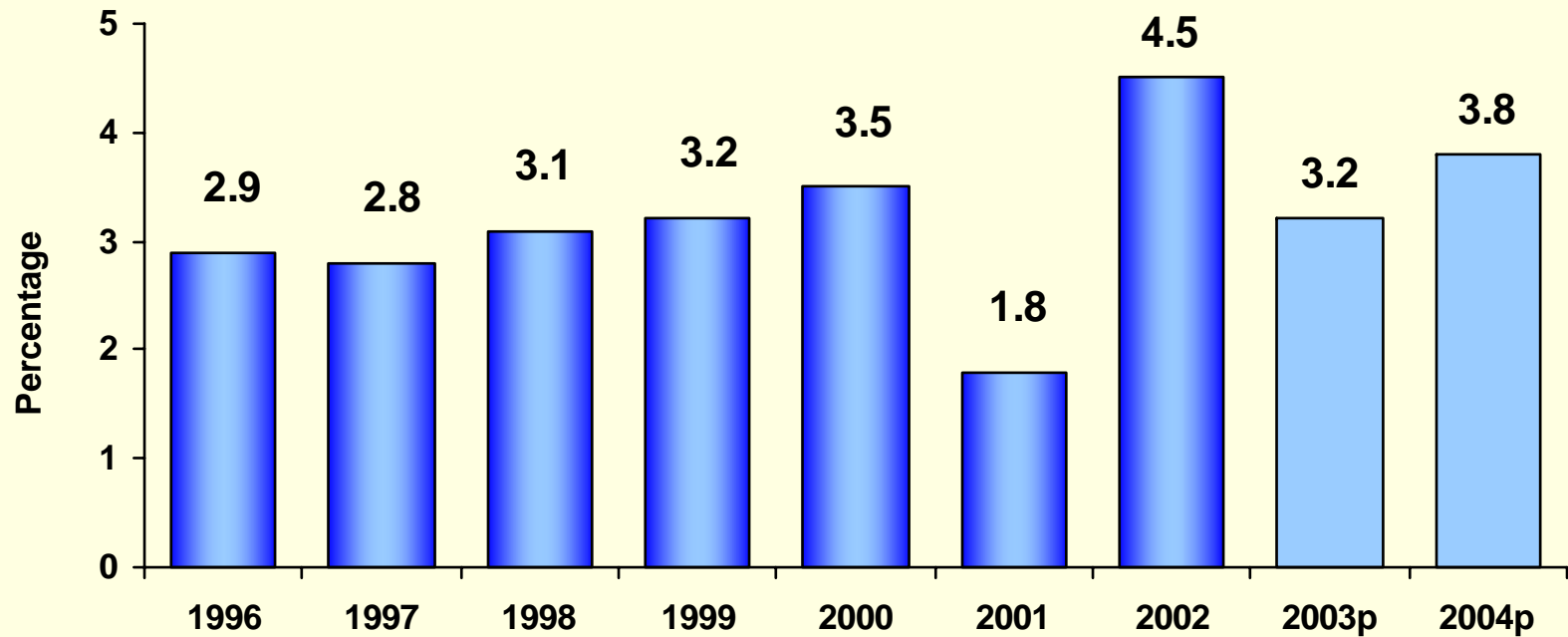
GROWTH OF REAL GDP UNITED STATES



Source: RSQE - University of Michigan

p = projected
as of February 14, 2003

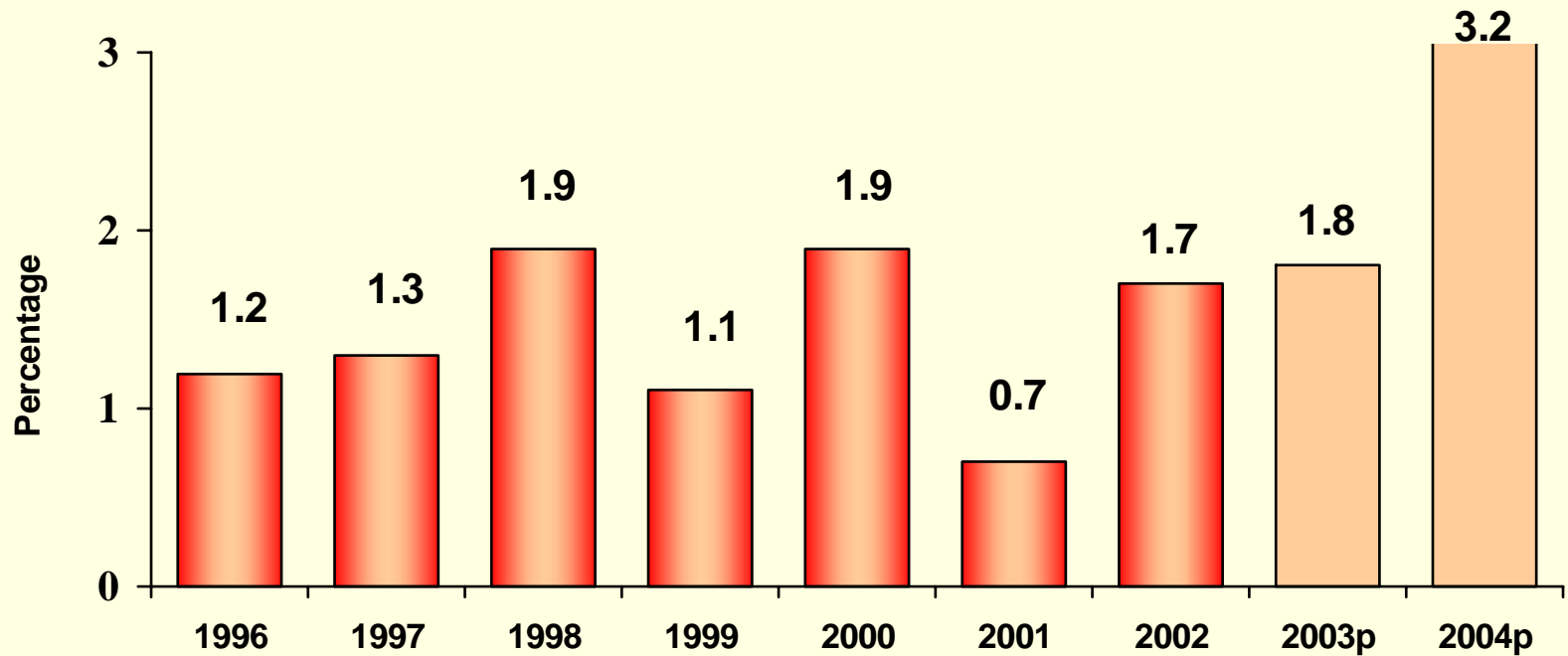
GROWTH OF REAL DISPOSABLE INCOME UNITED STATES



Source: RSQE - University of Michigan

p = projected
as of February 14, 2003

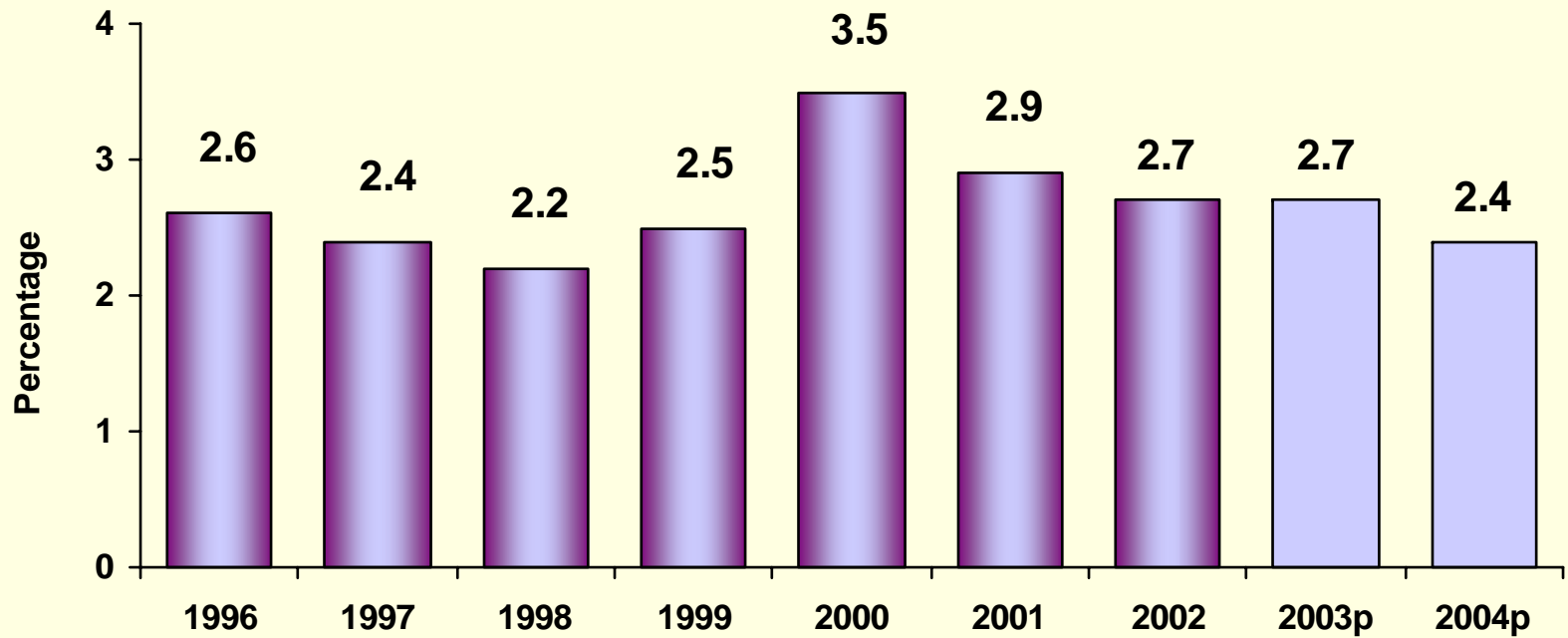
GROWTH OF REAL DISPOSABLE INCOME MICHIGAN



Source: RSQE - University of Michigan

p = projected
as of November 2002

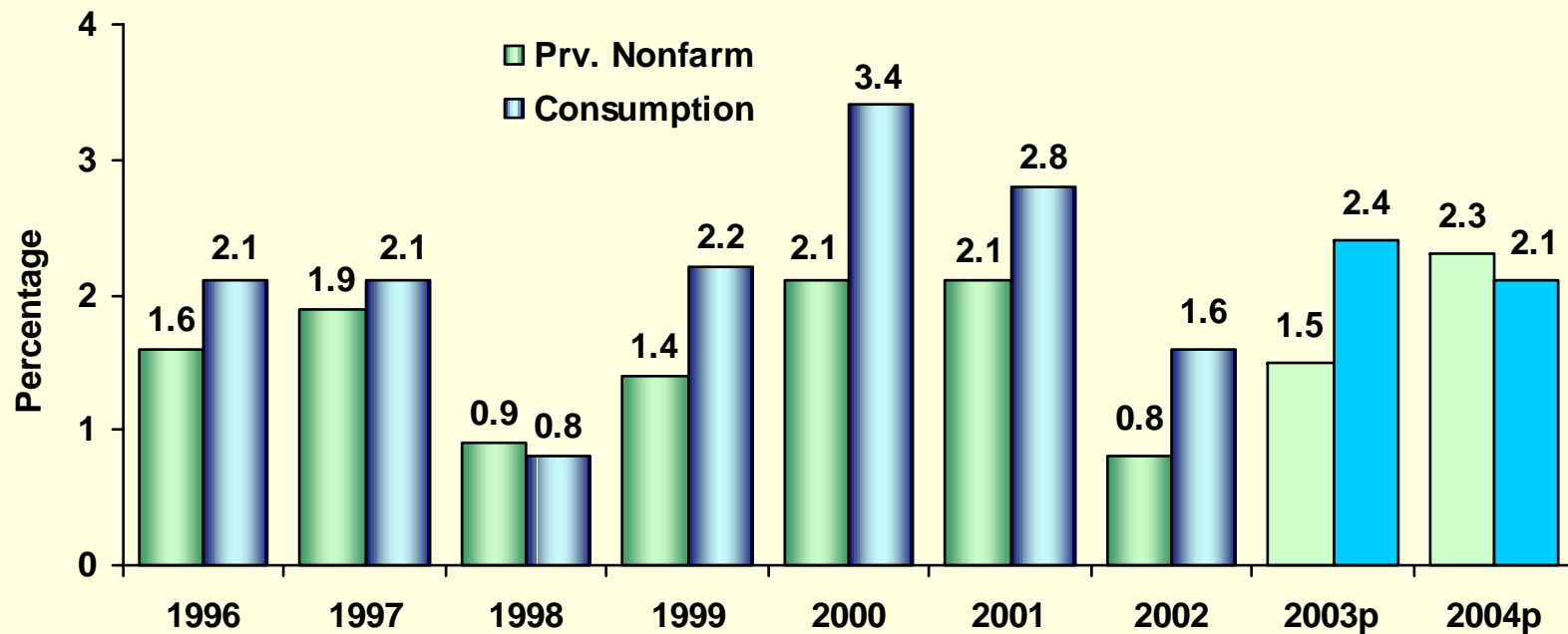
RATE OF INFLATION DETROIT CPI



Source: RSQE - University of Michigan

p = projected
as of November 2002

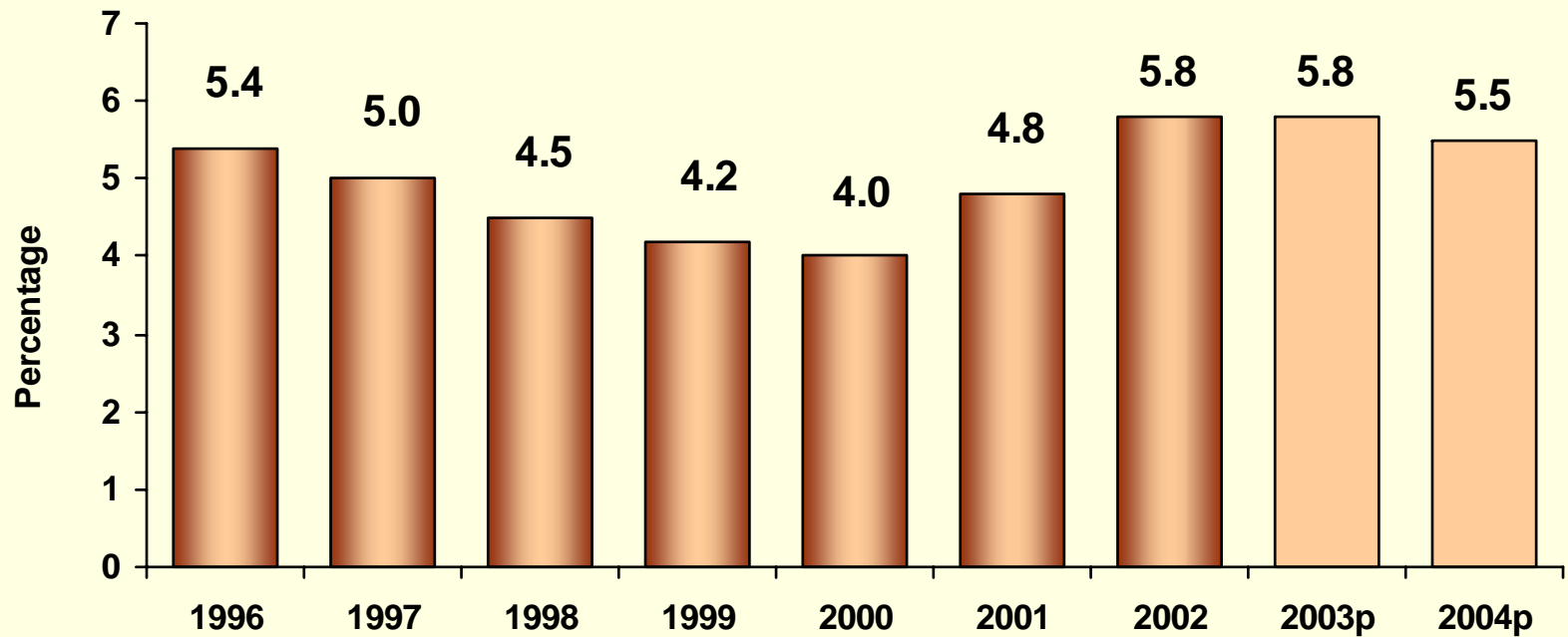
RATES OF PRICE INFLATION UNITED STATES



Source: RSQE - University of Michigan

p = projected
as of February 14, 2003

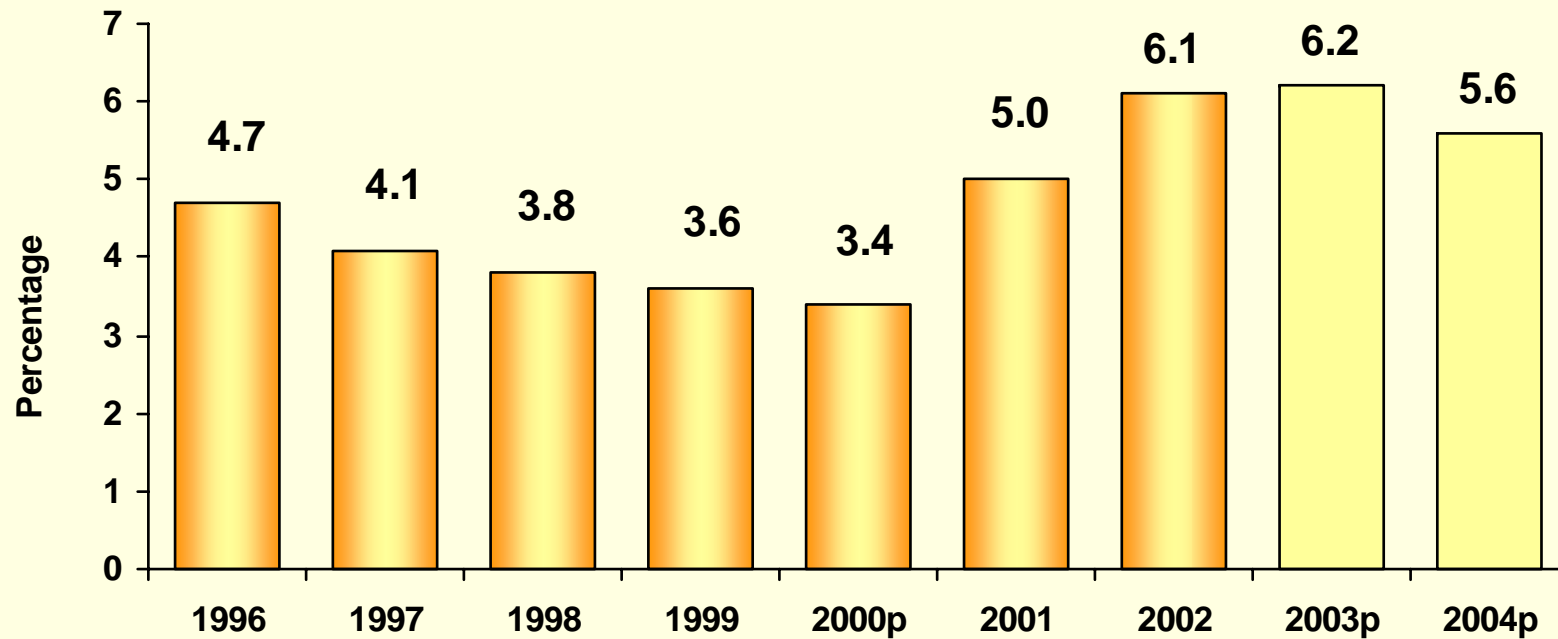
CIVILIAN UNEMPLOYMENT RATE UNITED STATES



Source: RSQE - University of Michigan

p = projected
as of February 14, 2003

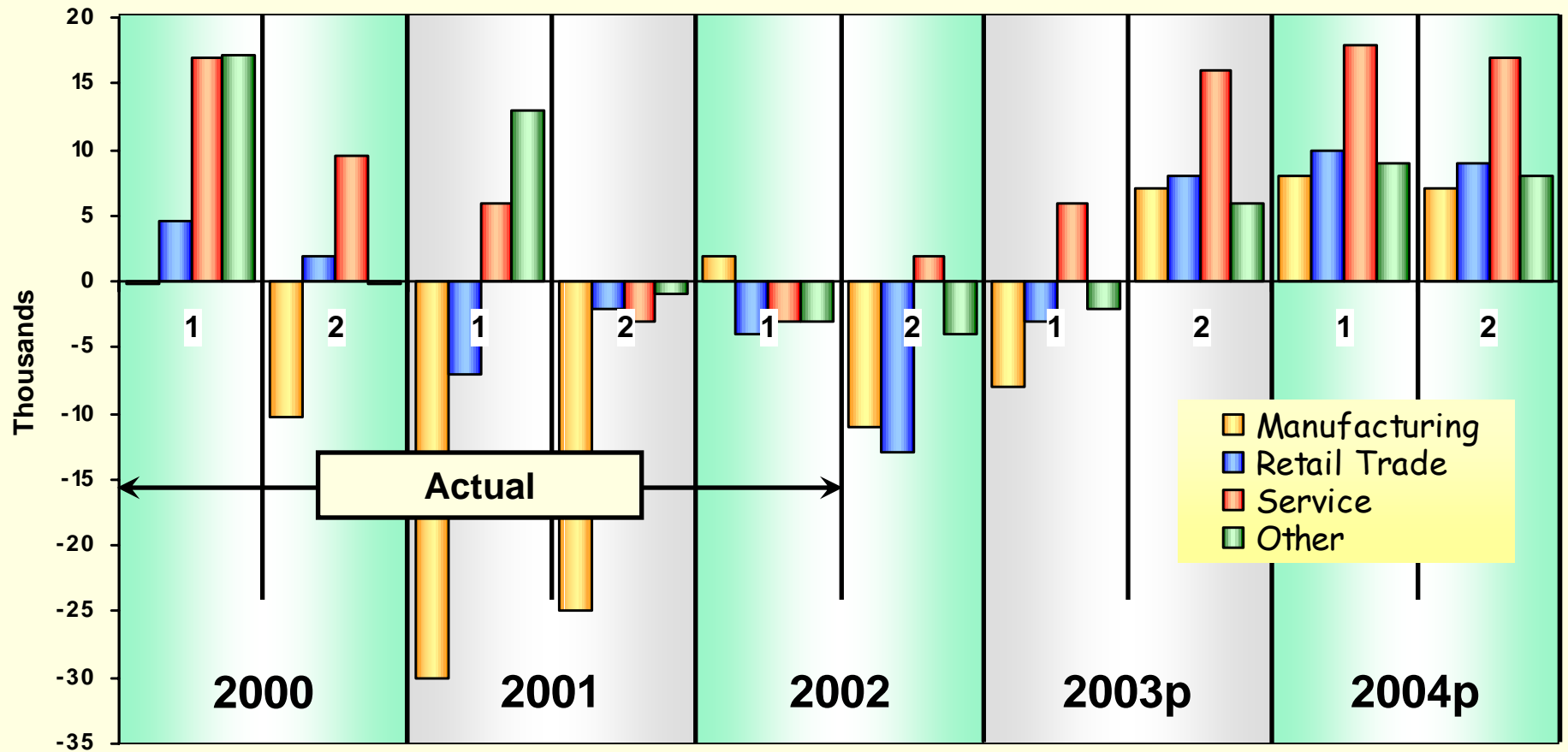
UNEMPLOYMENT RATE MICHIGAN



Source: RSQE - University of Michigan

p = projected
as of November 2002

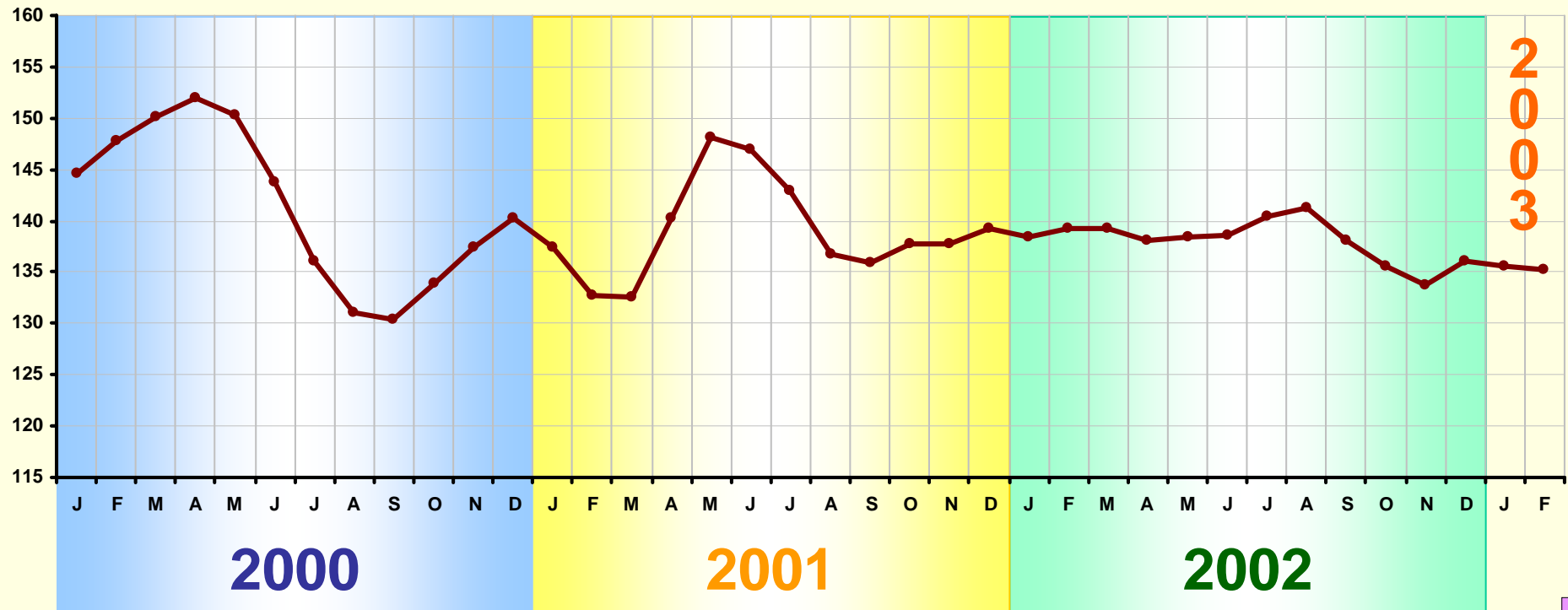
COMPOSITION OF CHANGES IN EMPLOYMENT



Source: RSQE - University of Michigan

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

ECONOMIC FORECASTS FOR 2003

	Real GDP	Consumer prices	Unemployment rate
Business Week's economic forecast	3.2%	2.2%	5.7%

Source: Business Week. December 30, 2002.
 Consensus values; based on opinions of 66 representatives of major companies.
 Real GDP and unemployment rate is for fourth quarter 2003.

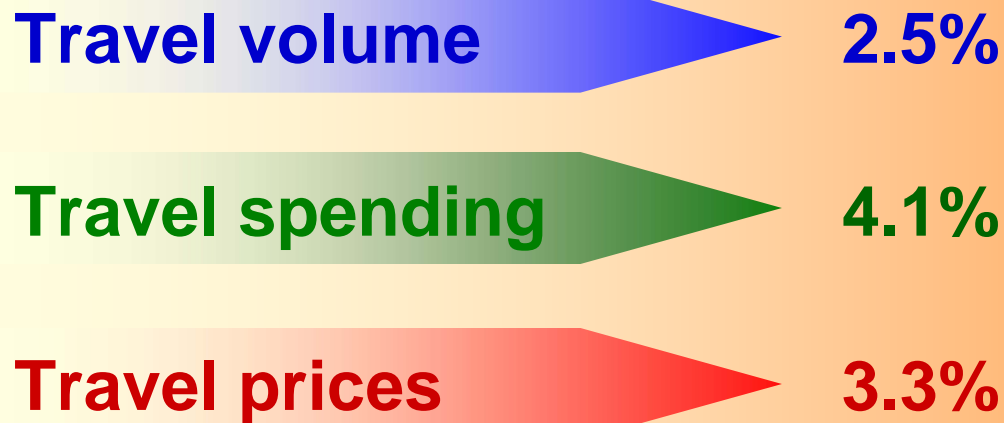
The Livingston survey	3.2%	2.3%	5.7%
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Source: Research Dept., Federal Reserve of Philadelphia, Livingston Survey. December 2002.
 Average values; based on opinions of 29 forecasters.

Federal Reserve	3.2-3.5%	1.2-1.5%	5.7-6.0%
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Source: Board of Governors of the Federal Reserve System. "Monetary Policy Report to the Congress"
<http://www.federalreserve.gov/BoardDocs/HH/2003/february/FullReport.pdf>. February 11, 2003. (Central tendencies)

TRAVEL INDUSTRY ASSOC. OF AMERICA'S FORECAST FOR U.S. DOMESTIC TRAVEL IN 2003






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.
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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.
- 



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?
- ❏ Weather – rarely “normal” in Michigan.



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

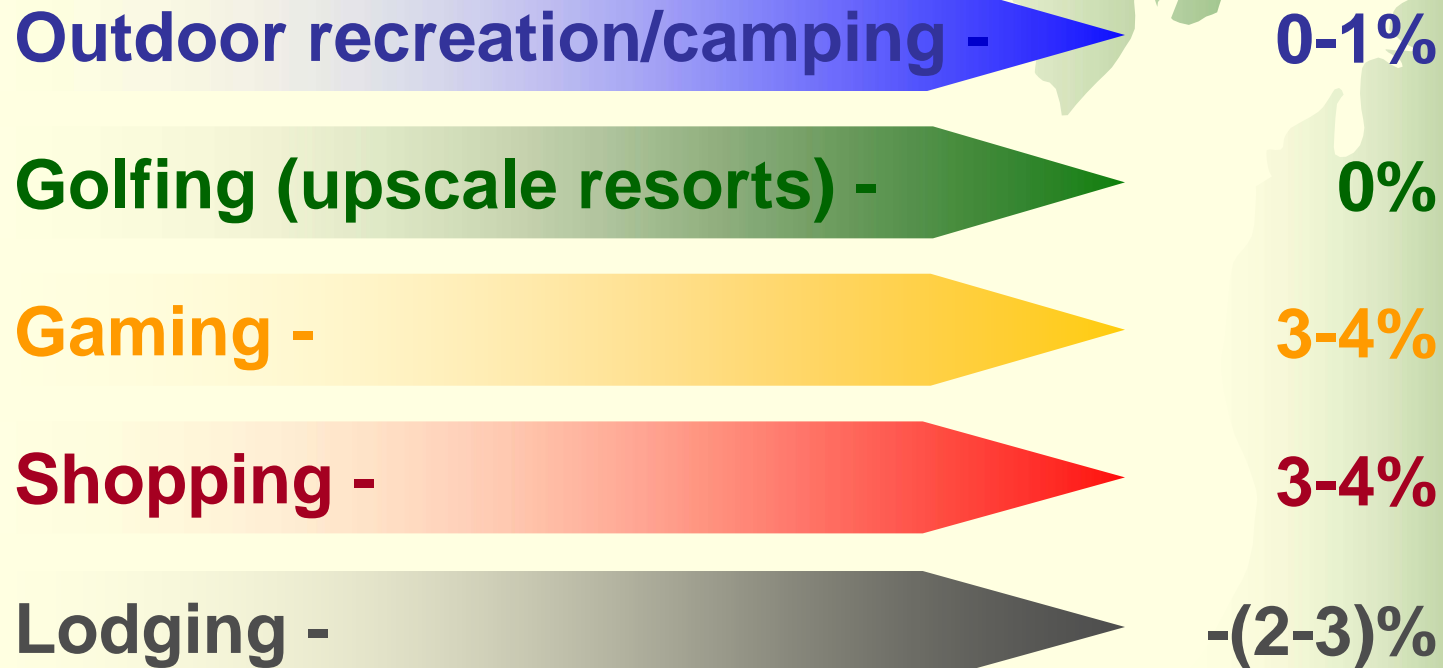
Lodging and restaurant price changes / 2

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.



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.

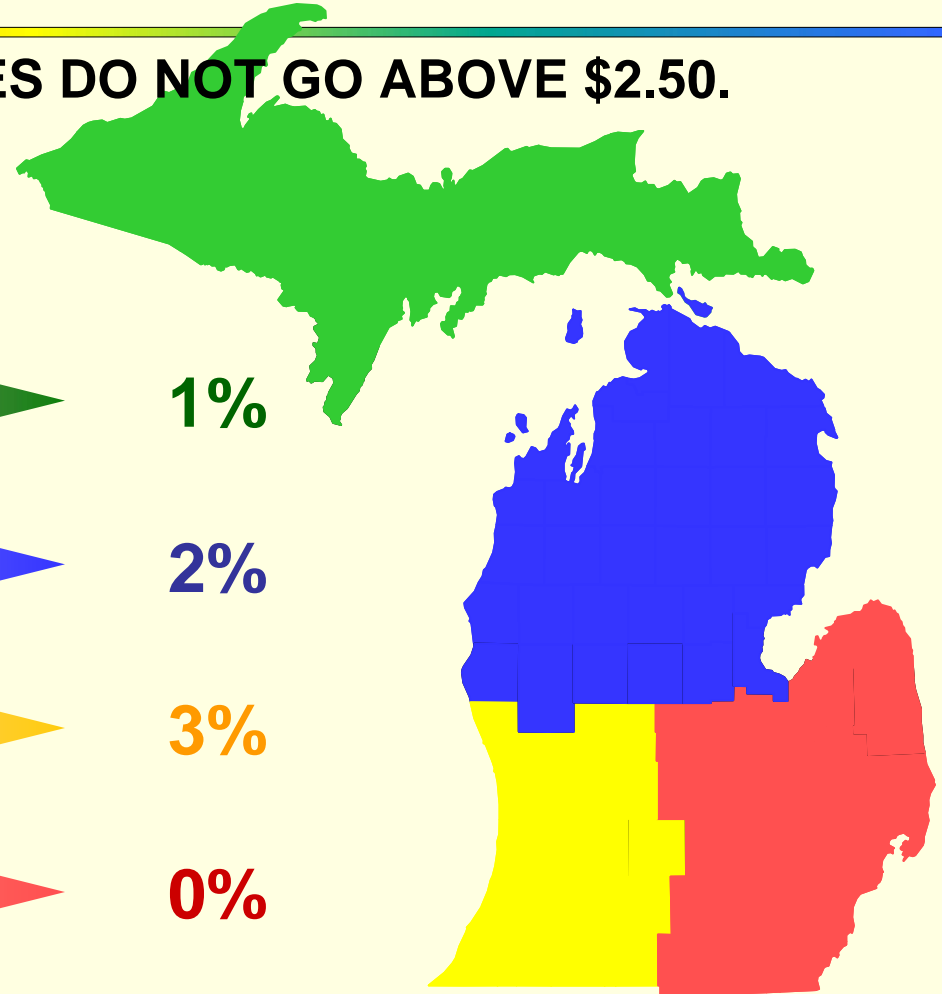
2%

Southwestern region

3%

Southeastern region

0%







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Web site: www.imakenews.com/tourism/



2003
FORECAST

