



Economic Impact of Tourism in Michigan, 2018

May 2019



TOURISM
ECONOMICS

AN OXFORD ECONOMICS COMPANY

1) Key findings

Growth continues in 2018 as economic conditions support more trips and higher trip spend on travel to Michigan

Key facts about Michigan's tourism sector

Visitation reached 124.8 million in 2018

Visitor spending rose 3.9% in 2018 to \$25.7 billion

Tourism spending supports 6.0% of all jobs in Michigan

Tourism in Michigan generated \$2.8 billion in state and local taxes in 2018

Key indicators in Michigan 2018

Dollar figures in millions

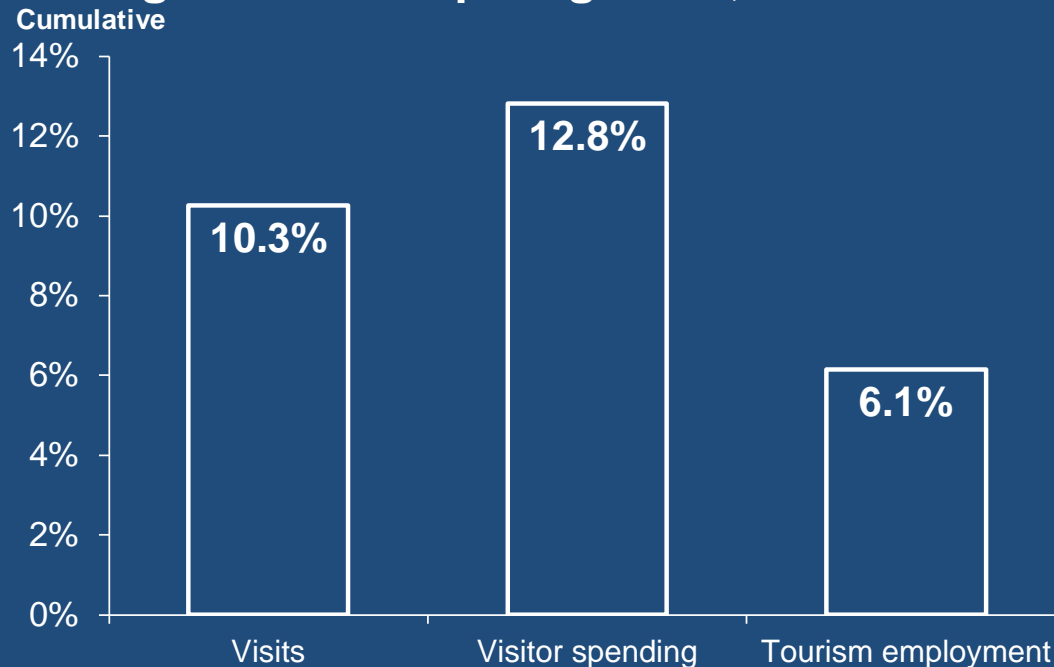
Tourism spending	\$25,706
Total business sales	\$43,789
Employment sustained by tourism	346,308
Income sustained by tourism	\$12,476
Taxes sustained by tourism	\$5,721
Federal	\$2,927
State	\$1,750
Local	\$1,044

Source: Tourism Economics

One out of every 16.5 workers in Michigan is supported by tourism

\$711 in tax revenue per household in Michigan was supported by tourism in 2018

Michigan visitor impact growth, 2014-2018



Source: Tourism Economics

2) Visitation and Spending

Trends in Michigan tourism

1

Visitation nears 125 million

- The number of visitors to Michigan grew by 2.1 million to reach 124.8 million visitors in 2018.

2

Nine years of visitor spending growth

- 2018 marks the ninth straight year of visitor spending growth with spending increasing 3.9%.

3

Growth shifts to different sectors

- Growth in recreational spending surged in 2018 after lagging in 2017. Spending growth on food & beverages moderated, while continued increases in gasoline keeps transportation spending growth high.

2018 Trends

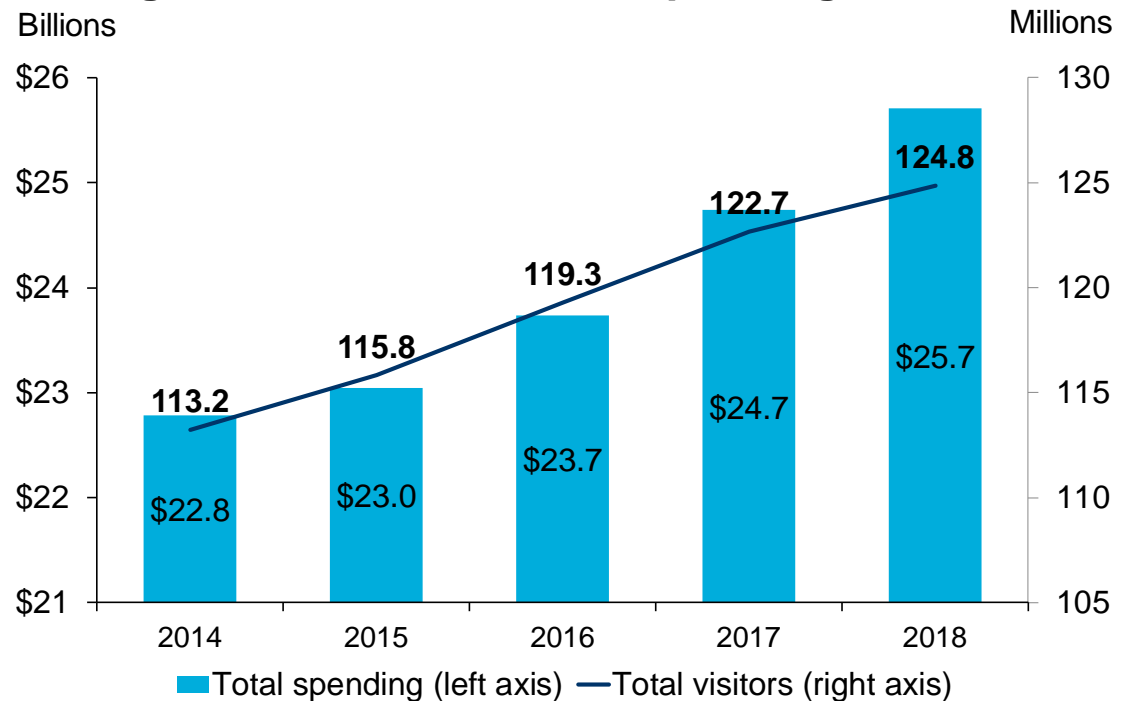
124.8 million visitors traveled to Michigan in 2018, spending \$25.7 billion in the state.

The steady climb of visitation and visitor spending continued in 2018.

Visitation increased by 2.1 million in 2018, and by more than 11 million since 2014.

Visitor spending jumped \$1 billion in 2018, and is up nearly \$3 billion since 2014.

Michigan visitor volume and spending

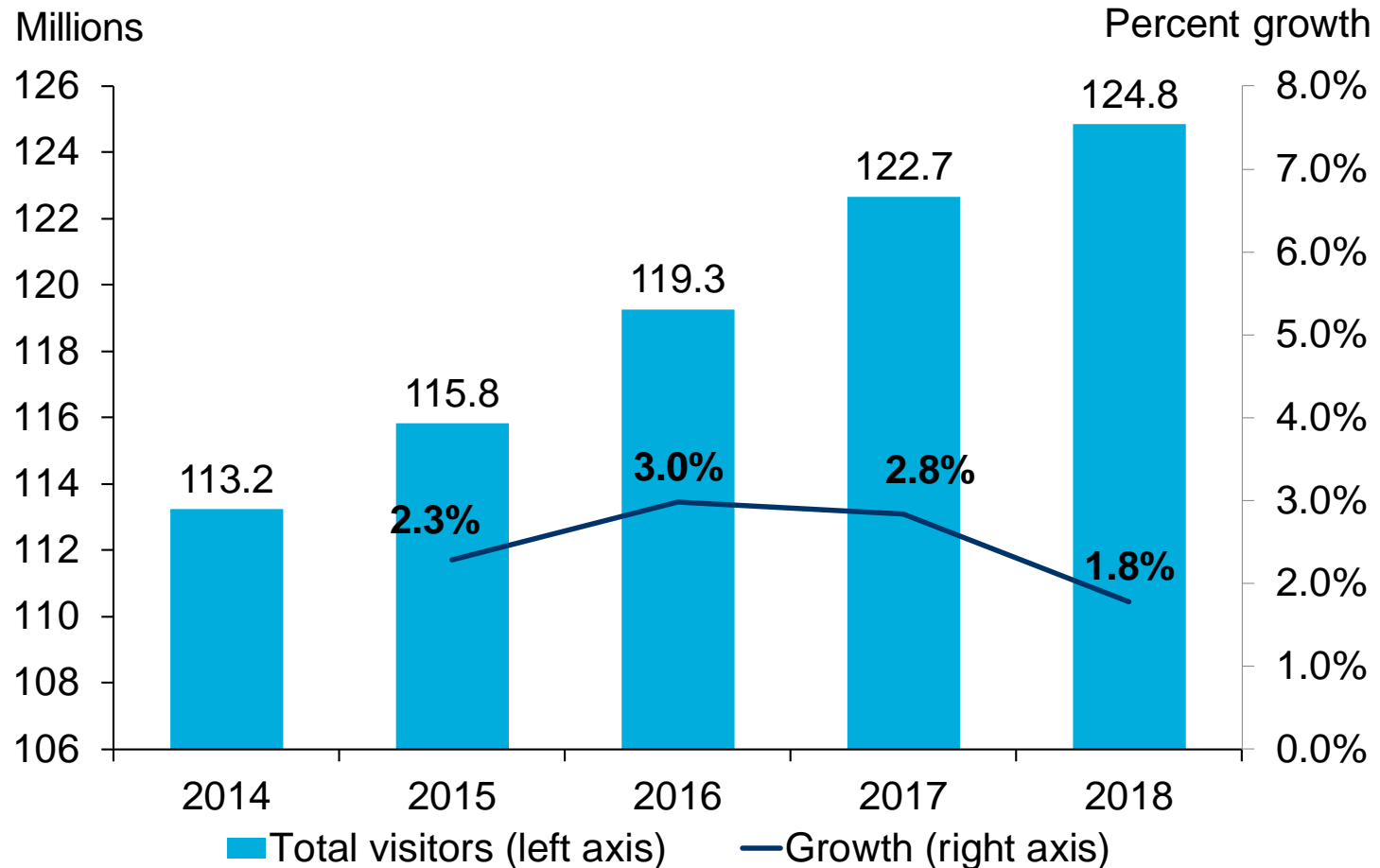


Source: Tourism Economics

Visitation

Michigan saw nearly 125 million trips in 2018. Visitation grew 1.8% in 2018, increasing by 2.1 million.

Visitors to Michigan

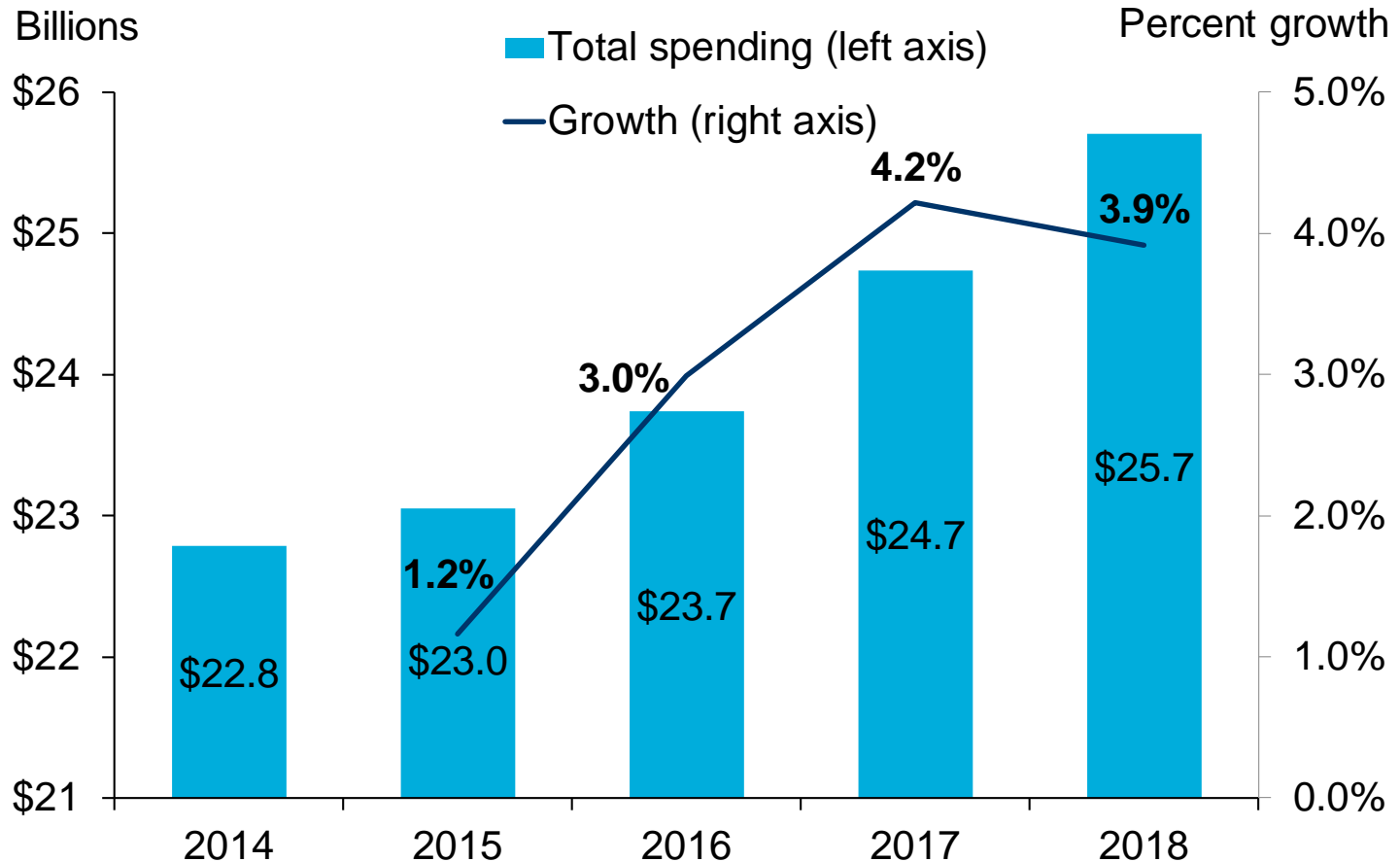


Source: Tourism Economics

Visitor spending

Nearly matching 2017's growth, visitor spending was driven by per-trip spending gains rather than visitation increases.

Michigan visitor spending



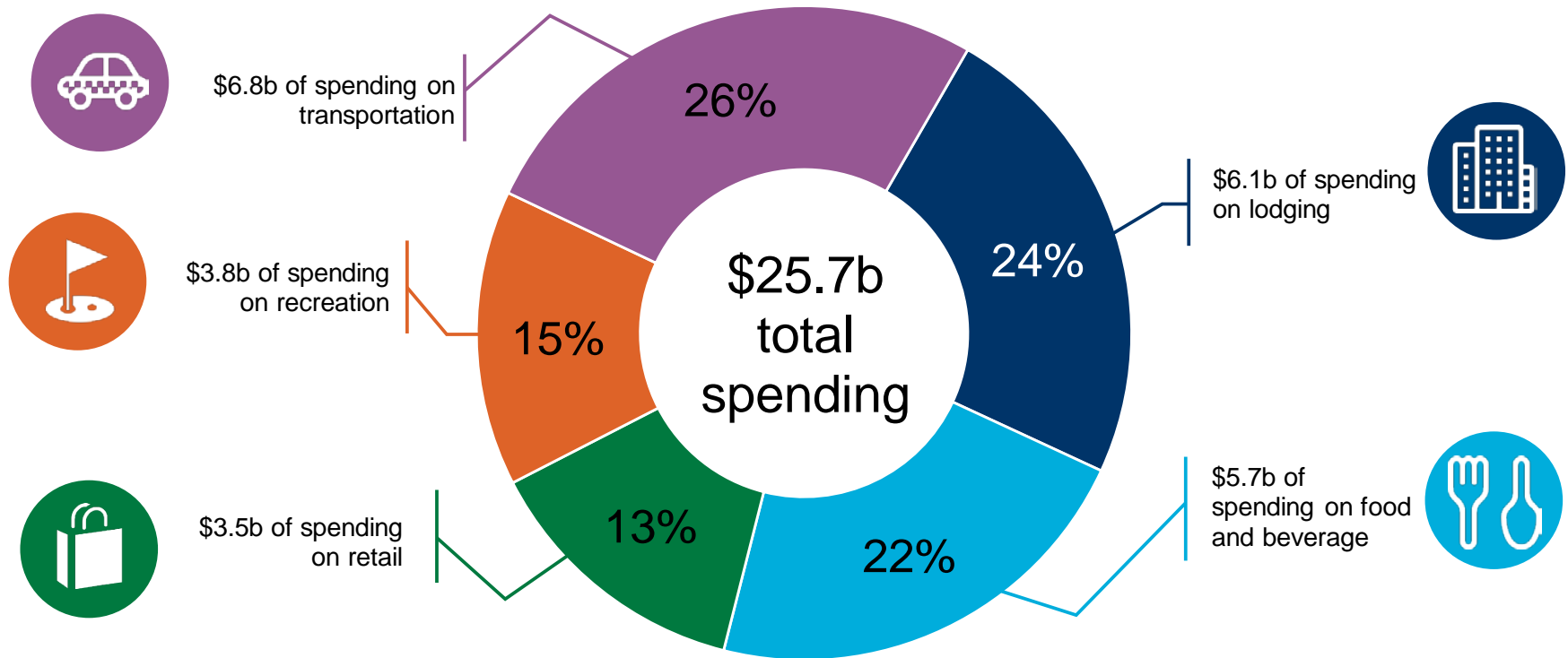
Source: Tourism Economics

Visitor spending in Michigan

Visitors to Michigan spent \$25.7 billion in 2018 with 46% spent on lodging and food & beverages. The share of the visitor dollar dedicated to recreational spending increased to 15% in 2018.

Tourism industry sales in Michigan, 2018

Dollars, billions and percent of total



Source: Tourism Economics

Tourism spending reached \$25.7 billion in 2018

Spending grew 3.9% in 2018, led by increases in transportation costs and recreational spending.

Recreational spending jumped 6.8% in 2018, well above the five year annual growth of 2.7%.

Visitor spending on lodging expenses – including 2nd homes – rose 3.7%, on par with its five-year average.

Visitor spending has increased by nearly \$3 billion since 2014.

Lodging spending has increased by \$1 billion since 2014 – one-third of the overall visitor spending increase.

Visitor spending in Michigan

Nominal dollars, millions

	2014	2015	2016	2017	2018	2018 Growth	2014-2018 CAGR
Lodging*	\$5,054.5	\$5,310.1	\$5,537.1	\$5,844.7	\$6,059.0	3.7%	3.7%
Food & beverages	\$4,763.0	\$4,940.1	\$5,225.9	\$5,521.5	\$5,666.2	2.6%	3.5%
Retail	\$3,325.2	\$3,291.3	\$3,342.7	\$3,409.1	\$3,469.6	1.8%	0.9%
Recreation	\$3,295.3	\$3,338.8	\$3,457.0	\$3,518.5	\$3,756.0	6.8%	2.7%
Local Transportation	\$4,381.6	\$4,194.3	\$4,191.6	\$4,452.2	\$4,703.0	5.6%	1.4%
Air Transportation	\$1,964.3	\$1,973.2	\$1,982.2	\$1,991.2	\$2,052.2	3.1%	0.9%
Transportation**	\$6,345.9	\$6,167.5	\$6,173.8	\$6,443.3	\$6,755.2	4.8%	1.3%
Total	\$22,783.9	\$23,047.8	\$23,736.6	\$24,737.1	\$25,706.0	3.9%	2.4%

* Lodging includes 2nd home spending

** Transportation includes both ground and air transportation

Source: Tourism Economics

Tourism spending by sector

Spending increases in 2018 came from transportation and recreational sectors.

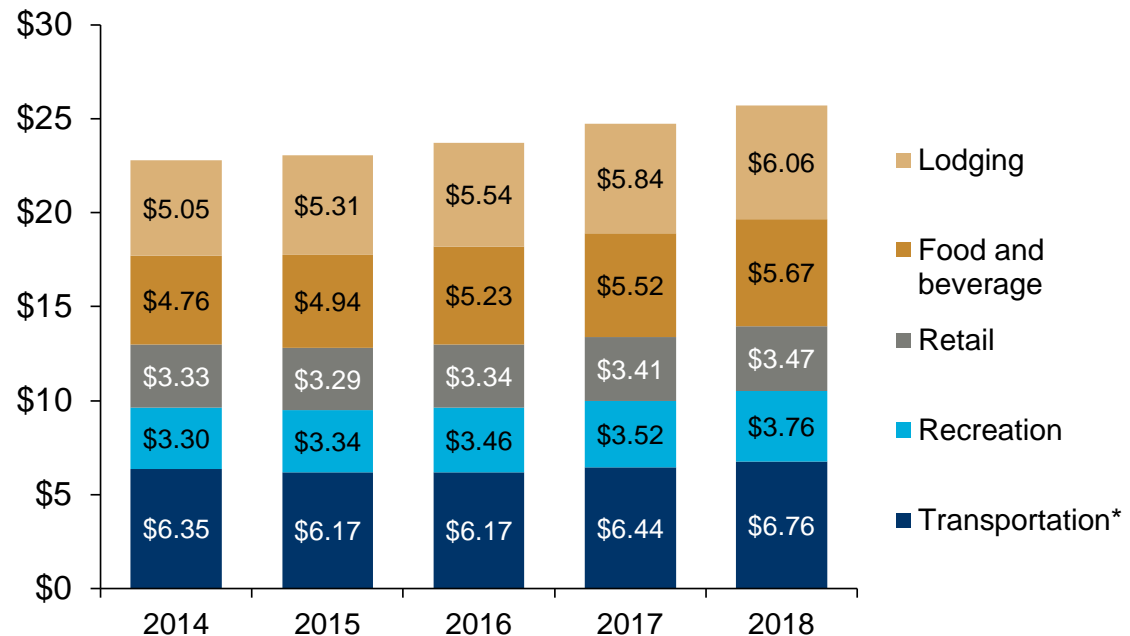
Recreational spending increased by \$240 million in 2018 – more than half of the sectors \$460 million increase since 2014.

Lodging spending, including spending on 2nd homes, rose to \$6.1 billion in 2018.

Visitor spending in the key food & beverage sector rose to \$5.7 billion.

Michigan visitor spending

Billions of \$



* Transportation includes both air and local transportation

Source: Tourism Economics

Tourism spending shares by sector

Recreational spending and local transportation costs capture more of the visitor dollar in 2018.

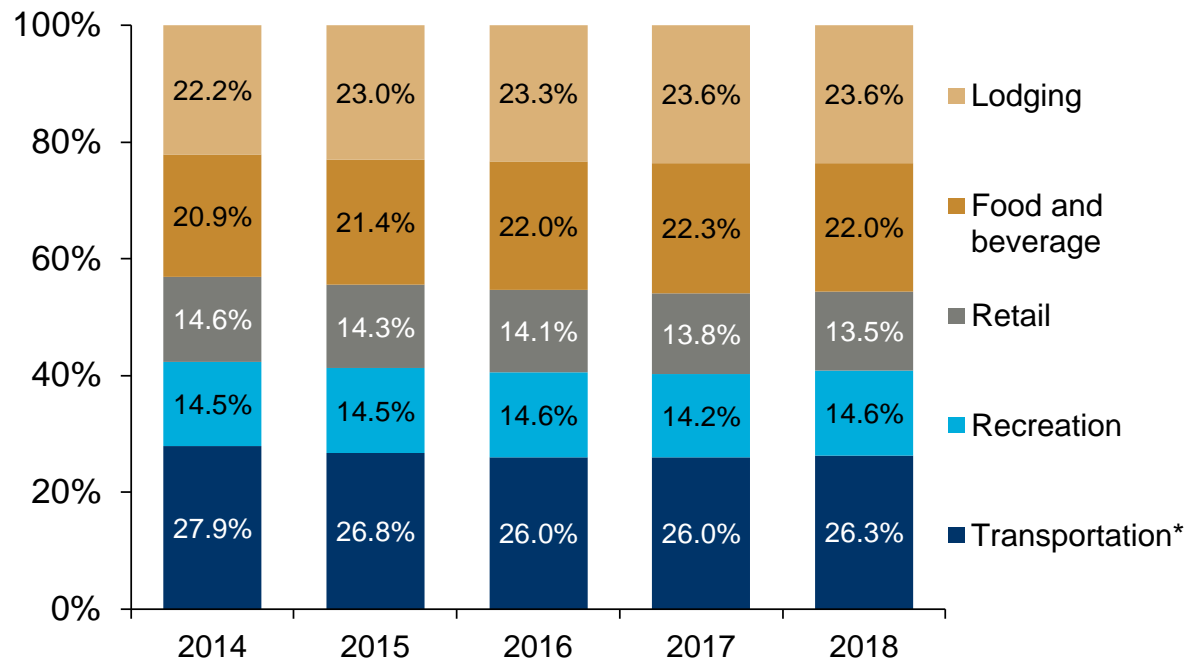
After falling for several years, the share of the visitor dollar spent on transportation costs rose in 2018 to 26.3%.

Lodging still captures 23.6% of each visitor dollar in 2018, equal to 2017 but up 1.4 percentage points from 2014.

The share of the visitor dollar dedicated to recreational spending rebounded to 14.6% in 2018, an increase of 0.4 percentage points over the prior year.

Michigan visitor spending

Share of total



* Transportation includes both air and local transportation

Source: Tourism Economics

Travel sectors

Per-trip spending jumped \$4 in 2018 to reach \$206 per trip.

Overnight visitors grew by 800,000 to reach 73.7 million in 2018.

Overnight visitor spending surpassed \$20 billion in 2018.

Overnight visitors spent \$278 per person per trip in Michigan in 2018.

Spending per traveler increased to \$206, \$4 more than in 2017.

Trips and spend

Nominal dollars, millions

	2014	2015	2016	2017	2018
Total	113.2	115.8	119.3	122.7	124.8
Day	45.9	46.8	48.6	49.8	51.1
Overnight	67.3	69.0	70.7	72.9	73.7
Total	\$22,783.9	\$23,047.8	\$23,736.6	\$24,737.1	\$25,706.0
Day	\$4,648.3	\$4,658.0	\$4,826.6	\$5,125.2	\$5,193.6
Overnight	\$18,135.5	\$18,389.8	\$18,909.9	\$19,611.9	\$20,512.4
Per Traveler Spending	\$201	\$199	\$199	\$202	\$206
Day	\$101	\$100	\$99	\$103	\$102
Overnight	\$269	\$266	\$267	\$269	\$278

Source: Tourism Economics

Travel sectors

Visitor spending in Michigan is led by leisure, overnight, and domestic spending.

Nearly \$19 billion was spent by visitors on leisure trips in Michigan in 2018.

Overnight visitors accounted for \$20.5 billion in spending in the state, representing nearly 80% of all visitor spending in Michigan.

Domestic visitor spending reached \$23.9 billion in 2018, growing 4.1% over the prior year, and encompassing 93% of all visitor spending in Michigan.

Traveler spending in Michigan, 2018

Purpose		Stay		Market	
Traveler Spending (billions)					
Leisure	\$18.89	Day	\$5.19	Domestic	\$23.90
Business	\$6.82	Overnight	\$20.51	Overseas	\$1.34
				Canada	\$0.47
Total	\$25.71	Total	\$25.71	Total	\$25.71
Growth Rates					
Leisure	4.8%	Day	1.3%	Domestic	4.1%
Business	1.5%	Overnight	4.6%	Overseas	1.8%
				Canada	1.0%
Total	3.9%	Total	3.9%	Total	3.9%
Share					
Leisure	73.5%	Day	20.2%	Domestic	93.0%
Business	26.5%	Overnight	79.8%	Overseas	5.2%
				Canada	1.8%

Source: Tourism Economics

Travel sectors

Visitor spending in Michigan is led by leisure, overnight, and domestic spending.

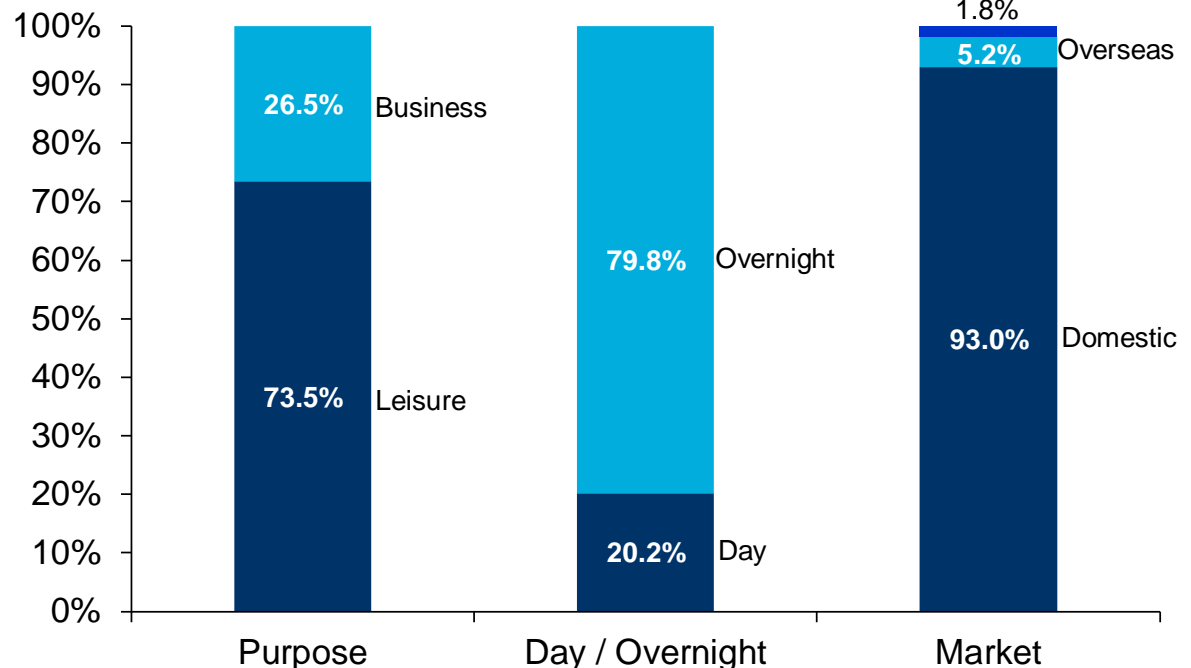
Leisure spending makes up nearly three-quarters of all visitor spending in the state.

Despite being a smaller portion of overall visitation, overnight visitor spending is nearly 80% of all visitor spending.

Overseas visitor spending comprises about 5.2% of all visitor spending in Michigan in 2018.

Visitor spending by market, 2018

Percent of total visitor spending



3) Tourism Economy

Construction in support of tourism

\$1.5 billion was spent on construction in support of the tourism industry in Michigan.

Capital expenditures in support of tourism fell 5% in 2018 as spending on new structures fell 20%.

While less than the prior year, over \$480 million was spent on new construction in support of tourism in Michigan in 2018.

New construction spending has grown by more than 6% on an annual basis since 2014.

Tourism capital investment in Michigan

Dollars are nominal, millions

	2014	2015	2016	2017	2018	2018 growth	2014-2018 CAGR
Construction	\$358.6	\$560.0	\$617.3	\$608.7	\$482.3	-20.8%	6.1%
Machinery & Equipment	\$908.2	\$907.2	\$931.0	\$979.1	\$1,023.1	4.5%	2.4%
Total	\$1,266.7	\$1,467.2	\$1,548.3	\$1,587.8	\$1,505.4	-5.2%	3.5%

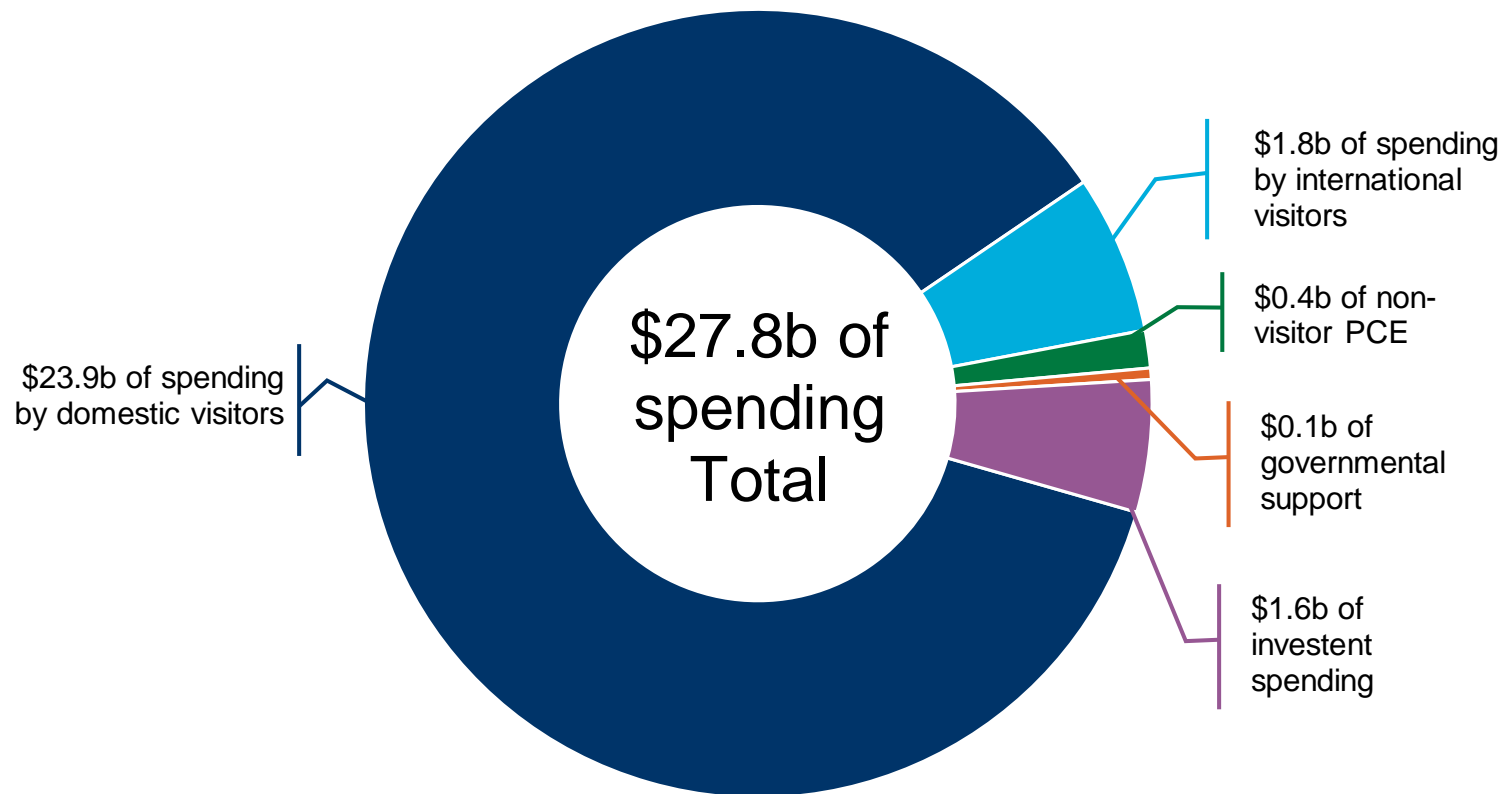
Source: Tourism Economics

Tourism economy in Michigan

Visitor economy spending in Michigan reached \$27.8 billion in 2018, dominated by domestic visitor spending.

Tourism economy in Michigan, 2018

Dollars, billions



Source: Tourism Economics

Tourism economy sales

Non-visitor private consumption expenditures (PCE) represent tourism consumer durables such as an RV, boat, or furniture for a vacation home.

Government support for tourism includes the budgets for destination marketing and other budget items in broad support of tourism.

Capital investment (CAPEX) includes construction of hotels and attractions, as well as tourism equipment and infrastructure.

The Tourism Satellite Account looks at a broader range of tourism-related expenditures, tallying \$27.8 billion.

Tourism economy in Michigan

Nominal dollars, millions

	2015	2016	2017	2018	2018 Growth
Domestic Visitor	\$21,219.4	\$21,994.5	\$22,956.3	\$23,896.8	4.1%
International Visitor	\$1,828.4	\$1,742.1	\$1,780.8	\$1,809.3	1.6%
Non-Visitor PCE	\$427.3	\$393.8	\$440.7	\$429.4	-2.6%
Gov't Support	\$119.1	\$123.5	\$127.4	\$129.7	1.8%
Investment	\$1,467.2	\$1,548.3	\$1,587.8	\$1,505.4	-5.2%
Total	\$25,061.4	\$25,802.2	\$26,893.0	\$27,770.5	3.3%

Source: Tourism Economics

4) The Economic Impact of Tourism – Direct Tourism Industry

How tourism generates impact

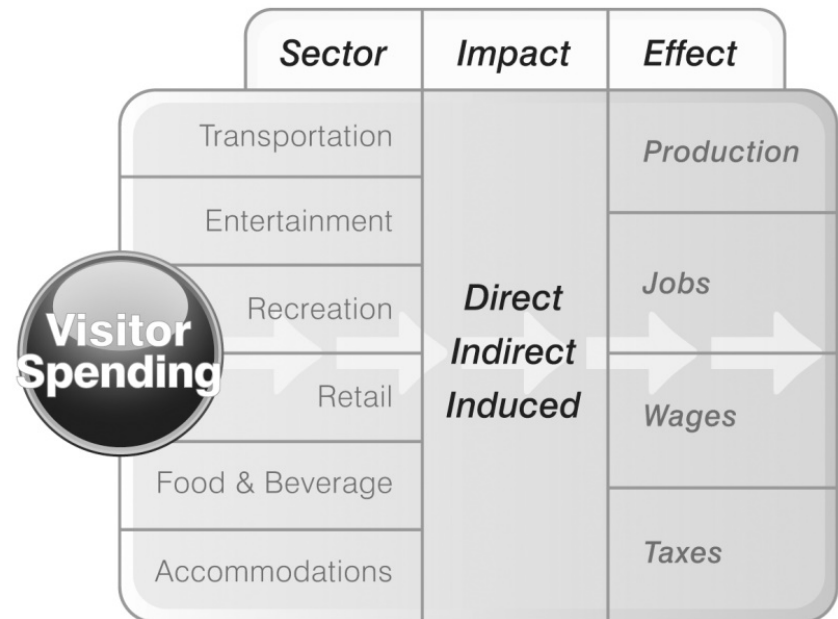
Our analysis of tourism's impact on Michigan starts with actual spending by tourists, but also considers the downstream effects of this injection of spending into the local economy. To determine the total economic impact of tourism in Michigan, we input tourism spending into a model of the Michigan's economy created in IMPLAN. This model calculates three distinct types of impact: direct, indirect, and induced.

- Travelers create **direct** economic value within a discrete group of sectors (e.g. recreation, transportation). This supports a relative proportion of jobs, wages, taxes, and GDP within each sector.
- Each directly affected sector also purchases goods and services as inputs (e.g. food wholesalers, utilities) into production. These impacts are called **indirect** impacts.
- Lastly, the **induced** impact is generated when employees whose wages are generated either directly or indirectly by tourism, spend those wages in the local economy.

The impacts on business sales, jobs, wages, and taxes are calculated for all three levels of impact.

Tourism spending flows through the economy and generates economic benefit through multiple channels.

How tourism spending flows through the economy and generates economic benefits



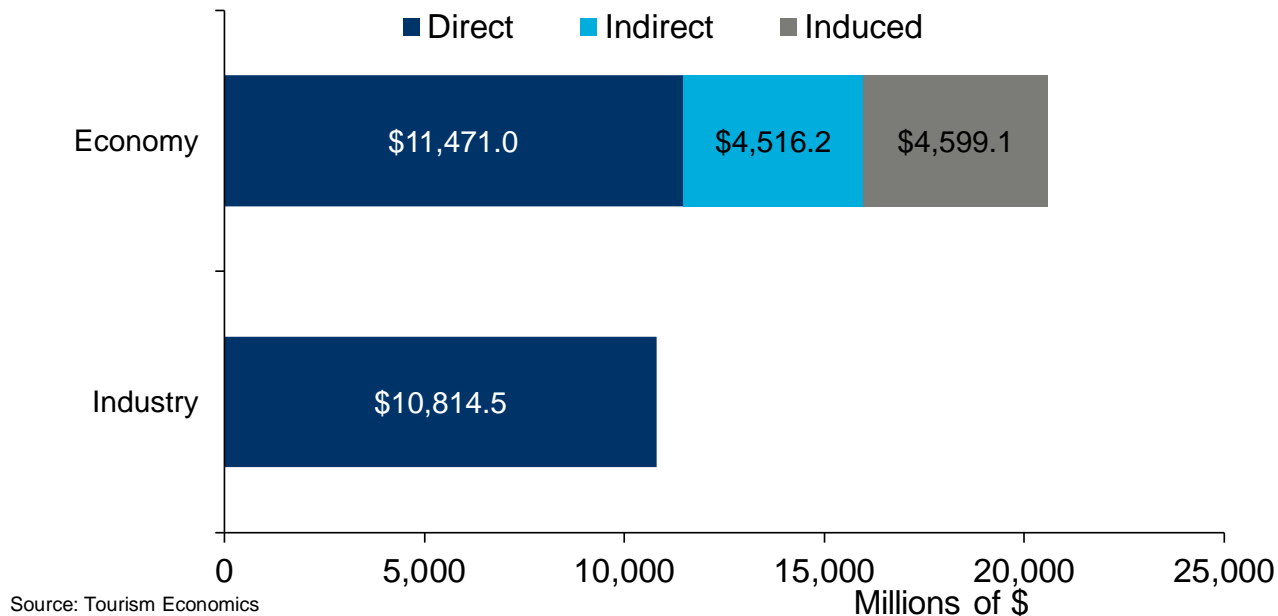
Tourism impact summary - GDP

The tourism industry directly generated \$10.8 billion of Michigan GDP in 2018.

The tourism economy, including direct, indirect, and induced impacts of all tourism sales, generated GDP of \$20.6 billion. This is 3.9% of the state economy.

Tourism GDP impact

Dollars, millions

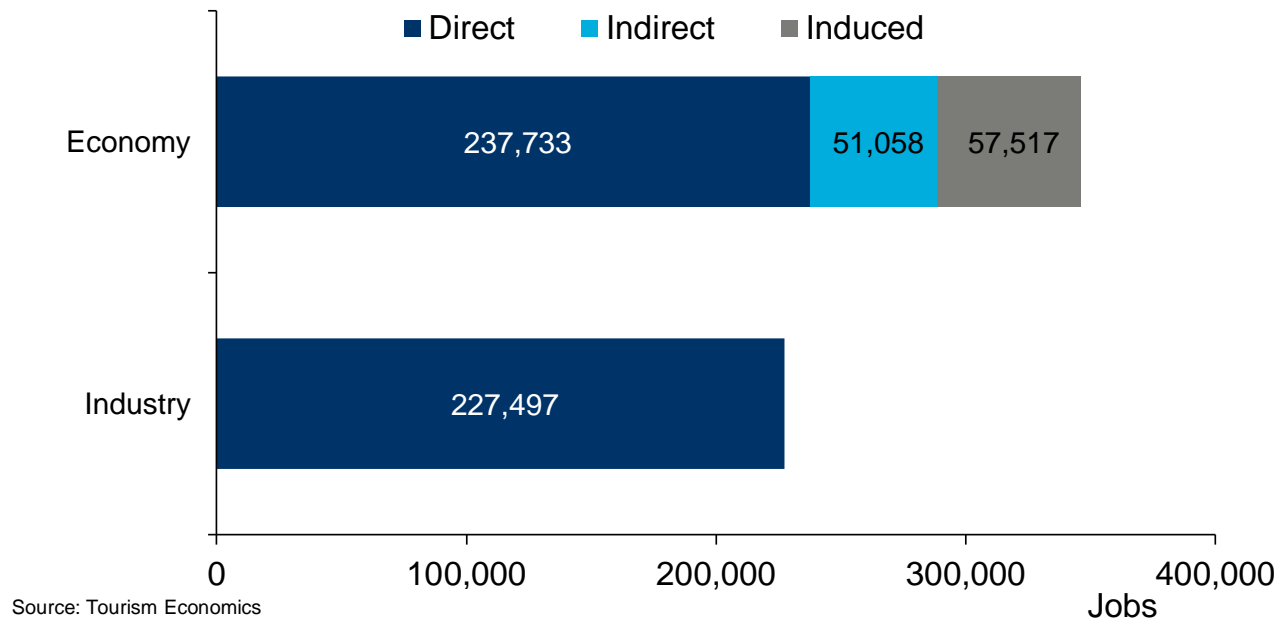


Tourism impact summary - jobs

Tourism spending directly supported 227,497 jobs in Michigan in 2018.

The tourism economy, including direct, indirect, and induced impacts, supported 346,308 jobs. This is 6.0% of all jobs in the state.

Tourism employment impact



Tourism industry impacts

Visitor spending in Michigan supported 227,497 jobs and \$10.8 billion in state GDP in 2018.

Tourism GDP is the value added of those sectors directly interacting with visitors.

The narrow definition of the tourism industry counts only tourism consumption, which excludes capital investment and general government support of tourism. This definition is consistent with economic accounts.

On this basis, tourism industry GDP was \$10.8 billion in 2018, accounting for 2.1% of total Michigan GDP.

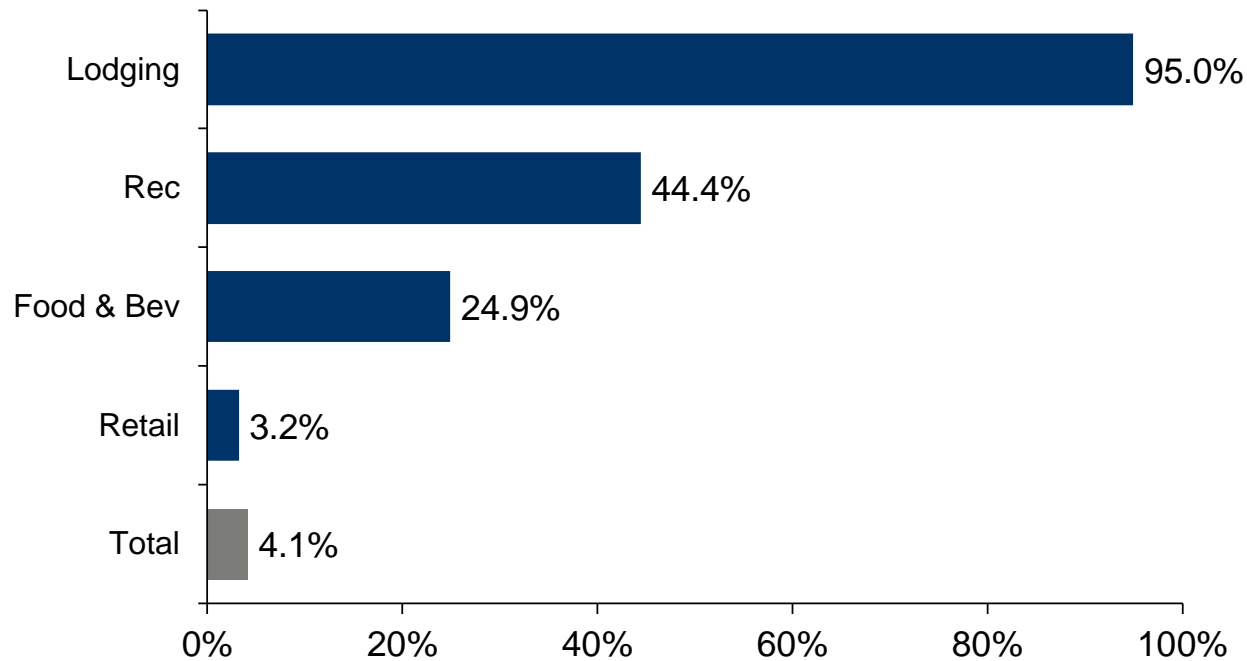
Core Tourism		
	Employment	GDP (millions)
Agriculture, Fishing, Mining	-	-
Construction and Utilities	-	-
Manufacturing	-	-
Wholesale Trade	-	-
Air Transport	5,776	\$1,052.5
Other Transport	5,316	\$261.1
Retail Trade	17,583	\$951.1
Gasoline Stations	6,199	\$269.8
Communications	-	-
Finance, Insurance and Real Estate	2,267	\$310.8
Business Services	250	\$18.8
Education and Health Care	-	-
Recreation and Entertainment	45,985	\$1,751.9
Lodging	46,913	\$3,270.6
Food & Beverage	89,728	\$2,730.9
Personal Services	7,481	\$197.0
Government	-	-
TOTAL	227,497	\$10,814.5

Source: Tourism Economics

Tourism Employment Intensity

Tourism employment is a significant part of several industries – 95% of lodging, 44% of recreation, and nearly 25% of food & beverages employment is supported by tourism spending.

Tourism Employment Intensity



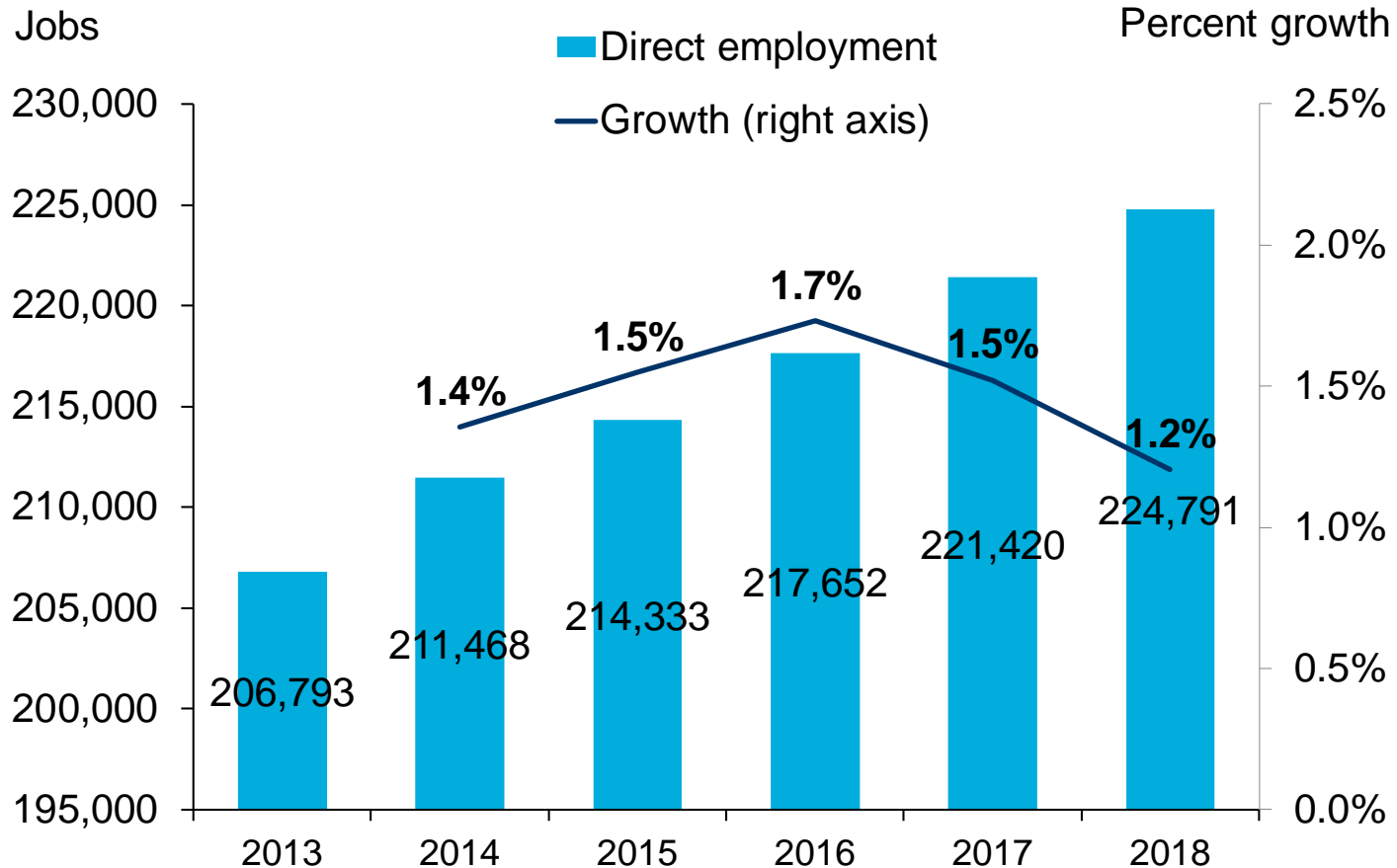
Source: Tourism Economics; BLS

Jobs

Tourism employment growth

Direct tourism employment grew by more than 2,700 despite historically low unemployment rates.

Visitor supported employment in Michigan

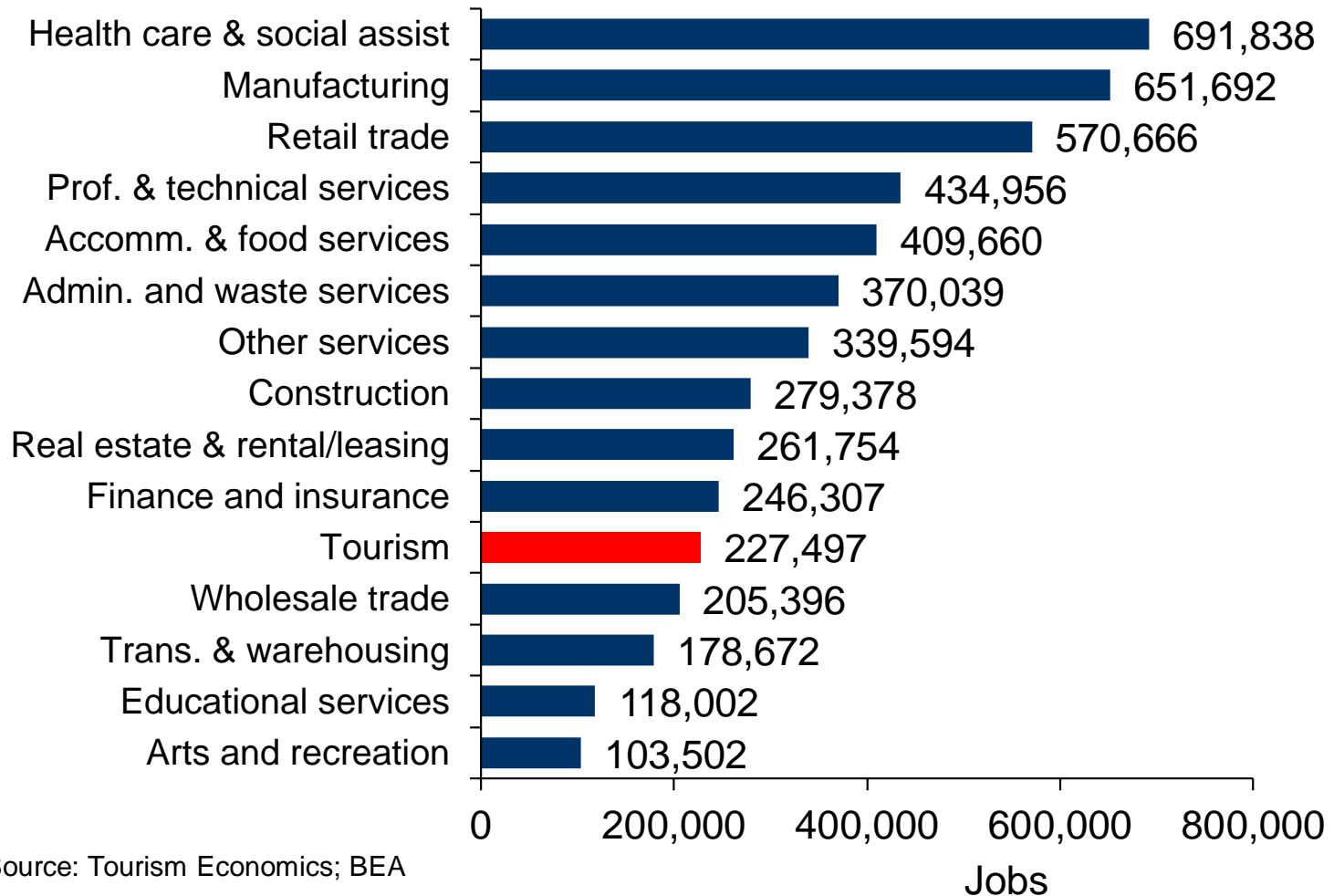


Source: Tourism Economics

The tourism sector is a major contributor to Michigan's economy

Tourism is the 11th largest employer in Michigan.

Employment in Michigan



5) The Economic Impact of Tourism – Total Tourism Economy

Business sales impacts (1 of 2)

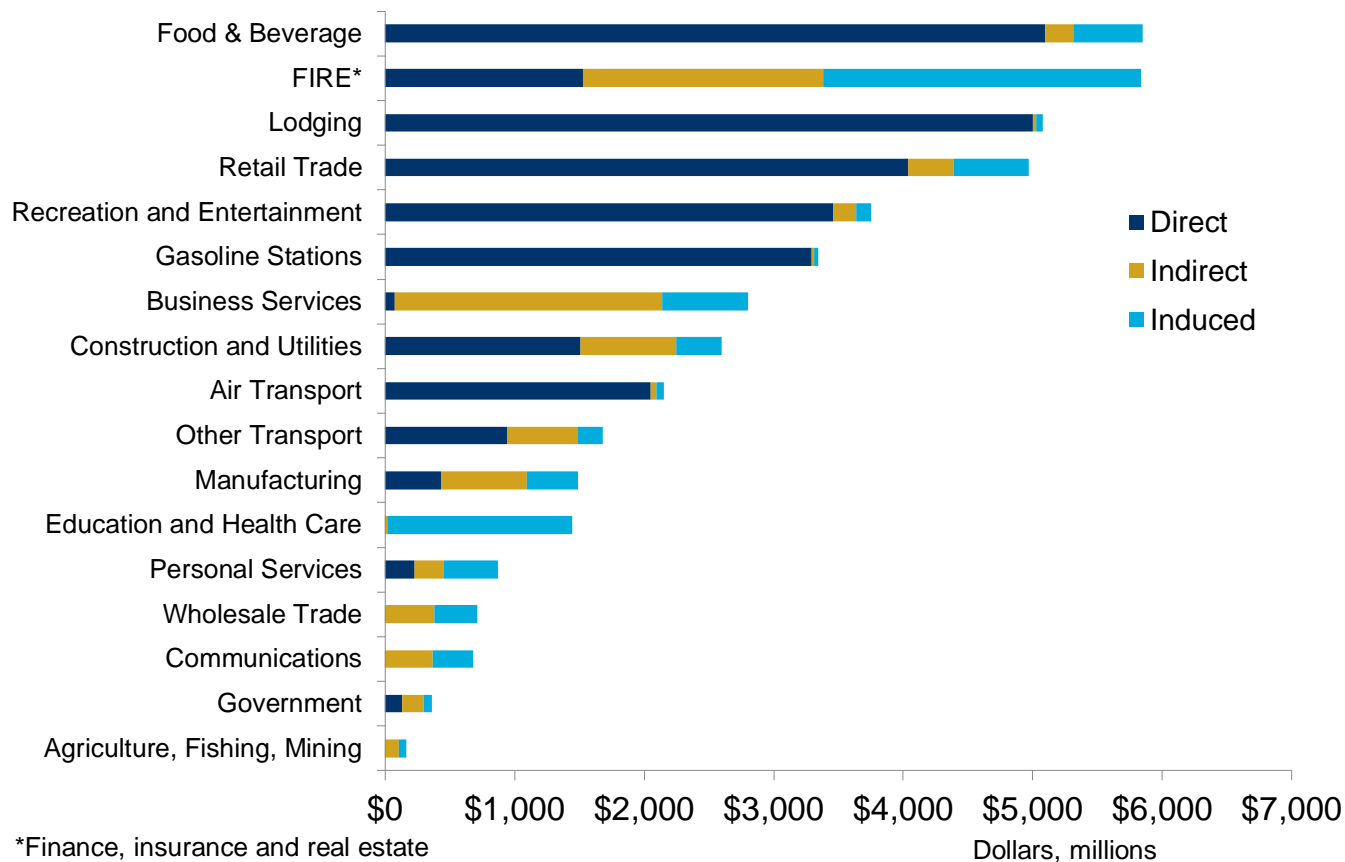
Visitors and tourism businesses spent \$27.8 billion in Michigan in 2018. This supported a total of \$43.8 billion in business sales when indirect and induced impacts are considered.

Business sales impacts, millions				
	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining	-	106.4	55.3	161.7
Construction and Utilities	1,505.4	741.2	351.7	2,598.4
Manufacturing	429.4	666.0	391.5	1,487.0
Wholesale Trade	-	378.8	334.8	713.6
Air Transport	2,052.2	43.2	58.2	2,153.6
Other Transport	940.6	546.2	193.2	1,680.0
Retail Trade	4,036.2	350.8	582.5	4,969.5
Gasoline Stations	3,292.1	19.1	32.4	3,343.5
Communications	-	368.5	308.8	677.2
Finance, Insurance and Real Estate	1,525.3	1,856.1	2,455.7	5,837.1
Business Services	75.1	2,063.8	661.7	2,800.7
Education and Health Care	-	16.9	1,428.6	1,445.5
Recreation and Entertainment	3,455.5	184.2	115.1	3,754.8
Lodging	5,004.0	24.1	52.0	5,080.1
Food & Beverage	5,099.6	210.5	541.3	5,851.4
Personal Services	225.4	221.8	423.8	871.0
Government	129.7	165.4	68.5	363.5
TOTAL	27,770.5	7,963.1	8,055.0	43,788.6
Percent Change	3.3%	3.8%	3.6%	3.4%

Business sales impacts (2 of 2)

While the majority of sales are in industries directly serving visitors, more than \$2.0 billion in Business Services sales is happening as a result of selling to tourism businesses.

Business sales impacts by industry, 2018



Source: Tourism Economics

GDP (Value Added) impacts (1 of 2)

Travel generated \$20.6 billion in state GDP in 2018, or 3.9% of the Michigan economy. This excludes all import leakages to arrive at the economic value generated by travel.

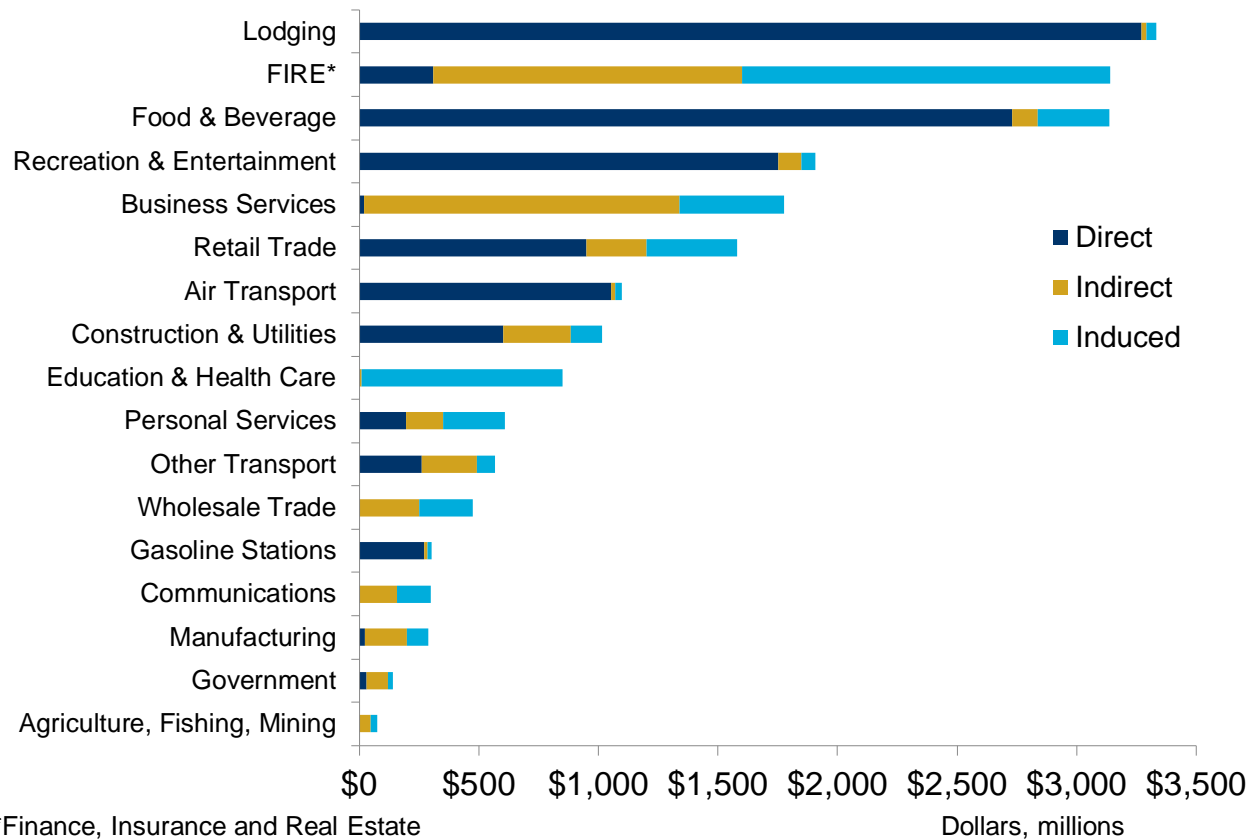
Value added impacts, millions				
	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining	-	49.2	24.3	73.5
Construction & Utilities	602.4	282.0	132.3	1,016.8
Manufacturing	24.8	173.6	91.1	289.5
Wholesale Trade	-	251.9	223.3	475.2
Air Transport	1,052.5	18.8	25.4	1,096.7
Other Transport	261.1	230.1	74.7	565.9
Retail Trade	951.1	250.8	377.0	1,578.8
Gasoline Stations	269.8	14.5	19.1	303.4
Communications	-	158.6	139.9	298.5
Finance, Insurance & Real Estate	310.8	1,289.0	1,541.7	3,141.5
Business Services	18.8	1,321.1	437.1	1,777.0
Education & Health Care	-	10.4	838.6	849.0
Recreation & Entertainment	1,751.9	97.9	56.2	1,906.0
Lodging	3,270.6	19.7	42.1	3,332.4
Food & Beverage	2,730.9	107.2	297.5	3,135.6
Personal Services	197.0	152.3	258.2	607.5
Government	29.3	89.1	20.6	139.0
TOTAL	11,471.0	4,516.2	4,599.1	20,586.3
Percent Change	3.4%	3.8%	3.9%	3.6%

Source: Tourism Economics

GDP (Value Added) impacts (2 of 2)

Direct effects drive overall value added in industries like lodging and restaurants while the indirect and induced effects support large portions of value added in business services.

Value added impacts by industry, 2018



Employment impacts (1 of 2)

Tourism supported a total of 346,308 jobs when indirect and induced impacts are considered.

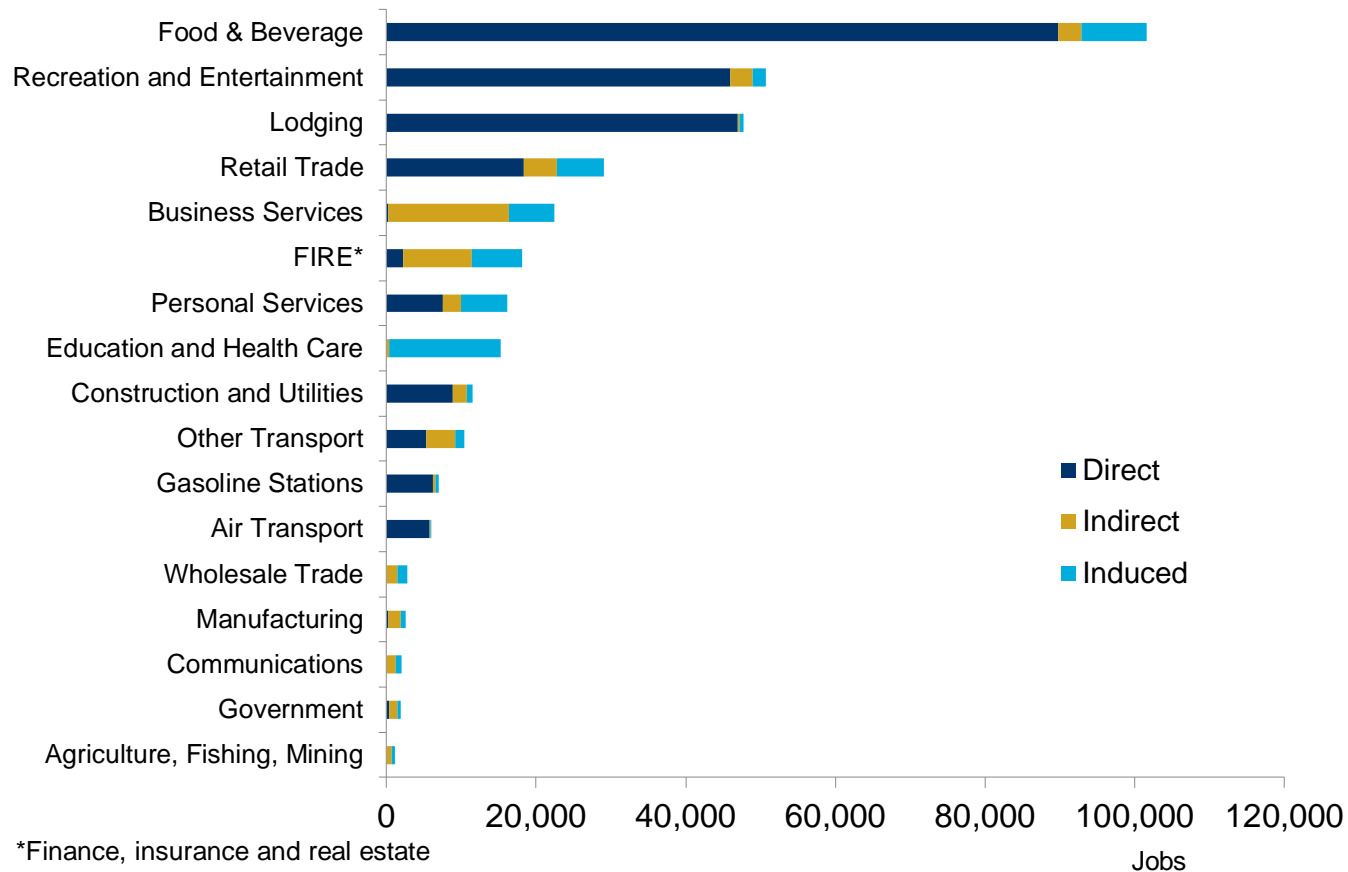
Employment impacts				
	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining	-	671	466	1,137
Construction and Utilities	8,893	1,834	794	11,521
Manufacturing	301	1,587	683	2,571
Wholesale Trade	-	1,467	1,321	2,788
Air Transport	5,776	101	139	6,015
Other Transport	5,316	3,839	1,283	10,439
Retail Trade	18,314	4,399	6,289	29,003
Gasoline Stations	6,199	324	451	6,974
Communications	-	1,188	811	1,999
Finance, Insurance and Real Estate	2,267	9,129	6,744	18,141
Business Services	250	16,162	5,993	22,406
Education and Health Care	-	316	14,980	15,297
Recreation and Entertainment	45,985	2,974	1,729	50,687
Lodging	46,913	272	539	47,723
Food & Beverage	89,728	3,168	8,731	101,627
Personal Services	7,481	2,445	6,163	16,088
Government	311	1,181	401	1,892
TOTAL	237,733	51,058	57,517	346,308
Percent Change	0.9%	1.0%	1.5%	1.0%

Source: Tourism Economics

Employment impacts (2 of 2)

The majority of employment impacts come directly from visitor spending.

Employment impacts by industry, 2018



Source: Tourism Economics

Personal income impacts (1 of 2)

Tourism generated \$7.3 billion in direct income and \$12.5 billion when indirect and induced impacts are considered.

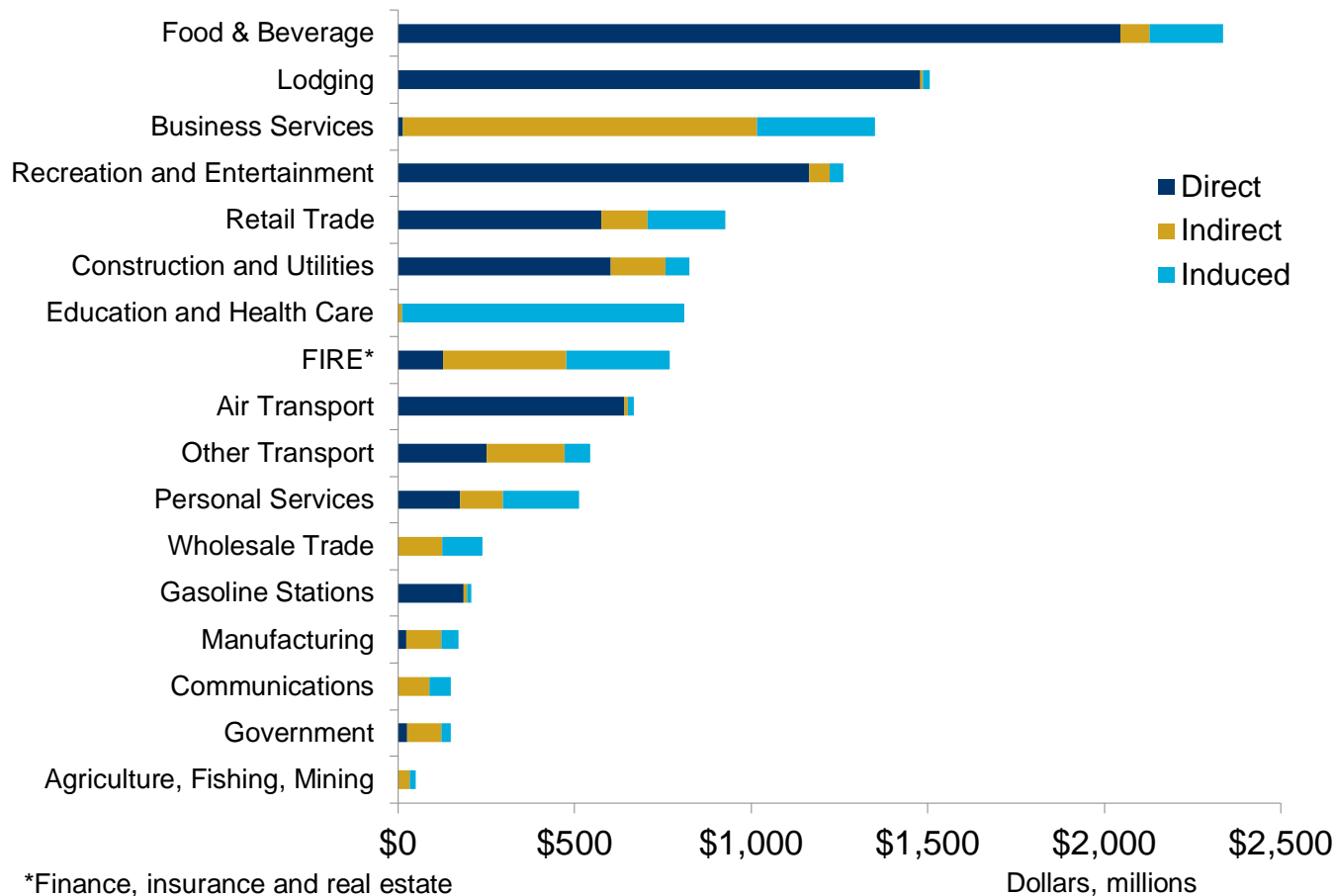
Personal income impacts, millions				
	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining	-	32.6	17.4	50.0
Construction and Utilities	603.1	153.8	68.9	825.8
Manufacturing	22.5	100.2	47.5	170.2
Wholesale Trade	-	125.6	113.0	238.5
Air Transport	640.1	11.4	15.7	667.3
Other Transport	251.6	220.6	72.3	544.6
Retail Trade	576.6	129.7	221.0	927.3
Gasoline Stations	185.0	10.0	13.3	208.2
Communications	-	88.8	60.4	149.2
Finance, Insurance and Real Estate	127.6	348.4	294.4	770.3
Business Services	13.2	1,002.5	335.6	1,351.2
Education and Health Care	-	10.4	799.8	810.3
Recreation and Entertainment	1,164.7	57.8	37.6	1,260.1
Lodging	1,478.1	8.9	18.3	1,505.4
Food & Beverage	2,045.9	81.5	208.8	2,336.3
Personal Services	175.3	121.5	215.5	512.3
Government	26.6	94.9	27.3	148.8
TOTAL	7,310.3	2,598.5	2,566.8	12,475.6
Percent Change	2.7%	3.7%	3.9%	3.2%

Source: Tourism Economics

Personal income impacts (2 of 2)

With the higher wages paid to business service employees, that industry provides the 3rd most income to workers supported by tourism.

Personal income impacts by industry, 2018



Source: Tourism Economics

Tax impacts

Visitor spending, visitor supported jobs, and business sales generated \$5.7 billion in governmental revenues.

Taxes of more than \$5.7 billion were directly and indirectly generated by tourism in 2018.

State and local taxes alone tallied \$2.8 billion in 2018.

Each household in Michigan would need to be taxed an additional \$711 per year to replace the traveler taxes received by state and local governments.

Tourism supported tax revenue, millions			
	2016	2017	2018
Federal	\$2,719.0	\$2,834.9	\$2,927.2
Personal Income	\$845.3	\$883.1	\$911.1
Corporate	\$318.5	\$334.9	\$346.9
Indirect business	\$274.9	\$279.2	\$289.2
Social insurance	\$1,280.3	\$1,337.6	\$1,380.0
State and Local	\$2,645.1	\$2,699.8	\$2,793.5
Sales	\$1,104.8	\$1,148.8	\$1,188.2
Bed Tax	\$23.6	\$24.8	\$26.2
Personal Income	\$203.1	\$212.2	\$218.9
Corporate	\$31.4	\$31.4	\$32.5
Social insurance	\$9.1	\$9.5	\$9.8
Excise and Fees	\$202.4	\$202.4	\$208.8
Property	\$1,070.7	\$1,070.7	\$1,109.1
Total	\$5,364.1	\$5,534.7	\$5,720.7

Source: Tourism Economics

6) Economic Impact in Context

Figures in context

Tourism Spending

Stacking 25.7 billion worth of \$5 bills would reach over 335 miles – nearly the distance from Kalamazoo to Sault Ste. Marie, MI (344 miles).

Tourism Supported Sales

The \$28.7 billion in total impact in 2018 is similar in size to the amount Americans spend on mattresses (\$29 billion).

Figures in context

Employment

The 346,308 jobs supported by visitor spending would be enough for every resident of the Upper Peninsula (population 311,361).

Visitation

Michigan saw nearly 124.8 million person-trips in 2018 which is more than double the number of Netflix subscribers in the US (60.2 million).

Figures in context

Taxes

State and local tax revenue collected from tourism activity reached \$2.8 billion in 2018 – enough to fully fund the City of Detroit (\$2.1 billion), the City of Grand Rapids (\$422 million), and the City of Lansing (\$220 million) – three of the top five cities in Michigan by population.

Taxes

To make up for the \$2.8 million in state and local taxes generated by visitor activity, each household in the state would need to contribute \$711 to maintain the current level of government.

About Tourism Economics

Tourism Economics is an Oxford Economics company with a singular objective: combine an understanding of tourism dynamics with rigorous economics in order to answer the most important questions facing destinations, developers, and strategic planners. By combining quantitative methods with industry knowledge, Tourism Economics designs custom market strategies, destination recovery plans, tourism forecasting models, tourism policy analysis, and economic impact studies.

With over four decades of experience of our principal consultants, it is our passion to work as partners with our clients to achieve a destination's full potential.

Oxford Economics is one of the world's leading providers of economic analysis, forecasts and consulting advice. Founded in 1981 as a joint venture with Oxford University's business college, Oxford Economics enjoys a reputation for high quality, quantitative analysis and evidence-based advice. For this, it draws on its own staff of more than 120 professional economists; a dedicated data analysis team; global modeling tools, and a range of partner institutions in Europe, the US and in the United Nations Project Link. Oxford Economics has offices in London, Oxford, Dubai, Philadelphia, and Belfast.

For more information:

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