

# TOURISM OVERVIEW

On a national basis, overall consumer travel sentiment (the intention to travel) registered its third consecutive decline in the fourth quarter of 2005 to reach its lowest point ever. Travel sentiment is now at 83.8, down nearly 6 percent from the previous quarter and 13.1 percent from one year ago. Showing the greatest declines from the third quarter are consumer perceptions of their ability to take pleasure trips based on their finances (down 13.1% to 77.0) and the affordability of travel overall (down 24.6% to 55.2). These components are both at their lowest levels ever.

The May 2006 travel price index (TPI) rose 0.8% compared to April and is up 7.5% compared to May 2005. Hotel prices were down 1.9% from April, but up an average of 4.5% compared to May 2005. Airfares were up 4.8% compared to April and 6.6% over April 2005. Gasoline prices were up 6.6 compared to April and increased by a whopping 33.3% from a year earlier.

Despite declining confidence levels, April was a good month for key sectors of the travel industry, as shown by TIA's Industry Performance Indicators (IPI). Domestic air revenue passenger miles (RPMs) increased 2.6 percent compared to April 2005. International air RPMs rose 7.7 percent from a year ago. Hotel and lodging receipts grew 7.4 percent compared to April 2005, while restaurant revenues were up 6.8%. However, recreation visits at national parks showed a 6.5% decrease from the previous year.

The Travel Industry Association of America expects overall domestic travel to increase 1.9% in 2006, with leisure travel up 2.1% and business travel up 1.2%. Domestic travel expenditures are expected to increase by 4.1%, compared with a 7.1% gain for international visitors. Gains are expected to be made from Europe, Asia, and Latin America, with international arrivals up 5.4% over 2005. Growth of 5% is projected for visitation from both Mexico and Canada. This growth in international travel is partly due to a weak dollar, making the U.S. a more attractive destination.

Hotel occupancy in New Mexico for the first five months of 2006 has averaged 61.0%, a slight decrease from the figure of 61.7% for the same period in 2005. Santa Fe experienced a decrease from 62.2% to 57.5%, while Albuquerque occupancy decreased slightly from 64.0% to 63.6%, largely due to an increase in the number of rooms available. The rest of the state experienced an increase from 57.7% to 59.7%. Average daily rate has increased to \$81.05, up from \$77.96 for the first five months of 2005, and REVPAR (revenue per available room) is up from \$48.10 to \$49.47. The National Restaurant Association projects restaurant sales in New Mexico to reach \$2.4 billion in 2006. Visitors account for roughly 40% of sales at fine dining establishments and 25% of sales at casual dining operations.

Attendance at New Mexico State Parks decreased by 18.3% in the first quarter of 2006 compared to the same period in 2005, attendance at New Mexico National Parks and Monuments increased 6.9% for the quarter, attendance at New Mexico museums increased 5.0%, and attendance at New Mexico State Monuments grew by 49.0%. Real disposable income in New Mexico is expected to increase by 4.1% in 2006, which will help fuel growth in in-state tourism.

It is reasonable to expect that the change in travel volume to New Mexico will closely mirror that of the U.S. as a whole; therefore, if U.S. travel activity increases by 1.9%, as projected by TIA, the growth in New Mexico will probably be close to that. Of course, this growth may not be evenly distributed throughout the state. And record high summer gas prices may inhibit travel below the levels projected by TIA.