OUTLINE

• Overview of industry – global and national – 2013-14
• 2013 Michigan tourism year-in-review
• 2014 Michigan tourism forecast

TOURISM INDUSTRY ON THE GLOBAL LEVEL (WTTC)

• “In 2013, Travel & Tourism total contribution to GDP is expected to grow at 2.9% according to WTTC’s latest [Oct] estimates. This is a much higher level of growth than the 2.1% expected for the global economy and continues to show the strength and resilience of the Travel & Tourism industry.”
• Compared to anticipated growth of 3.2% reduced investment growth.

Source: World Travel & Tourism Council

TOURISM INDUSTRY ON THE GLOBAL LEVEL (UNWTO)

• “Despite global economic challenges, international tourism results were well above expectations, with an additional 52 million international tourists [+5%] travelling the world in 2013.”
• Compared to projected increase of 3-4%

By Region:
• Asia/Pacific +6%
• Africa +6%
• Europe +5%
• Americas +4%
• Middle East 0%

"Russia and China – leading in growth in 2013"
[based on estimated spending through end Q3 2013]

China  +28% (largest global source market since 2012)
Russia  +26%

Performance of key advanced economy source markets more modest:
Canada and United Kingdom +3%
Germany ↓

“Other emerging markets with substantial growth in outbound expenditure were Turkey (+24%), Qatar (+18%), Philippines (+18%), Kuwait (+15%), Indonesia (+15%), Ukraine (+15%) and Brazil (+14%).”

Forecast for 2014
• “The positive results of 2013, and the expected global economic improvement in 2014, set the scene for another positive year for international tourism.”
• International tourism arrivals projected to increase 4-4.5%

“2013 was an excellent year for international tourism” said UNWTO Secretary-General, Taleb Rifai. “The tourism sector has shown a remarkable capacity to adjust to the changing market conditions, fuelling growth and job creation around the world, despite the lingering economic and geopolitical challenges. Indeed, tourism has been among the few sectors generating positive news for many economies”, he added.
• “Against this backdrop, UNWTO calls upon national governments to increasingly set up national strategies that support the sector and to deliver on their commitment to fair and sustainable growth”, added Mr. Rifai.

CHANGE IN TOP 10 INBOUND INTERNATIONAL MARKETS 2013 vs. 2012, through June

<table>
<thead>
<tr>
<th>Country</th>
<th>% Change in Visitors</th>
</tr>
</thead>
<tbody>
<tr>
<td>CANADA</td>
<td>+6</td>
</tr>
<tr>
<td>MEXICO</td>
<td>-2</td>
</tr>
<tr>
<td>UNITED KINGDOM</td>
<td>0</td>
</tr>
<tr>
<td>JAPAN</td>
<td>+3</td>
</tr>
<tr>
<td>GERMANY</td>
<td>+1</td>
</tr>
<tr>
<td>PR CHINA (EXCL. HK)</td>
<td>+25</td>
</tr>
<tr>
<td>BRAZIL</td>
<td>+20</td>
</tr>
<tr>
<td>SOUTH KOREA</td>
<td>+7</td>
</tr>
<tr>
<td>AUSTRALIA</td>
<td>+10</td>
</tr>
<tr>
<td>FRANCE</td>
<td>-1</td>
</tr>
</tbody>
</table>

YTD through June 2013, international visitation up 5.2% percent compared to same period in 2012.
• "For 2013 overall, travel exports increased by 9.1% to a record $180.7 billion dollars. By contrast, other U.S. exports edged up just 2.3% in 2013, much slower than in 2012. As a result … the travel industry generated 25% of the overall increase in U.S. exports in 2013 - not bad for an industry that makes up 8.6% of total U.S. exports."
• 2013 was the 25th consecutive year that the travel and tourism industry generated a balance of trade surplus in the US.
TOURISM INDUSTRY ON THE NATIONAL LEVEL

- "With world-class destinations and competitively priced goods and services, the U.S. travel industry is attracting a record number of foreign travelers to our shores this year, and their spending while visiting our country is one of the key reasons the travel industry been creating jobs faster than the rest of the economy. To build on this success, we urge policymakers to support critical proposals to boost travel, such as the JOLT Act, which would increase international spending in the United States and create more American jobs."

- JOLT = Jobs Originated through Launching Travel

Source: U.S. Travel Association (USTA)

TOURISM INDUSTRY ON THE NATIONAL LEVEL

- "Tourism in the US is taxed higher than other industries"
- "Direct Travel & Tourism taxes in the US represented 3.2% of all taxes collected in 2012. By comparison, Travel & Tourism GDP is 2.7% of the US economy. This means that Travel & Tourism is taxed at a higher rate than the average of the economy by 0.5 percentage points, or a 15% premium over its GDP share."

Source: http://www.wttc.org/research/policy-research/tax-burden-us-travel-tourism/

MICHIGAN TOURISM: A LOOK BACK AT THE YEAR 2013

- Weather
- Consumer confidence
- Hotel data
- Sales and use tax
- CVB taxes and assessments
- Visits to attractions
- Gas prices, traffic counts and bridge crossings

MICHIGAN TOURISM INDUSTRY INDICATORS: TOTAL PRECIPITATION BY SEASON

Source: Midwestern Regional Climate Center.

MICHIGAN TOURISM INDUSTRY INDICATORS: AVERAGE TEMPERATURES BY SEASON

Source: Midwestern Regional Climate Center.
Michigan Tourism Outlook 2014
Michigan State University, Department of CSUS

MICHIGAN TOURISM INDUSTRY INDICATORS: 2013 VS 2012 WEATHER BY MONTH

Annual Changes:
Precip. 28.9%  Temp. -8.5%

Source: Midwestern Regional Climate Center.

MICHIGAN TOURISM INDUSTRY INDICATORS: 2013 VS 2012 CONSUMER CONFIDENCE INDEX

Average Annual Score: 2012 - 67, 2013 - 73
Annual Change: + 9.17%

Source: The Conference Board.

MICHIGAN TOURISM INDUSTRY INDICATORS 2013 VS 2012 HOTEL DATA

<table>
<thead>
<tr>
<th></th>
<th>Occupancy</th>
<th>ADR</th>
<th>RevPAR</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>62.3% (+1.5%)</td>
<td>$110.35 (+3.9%)</td>
<td>$68.69 (+5.4%)</td>
</tr>
<tr>
<td>Michigan</td>
<td>57.5% (+1.7%)</td>
<td>$87.40 (+4.5%)</td>
<td>$50.29 (+6.3%)</td>
</tr>
<tr>
<td>Detroit</td>
<td>62.4% (+1.2%)</td>
<td>$84.20 (+5.8%)</td>
<td>$52.54 (+7.0%)</td>
</tr>
</tbody>
</table>

Michigan exhibited the 22nd largest improvement in year-end occupancy of all US states in 2013
Detroit exhibited the 18th largest improvement in year-end occupancy of the 25 largest US markets in 2013

Source: Smith Travel Research.

Source: Smith Travel Research.

MICHIGAN TOURISM INDUSTRY INDICATORS: 2013 VS 2012
MONTHLY CHANGES IN HOSPITALITY TAXES (SIC 701)

~ our measure of spending ~
Source: Michigan Department of Treasury, Office of Revenue and Tax Analysis.

MICHIGAN TOURISM INDUSTRY INDICATORS: 2013 VS 2012
QUARTERLY CHANGES IN HOSPITALITY TAXES (SIC 701)

Annual Changes:
Sales 9.2% Use 2.1%
Sales & Use 4.1%

WHICH STATES TAX TRAVEL THE MOST?

Detroit’s ADR = lowest of top 25 markets ($84)
(av. = $135, Chicago = $129)

convention bookings up 100% since reopening of Cobo Centre

GBTA projects a 6.6% increase in US business travel spending in 2014
MICHIGAN TOURISM INDUSTRY INDICATORS: 2013 VS 2012

PERCENT CHANGE IN ASSESSMENTS AND PROPERTIES

Source: 2014 Dept. of CARRS Survey of Assessments

CVB AD BUDGET ALLOCATED TO OUT-OF-STATE

<table>
<thead>
<tr>
<th>Year</th>
<th>OUT OF STATE (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>45</td>
</tr>
<tr>
<td>2014</td>
<td>46</td>
</tr>
</tbody>
</table>

Michigan Tourism Industry Indicators: 2013 vs. 2012 Visits

Sources: MI DNR, MI DNR State Historic Parks, US National Park Service.

* new listings always welcome! *

MICHIGAN HIGHWAY TRAFFIC COUNTS

YEAR-TO-YEAR CHANGE

Source: Michigan Department of Transportation.

MICHIGAN TOURISM INDUSTRY INDICATORS: 2013 VS 2012 GAS PRICES

Source: AAA Michigan.

Average PPG in MI: 2012 - $3.70, 2013 - $3.60
Annual Change: 2.71%

MICHIGAN TOURISM INDUSTRY INDICATORS: 2013 VS 2012 TRAFFIC

Source: Michigan Department of Transportation.
MICHIGAN TOURISM INDUSTRY INDICATORS: 2013 VS 2012 TRAFFIC + WELCOME CENTERS

Source: Michigan Department of Transportation.

Annual Change:
Traffic +4.4%, Welcome Centers +0.1%

MICHIGAN TOURISM INDUSTRY INDICATORS: 2013 VS 2012 WEATHER AND TRAFFIC

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

Annual Changes:
Precip. 28.9%, Temp. –8.5%, Traffic 4.4%

MACKINAC BRIDGE TRAFFIC COUNTS YEAR-TO-YEAR CHANGE

Source: Mackinac Bridge Authority.

MICHIGAN TOURISM INDUSTRY INDICATORS: 2013 VS 2012 MONTHLY MACKINAC BRIDGE CROSSINGS

Source: Mackinac Bridge Authority.

Annual Change: –1.1%

MICHIGAN TOURISM INDUSTRY INDICATORS: 2013 VS 2012 WEATHER & MACKINAC BRIDGE CROSSINGS

Source: Mackinac Bridge Authority; Midwestern Regional Climate Center.

Annual Change:
Bridge –1.1%, Precip. 28.9%, Temp. –8.5%
**Michigan Tourism Industry Indicators: 2013 vs 2012**

**Weather & Mackinac Bridge Crossings**

Source: Mackinac Bridge Authority; Midwestern Regional Climate Center.

<table>
<thead>
<tr>
<th>Year</th>
<th>Count (million)</th>
<th>% from prev. year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994</td>
<td>4.333</td>
<td>+ 8.5%</td>
</tr>
<tr>
<td>1995</td>
<td>4.557</td>
<td>+ 5.2%</td>
</tr>
<tr>
<td>1996</td>
<td>4.625</td>
<td>+ 1.5%</td>
</tr>
<tr>
<td>1997</td>
<td>4.626</td>
<td>0.0%</td>
</tr>
<tr>
<td>1998</td>
<td>4.891</td>
<td>+ 5.7%</td>
</tr>
<tr>
<td>1999</td>
<td>4.836</td>
<td>- 1.1%</td>
</tr>
<tr>
<td>2000</td>
<td>4.756</td>
<td>- 1.7%</td>
</tr>
<tr>
<td>2001</td>
<td>4.676</td>
<td>- 1.7%</td>
</tr>
<tr>
<td>2002</td>
<td>4.733</td>
<td>+ 1.2%</td>
</tr>
<tr>
<td>2003</td>
<td>4.529</td>
<td>- 4.3%</td>
</tr>
<tr>
<td>2004</td>
<td>4.427</td>
<td>- 2.2%</td>
</tr>
<tr>
<td>2005</td>
<td>4.256</td>
<td>- 4.3%</td>
</tr>
<tr>
<td>2006</td>
<td>4.133</td>
<td>- 2.4%</td>
</tr>
<tr>
<td>2007</td>
<td>4.054</td>
<td>- 1.9%</td>
</tr>
<tr>
<td>2008</td>
<td>3.696</td>
<td>- 8.9%</td>
</tr>
<tr>
<td>2009</td>
<td>3.877</td>
<td>+ 4.9%</td>
</tr>
<tr>
<td>2010</td>
<td>3.948</td>
<td>+ 1.8%</td>
</tr>
<tr>
<td>2011</td>
<td>3.728</td>
<td>- 5.6%</td>
</tr>
<tr>
<td>2012</td>
<td>3.737</td>
<td>+ 0.2%</td>
</tr>
<tr>
<td>2013</td>
<td>3.696</td>
<td>- 1.1%</td>
</tr>
</tbody>
</table>

Source: Mackinac Bridge Authority.

**Trends in Traffic Counts on Selected Michigan Bridges**

Source: Mackinac Bridge Authority; Blue Water Bridge Authority; MDOT; Public Border Operators Association (PBOA).


Source: Public Border Operators Association (PBOA) http://www.bwba.org/trafficstats_e.html

**Summary of Michigan Tourism Industry 2013 vs 2012 Indicators**

- Weather: 2013 was wetter (+29%) and colder (-9%) than 2012 (and wetter (+22%) than normal)
- Consumer confidence: up 9%
- Hotel occupancy: up 2%
- Sales and use tax: up 4% (our measure of spending)
- Assessments: up 6.5%
- Visits to attractions: variable impact of gov shutdown
- Gas prices: down 3%
- Travel activity (as measured by traffic):
  - statewide traffic counts up 4.4%
  - Mackinac Bridge crossings down 1%

**Other Good News as We Look to 2014 and Beyond**

- Pure Michigan
  - 2 Mercury Awards in 2013 (NCSTD) “Pure MI rule”
  - 8 Adrian Awards in Feb 2014 (HSMAI)
  - $4 million additional funding for 2013-14
  - $2 million additional funding (proposed) for 2014-15
Factors That Impact Our Forecast

- Last year’s results
- Economic indicators
- Tourism trends
- Pure Michigan activity
- CVB projections
- National forecasts
- Misc. issues
- Forecast Advisory Team discussion

The Forecast Advisory Team

Participants in 2014 Meeting:

- Dr. Don Holecek
- Dr. Dan McCole
- Dr. George Moroz
- Dr. Sarah Nicholls
- Michael O’Callaghan
- Tracy Padot
- Dr. Annie Rummel
- Bill Sheffer

HOW ACCURATE WERE MSU’S PROJECTIONS FOR MICHIGAN TOURISM IN 2013?

<table>
<thead>
<tr>
<th></th>
<th>Projected by MSU</th>
<th>Actual data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Travel spending</td>
<td>+ 5.5%</td>
<td>+4.1%</td>
</tr>
<tr>
<td>Travel prices</td>
<td>+ 3%</td>
<td>+2%</td>
</tr>
<tr>
<td>Travel volume</td>
<td>+ 3%</td>
<td>3%</td>
</tr>
</tbody>
</table>

Source: MSU Department of CSUS; Michigan Department of Transportation; Bureau of Labor Statistics.

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

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

Economy

Ability to spend on travel

Willingness to spend on travel
**Michigan Tourism Outlook 2014**

**Michigan State University, Department of CSUS**

---

### GROWTH OF REAL GDP - UNITED STATES

![Graph showing percentage growth of real GDP](image)

Source: RSQE - University of Michigan

---

### Stock Markets

<table>
<thead>
<tr>
<th>Date</th>
<th>Dow Jones Industrial Average</th>
<th>Nasdaq Composite</th>
<th>S&amp;P 500</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 4, 2009</td>
<td>6,875</td>
<td>1,353</td>
<td>712</td>
</tr>
<tr>
<td>March 4, 2010</td>
<td>10,444</td>
<td>2,292</td>
<td>1,122</td>
</tr>
<tr>
<td>March 4, 2011</td>
<td>12,169</td>
<td>2,784</td>
<td>1,321</td>
</tr>
<tr>
<td>March 5, 2012</td>
<td>12,962</td>
<td>2,950</td>
<td>1,364</td>
</tr>
<tr>
<td>Mar 7, 2013</td>
<td>14,329</td>
<td>3,232</td>
<td>1,544</td>
</tr>
<tr>
<td>Mar 7, 2014</td>
<td>16,453</td>
<td>4,336</td>
<td>1,878</td>
</tr>
</tbody>
</table>

% change (from Mar 2013): +14.8%, +34.2%, +21.6%

Record Highs: 16,576 Dec '13, 5,048 Mar '00, 1,876 Jan '14

Source: Yahoo Finance

---

### Currency Exchange Rates Per $1 U.S.

<table>
<thead>
<tr>
<th>Currency</th>
<th>Mar 4 2014</th>
<th>Mar 4 2013</th>
<th>% change</th>
<th>US $ is…</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canadian $</td>
<td>1.10</td>
<td>1.02</td>
<td>7.8%</td>
<td>Stronger</td>
</tr>
<tr>
<td>Euro</td>
<td>.72</td>
<td>.76</td>
<td>-5.3%</td>
<td>Weaker</td>
</tr>
<tr>
<td>Pound (UK)</td>
<td>.59</td>
<td>.66</td>
<td>-10.6%</td>
<td>Weaker</td>
</tr>
<tr>
<td>Peso (Mexico)</td>
<td>13.29</td>
<td>12.75</td>
<td>4.2%</td>
<td>Stronger</td>
</tr>
<tr>
<td>Yen (Japan)</td>
<td>101.39</td>
<td>93.57</td>
<td>8.4%</td>
<td>Stronger</td>
</tr>
<tr>
<td>Yuan (China)</td>
<td>6.12</td>
<td>6.27</td>
<td>-2.4%</td>
<td>Weaker</td>
</tr>
<tr>
<td>Real (Brazil)</td>
<td>2.33</td>
<td>1.97</td>
<td>18.3%</td>
<td>Stronger</td>
</tr>
<tr>
<td>FRB Broad Index</td>
<td>100.20</td>
<td>100.76</td>
<td>+2.4%</td>
<td>Stronger</td>
</tr>
</tbody>
</table>

Source: Currencies - www.oanda.com; Federal Reserve Bank

---

### U.S. Unemployment

![Graph showing U.S. unemployment rate](image)

Current Reading: 6.7%

Source: The Bureau of Labor Statistics; TradingEconomics.com

---

### Michigan Unemployment

![Graph showing Michigan unemployment rate](image)

Source: Michigan Department of Labor & Economic Growth

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### Comerica Banks Michigan Economic Activity Index

![Graph showing Michigan economic activity index](image)

Source: Michigan State University, Department of CSUS
Gasoline Prices

Consumer Confidence Index

Source: The Conference Board; TradingEconomics.com

Current Reading: 81.6

Housing: Shadow Inventory

The total shadow inventory

Source: Barclays Research

Housing

- Delinquencies will continue to improve
- Sub-Prime Borrowers: dropped by half since recession
- Detroit-Livonia-Dearborn Metro Area
  - Median home price ($51,000) is lower than median family income ($54,000)
  - 4 year forecast of home prices: + 33.1%

Source: Case Shiller

Housing: 2014 Forecast

Source: Zillow.com
Housing: 2014 Forecast

National Association of Realtors

Key Labor Market and Economic Metrics

PAYROLL JOBS: LEISURE & HOSPITALITY

Source: USTA: Bureau of Labor Market Information, Current Employment Statistics (CES)

Summary of the Economy

- GDP
- Stock Markets
- Unemployment
- Consumer Confidence
- Strength of Dollar
- Housing
- Michigan Economic Activity

Summary of Economy

- Better than this time last year on all measures
- Many Americans are still hurting economically, but not the ones who tend to travel
- As it relates to tourism, little in the economy points to a downturn in ability and willingness to spend

USTA's Travel Dashboard

Tourism Trends
Tourism... It's a Good Industry to Be in Right Now

- Growing demand
- Increasingly vital part of economy
- Important (and resilient) employer
- Growing recognition among government officials

Twice as many Americans prioritize saving for travel compared to saving for a car or hobbies.

Source: US Travel Association

Tourism is a top 10 employer in 48 U.S. States (and D.C.)

Job Recovery by Industry

Tourism is responsible for 1/8 of all American jobs

Source: US Dept of Labor

Tourism is telling its story better

31 States have raised state tourism budgets since 2010

Lobbying Efforts

- Shorter Visa Waits
- Promotion Funding
- Visa Waiver Program
- More efficient entry process
- Economic Impacts
- Gov't meetings and conferences
- Reducing hassles for travelers

Source: US Dept of Labor
Tourism is Telling its Story Better

USTA has been successful at producing studies that generate publicity

Headlines:

• Travel improves educational attainment & future success
• Travel can make you healthier
• Travel reduces stress
• Travel brings families closer together
• Family trips create lasting memories
• Travel can improve your sex life

Growth Is Being Led by Leisure Travel

Leisure travel is leading tourism growth

Source: US Travel Association

Leisure Traveling and Spending

Growth in leisure spending is expected to outpace leisure volume

Leisure spending as a portion of household income is greater than in recent history
Michigan Tourism Outlook 2014
Michigan State University, Department of CSUS

Top Leisure Destinations - States

Leisure Travel Party Composition

Leisure Travel Summary

• Greater increase in growth of overnight leisure travel than day leisure travel
• Decrease in economy hotel/motel; increase in high-end and mid-level
• Length of stay down 10% since 2000
• Expect continued slide in party size and length of stay (except in Michigan)
• Leisure traveler is looking for simplicity (road trips and national parks are hot)

Consumers Control the Transaction!

• Recession changed consumers’ value calculation for discretionary spending.
• Technology impacts travel planning and purchase behavior.
• Consumer is smarter and better informed to make travel decisions than ever.
• Shift from the pre-recession habits of wild consumption.
• Destinations and businesses must communicate points of differentiation and value propositions.

Continued Importance of Mobile
22% of Americans (and 30% of females) would give up sex before they would give up their phones.

Are you prepared to provide exceptional experiences for these people?

Common complaints of mobile users:
- Lack of wi-fi and 4G
- User experience design
“Authentiseeking”

The rise of peer-to-peer travel
Is it here to stay?

Segments to Watch

<table>
<thead>
<tr>
<th>Millennials (ages 18-33)</th>
<th>Multi-generational Travel</th>
<th>Silver Economy</th>
<th>Urban Chinese Middle Class</th>
</tr>
</thead>
<tbody>
<tr>
<td>Starting to enter their peak earning &amp; spending years</td>
<td>~40% of families went on a multi-generational vacation</td>
<td>10,000 boomers turning 65 each day. Many have the time and money to travel</td>
<td>In 2006: 4% In 2012: 66% In 2022: 79% (That will be 930 million) Today: 2.3 million Chinese with wealth of 10 million RMB ($1.65 million U.S.)</td>
</tr>
</tbody>
</table>

Peer to Peer Travel
- Airbnb
- Eatwith.com
- RelayRides.com
- Vayable.com

Rent a room in a stranger’s house
Eat a meal in a stranger’s house
Rent a stranger’s car
Pay a stranger to give you a tour.

Continued Positive Publicity for Michigan
**Forecast**

**USTA FORECAST FOR U.S. TRAVEL IN 2014**

- Domestic Leisure Volume: +1.9%
- Domestic Business Volume: +1%
- International Visitors: +5.4%
- Domestic Spending: +4.7%
- International Spending*: +7.6%

*Excluding International Airfares

Source: United States Travel Association (Annual Travel Forecast)

**MSU GROWTH PROJECTIONS FOR MICHIGAN TOURISM IN 2013**

- Travel prices: +4%
- Travel volume: +1.5%
- Travel spending: +4.5%

**THE WILD CARDS**

- Weather!
- Sharp spike in gas prices
- U.S. markets/economy
- War / terrorism

**CONTACT INFORMATION**

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Dr. Dan McCole (mccoleda@msu.edu)

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