

Michigan  
Tourism Outlook  
Conference

March 10, 2004  
Kellogg Center  
East Lansing, Michigan

**FORECAST  
2004**

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Travel, Tourism and Recreation Resource Center



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



	Projected by TTRRC	Actual data
Travel volume	2%	1%
Travel spending	-2%	1%
Travel prices	2-3%	1%

## COMERICA REPORTS:



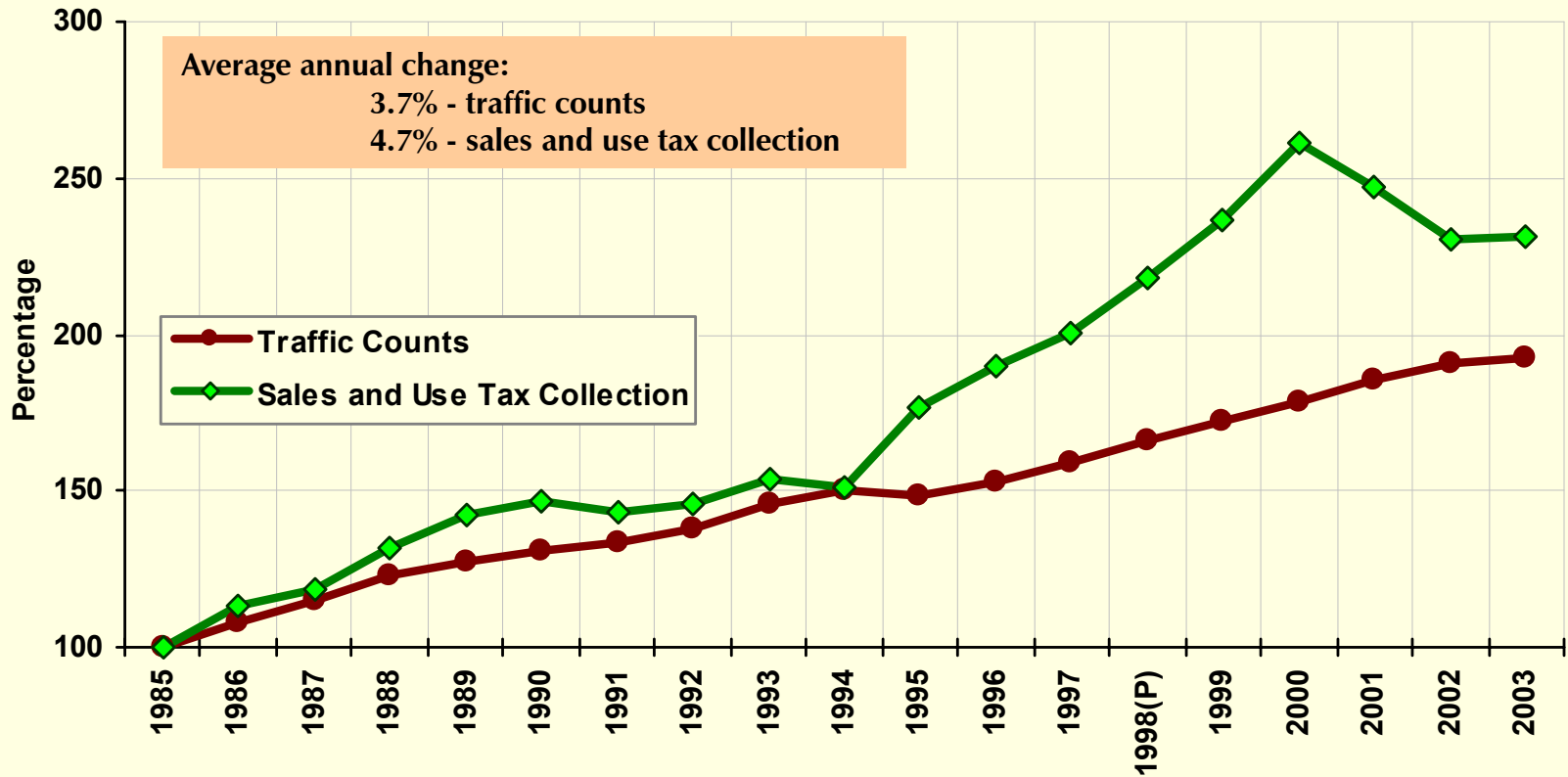
**"Despite the second-half rebound in Michigan Tourism activity in 2003, the sharply negative comparisons of the first half left Michigan's 2003 tourism industry 2.1 percent below 2002 for the annual average."**

**"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

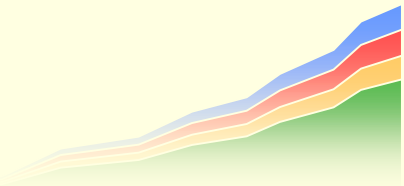


# WHY 2003 RESULTS WERE BELOW LONG-TERM TREND?







- ◆ 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

		Feb. 17 2004	Feb. 15 2003	% change	U.S. \$ is ...
per \$1.00 U.S.:					
Canada		1.31	1.52	-13.8	weaker
Japan		105.08	120.66	-12.9	weaker
Euro		0.78	1.08	-27.8	weaker
Mexico		10.90	10.82	+0.7	stronger
J.P. Morgan Index		91.1	110.0	-17.2	weaker

# TRENDS IN FACTORS THAT INFLUENCE TRAVEL (II)



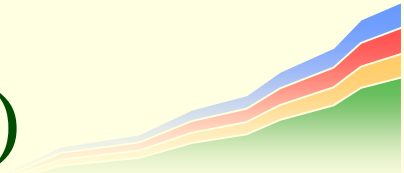
	2004	2003	% change
<b>Interest rates</b>			
Sources: CNNMoney ( <a href="http://money.cnn.com/markets/bondcenter/latest_rates.html">money.cnn.com/markets/bondcenter/latest_rates.html</a> ) of February 18, 2003 The Wall Street Journal of February 15, 2002 and February 17, 2004 The Washington Post Company ( <a href="http://www.washingtonpost.com/wp-dyn/articles/A9006-2003Feb14.html">www.washingtonpost.com/wp-dyn/articles/A9006-2003Feb14.html</a> and <a href="http://www.washingtonpost.com/wp-dyn/articles/A39908-2004Feb13.html">www.washingtonpost.com/wp-dyn/articles/A39908-2004Feb13.html</a> )			
30-year mortgage (average)	5.66	5.86	-3.4
30-year treasury bond	4.91	4.86	+1.0
90-day treasury bill	0.90	1.06	-15.1

## Gasoline prices

Data Source: AAA Michigan after mid February.

Unleaded regular - Michigan	1.71	1.75	-2.3
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# TRENDS IN FACTORS THAT INFLUENCE TRAVEL (III)



	2004	2003	% change
<b>Consumer Confidence Index</b>			
Source: The Conference Board			
End of February	87.3	64.0	+36.4

## Unemployment (U.S. - %, seasonally adjusted)

Source: Labor Market Analysis Office and Bureau of Labor Statistics

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

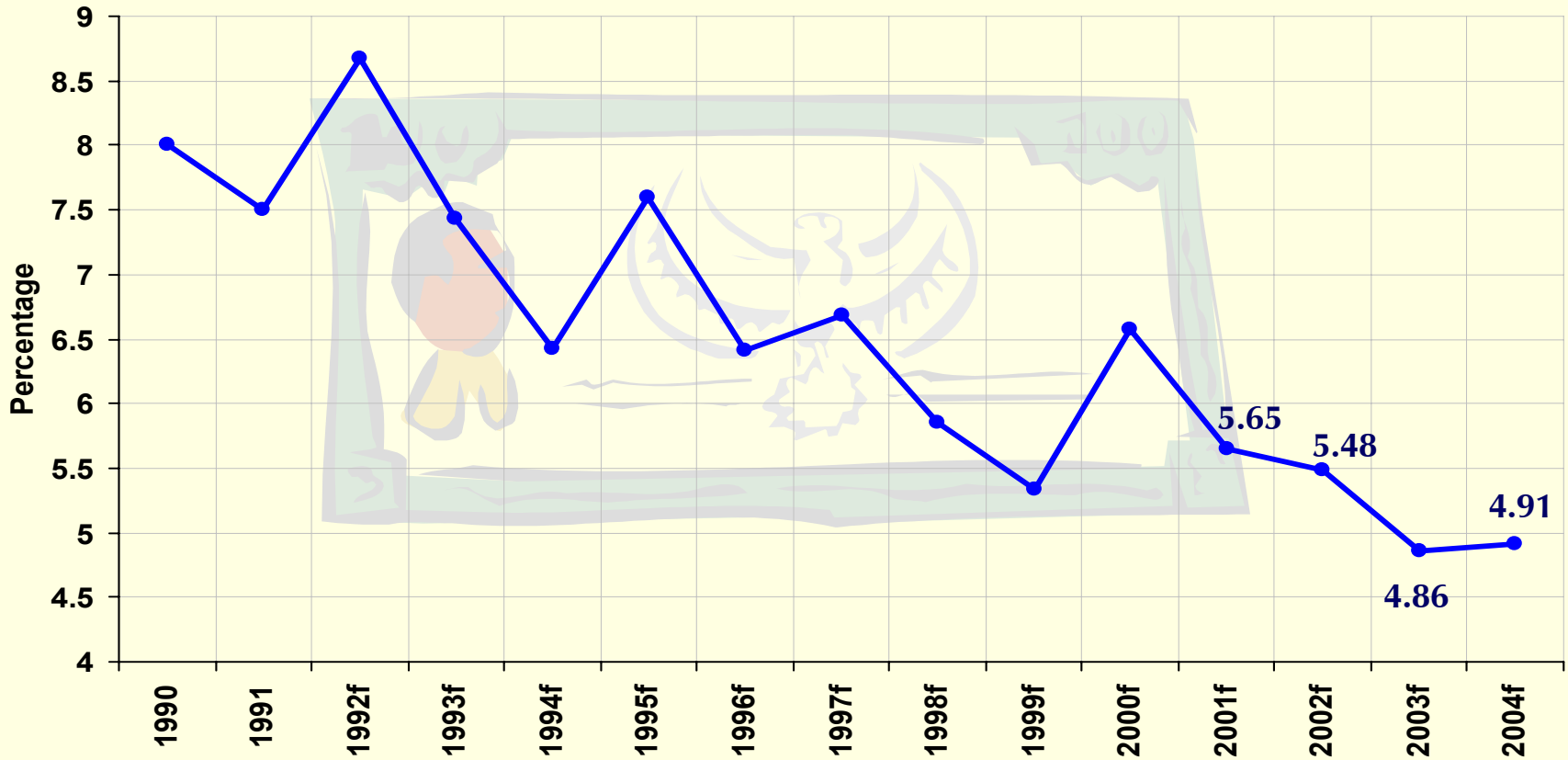


## Stock market

Source: The Wall Street Journal

	11,722 Jan 2000	Record levels: 5,048 Mar 2000	1,500+ Mar 2000
	Dow Jones Industrial Avg.	Nasdaq composite	S&P 500
February 17, 2004	10,714.88	2,080.35	1,156.99
February 14, 2003	7,908.80	1,310.17	834.89
12-month change	+2,806.08	+770.18	+322.10
% change (year-to-year)	+35.5	+58.8	+38.6
% change (year-to-date)	+2.50	+3.84	+4.05

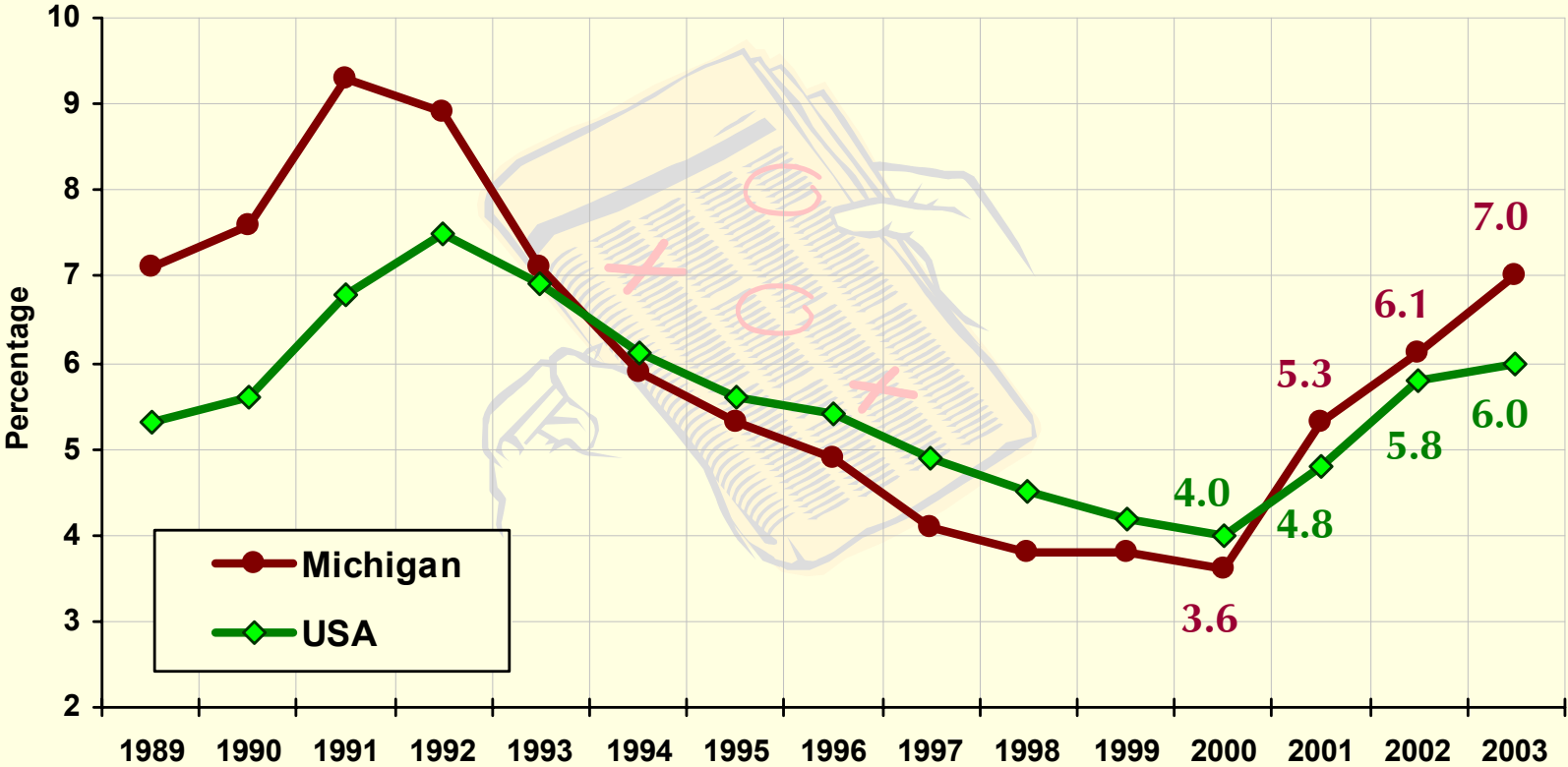
# 30-YEAR TREASURY BOND INTEREST RATES



Source: The Wall Street Journal

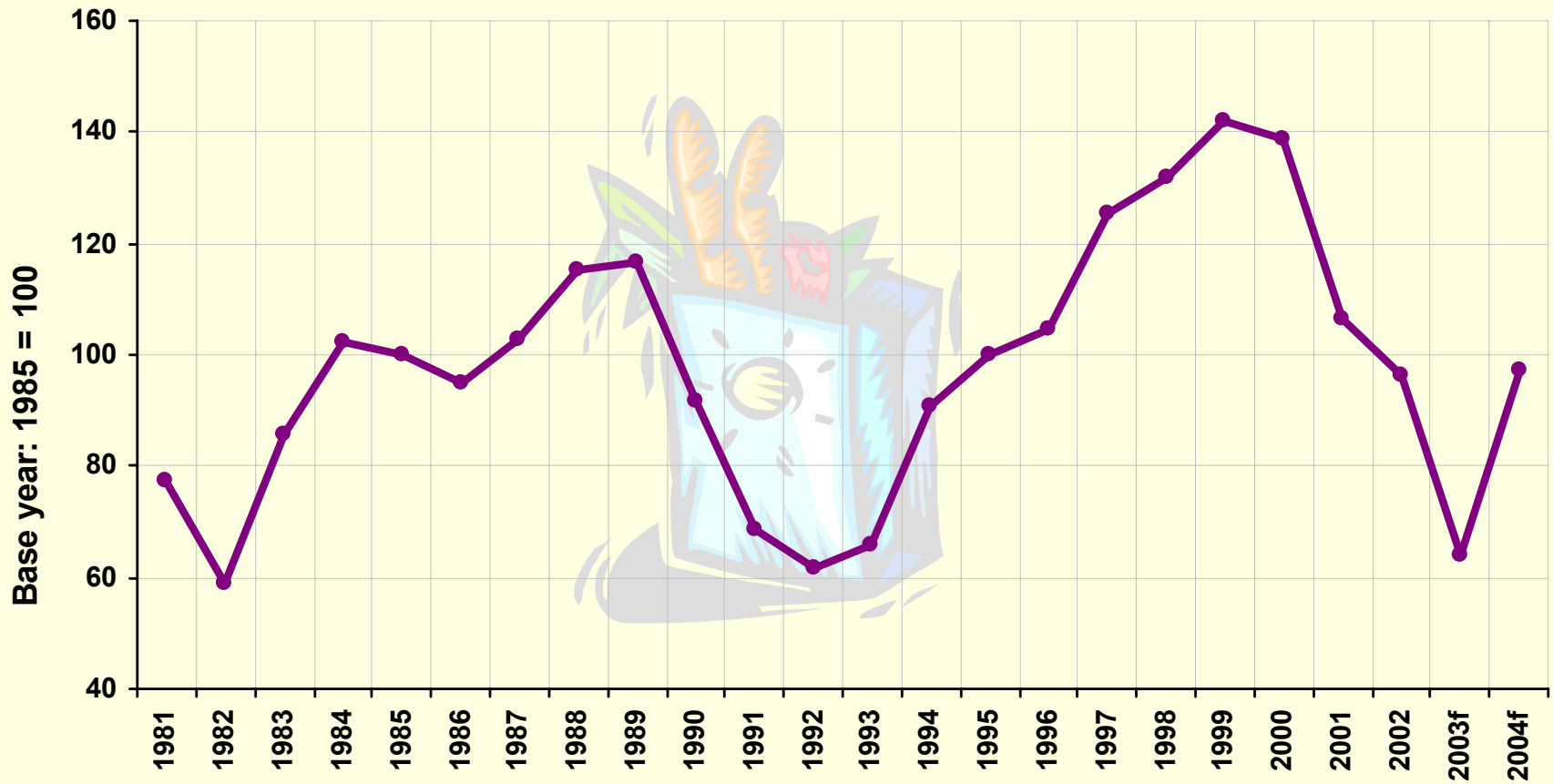
f - Datum of mid-February

# UNEMPLOYMENT RATES



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

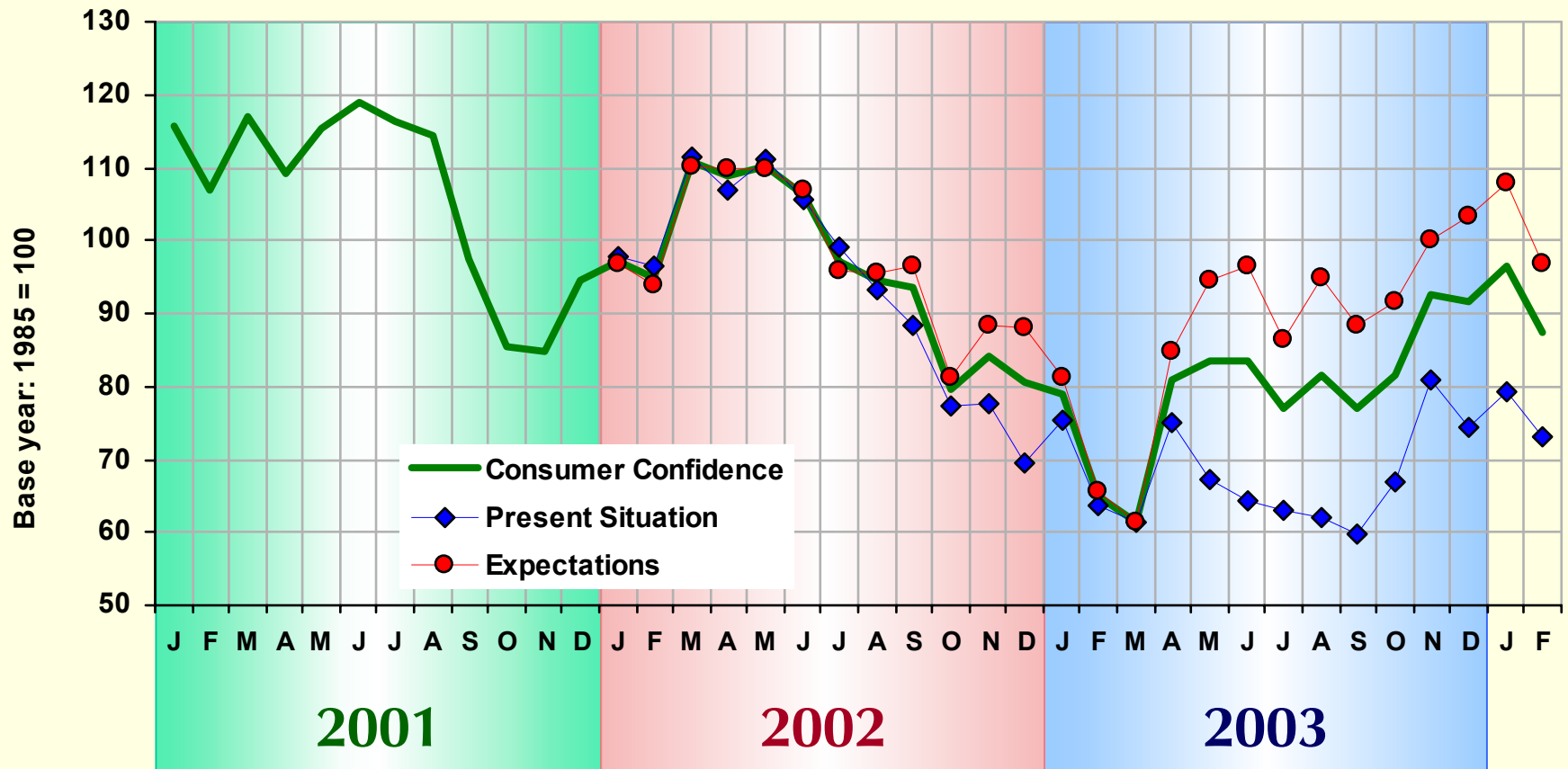
# CONSUMER CONFIDENCE INDEX



Source: The Conference Board

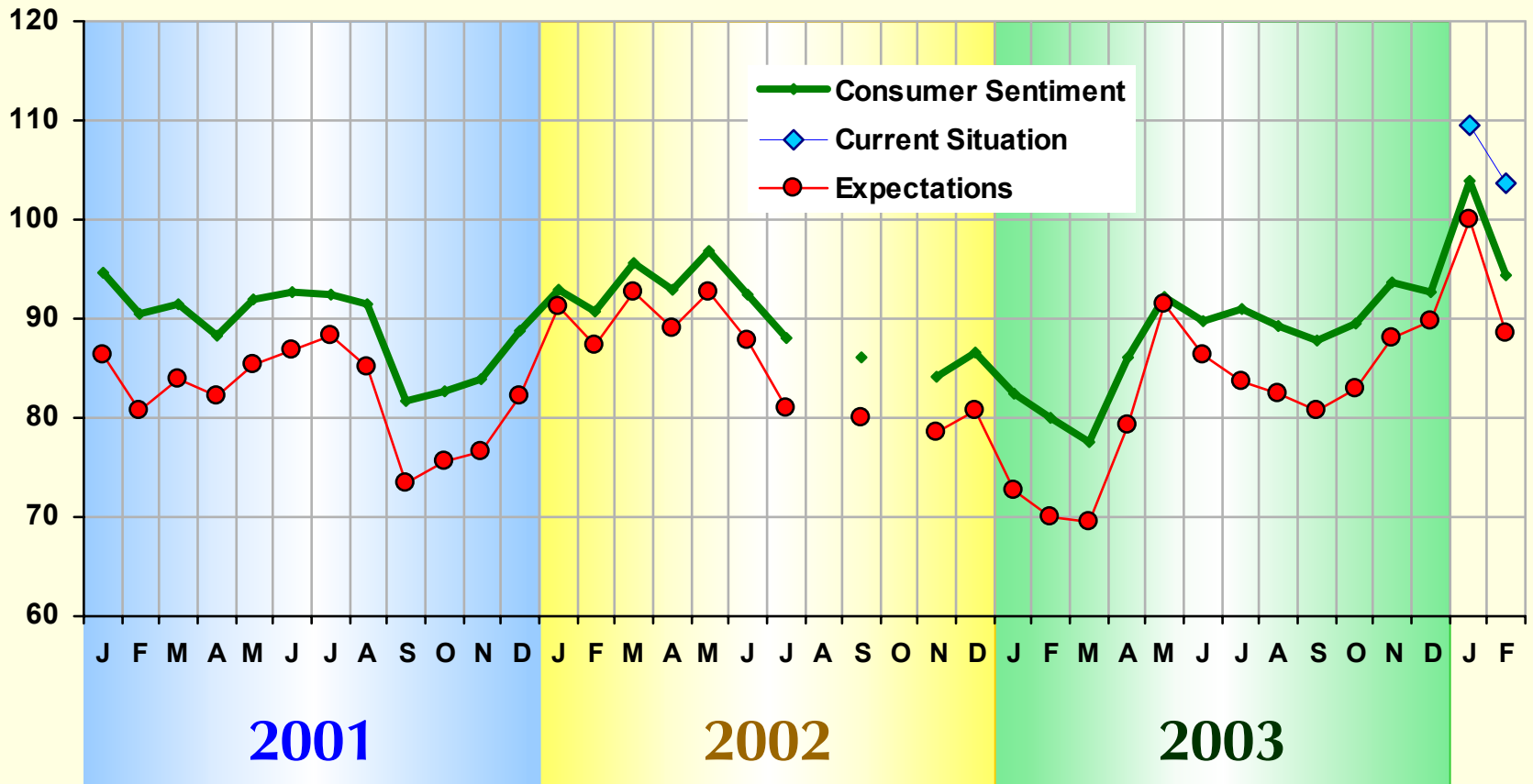
f- datum for February

# CONSUMER CONFIDENCE INDEX



Source: The Conference Board

# CONSUMER SENTIMENT INDEX



Source: "Surveys of Consumers" University of Michigan

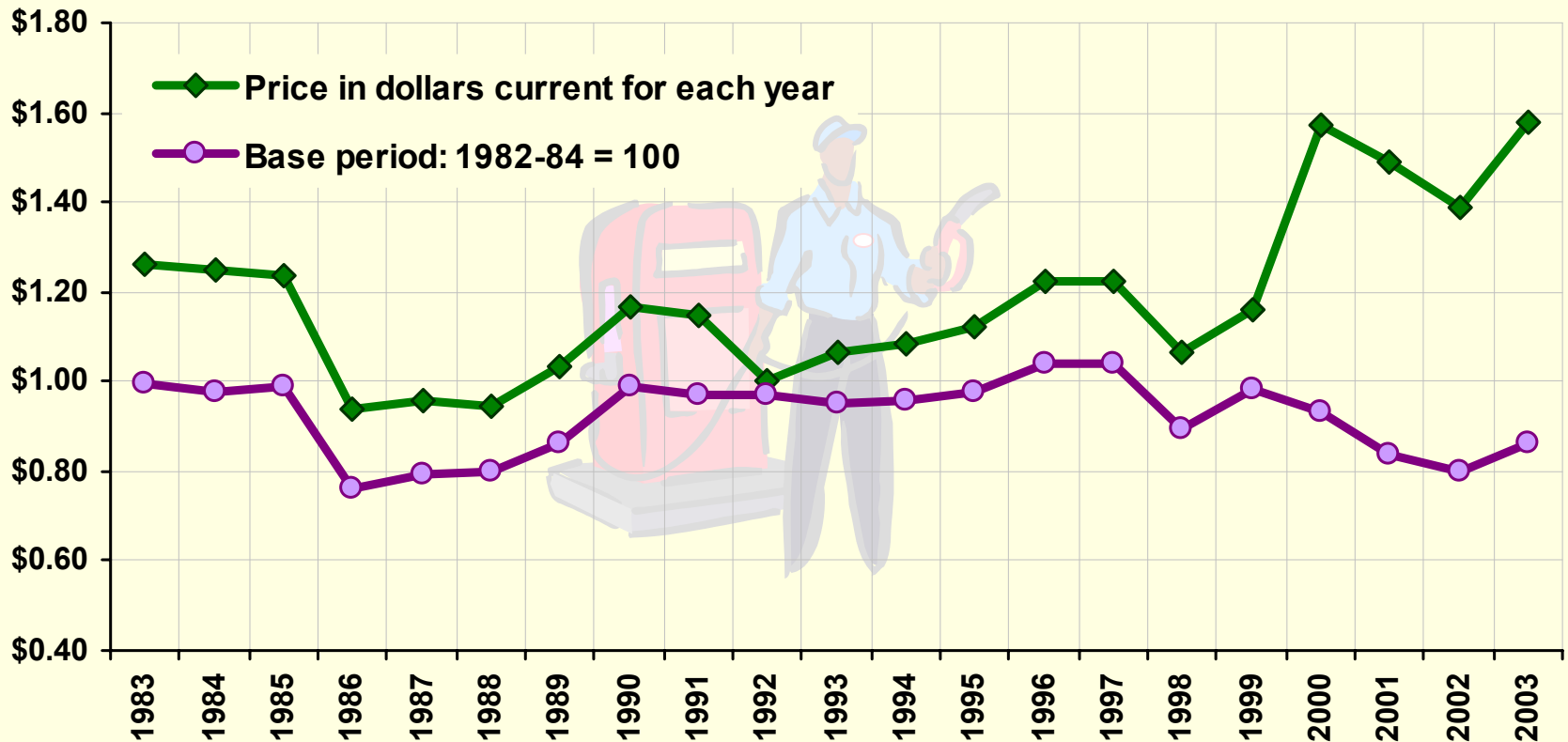
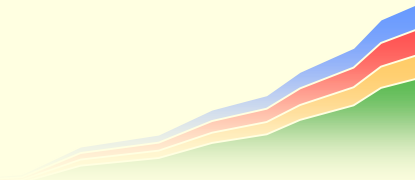


By Nick Ut, AP

Source: USA TODAY

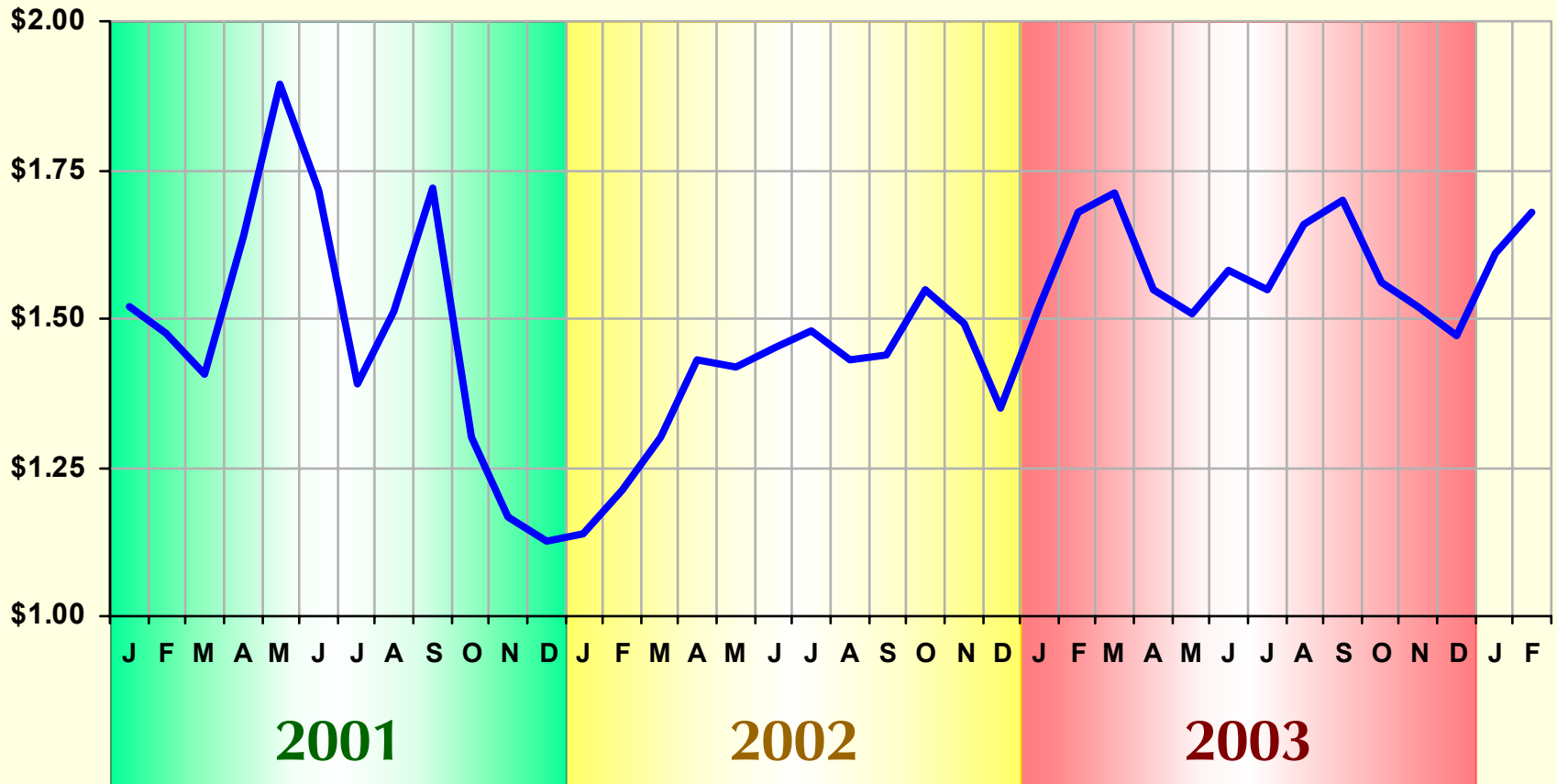
# GASOLINE PRICES

## (Unleaded regular)



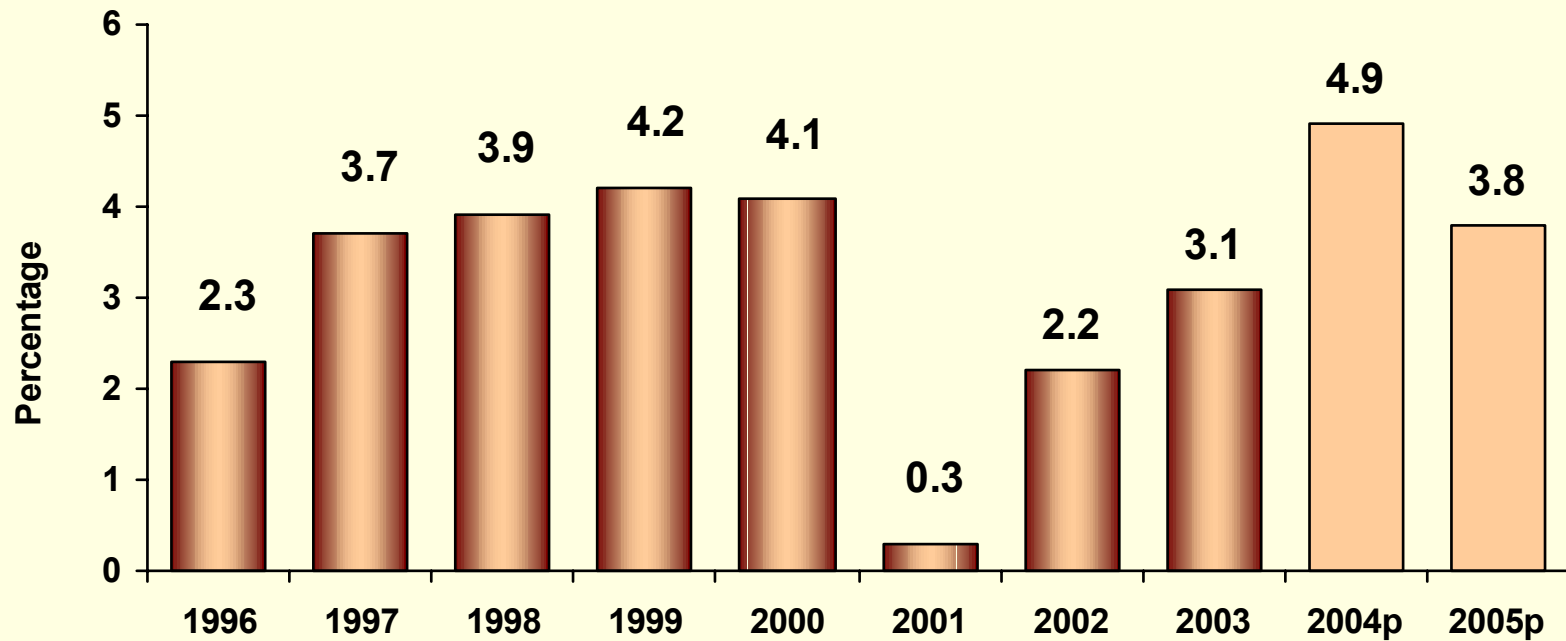
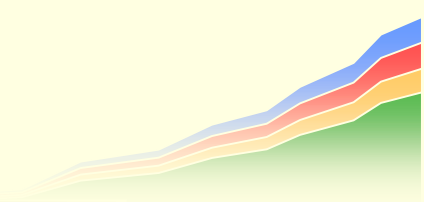
Sources: AAA Michigan  
Federal Reserve Bank of Minneapolis.

# MICHIGAN GASOLINE PRICES (Unleaded regular)



Source: AAA Michigan

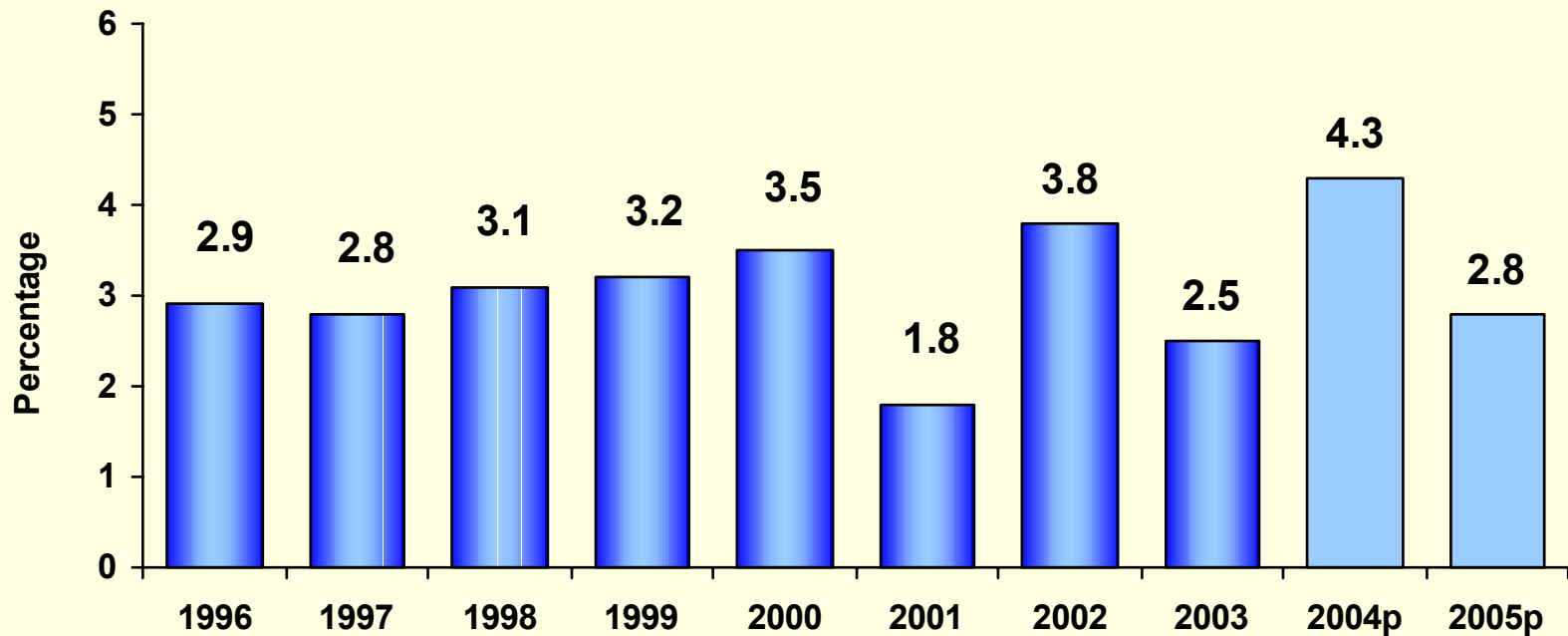
# GROWTH OF REAL GDP UNITED STATES



Source: RSQE - University of Michigan

p = projected  
as of February 13, 2004

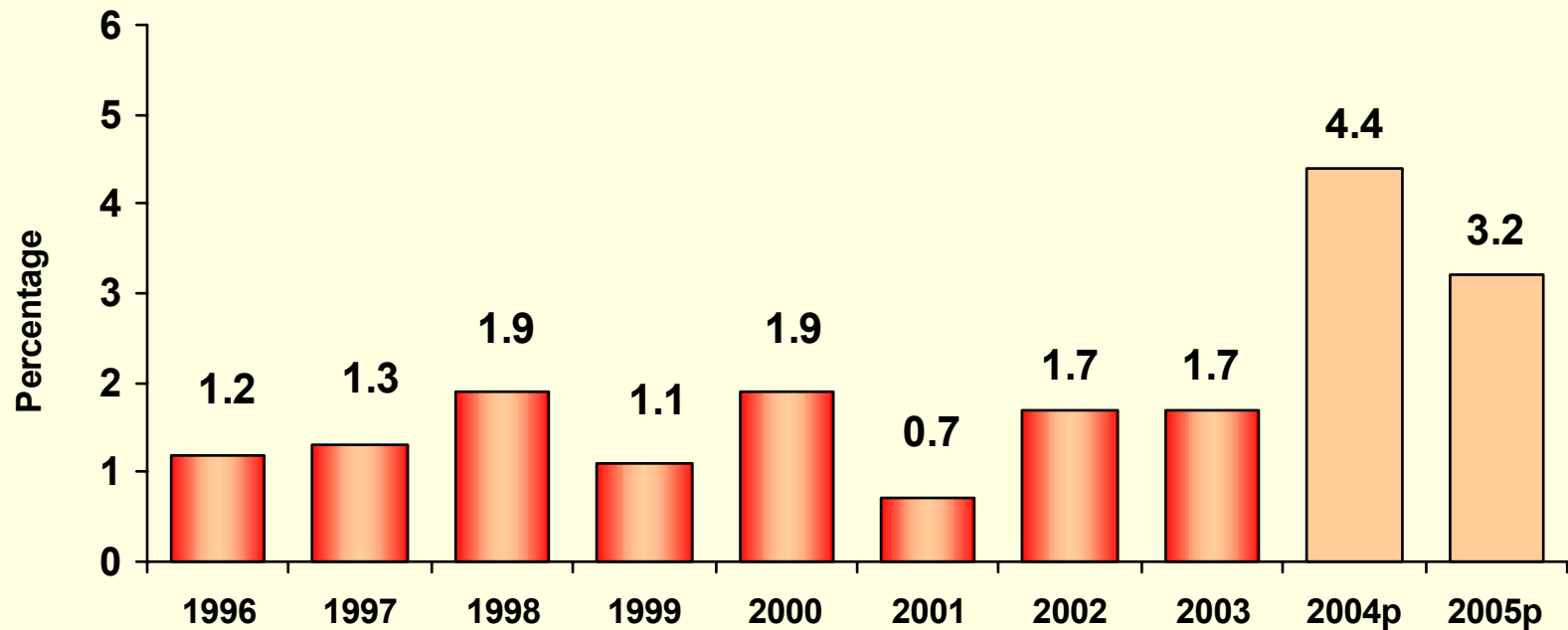
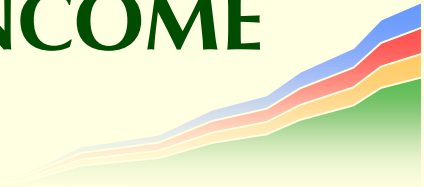
# GROWTH OF REAL DISPOSABLE INCOME UNITED STATES



Source: RSQE - University of Michigan

p = projected  
as of February 13, 2004

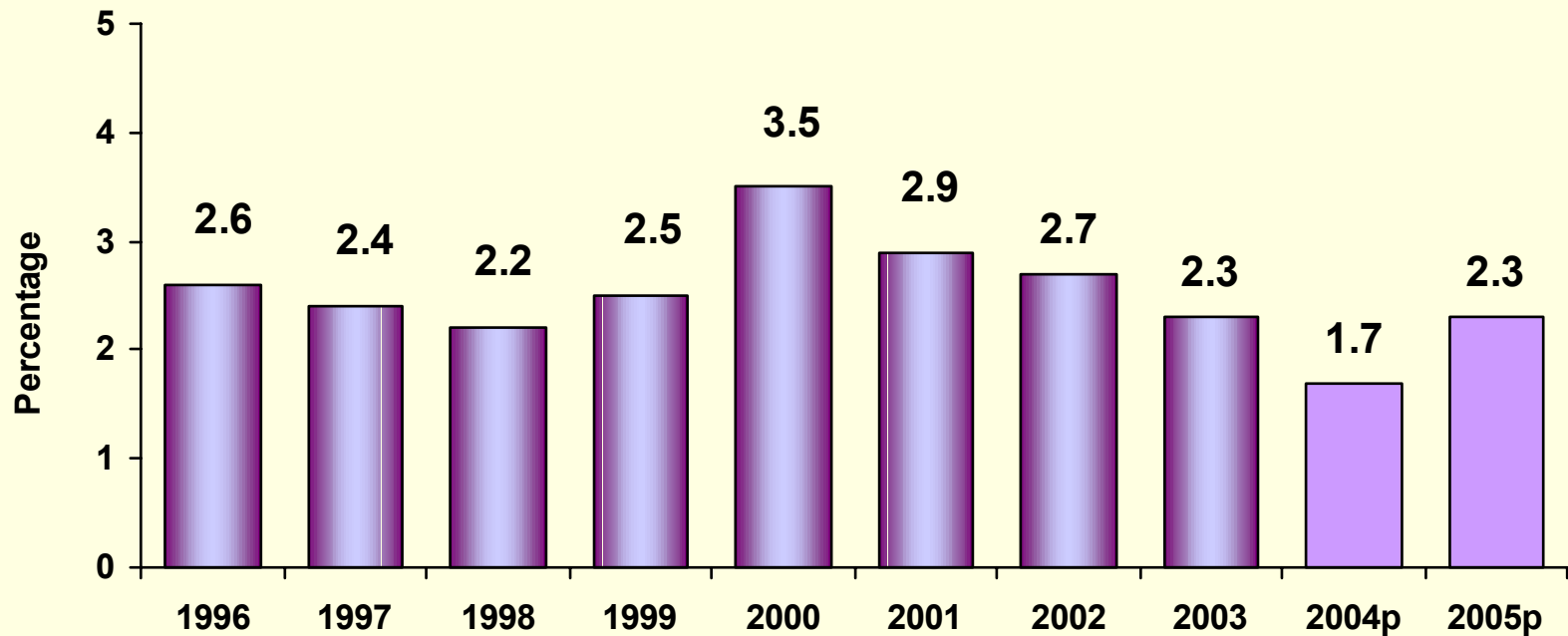
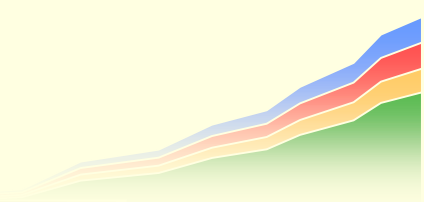
# GROWTH OF REAL DISPOSABLE INCOME MICHIGAN



Source: RSQE - University of Michigan

p = projected  
as of November 2003

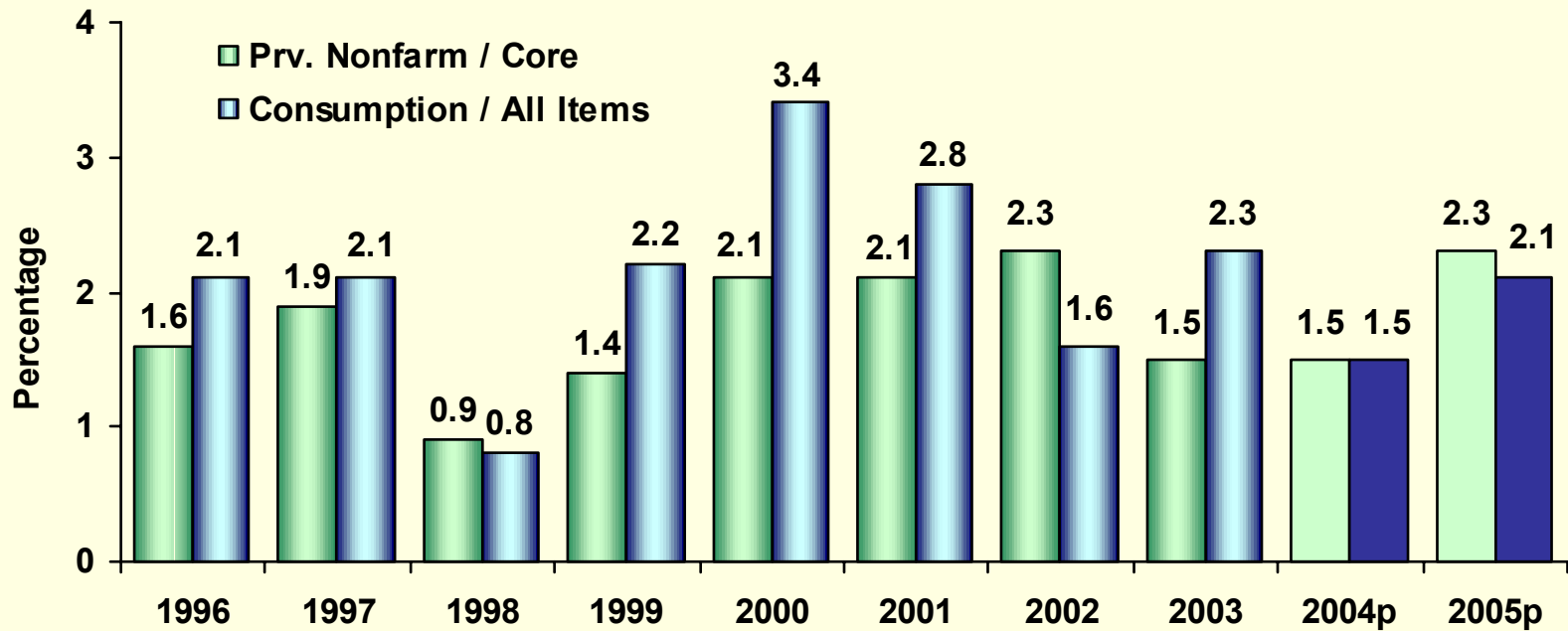
# RATE OF INFLATION DETROIT CPI



Source: RSQE - University of Michigan

p = projected  
as of November 2003

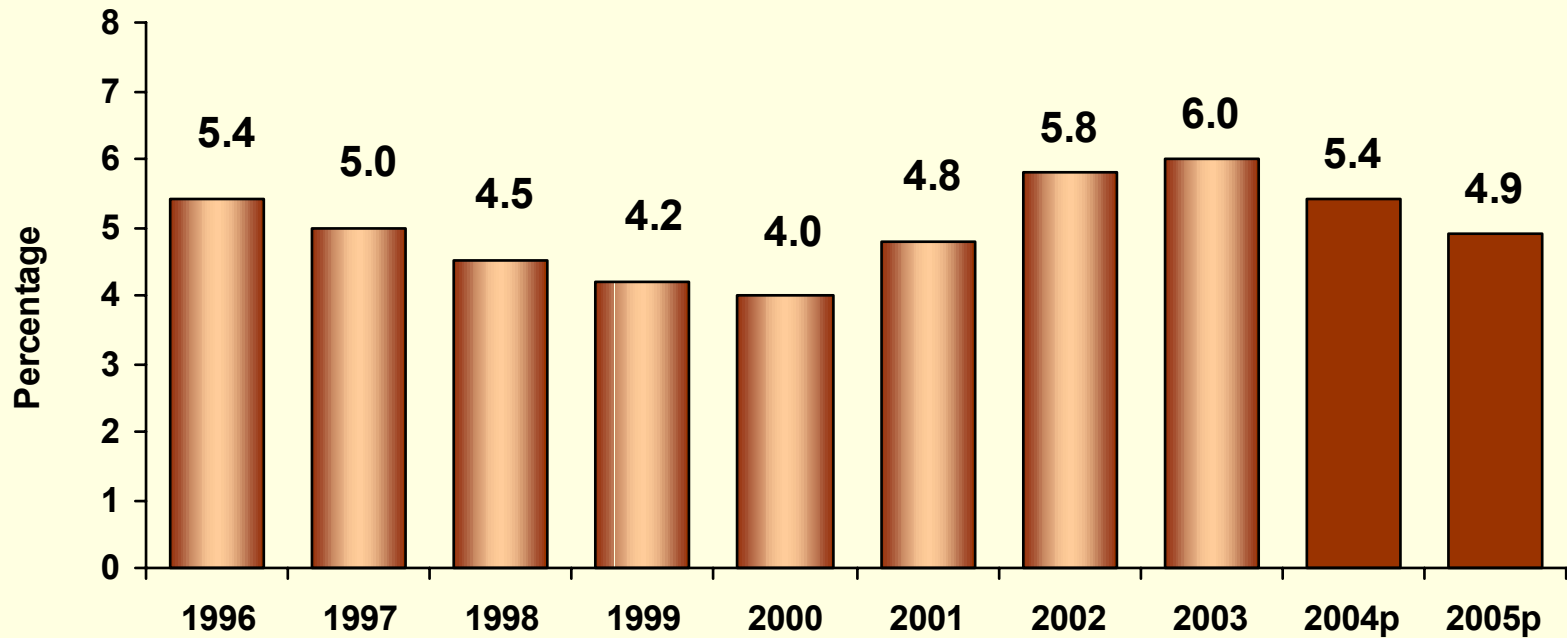
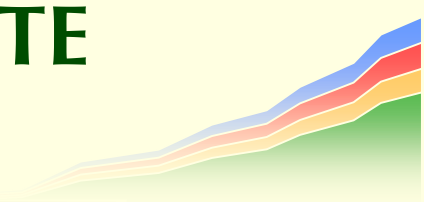
# RATES OF PRICE INFLATION UNITED STATES



Source: RSQE - University of Michigan

p = projected  
as of February 13, 2004

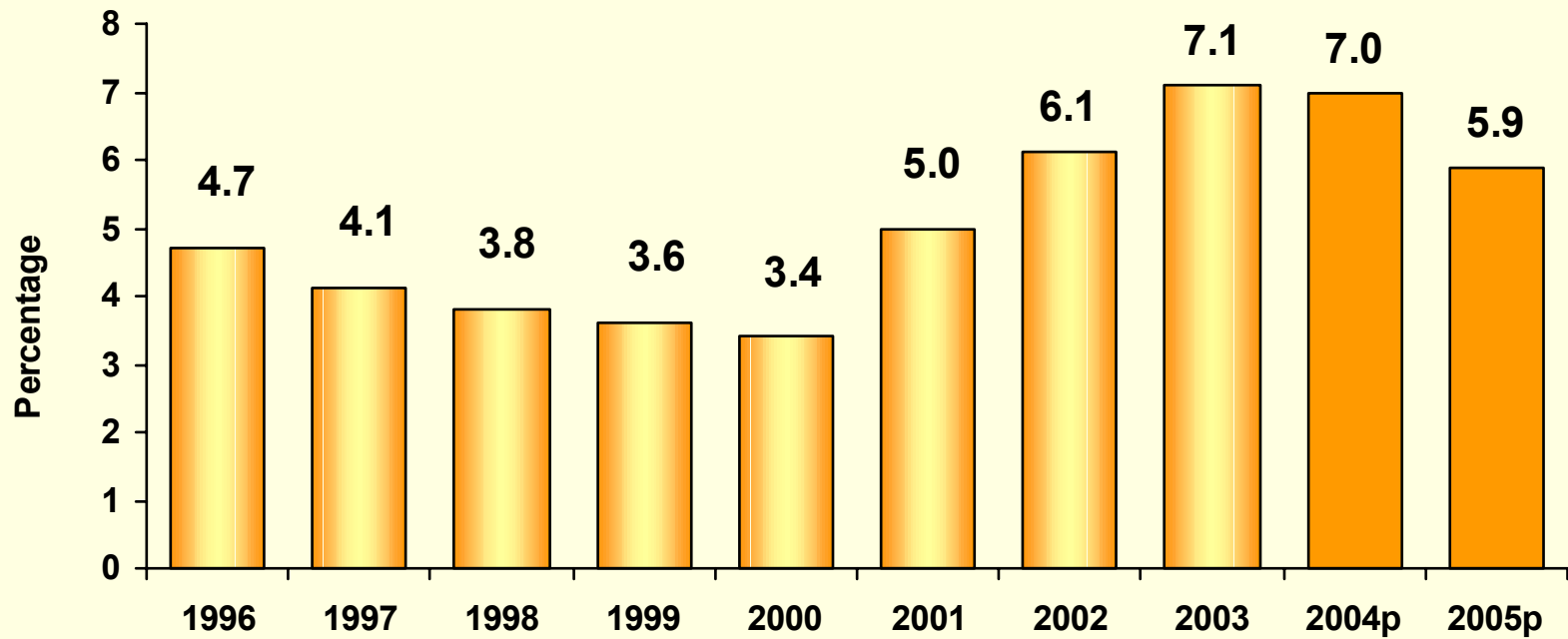
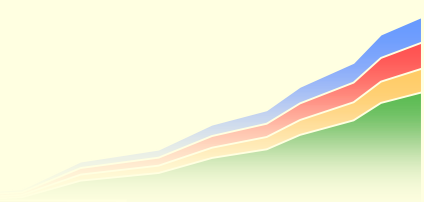
# CIVILIAN UNEMPLOYMENT RATE UNITED STATES



Source: RSQE - University of Michigan

p = projected  
as of February 13, 2004

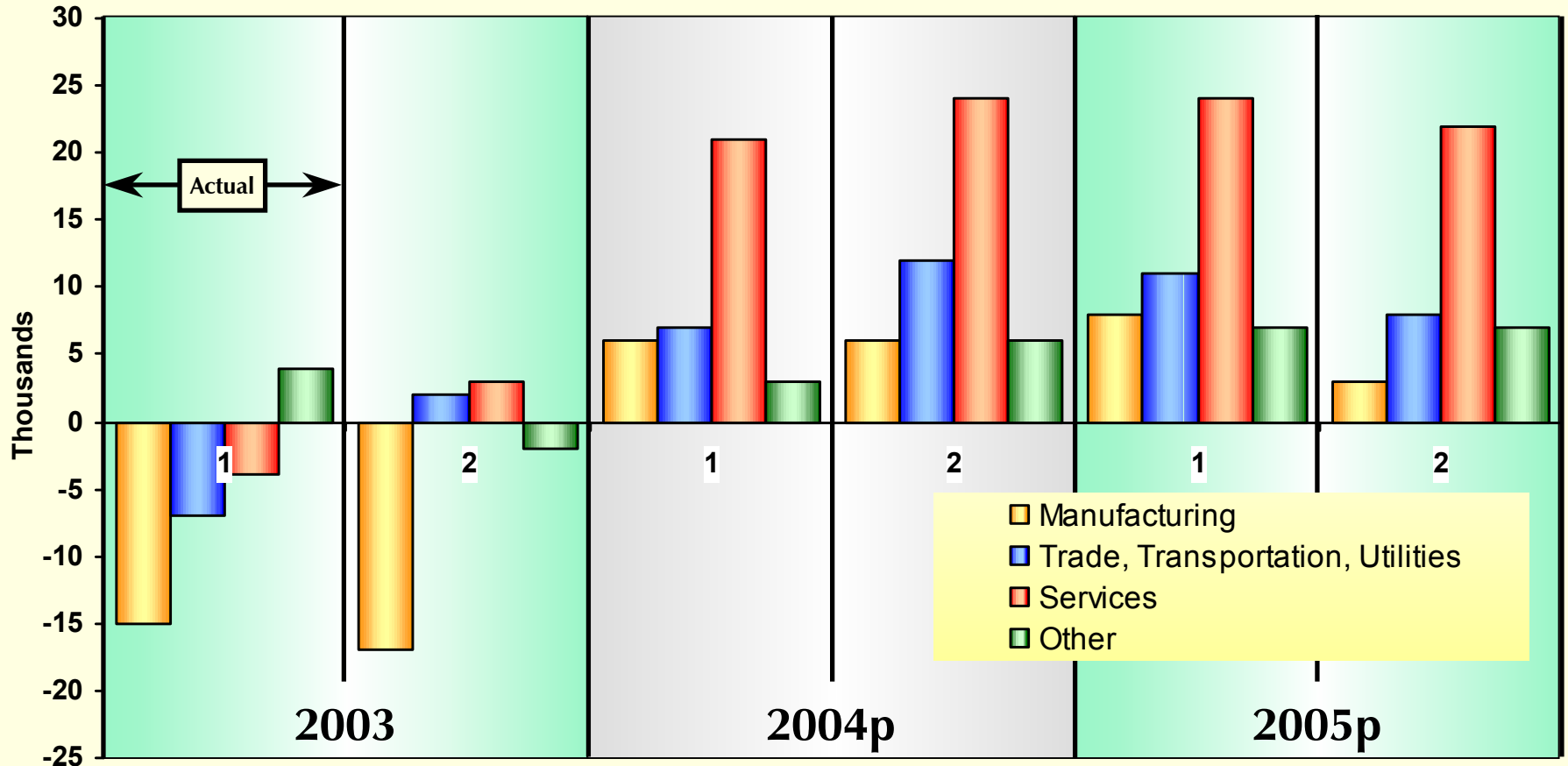
# UNEMPLOYMENT RATE MICHIGAN



Source: RSQE - University of Michigan

p = projected  
as of November 2003

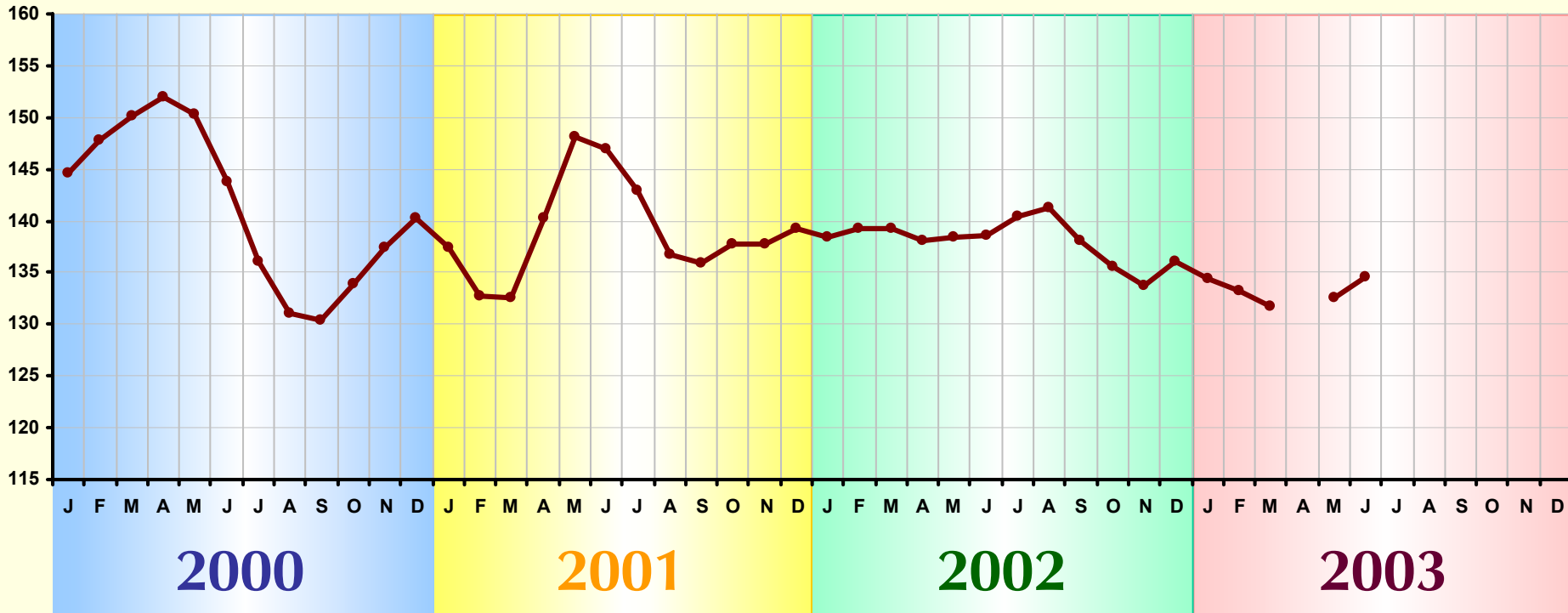
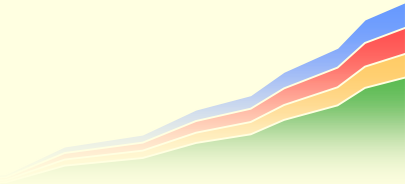
# COMPOSITION OF CHANGES IN MICHIGAN EMPLOYMENT



Source: RSQE - University of Michigan

p = projected  
as of November 2003

# TREND IN MICHIGAN TRAVEL INTENTIONS INDEX

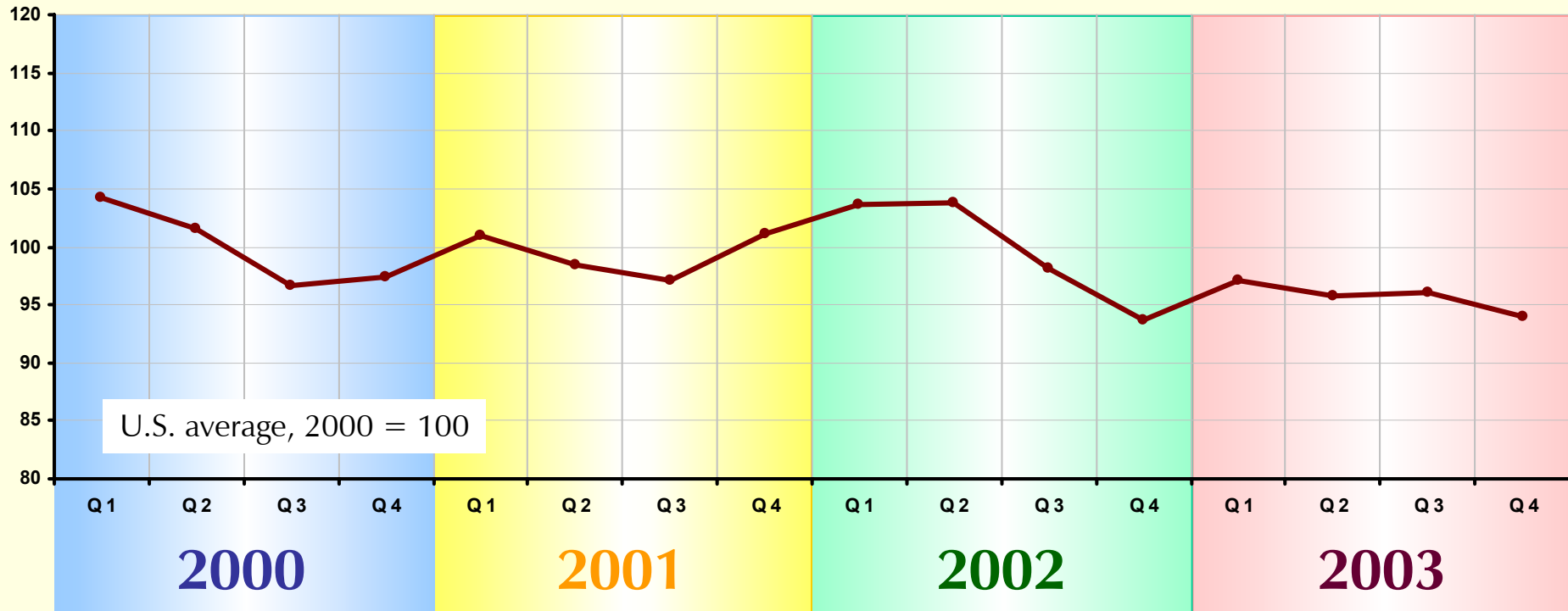


Index = 3-month moving average  
 Index = % more intentions - % less intentions + 100

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.

Source: Travel Industry Association of America, November 2003.

# ECONOMIC FORECASTS FOR 2004

**Real GDP**      **Consumer prices**      **Unemployment rate**

**Business Week's economic forecast**

**4.1%**

**1.9%**

**5.6%**

Source: Business Week. December 29, 2003 / January 5, 2004.  
Consensus values; based on opinions of 60 representatives of major companies.  
Real GDP and unemployment rates for fourth quarter of 2004.

**The Livingston survey**

**4.2%**

**1.9%**

**5.6%**

Source: Research Dept., Federal Reserve of Philadelphia, Livingston Survey. December 19, 2003.  
Average values; based on opinions of 25 forecasters.

**Federal Reserve**

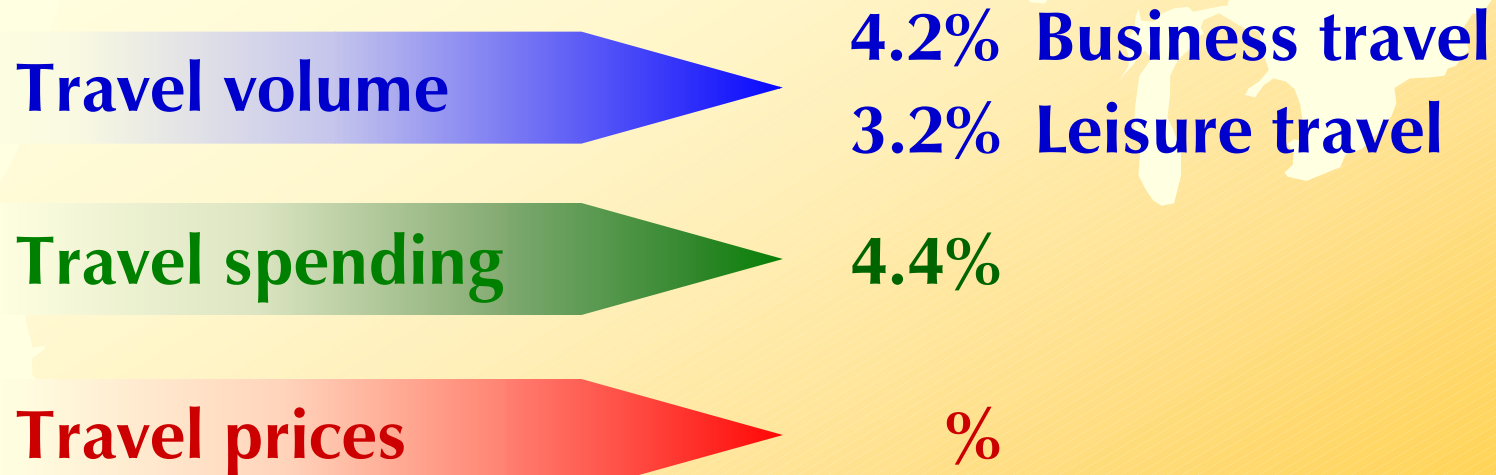
**4.7%**

**1.1%**

**5.9%**

Source: Federal Reserve Board. "Monetary Policy Report to the Congress" of February 11, 2004.  
[www.federalreserve.gov/boarddocs/hh/2004/february/fullreport.htm](http://www.federalreserve.gov/boarddocs/hh/2004/february/fullreport.htm) (Central tendencies)

# FORECAST FOR U.S. TRAVEL IN 2004



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

# 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**

Traffic counts

**3-4%**

**Travel spending**

Use and sales lodging tax

**4-5%**

**Travel prices**

Lodging and restaurant price changes / 2

**1-2%**

# TTRRC / MSU PROJECTIONS FOR MICHIGAN TOURISM IN 2004 BY SELECTED MARKET SEGMENT

Outdoor recreation/camping - 4-5%

Golfing (upscale resorts) - 2-3%

Gaming - 4-5%

Shopping - 4-6%

Lodging - 3-4%

# TTRRC / MSU PROJECTIONS FOR MICHIGAN TOURISM IN 2004 BY REGION

Upper Peninsula

4-5%

Northern Lower P.

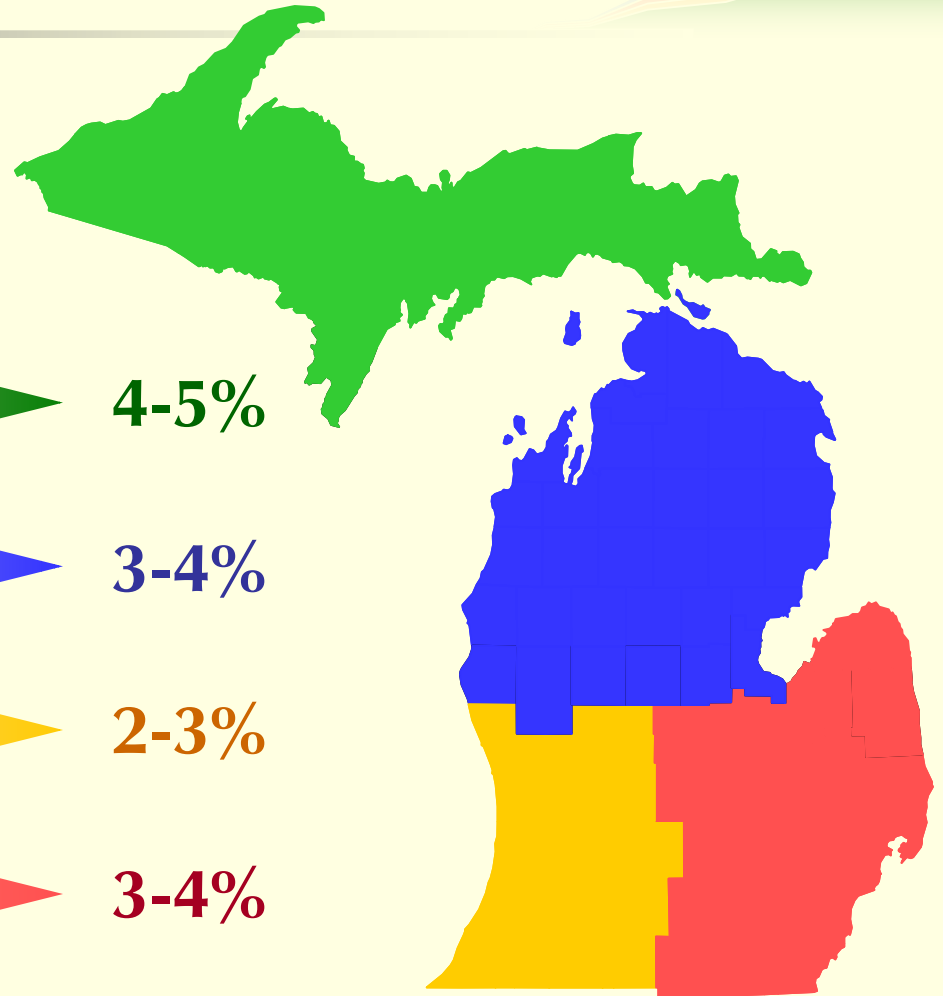
3-4%

Southwestern region

2-3%

Southeastern region

3-4%



# CONTACT INFORMATION



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**Web site: [www.tourismcenter.msu.edu/MTVTA/](http://www.tourismcenter.msu.edu/MTVTA/)**

**Web site: [www.imakenews.com/tourism/](http://www.imakenews.com/tourism/)**