AAA Memorial Day 2012 Travel Forecast

Prepared for:

American Automobile Association

May 15, 2012

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Regional definitions used throughout the report:

East North Central (ENC): IL, IN, MI, OH, WI

East South Central (ESC): AL, KY, MS, TN

Middle Atlantic (MATL): NJ, NY, PA

Mountain (MTN): AZ, CO, ID, MT, NM, NV, UT, WY

New England (NENG): CT, MA, ME, NH, RI, VT

South Atlantic (SATL): DC, DE, FL, GA, MD, NC, SC, VA, WV

West South Central (WSC): AR, LA, OK, TX

West North Central (WNC): IA, KS, MN, MO, ND, NE, SD

Pacific (PAC): AK, CA, HI, OR, WA

Holiday Forecast Methodology: A Brief Overview

The *AAA Memorial Day 2012 Travel Forecast* combines information from several sources to provide a prospective assessment of likely travel patterns for the upcoming holiday weekend. This report comprises two key components: the travel forecast and the holiday traveler profile. The travel forecast is based on economic conditions while the holiday traveler profile is developed employing survey data on travel behaviors. This approach provides the most comprehensive and detailed understanding of holiday travel at both the national and regional levels. In addition, the regional travel sections in this report have been enhanced to incorporate information about the state of the local tourism industries throughout the United States.

Holiday Travel Forecast

In cooperation with AAA, IHS Global Insight developed an approach to forecast domestic travel volumes. The economic variables used to forecast travel for the current holiday are leveraged from IHS Global Insight. These data include macroeconomic drivers such as employment, output, household net worth, asset prices including stock indices, interest rates, housing market indicators, and variables related to travel and tourism, including prices of gasoline, airline travel, and hotel stays.

The historical travel volume estimates come from the ongoing travel survey database of D.K. Shifflet & Associates, the premier source of US resident travel volume and behavior. DKSA interviews over 50,000 US households per month tracking trip incidence, party composition, traveler behavior, and spending—all after the trips have been taken.

Holiday travel is forecast by person-trips, where a person-trip is defined as a trip that involves travel of 50 miles or more away from home. In particular, AAA and IHS Global Insight forecasts total US holiday travel, travel by mode of transportation, and travel by US census region. The Travel Forecast presented in this report was prepared the week of April 23.

Holiday Traveler Profile

The Holiday Traveler Profile is a survey of intended travel behaviors related to party composition, travel distances, trip expenditures, and vacation activities conducted by D.K. Shifflet & Associates. The initial survey includes 1,351 households, out of which only the respondents intending to travel during the designated holiday are interviewed in detail about their anticipated trips. For Memorial Day 2012, 315 respondents were interviewed in detail about their intended trips. The survey was in the field from Friday, April 20 to Tuesday, April 24, 2012.

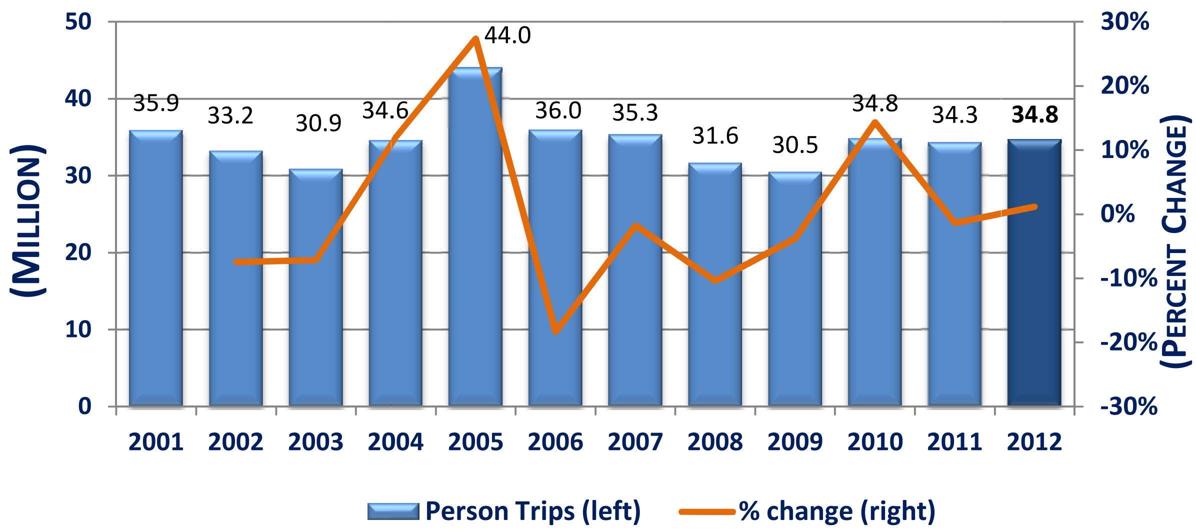
Memorial Day Holiday Travel Period

For purposes of this forecast the Memorial Day holiday travel period is defined as trips that include travel of 50 miles or more away from home during the five-day period from Thursday, May 24 to Monday, May 28.

Memorial Day Holiday, 2012 Travel Forecast

AAA and IHS Global Insight project 34.8 million travelers will journey at least 50 miles from home this upcoming Memorial Day holiday weekend. This represents an increase of 1.2 percent relative to the 34.3 million trips that occurred over the holiday period in 2011.

CHART 1
MEMORIAL DAY TRAVELERS 2001-2012
TOTAL PERSON-TRIPS*



* 2001-2011 represent historical travel results. 2012 is a forecast.

The news on the domestic economy has been mostly encouraging in comparison to spring 2011. The unemployment rate is down 0.8 percent, as the exceptionally mild winter months have kept utility costs low. Despite the modest growth in real disposable income (1 percent), consumer sentiment is tracking higher, and consumption levels are on track to rise by 2.5 percent in the second quarter. Rising employment levels, low interest rates, and a strong stock market performance have dampened concerns over tight credit conditions. Consumers are spending more at the expense of saving less, with the personal savings rate dipping below 4 percent in the first quarter of 2012 for the first time since prior to the recession. The resulting reduction in the personal savings rate has contributed to an increase in consumer spending this spring.

Given the positive impact these recent developments have had on consumer mood, a stronger increase in expected holiday travel might normally be expected. However, the labor market has generally been doing better than most indicators of aggregate demand. Employment is in a "catch-up" phase after the severe cuts during and immediately after the recession, and the exceptionally mild winter has probably helped employment more than output. Real gross domestic product is up 2.2 percent, relative to last year. The key factors preventing a stronger performance are high gasoline prices, and the absence of a strong rebound in housing activity. The national average price for regular gasoline for April 2012 was only 2.5 percent higher than for April 2011, but in 2011 the spring rise in gasoline prices peaked in early May, where as this year that peak came in early April and by the end of April 2012, prices had dipped below the level from a year ago. With gasoline prices still near historical highs, and housing prices that have not yet hit bottom, consumers still face too many negatives to allow a robust spending recovery.

Considering the other positive economic factors, the expectation is that the effect of high gas prices and uncertainty regarding the strength of the current economic recovery will counteract most of the benefit from a slow but steadily improving labor market. That is supported by the expectations of travelers for this holiday, who have planned shorter distance trips this holiday period, as rising gasoline prices are squeezing consumers' spending power this spring.

The Memorial Day holiday typically serves as the "unofficial start" of the summer travel season, while also serving as a needed remembrance of those who have died in military service.

Travel by Mode of Transportation

During the upcoming Memorial Day holiday period, AAA and IHS Global Insight forecast that automobile travel will account for 88 percent of total travel, with 30.7 million Americans expected to travel by this mode, up 1.2 percent from last year. This share is right in line with the rate of automobile travel in 2011. The automobile is the dominant mode of all travel, and that is certainly true also for the Memorial Day holiday, as the affordability, convenience, and flexibility of the automobile ensure it will remain the mode of choice. Despite its dominance in travel share, the affordability of automobile travel is impacted by gas prices and their fluctuations over time. Gas prices are currently in an interesting spot, as they are on par with last year's prices, as the average price for April, at $3.89 per gallon, was just 2.5 percent different from last year. However, gas prices had eased by the end of 2011, and saw a much higher rise than typical during the first three months of 2012. Prices have come down slightly since their early-April peak, but consumers may still feel that prices are higher than they are used to, and that is helping to constrain growth in travel by automobile. The next largest mode of travel for the Memorial Day holiday is air, which is expected to decline by 5.5 percent from last year, bringing share of air travelers down to just over 7 percent. This decrease results in a forecast of more than 2.5 million travelers expected to take to the air during the holiday weekend, which is down from the 2.7 million travelers in 2011.

"Going on 10 day cruise this year. Went on long weekend while driving last year."
New England Respondent

The air travel industry is continuing to restructure to improve industry performance and profitability while also dealing with high fuel costs. Bureau of Transportation Statistics (BTS) data shows that 2011 saw a slight increase in overall available seat miles, but a reduciton in total departures as airlines consolidated their routes and focused on the busiest and most important routes, driven in part by ongoing industry consolidation. On top of this has been steady increases in avearge airfare, as the most recent BTS data shows year-to-date airfares rising over seven percent from the prior year. The result of these industry changes is that air travel will likely see a decline in volume this holiday period as consumers alter their travel plans in the face of mild economic improvements.

Other modes of travel (buses, trains, watercraft, multi-modal travel) will account for the remaining 4.5 percent of the total person-trips as nearly 1.6 million travelers will use these modes during their holiday trip. That is an increase of 14 percent from last year, as demand for these modes slowly returns to pre-recession levels. Demand for this mode is being driven from both ends of the traveler spectrum, as an uptick in cruise activity is combining with a increase in bus/train travel for budget conscious travelers.

Chart 2
Distribution of US Memorial Day Travelers by Mode of Transportation

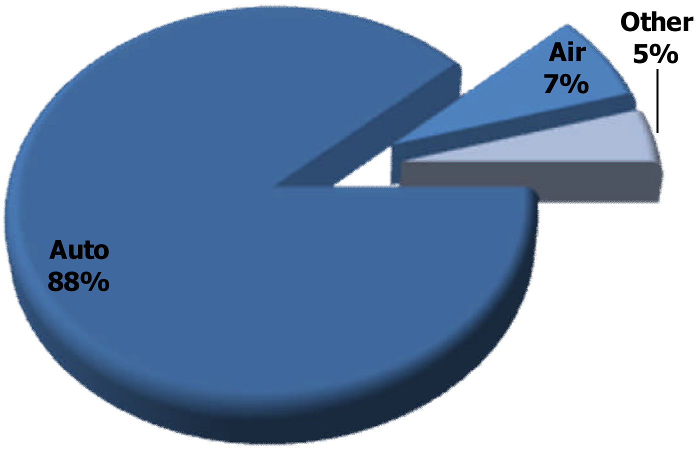
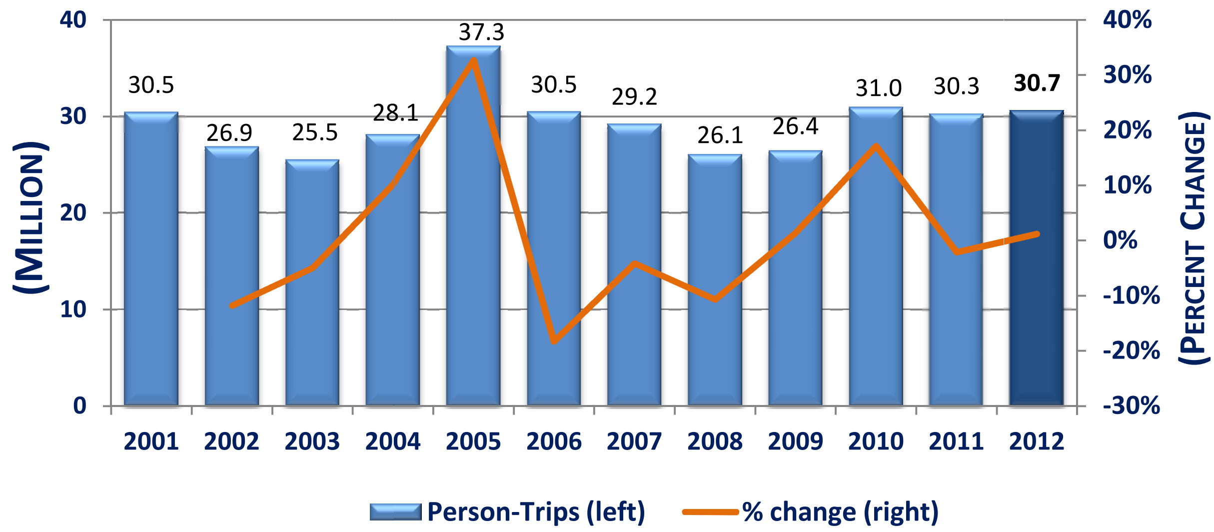
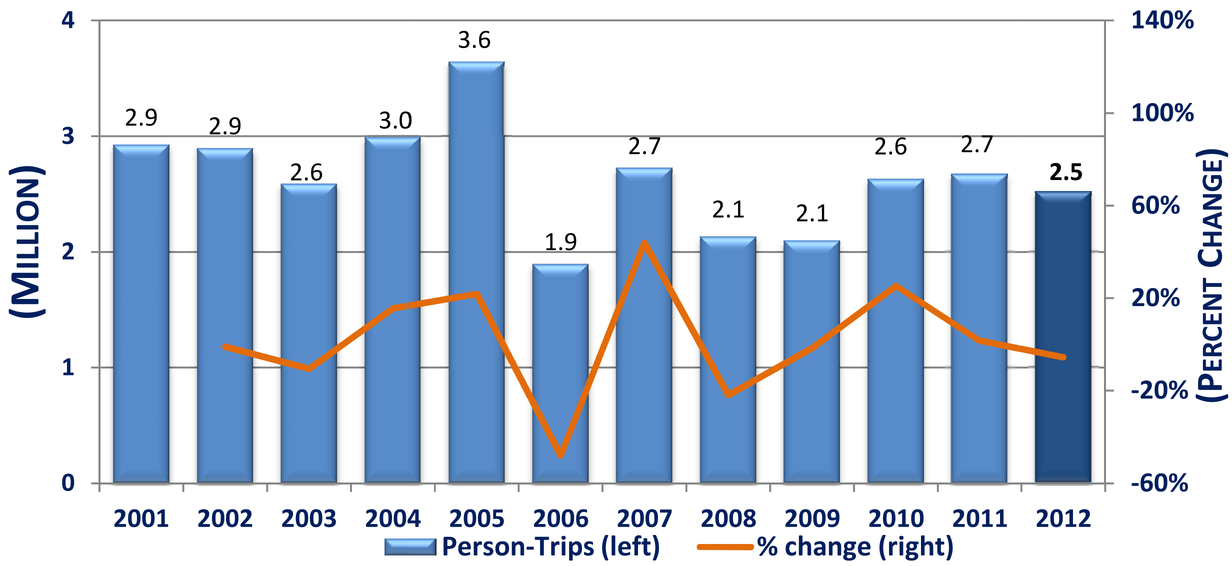


CHART 3
MEMORIAL DAY TRAVELERS 2001-2012
AUTOMOBILE PERSON-TRIPS*



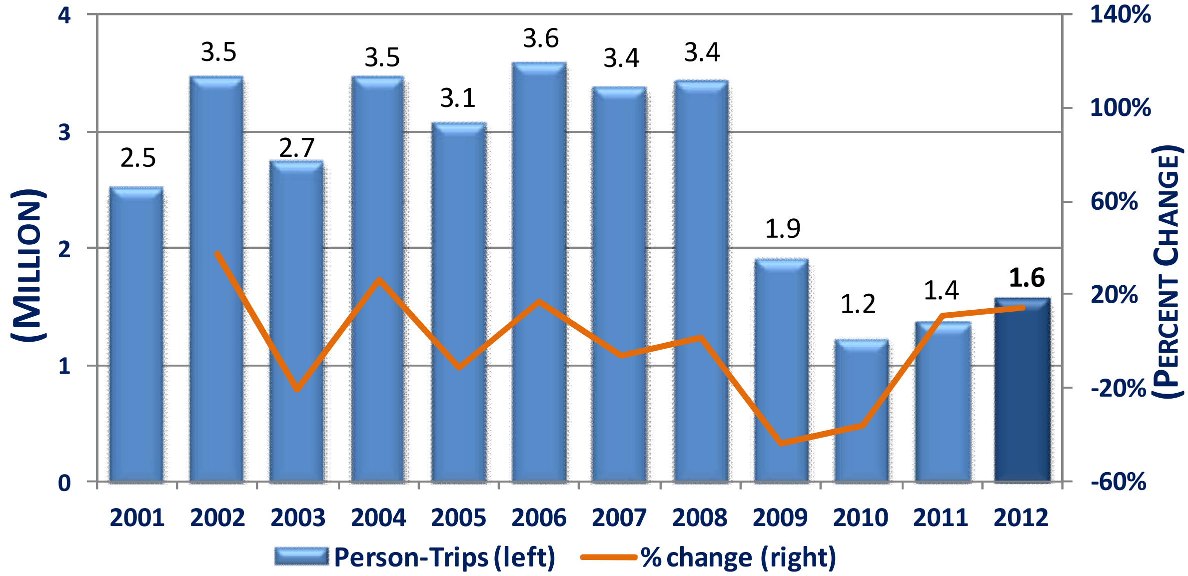
*2001-2011 represent historical travel results. 2012 is a forecast.

CHART 4
MEMORIAL DAY TRAVELERS 2001-2012
AIR PERSON-TRIPS*



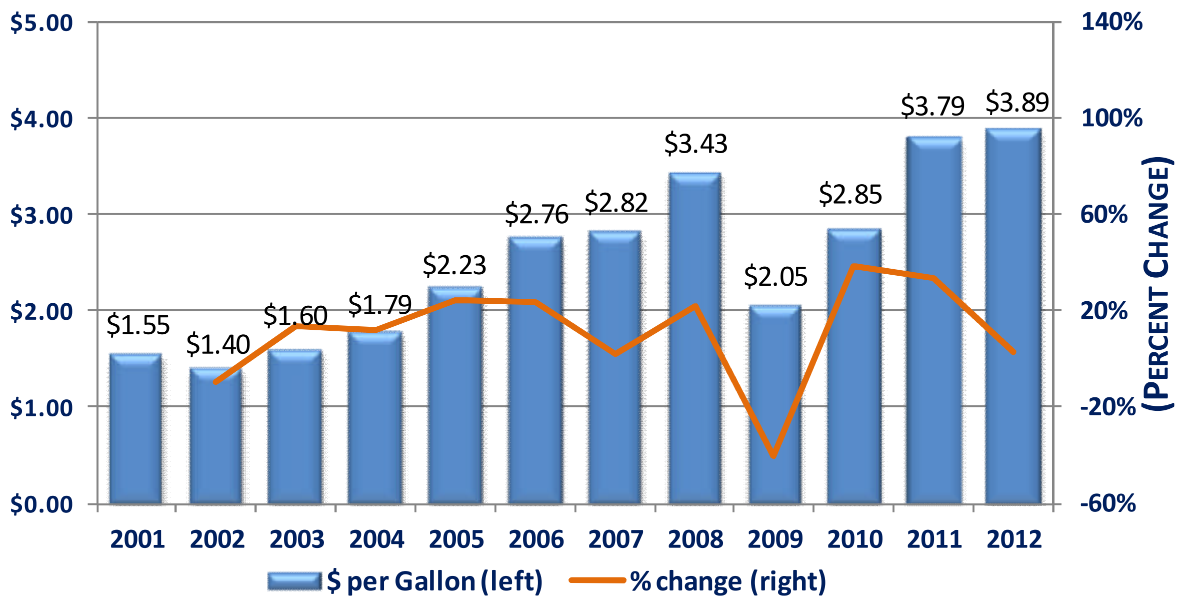
*2001-2011 represent historical travel results. 2012 is a forecast.

CHART 5
MEMORIAL DAY TRAVELERS 2001-2012
OTHER TRAVEL MODES PERSON-TRIPS*



*2001-2011 represent historical travel results. 2012 is a forecast.

CHART 6
AVERAGE APRIL* GASOLINE PRICES
NATIONAL AVERAGE PER GALLON REGULAR UNLEADED
2001-2012



Source: AAA Fuel Gauge Report

* April gasoline prices are emphasized because prices observed several weeks prior to the holiday are likely to influence holiday travel planning, while actual holiday prices are typically less influential.

Travel by Region: East North Central

Travel from the East North Central region (ENC) is expected to rise by 0.9 percent this Memorial Day holiday period relative to last year. The 5.65 million person-trips from the ENC region represent 12.1 percent of the population, which is higher than the national frequency expected to travel (11 percent). A slow, but moderate economic recovery paired with lower rates of unemployment support an increase in travel this holiday season. Consumer sentiment shows positive growth, indicating that an increase in travel activity remains favorable for 2012. While current gasoline prices are slightly lower than last year they are still high in the mind of travelers who are, expected to respond by forgoing long-distance air travel in favor of short automobile trips. Travel by airplane from the ENC region is expected to decrease by six percent compared to Memorial Day 2011, while travel by automobile is expected to increase modestly (0.8 percent).

TABLE 1A
2012 MEMORIAL DAY TRAVEL FORECAST – EAST NORTH CENTRAL REGION AND UNITED STATES

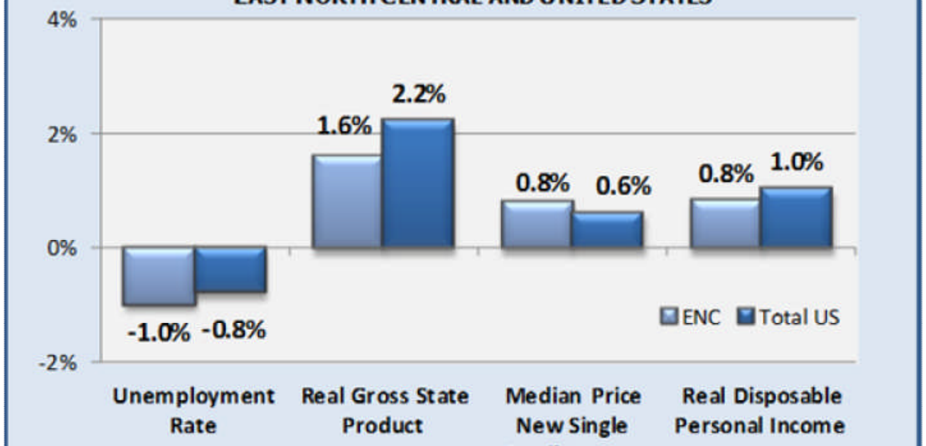
	East North Central			United States		
Year End Travel	**YOY % Change**	**Level**	**% of Population**	**YOY % Change**	**Level**	**% of Population**
Total (millions of person trips)	0.9%	5.65	12.1%	1.2%	34.76	11.0%
Automobile (millions of person trips)	0.8%	5.09	10.9%	1.2%	30.67	9.7%
Air (millions of person trips)	-6.0%	0.30	0.7%	-5.5%	2.52	0.8%
Economy (2012Q2)	**YOY % Change**	**Level**		**YOY % Change**	**Level**	
Unemployment Rate (YOY Change)	-1.0%	8.3%		-0.8%	8.3%	
Real Gross Product ($, bn)*	1.6%	1,881		2.2%	13,565	
Median Price, New Single Family Home ($, thn)	0.8%	216		0.6%	229	

Unemployment rates have shown gradual improvement from 2011. Exactly one year ago, the unemployment level stood at 9.1 percent. Today, the rate has dropped to 8.3 percent, indicating an enhanced labor market. During 2012, employment in the ENC region is expected to increase by more than 1 percentage point, while unemployment is forecast to continue its gradual decline towards pre-recession levels.

Michigan, Indiana and Ohio have all added jobs, relative to one year ago, but total payrolls in Wisconsin declined by 0.2 percent, while employment in Illinois is expected to be just 0.5 percent higher than year ago levels. Layoffs in the public sector have abated some private-sector additions in these states, thereby slowing the pace of recovery.

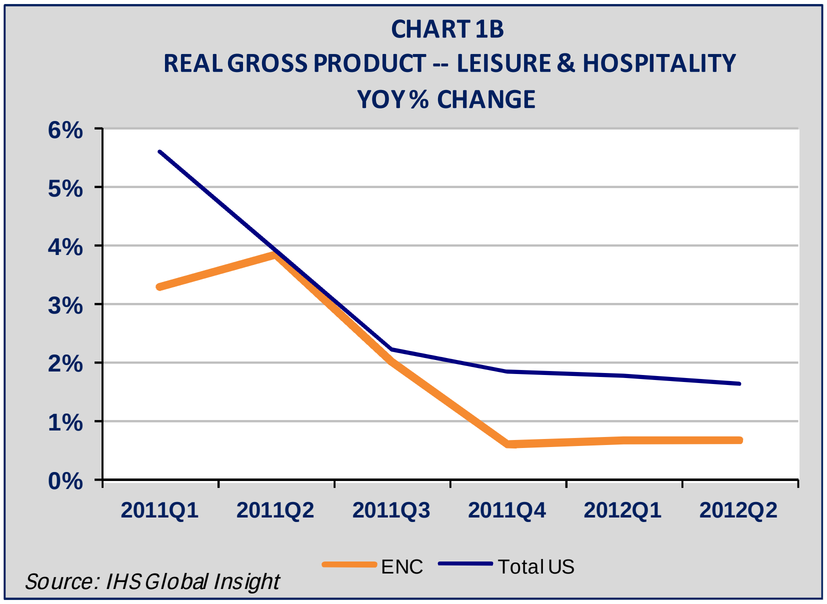
Output in the ENC region is also increasing and is anticipated to grow 1.6 percent in the second quarter of 2012. This is below the national GDP growth (2.2 percent). Real disposable personal income growth is slightly below the national rate and is projected to rise 0.8 percent as compared to one year ago. This increase means that potential travelers have more money in their pockets than last holiday. Housing prices are seeing some improvement, and the median price of new single-family homes is expected to grow 0.8 percent in the second quarter of 2012. The housing

CHART 1A
YOY GROWTH, 2011Q2 TO 2012Q2
EAST NORTH CENTRAL AND UNITED STATES



Soure: IHS Global Insight

market has been slow to bounce back, but positive growth is making headway as increased economic activity helps boost consumer confidence.



While the regional economy is now recovering and realizing positive growth in many economic indicators, the current price of gasoline does have negative implications. High gas prices will limit the distance traveled this holiday and reduce the amount of air travel. From 2011 to 2012, the average price in April of gasoline in the ENC region increased by 0.2 percent. High fuel costs will also be offset by less spending on leisure and hospitality such as accommodations or food and beverages.

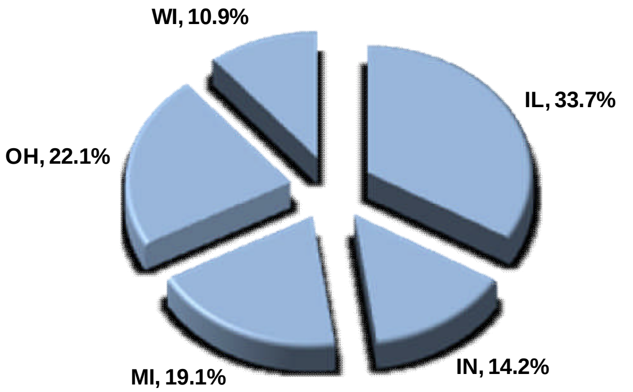
In general, because the majority of travel occurs by automobile and remains within regional borders, regional travel ties closely with the output generated by that region's leisure and hospitality industry. The following information provides a look into the state of the local tourism industry in the East North Central region

The tourism industry in the ENC region, as measured by leisure and hospitality industry output (the value of goods and services produced by the leisure and hospitality industry), has been decelerating since the second quarter of 2011, and increased by less than one percent in the first two quarters of 2012. Despite the deceleration, however, consumers are cautiously increasing their spending in response to an improving regional labor market. As labor markets loosen, consumer spending growth will no longer be limited by weak disposable income gains, and the tourism industry will enjoy a more robust recovery.

In the second quarter of 2012, total output from the leisure and hospitality industry in the ENC region is expected to increase by 0.7 percent relative to this time last year (Chart 1B). Indiana is expected to have the largest year-over-year growth in tourism output (1.5 percent) of all ENC states, followed by Illinois (1.2 percent), Ohio (0.6 percent), Michigan (0.5 percent) and Wisconsin (-1.4 percent).

The composition of tourism industry output by state in the ENC region is fairly balanced (Chart 1C). With Chicago being one of the top cities for tourism in the U.S., it is no surprise that Illinois accounts for nearly one-third of tourism output in the East North Central region. Wisconsin accounts for the smallest share, with a little less than 11 percent of total tourism output.

CHART 1C
REAL GROSS PRODUCT -- LEISURE & HOSPITALITY EAST NORTH CENTRAL REGION MAKEUP BY STATE, 2012Q2



Source: IHS Global Insight

Travel by Region: East South Central

Travel from the East South Central (ESC) region this Memorial Day holiday is projected to increase at a modest rate of 1.3 percent as compared to Memorial Day 2011. The regional travel forecast for the ESC region is consistent with the 1.2 percent increase that is forecast for the national population this upcoming holiday period. Automobile travel is expected to increase 1.1 percent while airplane travel is anticipated to fall 5.6 percent. Total person-trips in the East South Central region are projected to account for 10.0 percent of the population, which is lower than the expected nationwide frequency (11 percent).

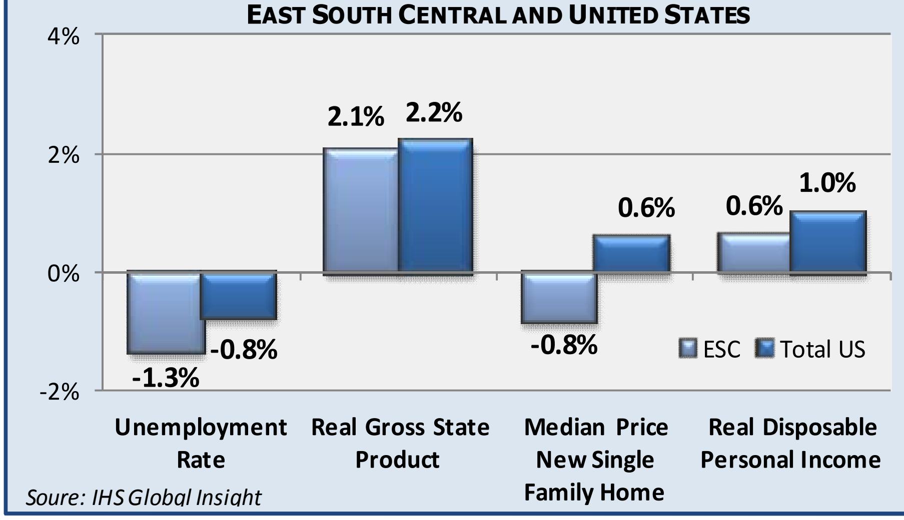
TABLE 2A
2012 MEMORIAL DAY TRAVEL FORECAST – EAST SOUTH CENTRAL REGION AND UNITED STATES

	East South Central			United States		
Year End Travel	**YOY % Change**	**Level**	**% of Population**	**YOY % Change**	**Level**	**% of Population**
Total (millions of person trips)	1.3%	1.86	10.0%	1.2%	34.76	11.0%
Automobile (millions of person trips)	1.1%	1.62	8.7%	1.2%	30.67	9.7%
Air (millions of person trips)	-5.6%	0.15	0.8%	-5.5%	2.52	0.8%
Economy (2012Q2)	**YOY % Change**	**Level**		**YOY % Change**	**Level**	
Unemployment Rate (YOY Change)	-1.3%	8.3%		-0.8%	8.3%	
Real Gross Product ($, bn)*	2.1%	636		2.2%	13,565	
Median Price, New Single Family Home ($, thn)	-0.8%	171		0.6%	229	

The ESC labor market has shown signs of improvement relative to the spring of 2011. The unemployment rate for 2012 rests at 8.3 percent, placing the region in sixth place for the lowest unemployment rate of all nine census regions. The ESC's unemployment rate has been on the downswing in recent months, sliding 1.3 percentage points compared to one year ago. Of all the states that compose this region, Mississippi has the highest unemployment rate and Alabama possesses the lowest.

Consumer sentiment in the region is rebounding, fueled by gains in consumer spending. A lower personal saving rate, as a percentage of disposable income, is supporting increased consumption levels, despite weak growth in real disposable income (0.6 percent). Real gross state product in the ESC region is expected to have increased 2.1 percent since the second quarter of 2011. While not a powerful vehicle of recovery, employment growth has accelerated to match the modest growth in output.

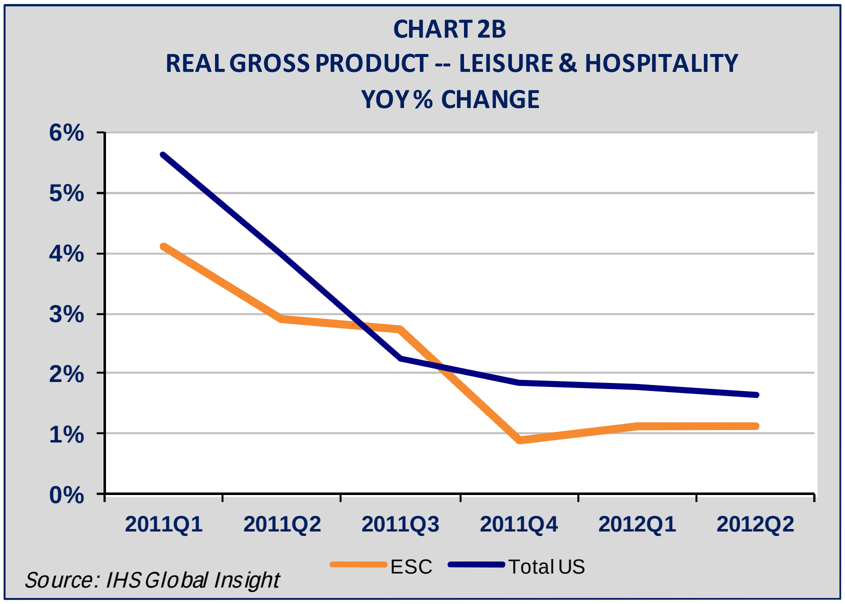
CHART 2A
YOY GROWTH, 2011Q2 TO 2012Q2
EAST SOUTH CENTRAL AND UNITED STATES



Soure: IHS Global Insight

Home prices in the ESC region witnessed modest declines relative to Memorial Day 2011, but the degree of home price depreciation was meek when compared to some of the other census regions. Multi-family housing activity is turning higher, and the single-family housing market has shown signs of bottoming out. Still, with household formation way below trend and with a huge overhang of empty homes, the median price of new single family homes in the ESC region is expected to have decreased 0.8 percent in the second quarter of 2012, relative to year ago prices. With credit conditions still very tight, and with the excess in available housing, the housing market remains a negative force on household net worth, and subsequently, on consumer finances.

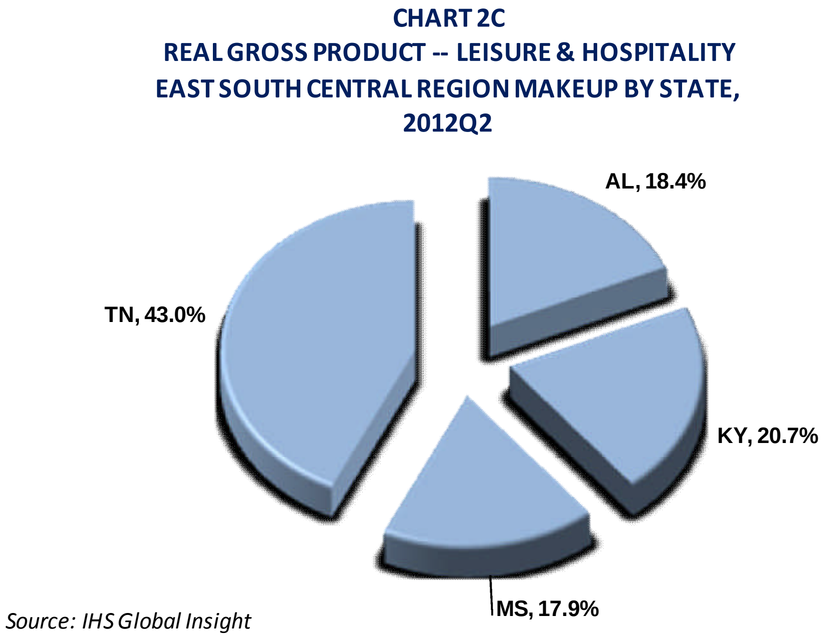
Given the encouraging direction that most leading indicators have taken, a stronger increase in holiday travel originating from the ESC region might be expected. Yet, despite the improvements to consumer sentiment and the recent gains in regional employment, the high gasoline prices are expected to limit the demand for holiday travel. The effect of high gas prices will be to restrict the total distance traveled by ESC residents, both in the form of fewer airplane trips, and shorter round distance automobile trips.



In addition to the originating travel forecast of person-trips from the East South Central region, the following information provides a look into the state of the local tourism industry in the region. In general, because the majority of travel occurs by automobile and remains within regional borders, regional travel ties closely with the output generated by that region's leisure and hospitality industry.

The ESC region surpassed the nation in terms of growth in real tourism output in the third quarter of 2011. Since then, tourism output has slowed both at the regional and national level, as the usual seasonal premium is added to the price of gasoline. Fuel demand is inelastic, so rising costs cut into spending on other purchases, including spending on leisure and hospitality. Over the last four months, as gasoline prices have rose, growth in real tourism output has decelerated, as travelers have adjusted their spending habits accordingly.

In the second quarter of 2012, total output from the leisure and hospitality industry in the ESC region is projected to rise 1.1 percent annually. The share of tourism industry output in the ESC region remains comparatively even. Tennessee remains the largest contributing state, making up 43.0 percent of ESC's tourism output, while Kentucky, Alabama, and Mississippi make up the remaining three-fifths of the total.



Travel by Region: Middle Atlantic

Memorial Day holiday travel originating from the Middle Atlantic region is forecast to increase 0.5 percent relative to the holiday period in 2011. The Middle Atlantic region's economy has been improving of late but not at the rate of the broader economy. Stabilization in manufacturing and finance has contributed to improvements in the regional economy. Improved labor conditions and higher levels of consumer spending are expected to promote increased travel demand over the upcoming holiday, but high gasoline prices are expected to counteract most of the benefit from a steadily improving labor market. The forecast for travel by automobile is expected to increase by 0.5 percent, with air travel forecasted to decrease by 6.2 percent. About 10.1 percent of the regional population is expected to journey at least 50 miles from home this holiday, a slightly lower frequency than is expected nationwide (11 percent).

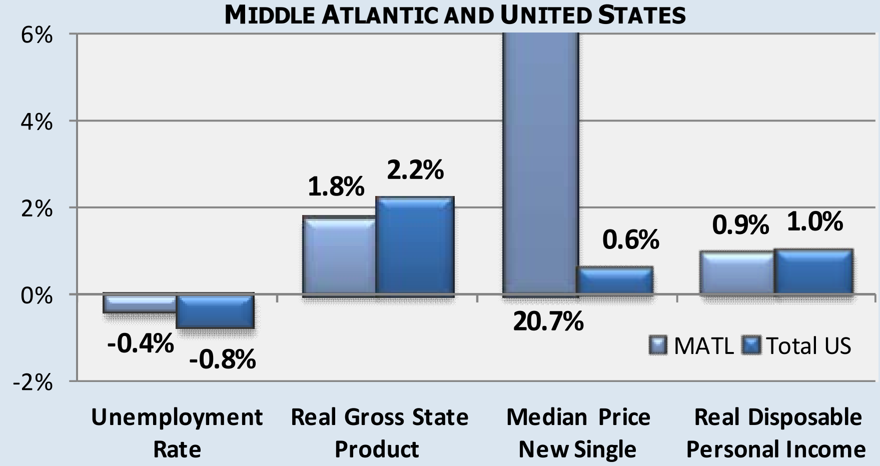
TABLE 3A
2012 MEMORIAL DAY TRAVEL FORECAST – MIDDLE ATLANTIC REGION AND UNITED STATES

	Middle Atlantic			United States		
Year End Travel	**YOY % Change**	**Level**	**% of Population**	**YOY % Change**	**Level**	**% of Population**
Total (millions of person trips)	0.5%	4.14	10.1%	1.2%	34.76	11.0%
Automobile (millions of person trips)	0.5%	3.72	9.0%	1.2%	30.67	9.7%
Air (millions of person trips)	-6.2%	0.28	0.7%	-5.5%	2.52	0.8%
Economy (2012Q2)	**YOY % Change**	**Level**		**YOY % Change**	**Level**	
Unemployment Rate (YOY Change)	-0.4%	7.9%		-0.8%	8.3%	
Real Gross Product ($, bn)*	1.8%	2,069		2.2%	13,565	
Median Price, New Single Family Home ($, thn)	20.7%	347		0.6%	229	

The healthcare sector continues to be a bright spot in the region, helping to imrpove the local economy. Because Pennsylvania has the third-largest percentage of population age 65 and older in the nation (about 15 percent of the total state population), demand for healthcare services is high. Pennsylvania and New York have the third- and forth-highest concentrations of healthcare industry jobs, repectively, in the nation, and they combined for a 1.7 percent increase in regional healthcare employment, relative to this time last year.

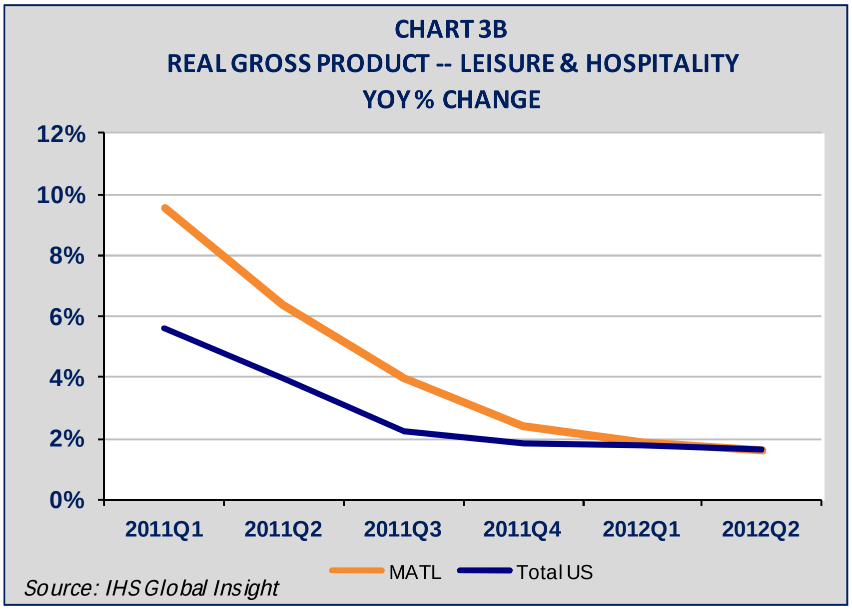
The 0.9 percent increase in real disposable income in the Middle Atlantic region is small, but the decrease in the personal saving rate stimulates consumer spending and promotes travel this Memorial Day holiday. The unemployment rate in the region has fallen 0.4 percentage point from last year, and sits below the national unemployment rate of 8.3 percent. Real gross state product for the region is anticipated to slightly trail the growth in national output over the past year. The Middle Atlantic region and the United States are expected to realize 1.8 percent and 2.2 percent annual growth in output compared to the second quarter of 2011, respectively. The Middle Atlantic regional housing market show signs of a recovery and improvements are occurring.

CHART 3A
YOY GROWTH, 2011Q2 TO 2012Q2
MIDDLE ATLANTIC AND UNITED STATES



Source: IHS Global Insight

Increased economic activity and employment growth has boosted consumer spending. Higher home prices indicate that the excess supply of vacant homes is decreasing. Relative to the second quarter of 2011, the median price of new single-family homes in the Middle Atlantic is forecast to have increased by 20.7 percent, well above the national average. Although the economic landscape in the Middle Atlantic region has improved, the effect of high gasoline prices will counteract some of the positive news coming out of the economy. The effect of high gas prices on holiday travel will be to encourage shorter-distance trips, either through forgoing air travel, or taking shorter distance automobile trip, so as to escape the higher pump prices.

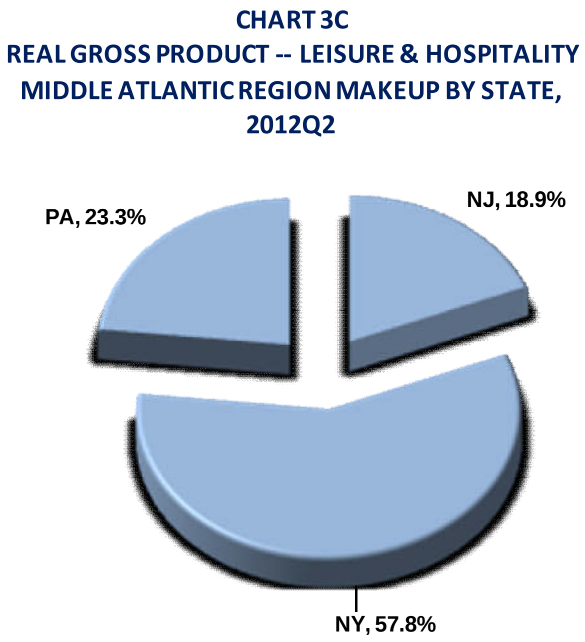


In addition to the originating travel forecast of person-trips from the Middle Atlantic region, the following information provides a look into the state of the local tourism industry in the region. In general, because the majority of travel occurs by automobile and remains within regional borders, regional travel ties closely with the output generated by that region's leisure and hospitality industry.

The national tourism industry has witnessed leisure and hospitality output (the value of goods and services produced by the leisure and hospitality industry) contract on an annualized basis since the first quarter of 2011. Chart 3B shows that the Middle Atlantic region's tourism output has been slowing down since the last quarter of 2010 and has been converging towards the national figure over the last three quarters.

In the second quarter of 2012, the leisure and hospitality industry in the Middle Atlantic is anticipated to generate 1.6 percent higher output than in the second quarter of 2011. The relative nationwide figure for comparison is 1.6 percent annual growth in tourism output.

New York State contributes 57.8 percent of the Middle Atlantic region's tourism output, which accounts for more than half of the industry output. This remains unsurprising, since New York City is the top tourist destination in the country. New York State is also growing faster than Pennsylvania and New Jersey in terms of tourism output, expected to increase 2.0 percent annually since one year ago. However, Pennsylvania and New Jersey do contribute large amounts to the Middle Atlantic regional tourism output, accounting for 23.3 and 18.9 percent, respectively.



Source: IHS Global Insight

Travel by Region: Mountain

The holiday forecast for the Mountain region calls for a 1.4 percent increase in travel this Memorial Day versus 2011. The economic recovery in the Mountain region has been gaining steam, as increased activity in the mining and oil and gas sectors have provided a significant boost to payrolls. The regional unemployment rate is expected to fall a full percentage point compared to one year ago, which should support an increase in travel. The effect of high gasoline prices, however, will counteract some of the benefit from the steadily improving labor market. Automobile travel is anticipated to rise by 1.6 percent, relative to Memorial Day 2011, while air travel is forecasted to decrease 5.2 percent. The growth in total person trips in this region will be slightly higher than the nation as a whole (1.2 percent nationally) while the percentage of travelers from the Mountain region expected to travel (11.7 percent) is higher than the projected national frequency (11 percent).

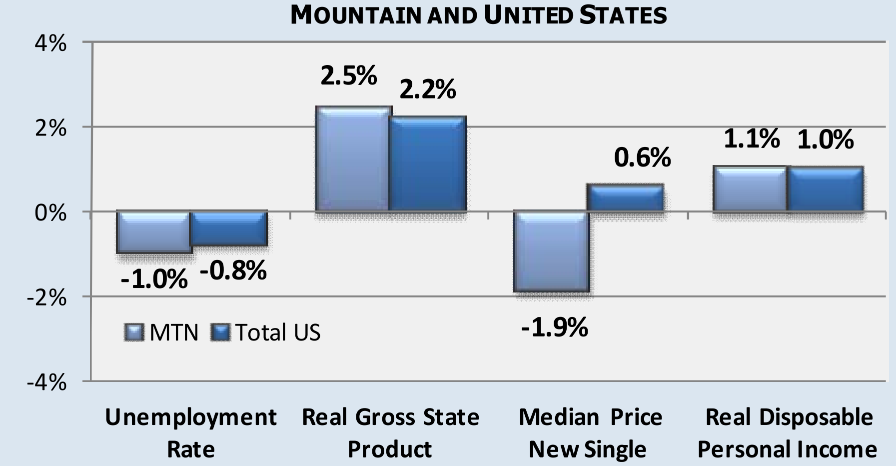
TABLE 4A
2012 MEMORIAL DAY TRAVEL FORECAST – MOUNTAIN REGION AND UNITED STATES

	Mountain			United States		
Year End Travel	**YOY % Change**	**Level**	**% of Population**	**YOY % Change**	**Level**	**% of Population**
Total (millions of person trips)	1.4%	2.66	11.7%	1.2%	34.76	11.0%
Automobile (millions of person trips)	1.6%	2.33	10.3%	1.2%	30.67	9.7%
Air (millions of person trips)	-5.2%	0.22	1.0%	-5.5%	2.52	0.8%
Economy (2012Q2)	**YOY % Change**	**Level**		**YOY % Change**	**Level**	
Unemployment Rate (YOY Change)	-1.0%	8.1%		-0.8%	8.3%	
Real Gross Product ($, bn)*	2.5%	890		2.2%	13,565	
Median Price, New Single Family Home ($, thn)	-1.9%	187		0.6%	229	

The region's unemployment rate is the fifth lowest of all nine census regions. This is partly due to the fact that the region is benefitting from increased activity in mining and oil/natural gas extraction. The Mountain region is expected to see a 1.7 percent increase in employment in 2012, up significantly from the 1.1 percent increase in 2011. Leisure and hospitality services, a big sector in the Mountain region, is expected to experience payroll increases of more than 3.2 percent in 2012. All of the region's states had higher total nonfarm payroll employment in January 2012 than in January 2011, and only New Mexico has shown job losses over the past three months.

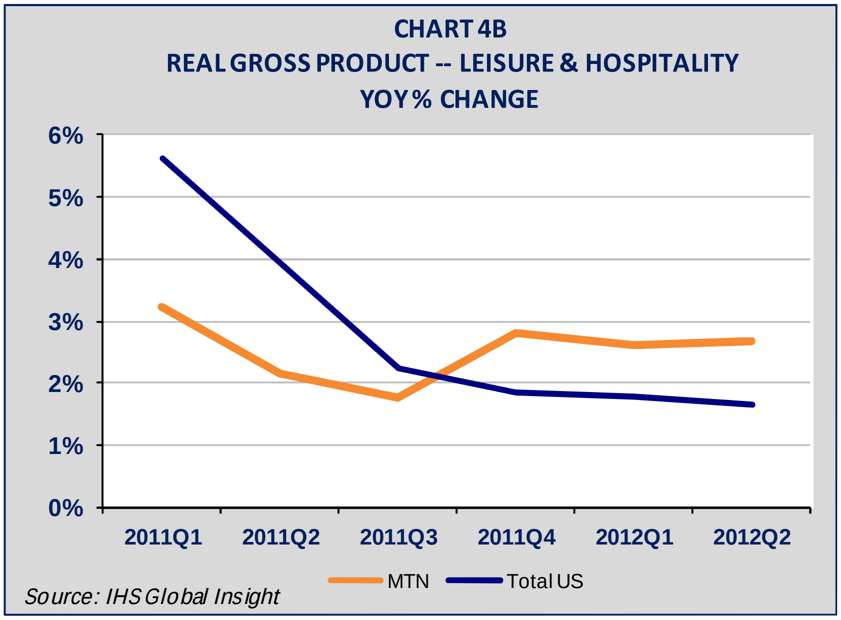
The improved employment picture is expected to produce year-over-year growth in real gross state output of 2.5 percent, outpacing real gross domestic product growth for the nation as a whole (2.2 percent). Real income gains in the Mountain region are meager (up 1.1 percent); however, a reduction in the personal savings rate has contributed to an increase in consumer spending. Still, with high gasoline prices and regional home prices still falling (median price of a new single family down -1.9 percent), mountain residents still face too many negatives to allow a robust spending recovery. The effect of a near historical

CHART 4A
YOY GROWTH, 2011Q2 TO 2012Q2
MOUNTAIN AND UNITED STATES



Source: IHS Global Insight

high in gasoline prices, despite being on par to last year, will reduce the demand for air travel this Memorial Day, and lead to consumer's taking shorter-distance automobile trips.



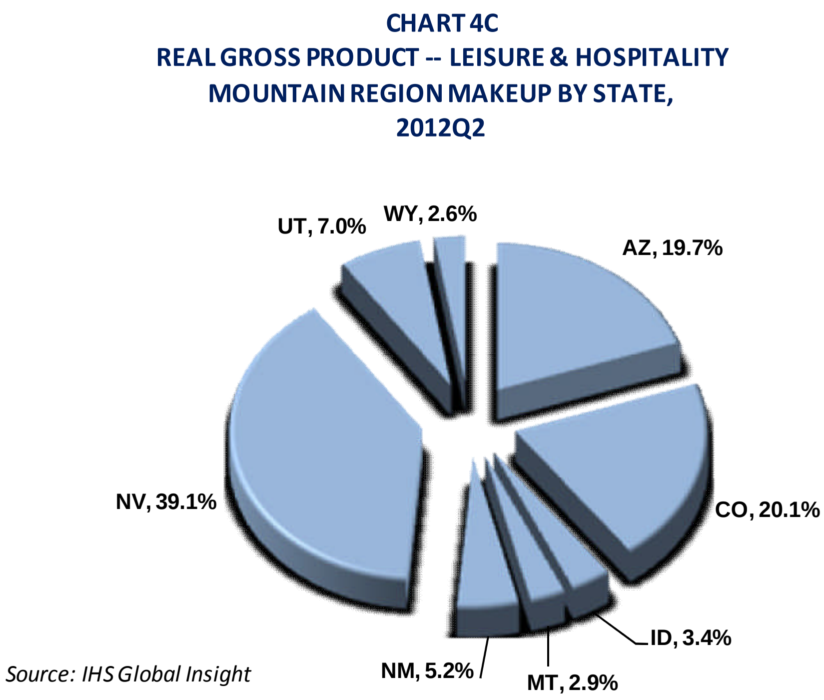
In addition to the originating travel forecast of person-trips from the Mountain region, the following information provides a look into the state of the local tourism industry. In general, because the majority of travel occurs by automobile and remains within regional borders, regional travel ties closely with the output generated by that region's leisure and hospitality industry.

The tourism industry in the Mountain region, as measured by leisure and hospitality industry real gross product (the value of goods and services produced by the leisure and hospitality industry), has been accelerating since the third quarter of 2011. Moreover, the Mountain region's tourism industry has been outperforming the nation's tourism recovery for over that same time span.

In the second quarter of 2012, the Mountain region's total output from the leisure and hospitality industry is anticipated to rise by 2.7 percent relative to one year ago (the national tourism output growth rate for comparison is 1.6 percent).

Utah remains the Mountain state most likely to see the largest increase in tourism output growth (3.3 percent) since the second quarter of 2011. Montana is at the other end of the spectrum with a 0.7 percent decline in tourism output since last year; Montana and New Mexico are the only two states where tourism output is expected to have decreased over the past year.

The Mountain region is composed of states such as Nevada, Colorado, and Arizona, which together contribute large amounts of tourism output to the region. Nevada, which includes the major tourist city of Las Vegas, contributes 39.1 percent of the Mountain region's tourism output. Colorado is the second largest contributor of tourism output, with 20.1 percent, followed by Arizona (19.7 percent). The remainder of the states account for much smaller shares of the Mountain region's tourism output. Wyoming contributes the least of all the states found within the Mountain region, with 2.6 percent.



Travel by Region: New England

Travel originating from the New England region is expected to show growth of 0.4 percent over the Memorial Day holiday relative to 2011. Automobile travel from the New England region is projected to rise by 0.6 percent compared to the holiday last year, while the forecast for air travel is expected to decrease by 6.2 percent. The forecast indicates that 10.6 percent of the New England population will travel this upcoming Memorial Day holiday period, which is lower than the national frequency (11 percent). A slightly higher percentage of the regional population will travel by air than the broader nation (0.9 percent compared to 0.8 percent). Signs of an improved economy indicate increased travel, but high prices associated with gas consumption will encourage shorter road trips. Air transportation is forecast to decrease as more travelers opt for the automobile as their primary choice of transportation.

TABLE 5A

2012 MEMORIAL DAY TRAVEL FORECAST – NEW ENGLAND REGION AND UNITED STATES

	New England			United States		
Year End Travel	**YOY % Change**	**Level**	**% of Population**	**YOY % Change**	**Level**	**% of Population**
Total (millions of person trips)	0.4%	1.54	10.6%	1.2%	34.76	11.0%
Automobile (millions of person trips)	0.6%	1.39	9.5%	1.2%	30.67	9.7%
Air (millions of person trips)	-6.2%	0.13	0.9%	-5.5%	2.52	0.8%
Economy (2012Q2)	**YOY % Change**	**Level**		**YOY % Change**	**Level**	
Unemployment Rate (YOY Change)	-0.7%	7.2%		-0.8%	8.3%	
Real Gross Product ($, bn)*	1.5%	748		2.2%	13,565	
Median Price, New Single Family Home ($, thn)	23.4%	376		0.6%	229	

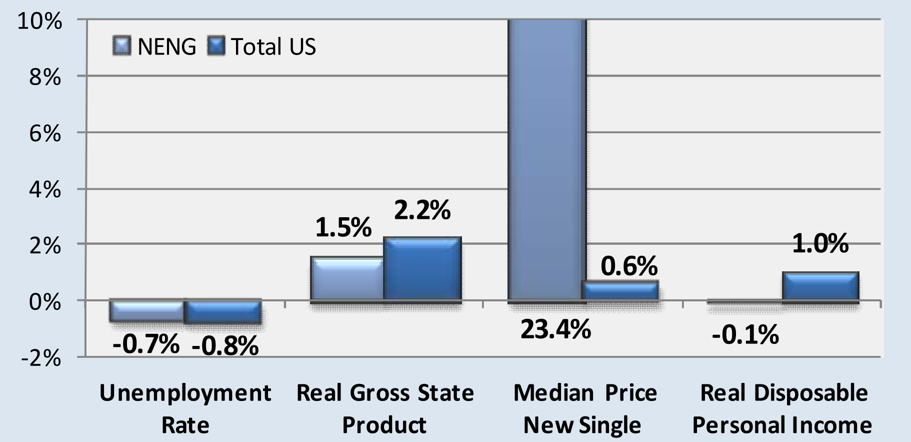
New England lost more than 10,000 state and local government jobs between January 2011 and January 2012 as the private sector expanded. As for unemployment, the regional jobless rate has fallen in the opening month of 2012. Overall, the region will report growth in private nonfarm payrolls for 2012 as a whole. A declining unemployment rate is a strong indicator of a recovering regional economy.

The New England housing market has made strides towards clawing back from the recessionary declines. A large and sustainable pickup in single-family home construction activity is contingent on the continuation of a healthy economic growth that will provide prospective buyers with the income and confidence needed to purchase and draw down existing supplies. A stronger economy is also likely to allow banks to relax credit standards, thus increasing the flow of loanable funds made available to homebuyers. The median price of new single-family homes is projected to increase on an annual basis in the second quarter of 2011 by 23.4 percent.

CHART 5A

YOY GROWTH, 2011Q2 TO 2012Q2

NEW ENGLAND AND UNITED STATES

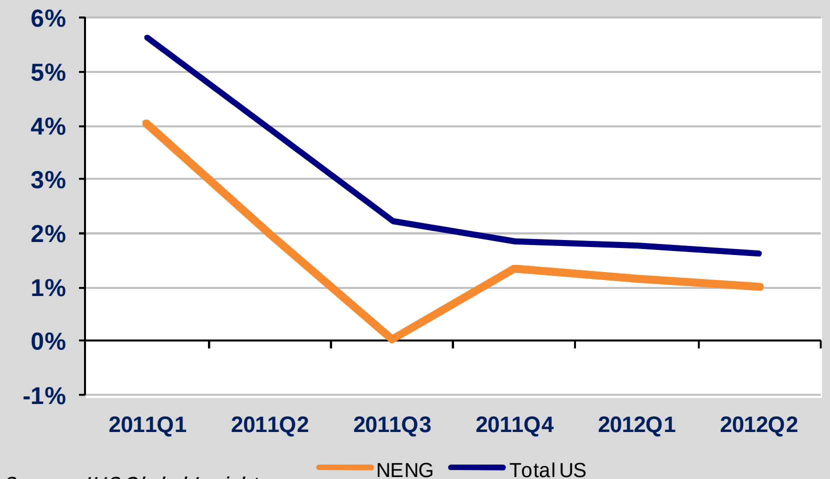


Source: IHS Global Insight

Real disposable personal income shows a contraction of 0.1 percent. Unemployment rates have declined by 0.7 percent. The region's unemployment rate of 7.2 percent is less than the national figure (8.3 percent). Gross real state product increased by 1.5 percent slightly lower the national figure.

Despite negative gains to real disposable personal income (-0.1 percent), a gradually improving regional labor market and an increase in real gross state output (up 1.5 percent) support a modestly expanding local economy. Nevertheless, the effect of high gas prices will counteract most of the benefit from the slowly improving New England economy, and restrict the total distance traveled by New England residents.

CHART 5B
REAL GROSS PRODUCT -- LEISURE & HOSPITALITY
YOY % CHANGE

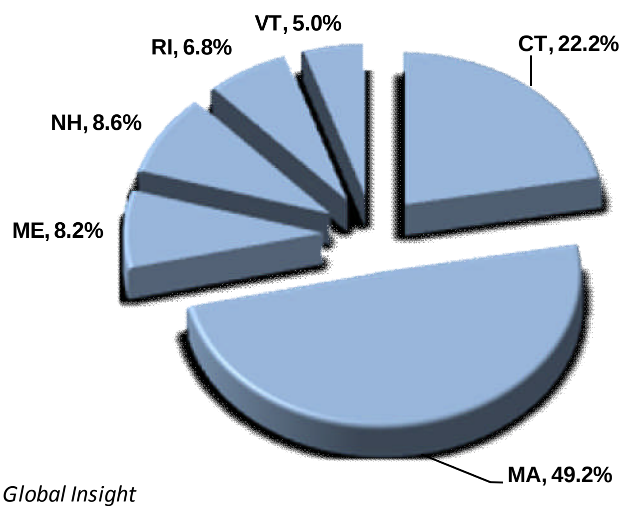


Source: IHS Global Insight

New England's tourism industry has experienced sluggish growth over the past year as it trails considerably behind the national tourism industry. Leisure and hospitality industry output (the value of goods and services produced by the leisure and hospitality industry) in New England is expected to rise by 1.0 percent in the second quarter of 2012 on an annual basis. In comparison, the nation as a whole is expected to register growth of 1.6 percent. The deceleration in the region's tourism industry could stem from the fact that consumers are faced with higher food and beverages prices. In general, because the majority of travel occurs by automobile and remains within regional borders, regional travel ties closely with the output generated by that region's leisure and hospitality industry.

Massachusetts is the largest contributor of tourism output to the New England economy, accounting for 49.2 percent of tourism output in New England. Connecticut is the second largest contributor (22.2 percent) followed by New Hampshire (8.6 percent), Maine (8.2 percent), Rhode Island (6.8 percent), and Vermont (5 percent).

CHART 5C
REAL GROSS PRODUCT -- LEISURE & HOSPITALITY
NEW ENGLAND REGION MAKEUP BY STATE,
2012Q2



Source: IHS Global Insight

Travel by Region: Pacific

The Pacific region is projected to see Memorial Day travel rise by 1.5 percent since the holiday last year. The region's economy continues to recover, realizing positive growth in many economic indicators. A high regional price of gasoline, however, is expected to curb not only the total demand, but the distance traveled during the regional holiday period. The forecast calls for air travel to decrease 5.2 percent and automobile travel to increase 1.6 percent compared to last year. The forecast projects 10.9 percent of Pacific region residents to travel this holiday, which is slightly below the percentage of the national population expected to travel. The Pacific region typically sees a higher than average share of its population expected to travel by air, and this is the case for Memorial Day (1.0 percent compared to the national figure of 0.8 percent).

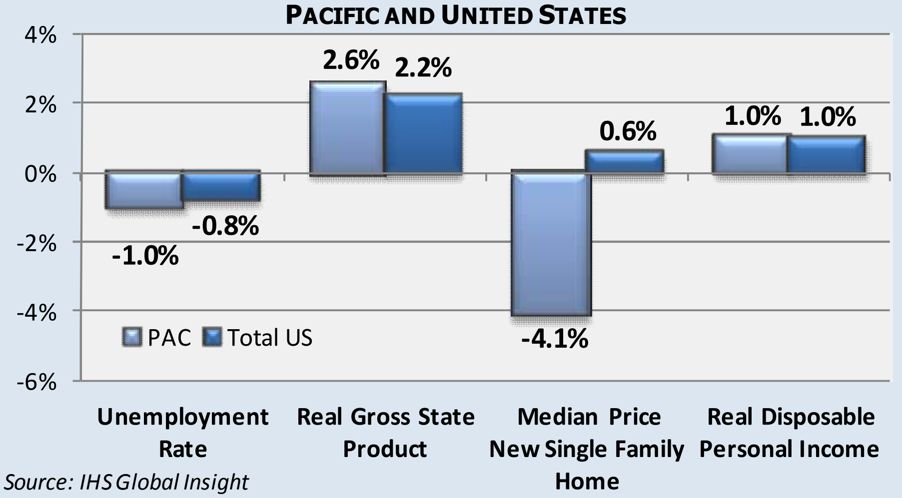
TABLE 6A
2012 MEMORIAL DAY TRAVEL FORECAST – PACIFIC REGION AND UNITED STATES

	Pacific			United States		
Year End Travel	**YOY % Change**	**Level**	**% of Population**	**YOY % Change**	**Level**	**% of Population**
Total (millions of person trips)	1.5%	5.57	10.9%	1.2%	34.76	11.0%
Automobile (millions of person trips)	1.6%	4.69	9.2%	1.2%	30.67	9.7%
Air (millions of person trips)	-5.2%	0.53	1.0%	-5.5%	2.52	0.8%
Economy (2012Q2)	**YOY % Change**	**Level**		**YOY % Change**	**Level**	
Unemployment Rate (YOY Change)	-1.0%	10.1%		-0.8%	8.3%	
Real Gross Product ($, bn)*	2.6%	2,396		2.2%	13,565	
Median Price, New Single Family Home ($, thn)	-4.1%	304		0.6%	229	

While the unemployment rate in the Pacific region remains the highest of any census region at 10.1 percent, the unemployment rate is anticipated to have fallen by 1.0 percent since the second quarter of 2011. A drop in the unemployment rate and an increase in consumer sentiment abet a slow, but recovering economy.

Many economic indicators in the Pacific region are realizing positive growth. Growth in regional output is expected to rise 2.6 percent in the second quarter of 2012 as compared to the previous year. This growth is expected to be somewhat higher than the expected increase in national output (2.2 percent). Regional real disposable personal income is also expected to have increased relative to last year. Real disposable personal income in the Pacific region is projected to be 1.0 percent higher than the second quarter of 2011, equivalent to the national growth figure. While a one percent increase in real incomes is rather modest, a reduction in the personal savings rate has contributed to an increase in consumer spending, as consumers are spending more at the expense of saving less.

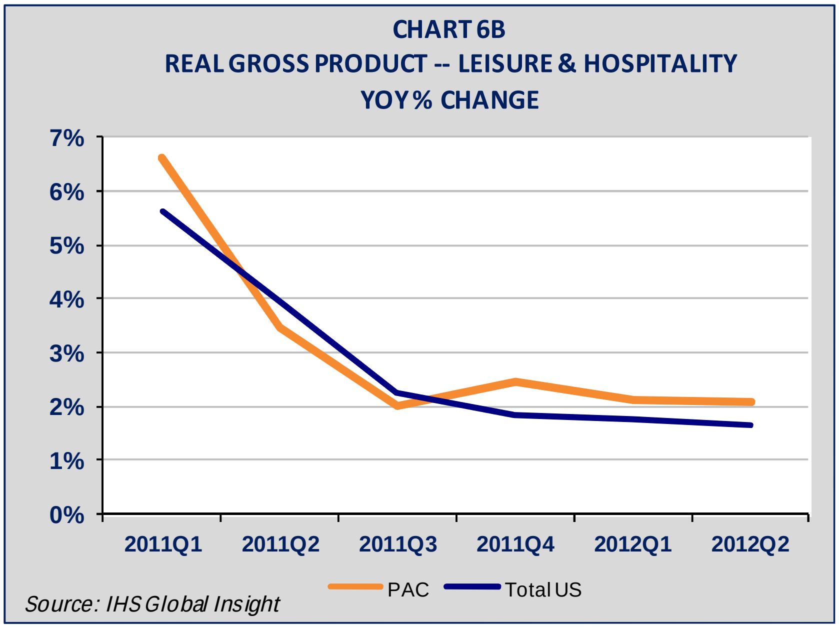
CHART 6A
YOY GROWTH, 2011Q2 TO 2012Q2
PACIFIC AND UNITED STATES



Source: IHS Global Insight

The housing market continues to struggle in the Pacific region. In the second quarter of 2012, the median price of new single-family homes is expected to have decreased by an annual rate of

4.1 percent. Home prices remain relatively low due to the huge overhang of empty dwellings. As lending standards tighten, less credit is available to finance home ownership. A growing economy will provide consumers with the income and confidence to purchase the excess supply available in the housing market and hopefully, drive prices back to prerecession levels. Despite the housing woes, the Pacific region is on its way to undoing most of the damage done since the Great Recession.



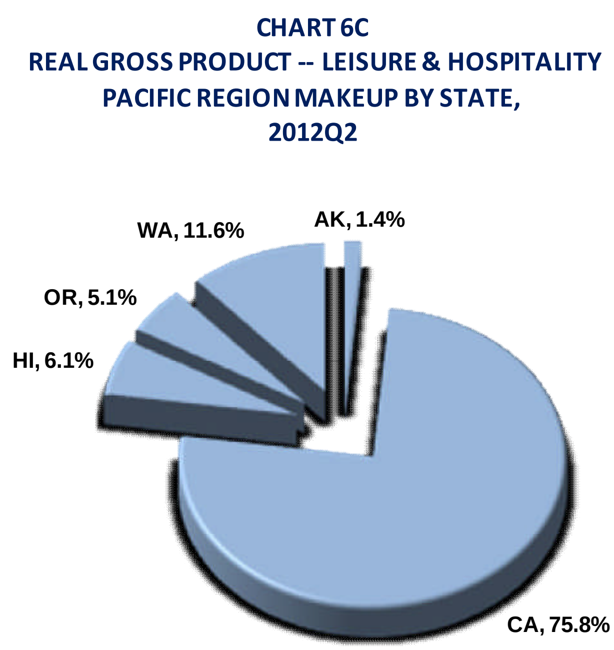
A lower personal savings rate as a percentage of disposable income, and increased real gross state output promise higher levels of travel traffic this Memorial Day weekend. The impact of gas prices will be to restrict the distance traveled by those residents who choose to travel, and to prevent a larger increase in travel volumes that might otherwise be expected, considering the positive direction of the regional economy.

In addition to the originating travel forecast of person-trips from the Pacific region, the following information provides a look into the state of the local tourism industry in the region. In general, because the majority of travel occurs by automobile and remains within regional borders, regional travel ties closely with the output generated by that region's leisure and hospitality industry.

In terms of growth in total leisure and hospitality output (the value of goods and services produced by the leisure and hospitality industry), the Pacific region had been trailing the national recovery until the fourth quarter of 2011, when it began to grow faster than the nation. That faster growth is expected to continue through the second quarter of 2012.

The Pacific region's leisure and hospitality output is projected to rise 2.1 percent since the second quarter of 2011, and the comparable national figure is 1.6 percent. Oregon lags the rest of the Pacific states in growth recovery, expected to grow 1.0 percent since last year, followed by Arkansas and Washington, both with a growth rate of 1.2 percent. California and Hawaii are both expected to grow by 2-plus percent during this period.

The composition of tourism industry output by state in the Pacific region is dominated by California, which accounts for 75.8 percent of tourism output in the region. Washington is the second largest state, contributing 11.6 percent of tourism output to the Pacific region. Arkansas accounts for the smallest proportion, with contributions of 1.4 percent.



Source: IHS Global Insight

Travel by Region: South Atlantic

Memorial Day travel growth from the South Atlantic (SATL) region is estimated at 1.2 percent this Memorial Day holiday as compared to 2011. The South Atlantic regional economy is rebounding slowly, and travel demand is expected to be stimulated by economic improvement, but the rising price of fuel will counteract most of the benefit from a steadily improving regional economy. Air travel is projected to fall by 5.6 percent, while automobile travel is expected to rise by 1.2 percent. The forecast calls for 10.7 percent of the regional population to travel this Memorial Day holiday period.

TABLE 7A
2012 MEMORIAL DAY TRAVEL FORECAST – SOUTH ATLANTIC REGION AND UNITED STATES

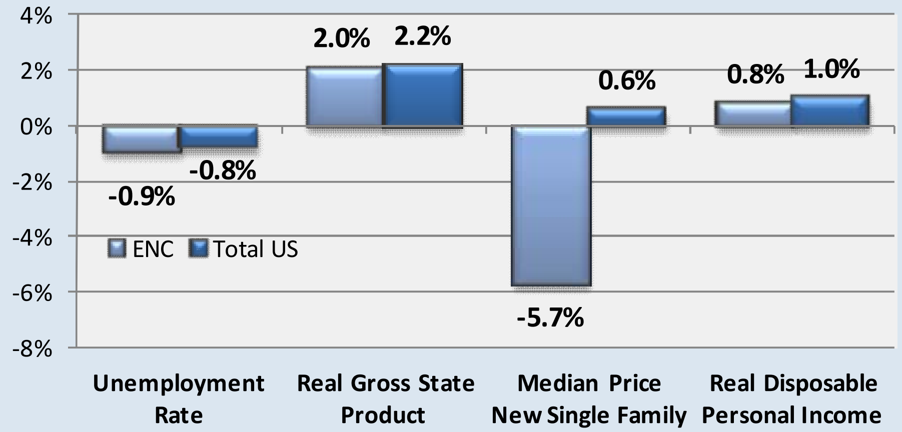
	South Atlantic			United States		
Year End Travel	**YOY % Change**	**Level**	**% of Population**	**YOY % Change**	**Level**	**% of Population**
Total (millions of person trips)	1.2%	6.54	10.7%	1.2%	34.76	11.0%
Automobile (millions of person trips)	1.2%	5.85	9.6%	1.2%	30.67	9.7%
Air (millions of person trips)	-5.6%	0.48	0.8%	-5.5%	2.52	0.8%
Economy (2012Q2)	**YOY % Change**	**Level**		**YOY % Change**	**Level**	
Unemployment Rate (YOY Change)	-0.9%	8.4%		-0.8%	8.3%	
Real Gross Product ($, bn)*	2.0%	2,498		2.2%	13,565	
Median Price, New Single Family Home ($, thn)	-5.7%	225		0.6%	229	

The economy in the South Atlantic region is slowly recuperating, as evidenced by the region's declining rate of unemployment and moderate increase in regional output. In the second quarter of 2012, the regional unemployment rate is expected to fall by 0.9 percent, while real gross state output is expected to increase by 2 percent. Personal income gains have been small (0.8 percent), but increases in consumer spending are being supported by a reduction in the personal savings rate. Increased consumer spending supports an increase in demand for holiday travel this Memorial Day.

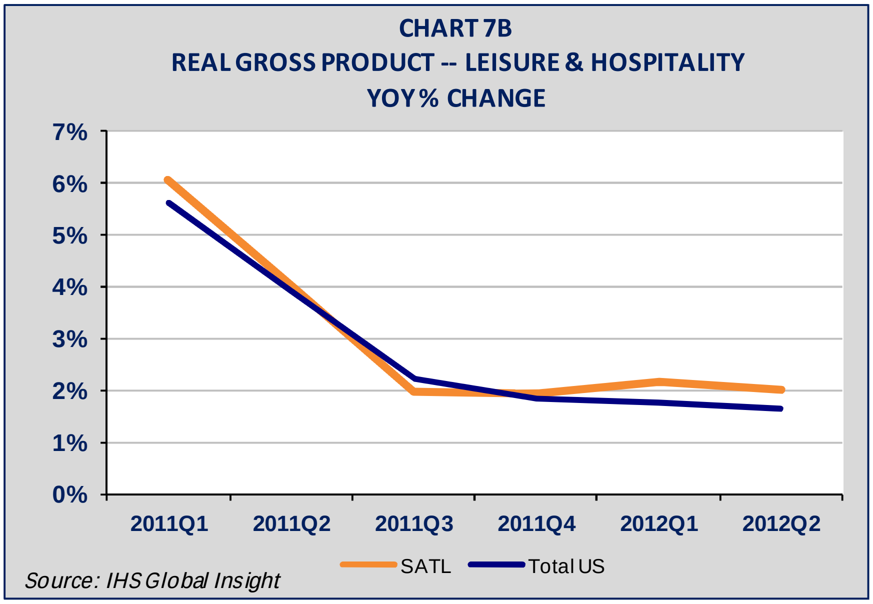
While a reduction in the personal savings rate is supporting an increase in consumer spending, consumers still face too many negatives to allow for a robust spending recovery. Home prices, for one, have still not hit bottom. The median price of new single-family homes in the South Atlantic is projected to decrease by 5.7 percent, relative to spring of 2011. With the current excess of empty homes, house prices will likely keep falling, creating a heavy wealth loss for homeowners across the region.

Another negative force with regards to consumer finances is the current high price of gasoline. The effect of rising gas prices is expected to counteract much of a benefit from a slowly improving South Atlantic economy, thereby supporting a modest increase in holiday travel.

CHART 7A
YOY GROWTH, 2011Q2 TO 2012Q2
SOUTH ATLANTIC AND UNITED STATES



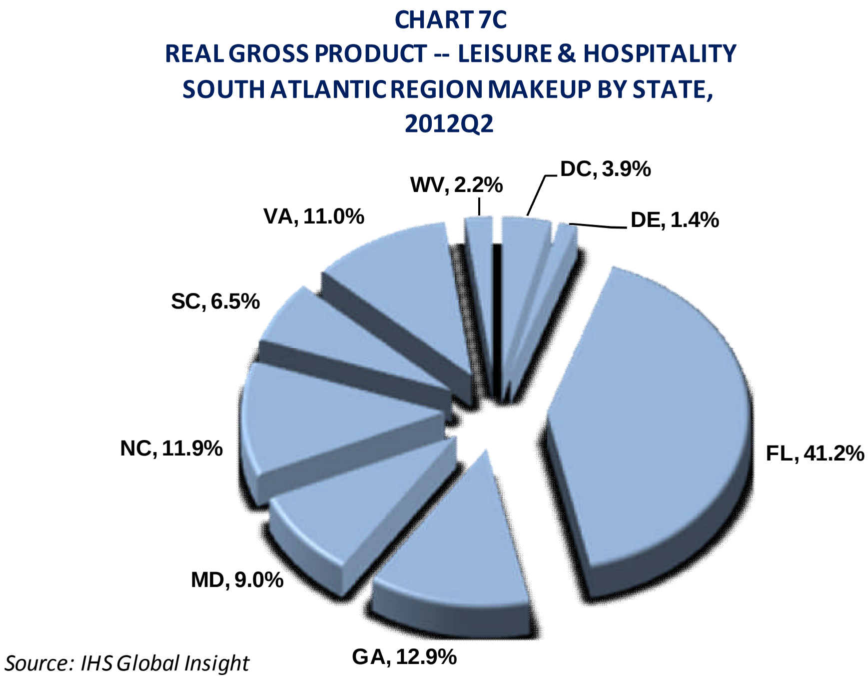
Source: IHS Global Insight



In addition to the originating travel forecast of person-trips from the South Atlantic region, the following information provides a look into the state of the local tourism industry in the region. In general, because the majority of travel occurs by automobile and remains within regional borders, regional travel ties closely with the output generated by that region's leisure and hospitality industry.

The tourism industry in the SATL region, as measured by leisure and hospitality industry output (the value of goods and services produced by the leisure and hospitality industry), has been growing since the third quarter of 2011 and is currently above the national tourism recovery. In the second quarter of 2012, total output from the leisure and hospitality industry in the SATL region is expected to grow by 2 percent from the year prior (compared to 1.6 nationwide).

Florida contributes 41.2 percent of tourism output to the South Atlantic tourism industry with its draw of unique beaches and amusement parks. Georgia contributes the second-largest share of tourism output, with Atlanta being one of the top cities for tourism in the United States. Maryland and Virginia contribute 9 percent and 11 percent, respectively. The District of Columbia is seeing the largest tourism output growth in the SATL region since one year ago (3.6 percent), followed by South Carolina with just under 3.6 percent. Virginia and Delaware show the smallest tourism output growth in the SATL, with 0.3 percent and 0.4 percent, respectively.



Travel by Region: West North Central

The West North Central (WNC) region is projected to see a 1.3 percent increase in Memorial Day travel this year compared to 2011. The gradual recovery of the regional economy mirrors the national trend, but high fuel prices are tightening travel budgets in the WNC region. Air travel is expected to decline by 5.9 percent and automobile travel in the region is expected to grow 0.9 percent, since Memorial Day last year. A much higher-than-average share of the West North Central population is expected to travel this holiday (14.2 percent), which is typical of the WNC region based on its widespread geographic region.

TABLE 8A
2012 MEMORIAL DAY FORECAST – WEST NORTH CENTRAL REGION AND UNITED STATES

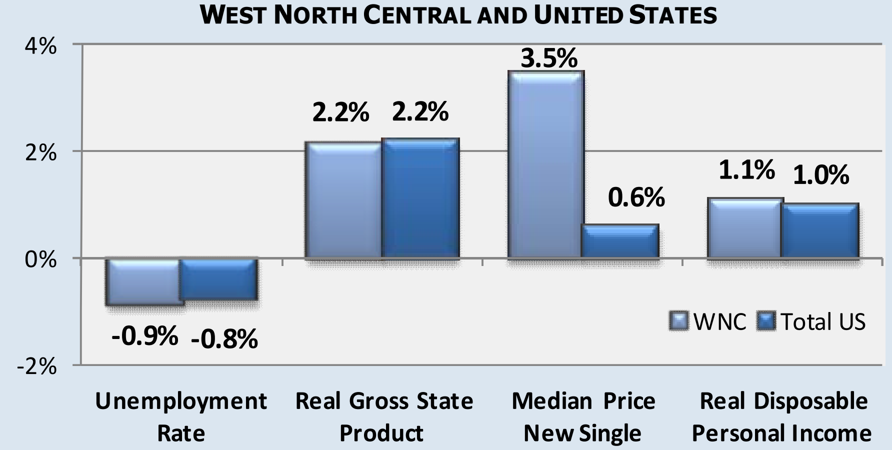
	West North Central			United States		
Year End Travel	**YOY % Change**	**Level**	**% of Population**	**YOY % Change**	**Level**	**% of Population**
Total (millions of person trips)	1.3%	2.96	14.2%	1.2%	34.76	11.0%
Automobile (millions of person trips)	0.9%	2.61	12.6%	1.2%	30.67	9.7%
Air (millions of person trips)	-5.9%	0.13	0.6%	-5.5%	2.52	0.8%
Economy (2012Q2)	**YOY % Change**	**Level**		**YOY % Change**	**Level**	
Unemployment Rate (YOY Change)	-0.9%	5.9%		-0.8%	8.3%	
Real Gross Product ($, bn)*	2.2%	877		2.2%	13,565	
Median Price, New Single Family Home ($, thn)	3.5%	214		0.6%	229	

At roughly 5.9 percent, the WNC region continues to boasts the lowest unemployment rate of any region. The regional economy has shown all signs of an improved labor market. North Dakota is way ahead of its fellow states in the region in terms of growth, thanks to its natural resources and mining sector, which has been booming of late, and shows no signs of slowing. The US level of unemployment is modestly lower than one year ago, but is well above the unemployment rate found within the WNC region.

In general, the regional economy is moving in step with the nation. Real gross state product in the WNC region is expected to increase 2.2 percent in the second quarter of 2012, which is on a par with the national growth rate of 2.2 percent. Real disposable personal income is also anticipated to rise; growth of 1.1 percent on an annual basis is expected in this category in the last quarter of this year, which is slightly higher than the increase expected nationally (1.0 percent).

The housing market in the WNC indicates a slow upturn. The median price of new single-family homes is forecasted to increase 3.5 percent on a year-over-year basis in the second quarter of 2012. This rate of price appreciation is far more than in the broader United States (0.6 percent). A positive growth rate in housing prices promises a recuperating local housing market, but a full recovery will take time. The region's growth in economic activity provides consumers with the income and confidence to initiate home purchases driving down the excess

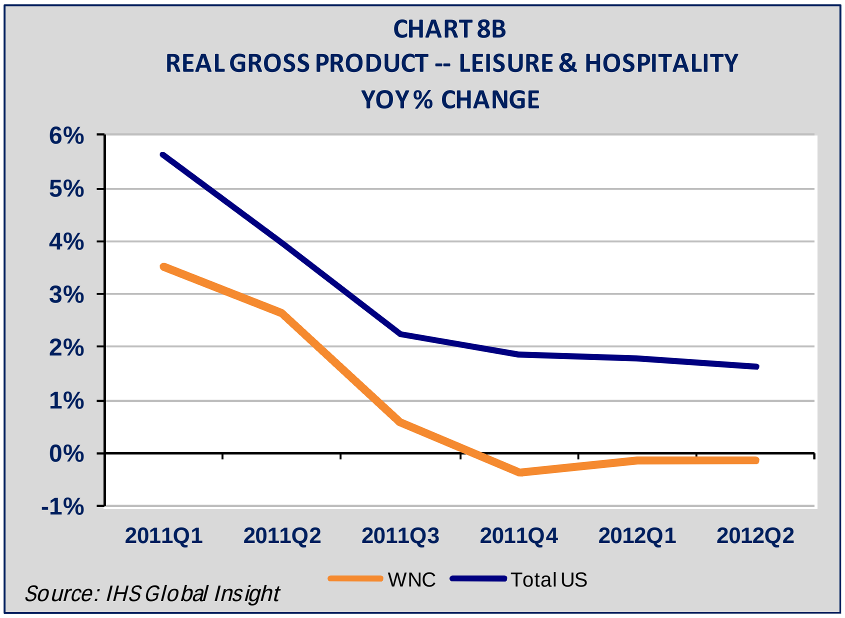
CHART 8A
YOY GROWTH, 2011Q2 TO 2012Q2
WEST NORTH CENTRAL AND UNITED STATES



Source: IHS Global Insight

supply. As the supply of homes contracts, prices climb.

Although the economic setting in the WNC region is expected to have improved in the second quarter of 2012, the effect of high gasoline prices will influence the distance traveled this holiday. Nonetheless, the WNC region will experience an increase in travel demand, spurred by an improved local economy. The increase in the regional fuel price is expected to reduce air travel and lower total holiday spending on leisure and hospitality.



In addition to the originating travel forecast of person-trips from the West North Central region, the following information provides a look into the state of the local tourism industry in the region. In general, because the majority of travel occurs by automobile and remains within regional borders, regional travel ties closely with the output generated by that region's leisure and hospitality industry.

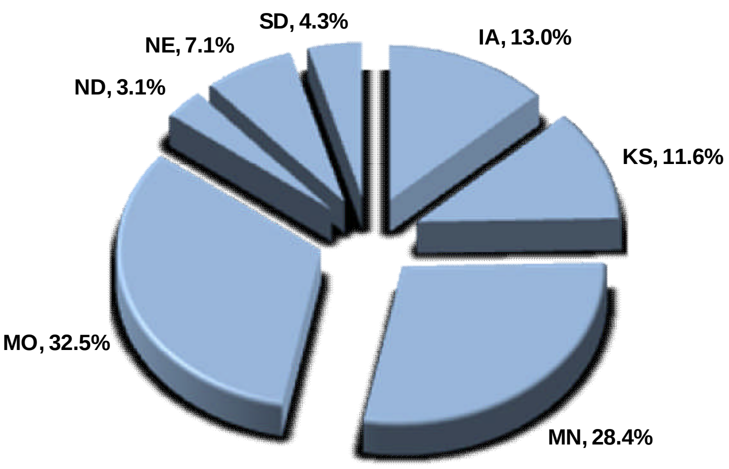
The WNC's tourism industry has been decelerating since the first quarter of 2011, as measured by leisure and hospitality industry output (the value of goods and services produced by the leisure and hospitality industry). Regional output growth has been underperforming the national recovery.

In the second quarter of 2012, total output from the leisure and hospitality industry in the WNC region is expected to see annual decline of 0.1 percent, which is lower than growth predicted nationally over this period (1.6 percent).

Missouri is expected to see the largest annual growth (1.7 percent) in tourism output since the second quarter of 2011 as compared to the rest of the WNC states.

Missouri and Minnesota remain the largest contributors to tourism output in the West North Central region, followed by Iowa, Kansas, Nebraska, South Dakota, and Nebraska.

CHART 8C
REAL GROSS PRODUCT -- LEISURE & HOSPITALITY
WEST NORTH CENTRAL REGION MAKEUP BY STATE, 2012Q2



Source: IHS Global Insight

Travel by Region: West South Central

The Memorial Day holiday travel forecast calls for an increase of 2.2 percent in West South Central (WSC) region holiday travel relative to last year. Travel is expected to be comparatively strong, with high gas prices for this time of year slightly slowing travel demand on the heels of regional economic recovery. Air travel is expected to fall by 4.7 percent and automobile travel is expected to rise by 2.2 percent since Memorial Day 2011. About 10.3 percent of the WSC population is predicted to travel this Memorial Day period, which is slightly less than the estimated national frequency of 11 percent.

TABLE 9A
2012 MEMORIAL DAY TRAVEL FORECAST – WEST SOUTH CENTRAL REGION AND UNITED STATES

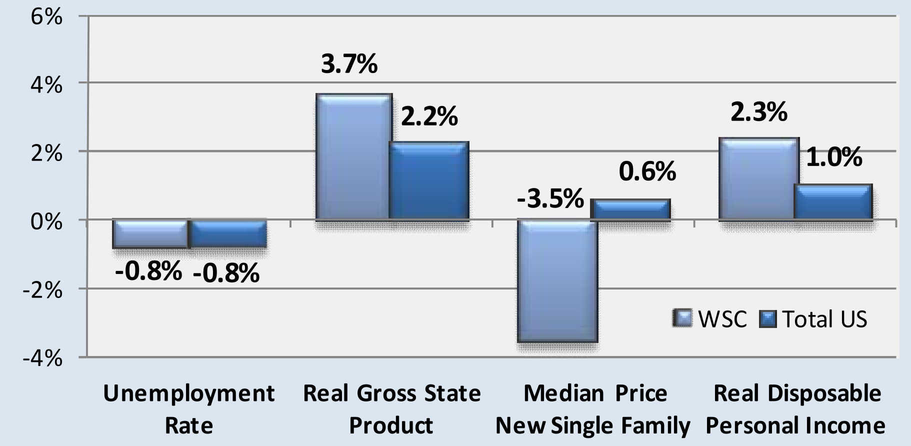
	West South Central			United States		
Year End Travel	**YOY % Change**	**Level**	**% of Population**	**YOY % Change**	**Level**	**% of Population**
Total (millions of person trips)	2.2%	3.84	10.3%	1.2%	34.76	11.0%
Automobile (millions of person trips)	2.2%	3.36	9.0%	1.2%	30.67	9.7%
Air (millions of person trips)	-4.7%	0.29	0.8%	-5.5%	2.52	0.8%
Economy (2012Q2)	**YOY % Change**	**Level**		**YOY % Change**	**Level**	
Unemployment Rate (YOY Change)	-0.8%	7.0%		-0.8%	8.3%	
Real Gross Product ($, bn)*	3.7%	1,599		2.2%	13,565	
Median Price, New Single Family Home ($, thn)	-3.5%	178		0.6%	229	

The unemployment rate in the region has dropped to around 7.0 percent for the past year. The WSC maintains the second-lowest unemployment rate of all nine census regions. In 2012, the WSC economy will continue to gather momentum and remain one of the fastest growing regions in the country. By early 2012, the region will have regained all jobs lost during the recession. Texas is the only state in the region that has now reached its prerecession peak employment level. Meanwhile, Arkansas, which was the hardest hit by the recession, remains the weakest and, as a result, is the state that still has the largest gap to cover in order to return to its pre-recession peak employment.

Real gross state product growth over the past four quarters in the WSC region is expected to exceed national output growth (3.7 percent versus 2.2 percent). The expected 2.3 percent annual increase in real disposable personal income is a modest improvement. However, a lower personal savings rate, as a percentage of disposable income will directly propel travel growth this Memorial Day.

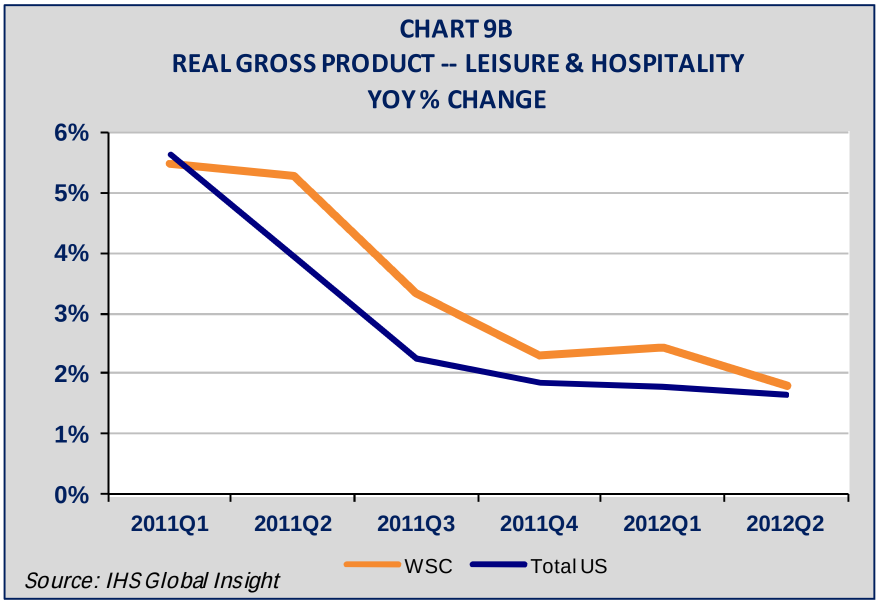
The housing market continues to struggle, as expectations for the median price of new single-family homes in the second quarter of the year are negative. Conversely, national prices show positive growth. The region's median price of new single-family homes is projected to decrease by 3.5 percent in the second quarter of 2012 relative to the previous year. Home affordability is at record highs as the stock of vacant homes remains relatively large. The WSC housing market has yet to make any headway. However, improved employment grouped with increased regional economic activity and gains to

CHART 9A
YOY GROWTH, 2011Q2 TO 2012Q2
WEST SOUTH CENTRAL AND UNITED STATES



Source: IHS Global Insight

personal income give consumers the confidence to buy down the excess supply of housing found in the WSC region. This chain of events will hopefully lead to higher prices in the foreseeable future.



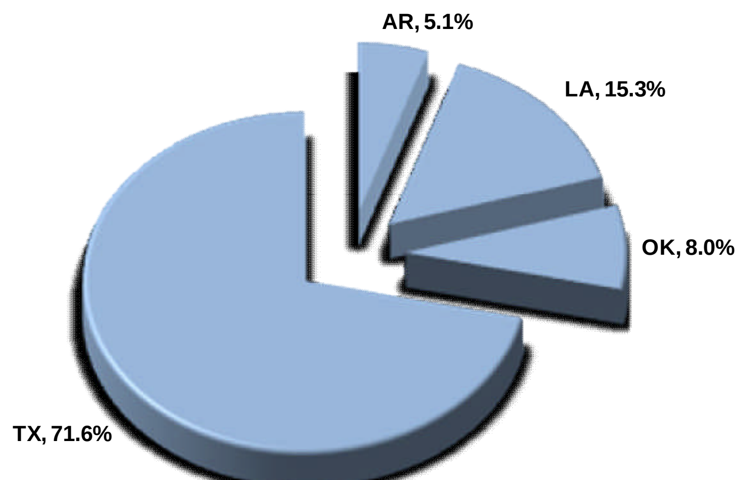
While the WSC region shows signs of an economic recovery, the high price of gasoline is expected to restrain the demand for holiday air travel. The effect of this price increase is expected to restrict the distance of total person-trips traveled and to reduce total spending on leisure and hospitality.

In addition to the originating travel forecast of person-trips from the West South Central region, the following information provides a look into the state of the local tourism industry in the region. In general, because the majority of travel occurs by automobile and remains within regional borders, regional travel ties closely with the output generated by that region's leisure and hospitality industry.

The WSC recovery in real gross state product from the leisure and hospitality industry (the value of goods and services produced by the leisure and hospitality industry) commenced in the third quarter of 2010. In the second quarter of 2012, the WSC region is expected to witness annual tourism output growth of 1.8 percent (for comparison, the national figure is 1.6 percent).

Texas accounts for nearly three-quarters of tourism output in the West South Central region. Arkansas accounts for the smallest share with just 5.1 percent of tourism industry output in the WSC region.

CHART 9D
REAL GROSS PRODUCT -- LEISURE & HOSPITALITY
WEST SOUTH CENTRAL REGION MAKEUP BY STATE, 2012Q2



Source: IHS Global Insight

Memorial Day 2012 Holiday Traveler Profile Survey Methodology

The *Holiday Traveler Profile* study, conducted by D.K. Shifflet and Associates, surveys holiday travelers regarding their planned holiday travel including planned party composition, travel distances, trip expenditures and activity participation. For the Memorial Day 2012 holiday, the survey was in the field during April 20–24, 2012, and 315 respondents were interviewed in detail about their holiday plans. This panel was designed to yield survey responses that are statistically significant at the national level.[1] Although we report detail for individual census regions, the reader should be aware that the census region-level results are not generally statistically significant and margins of error are generally large.

Those census region-level responses that do differ significantly from national responses are flagged with asterisks, as in the example below from our Memorial Day 2010 report:

Party Composition Memorial Day 2010 (example)

	One Adult	Two Adults	Three or more Adults	Families
Total US	**21%**	**33%**	**19%**	**27%**
New England	11%	10%*	26%	53%
Middle Atlantic	7%	19%	15%	60%*
South Atlantic	30%	33%	23%	14%
East North Central	39%	17%	23%	21%
East South Central	27%	23%	15%	35%
West North Central	6%*	17%	28%	49%
West South Central	16%	39%	20%	24%
Mountain	26%	52%	10%	13%
Pacific	13%	67%*	14%	6%*

* Indicates estimate differs from estimate for Total US with 99 percent confidence or greater.

Source: D.K. Shifflet & Associates, Ltd.

Numbers may not add due to rounding.

Note that the percent of West North Central respondents planning to travel as a party of "One Adult" is listed as "6 percent*." As the footnote below the table states, the asterisk indicates that the West North Central estimate differs from the Total US estimate with 99 percent confidence or greater. In other words, if the actual proportion of West North Central residents traveling as a party of one adult were the same as the actual proportion of US residents traveling as a single adult, there would be a one percent or lower chance of seeing a difference as large as the difference observed in this survey (6 percent for West North Central versus 21 percent for Total US). Therefore, it is unlikely—though not impossible—that this difference is reflective of random sampling error.

Although we will focus primarily on national responses, our commentary on the *Holiday Traveler Profile* tables may call out certain regional responses of interest. When we discuss a regional response, we will generally avoid highlighting responses with large margins of error. For example, the margin of error for the share of West North Central residents travelling in parties with one adult is +/-14 percent, meaning that the share could be as high as 20 percent. As such, we would either avoid highlighting that result or provide the margin of error to the reader for appropriate statistical context.[2]

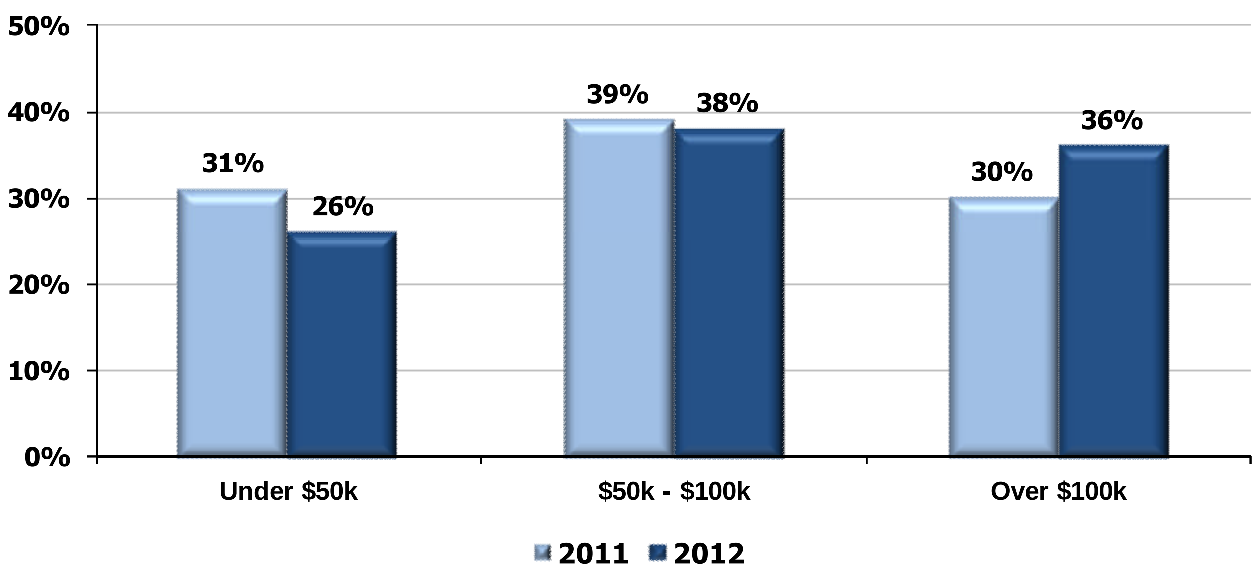
[1] Specifically, the margin of error for each binary response question is, at most, about 6 percentage points, with 99 percent confidence.

[2] This +/-14 percent margin of error reflects a 99 percent confidence interval based on a t-distribution.

Change in the Average Memorial Day Traveler

Results from the survey of intended travelers reveal that the share of expected travelers in the under-$50,000 household income bracket has fallen from 31 percent last year to 26 percent this year, while the $50,000–100,000 household income bracket has fallen one percentage point to 38 percent; therefore, the increase of intending travelers is coming exclusively from the highest income bracket surveyed. Important uncertainties remain over the strength of the current recovery, but the economic picture, as compared to last year's holiday period, is progressing. The unemployment rate is almost one percent lower than at this time last year, which together with a strong stock market performance has boosted personal incomes, leading to a subsequent rise in consumer sentiment. Counteracting these improvements is the significant spike in gasoline prices. Fuel demand is fairly inelastic, so rising costs cut into spending on other purchases or even personal savings. This effect is obviously more significant on those with lower household income, as fuel costs will make up a larger share of their overall spending. Similarly, the impact of equity gains on travel intentions is more significant on those who can afford to invest in this particular asset class. The result of this is highlighted in the chart below, which shows the change in income distribution of those intending to travel this holiday compared to last year.

CHART 10
HOUSEHOLD INCOME DISTRIBUTION OF INTENDING TRAVELERS
MEMORIAL DAY 2011 AND 2012 HOLIDAYS
TOTAL US



Travel Distances

Travelers intend to journey an average of 642 miles round-trip this upcoming Memorial Day, which is significantly lower than last year, when travelers planned to log an average of 792 miles. The decline in expected air travel is certainly a factor in this decrease, as this decrease can be contrasted with the slight growth in automobile travel, but that mode will also be affected. Gas prices are currently in an interesting spot, as they are on par with last year's prices, as the average price for all of April was just 2.5 percent different from last year. However, gas prices had eased by the end of 2011, and saw a much higher rise than typical during the first three months of 2012. Prices have come down slightly since their early-April peak and by the end of the month had fallen below year-ago levels. With high gasoline prices still squeezing consumers' spending power this spring, consumers are responding by traveling shorter distances this Memorial Day. Last year, the shortest trips, those less than 150 miles, made up 19 percent of total travel compared to 21 percent for this year, reinforcing the expectation that shorter trips are especially popular this holiday period.

"Traveling to Florida to watch my daughter play softball in college"

Pacific Respondent

The distribution among mileage categories is fairly balanced, with every category receiving between 12 and 21 percent share of intended travelers. The average number of miles traveled tends to vary by region. The Pacific region, which has the highest share of population intending to travel by air, also has the highest average round-trip distances this holiday. Travelers in the South Atlantic region, on the other hand, plan to stay relatively close to home and average just 570 miles round-trip during the holiday.

TABLE 11
EXPECTED ROUND-TRIP DISTANCE TRAVELED
MEMORIAL DAY 2012 HOLIDAY
TOTAL US AND BY REGION OF RESIDENCE

	50-150 miles	151-250 miles	251-400 miles	401-700 miles	701-1500 miles	Over 1500 miles	Average Miles
				(Percentage of Travelers)			
Total US	21%	13%	16%	19%	19%	12%	642
New England	19%	21%	16%	23%	6%*	14%	611
Middle Atlantic	18%	20%	7%	14%	21%	20%	713
South Atlantic	15%	21%	15%	17%	26%	6%	570
East North Central	28%	2%*	15%	27%	21%	8%	622
East South Central	16%	12%	7%	37%	28%	1%*	604
West North Central	17%	11%	14%	35%	11%	11%	665
West South Central	31%	12%	21%	9%	16%	11%	580
Mountain	29%	12%	11%	9%	21%	16%	677
Pacific	21%	10%	27%	11%	12%	19%	750

Measures of statistical confidence are not available for differences between regional and Total US average miles traveled.

Source: D.K. Shifflet & Associates, Ltd.

Numbers may not sum due to rounding

Total Spending

The median *Holiday Traveler Profile* respondent expects to spend $702 this upcoming holiday period; slightly more than the $692 expected median spending of intending travelers in 2011, but largely unchanged. Only nine percent of respondents stated an intention to spend less this holiday than last year.

"This year, my Memorial Day holiday is my summer vacation, so I will be spending more."

MATL Respondent

Total spending can be roughly grouped into the following categories: transportation spending, and spending occurring at the travel destination including lodging, food and beverages, shopping, and entertainment. Transportation spending accounts for roughly 23 cents of the traveler dollar, which is down eight cents from last year. By the end of April, gas prices had fallen below the levels from the previous year, and combined with the expected distance traveled reveals that the longer trips, which are more likely to be air travel, are losing travel share to the shorter-distance trips which are more likely to be taken by automobile and cost less. This explains the reduction in "Other Transportation" spending, as fewer residents are intending to travel by air this Memorial Day. Furthermore, of the trips that are likely to be taken by automobile, shorter-distance trips are gaining share at the expense of longer trips, which suggests that travelers will be driving less in order to conserve gas and save on the higher pump prices. All other categories make up the remaining 77 cents of the holiday dollar and the increase in share is spread fairly evenly across those categories.

TABLE 12
MEDIAN EXPECTED TOTAL TRIP SPENDING AND AVERAGE EXPECTED SHARES OF BUDGET BY CATEGORY
MEMORIAL DAY 2012 HOLIDAY
TOTAL US AND BY REGION OF RESIDENCE

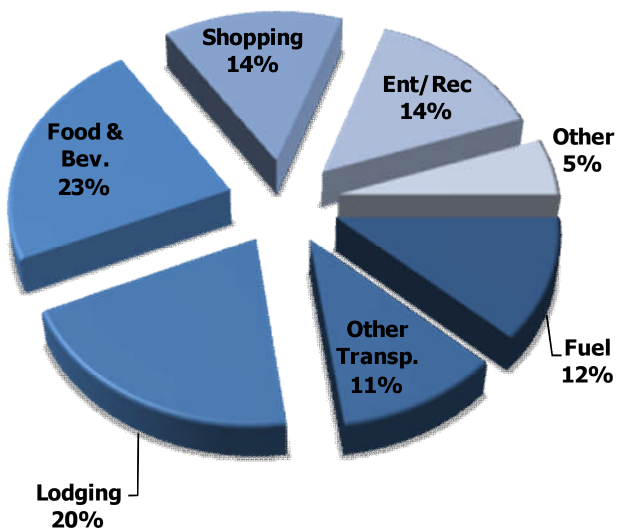
	Total US	New England	Middle Atlantic	East North Central	West North Central	South Atlantic	East South Central	West South Central	Mountain	Pacific
Median Total Expenditures	**$702**	**$475**	**$839**	**$666**	**$422**	**$972**	**$773**	**$533**	**$652**	**$807**
Fuel Transportation	12%	15%	8%	20%	17%	9%	15%	11%	15%	13%
Other Transportation Spending	11%	19%	18%	11%	7%	7%	4%	16%	14%	12%
Accommodations	20%	11%	16%	14%	25%	21%	35%	19%	20%	20%
Food & Beverages	23%	22%	24%	24%	23%	26%	17%	18%	23%	20%
Shopping	14%	14%	16%	13%	16%	16%	11%	15%	13%	12%
Entertainment/Recreation	14%	12%	11%	15%	11%	16%	13%	13%	13%	18%
Other	5%	6%	8%	3%	1%	6%	4%	8%	3%	5%

Source: D.K. Shifflet & Associates, Ltd.

Numbers may not add due to rounding.

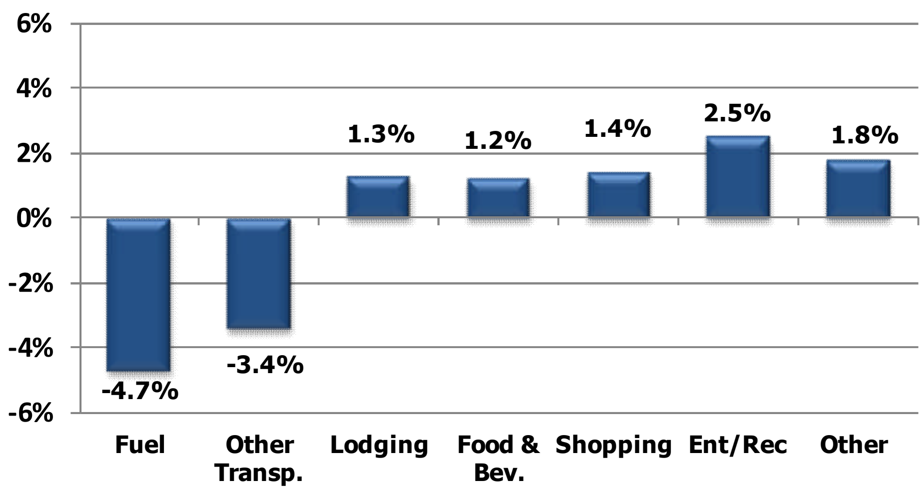
Chart 12 illustrates the average expected shares of budget by category for 2012. Chart 13 shows the change in expected budget distribution from Memorial Day 2011 to Memorial Day 2012.

CHART 11
US MEMORIAL DAY 2012 HOLIDAY SPENDING
DISTRIBUTION BY CATEGORY



Source: D.K. Shifflet & Associates, Ltd.

CHART 12
TOTAL US MEMORIAL DAY HOLIDAY SPENDING
CHANGE IN BUDGET SHARE FROM 2011 TO 2012



Source: D.K. Shifflet & Associates, Ltd.

Party Composition

For Memorial Day 2012, the most common expected travel party (36 percent) is a party composed of two adults. About 31 percent expect to travel with their family while 20 percent intend to travel with 3 or more adults. The main variance here from 2011 is that the "One Adult" segment has fallen from 16 percent in 2011 to 13 percent in 2012, with the difference going to expected family travel.

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TABLE 13
PARTY COMPOSITION
MEMORIAL DAY 2012 HOLIDAY
TOTAL US AND BY REGION OF RESIDENCE

	One Adult	Two Adults	Three or more Adults	Families
Total US	**13%**	**36%**	**20%**	**31%**
New England	29%	48%	15%	8%
Middle Atlantic	24%	30%	15%	31%
South Atlantic	13%	32%	14%	39%
East North Central	4%	49%	11%	37%
East South Central	2%	37%	38%	23%
West North Central	9%	40%	22%	30%
West South Central	8%	19%	35%	38%
Mountain	13%	37%	24%	27%
Pacific	16%	42%	17%	25%

* Indicates estimate differs from estimate for Total US with 99 percent confidence or greater.

Source: D.K. Shifflet & Associates, Ltd.

Numbers may not add due to rounding.

Activities

The Memorial Day holiday serves as the kick-off for the summer travel season, standing as a symbolic end to the winter and spring which, despite unseasonably warm temperatures that continued in April, is a reminder that summer is almost here. As a result, the expected activities during the holiday are predominantly focused around visiting with friends and family, and dining. These are the only two activities in which more than half of intending travelers surveyed plan to partake in. Other top activities include such outdoor activities as going to the beach (36 percent), touring and sightseeing (32 percent), and visiting historic sites (20 percent).

"Cutting back in some areas - trying to do more free things"

Mountain Respondent

TABLE 14
MAIN PURPOSE OF TRIP
MEMORIAL DAY 2012 HOLIDAY
TOTAL US AND BY REGION OF RESIDENCE

	Total US	New England	Middle Atlantic	East North Central	West North Central	South Atlantic	East South Central	West South Central	Mountain	Pacific
Visit with friends/relatives	59%	60%	55%	90%*	42%	65%	45%	58%	34%	57%
Dining	53%	66%	42%	59%	43%	69%	42%	43%	48%	51%
Shopping	39%	45%	44%	42%	39%	37%	40%	29%	35%	42%
Go to beach/waterfront	36%	27%	39%	34%	21%	48%	46%	27%	24%	37%
Touring/sightseeing	32%	29%	28%	38%	40%	23%	43%	26%	32%	37%
Night Life	26%	22%	22%	38%	28%	26%	12%	31%	13%	30%
Visit museums, art exhibits, etc.	20%	20%	27%	6%	28%	23%	7%	13%	22%	26%
Visit historic sites	20%	25%	35%	2%	33%	22%	12%	8%*	20%	24%
Visit national or state parks	20%	28%	13%	10%	35%	22%	10%	15%	32%	27%
Attend festivals, craft fairs, etc.	18%	18%	16%	23%	7%	18%	8%	17%	19%	26%
Hike, bike, etc.	18%	26%	13%	12%	22%	16%	14%	6%	26%	35%
Watch sporting events	13%	11%	11%	34%	7%	2%	14%	14%	5%	14%
Boat/sail	13%	15%	17%	17%	16%	8%	9%	22%	6%	13%
Attend concerts, plays, dance, etc.	11%	13%	14%	0%	25%	15%	0%	12%	9%	11%
Gambling	11%	3%*	2%*	24%	13%	9%	5%	12%	8%	15%
Hunt, fish, etc.	11%	13%	7%	6%	13%	11%	12%	24%	15%	4%
Visit theme/amusement parks	10%	4%	10%	5%	10%	19%	7%	3%	4%	11%
Play golf	10%	16%	12%	4%	9%	18%	11%	7%	9%	7%
Spa	10%	0%	5%	21%	13%	8%	3%	16%	9%	11%
Observe & conserve nature/culture - Eco-Travel	8%	5%	9%	0%	9%	7%	1%	7%	15%	20%
Look at real estate	2%	4%	0%	5%	0%	2%	0%	4%	7%	1%
Attend show: boat, car, home, etc.	1%	3%	4%	2%	1%	0%	0%	0%	1%	2%
Compete in sporting events	1%	2%	0%	0%	0%	3%	0%	1%	5%	2%
Snow ski, snow board, other snow/ice sports	0%	2%	0%	0%	1%	0%	0%	0%	0%	0%
Other	7%	11%	3%	6%	3%	0%	8%	2%	8%	22%

Source: D.K. Shifflet & Associates, Ltd.

Numbers may not add due to rounding.

With expected spending in line with last year's results, and aside from transportation spending there were no major shifts in the distribution of spending, it's not surprising that the expected activities do not show a dramatic change from last year. However, one change of note is the increase in those expected travelers who intend to visit with friends and family. While it was also the top activity last year, its increase of seven percentage points is the highest gain of any category.

TABLE 15
VARIANCE IN EXPECTED PRIMARY ACTIVITIES
MEMORIAL DAY 2011 HOLIDAY COMPARED TO MEMORIAL DAY 2012 HOLIDAY

Expected Primary Activities	2012	2011	Variance
Visit with friends/relatives	59%	52%	7%
Dining	53%	59%	-6%
Shopping	39%	43%	-4%
Go to beach/waterfront	36%	36%	0%
Touring/sightseeing	32%	37%	-5%
Night Life	26%	28%	-2%
Visit museums, art exhibits, etc.	20%	15%	5%
Visit historic sites	20%	23%	-3%
Visit national or state parks	20%	19%	1%
Attend festivals, craft fairs, etc.	18%	13%	5%
Hike, bike, etc.	18%	25%	-7%
Watch sporting events	13%	10%	3%
Boat/sail	13%	12%	1%
Attend concerts, plays, dance, etc.	11%	7%	4%
Gambling	11%	7%	4%
Hunt, fish, etc.	11%	8%	3%
Visit theme/amusement parks	10%	7%	3%
Play golf	10%	8%	2%
Spa	10%	5%	5%
Observe & conserve nature/culture - Eco-Travel	8%	11%	-3%
Other	7%	8%	-1%
Look at real estate	2%	5%	-3%
Attend show: boat, car, home, etc.	1%	1%	0%
Compete in sporting events	1%	3%	-2%
Snow ski, snow board, other snow/ice sports	0%	1%	-1%

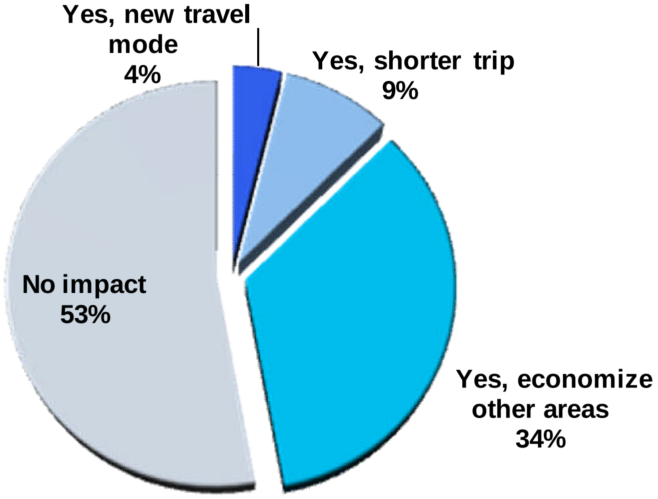
The Impact of Fuel Prices on Travel Plans

Gas prices have begun to ease after peaking in early April after a sharp rise since the end of 2011. For the month April 2012, the average monthly price of gasoline was $3.89, which is 2.5 percent above the monthly average from 2011. However, prices did not begin to ease last year until early March, and by the end of April gas prices had fallen below the year-ago levels. High gas prices have numerous effects on the economy, including cutting into disposable income and, therefore, consumer spending. However, there is less certainty over the impact that current prices will have on the economy and more importantly, on holiday travel.

Despite the current price of gasoline, prices are not expected to wreak as much damage on travel intentions as last year's price hike. According to IHS Global Insight, it's the size of the hike, not the level of prices that determines the growth impact. Last year, second-quarter gasoline prices were 34.8 percent above year-ago levels; this year, the average April price increase is just 2.5 percent, or less than ten cents a gallon. More significant would be if gas price appreciation were closer to 7 percent, or approximately $0.25 of the expected average price. Analysis by IHS economists has shown that a 24-cent per gallon increase in the price of gasoline has the impact of lowering real disposable income by 0.26 percent—nearly one-quarter of the potential growth in real disposable income in the second quarter of 2012 (estimated to be 1 percent, nationally). If the downturn in gas prices exceeds the drop last year, which was nearly 20 cents from the early May peak to the actual price at the start of the Memorial Day holiday, this drop may in fact encourage greater confidence and spur consumer spending on travel.

When asked specifically about the impact of high gasoline prices on travel plans for this Memorial Day holiday, 53 percent of intending travelers stated that rising prices would not impact their travel plans, which is a lower figure than last year, when 58 percent said there would be no impact. Within the remaining 47 percent who feel that their travel plans will be impacted, nine percent are planning to take a shorter trip, while 38 percent will either be choosing a new travel mode or economizing in other areas. Those values compare to nine and 33 percent respectively from last year's survey.

CHART 13
TOTAL US MEMORIAL DAY HOLIDAY
IMPACT OF HIGH FUEL PRICES



Source: D.K. Shifflet & Associates, Ltd.

The impacts of the shorter trips and economizing are clear in the responses to other questions on the survey, in which average distance traveled is 150 miles less than the expectation from 2011. The share of expected spending on fuel costs has declined by almost five percent, relative to last year, as many travelers are avoiding air travel altogether, or taking shorter distance automobile trips to avoid the high price of gasoline. Many travelers may feel strongly that rising gas prices won't affect their travel plans, but for those who are affected, their changes will be significant. For the majority who feel it won't impact their travel plans, it is possible that their planning process has already been impacted and the constrained growth in disposable income has manifested itself from the start in terms of how they planned out their trip.

Addendum 1: US Economic Forecast Summary:

Published 5/10/2012

Another Summer Slowdown?

The clear downshift in employment growth during March and April has raised the question of whether this year will see a marked summer slowdown in the recovery, similar to 2011. Our view is that the underlying path of growth was never that robust to begin with—as illustrated by the 2.2% growth rate in GDP during the first quarter. Employment gains around 250,000 per month over the three months through February, partly helped by the unseasonably warm weather, was inconsistent with the growth picture. It now seems that job growth is decelerating to meet GDP growth, rather than GDP picking up to meet employment. But since we had never bought into the view that the recovery was "taking off," the employment slowdown does not change our outlook. Our GDP growth forecasts were already cautious, and we see no extra reasons for pessimism yet, so we remain at 2.2% for 2012 and 2.4% for 2013.

The economy was hit by multiple shocks in 2011—the surge in oil prices resulting from the Arab spring; the shock to global supply chains, especially automotive, from the Japanese earthquake and tsunami; the deteriorating Eurozone sovereign-debt crisis; and the brush with US sovereign-debt default caused by the prolonged deadlock over raising the debt ceiling.

Although risks still abound in 2012, we have not yet been hit by similar-sized shocks. Oil prices have moved up again, but not enough to move gasoline prices to new highs. We have had no natural disaster of the order of Japan's last year. In Europe, the sovereign-debt crisis and the Eurozone recession are both deepening, but markets are now more confident that the crisis will not morph into a global banking-sector meltdown, largely because of aggressive liquidity injections by the European Central Bank. At home, the United States still faces huge fiscal uncertainty, but we are hopeful this time it will be resolved without taking the federal government to the brink of default.

It is also important to remember that the **fundamentals of the US economy look better now than in 2011**. One more year of deleveraging is now behind us, and one more year of pent-up demand has built up, some of which is now translating into stronger demand, notably in the vehicles sector. We also have one more year's worth of housing adjustment behind us, which is bringing down vacancy rates in both the rental and the homeowner markets, setting the stage for a future recovery in housing activity.

We expect GDP growth to hold at or just above 2% for the rest of 2012. We cannot expect inventory accumulation to keep boosting growth, as it did in the fourth and first quarters, but we think that the slowdown in business fixed investment (which actually fell in the first quarter) is just temporary. And although the long-term path of real federal spending remains downward, we now expect some bounce in defense spending after two successive quarters of steep declines.

Consumer spending grew 2.9% in the first quarter, better than expected. Stronger vehicle sales, helped by pent-up demand, were a key driver of first-quarter spending. Our light-vehicle sales forecast for 2012 has been raised slightly to 14.3-million units (previously 14.2 million). Our 2013 projection remains 14.9 million.

But consumers still face too many negatives to allow a robust spending recovery—high debt burdens, low house prices, price increases that have outpaced wage growth, and a lack of confidence in the government's ability to make things better. Overall, we expect consumer spending growth of 2.2% in 2012, the same as in 2011, and not a powerful driver of recovery.

We believe that the **employment** picture is still gradually improving, which will help consumer incomes. Payroll employment growth in the three months to February averaged 252,000, helped by warm weather, but it then decelerated to an average 135,000 in March and April. Over the rest of 2012, we anticipate job growth in the 150,000–200,000/month range. What that does to the unemployment rate depends on the labor-force response. If rising employment fails to attract job seekers back into the labor force, the unemployment rate will keep falling sharply, but our forecast assumes faster labor-force growth, so the jobless rate edges down only a little further to 7.9% by year-end, from 8.1% in April.

Pent-up demand for **housing** is building as young adults stay at home, and at some point (helped by job growth) will spark a major revival in housing activity. We expect a modest improvement in housing starts during 2012 (742,000 units, compared with 610,000 in 2011), concentrated in the multifamily segment, where pent-up demand is already helping the rental market. Recent evidence suggests that home prices are beginning to stabilize. We expect only a 0.6% house-price decline in 2012, as measured by the FHFA purchase-only index, fourth quarter to fourth quarter.

Capital equipment remains an important driver of GDP growth. **Business equipment and software spending** growth slowed sharply in the first quarter, to just 1.7%, but we believe that represents only a pause. Firms remain flush with cash and want to address replacement needs neglected during the recession and to improve productivity, so we expect average spending growth of 8.0% in 2012.

On the **business structures** side, spending on buildings fell back 5.3% in the first quarter. We think this represents a correction after three quarterly increases, not the start of a new downtrend, but do not expect to see sustained strong improvement until 2013. **Oil and gas drilling activity** has retreated. While higher oil prices have led to a surge in petroleum drilling, natural gas drilling is now in retreat in the face of exceptionally low prices. We expect an overall 5.7% decline in drilling for 2012.

In the **state and local government sector**, the pace of budget tightening is easing as revenues have begun to improve. We expect real state and local government spending to decline 1.6% in calendar 2012, after a 2.2% decline in calendar 2011.

The **federal budget deficit** came in at $1.3 trillion in fiscal 2011 (8.7% of GDP), roughly the same as fiscal 2010. Federal fiscal policy is tightening, as stimulus fades away and spending cuts take effect. We expect the deficit to decline to $1.1 trillion in fiscal 2012 (7.2% of GDP).

Key fiscal deadlines are looming. If nothing is done, automatic spending cuts will kick in at the beginning of 2013, and all of the Bush tax cuts and the payroll tax cut and emergency unemployment insurance benefits will expire at the same time, before the winners in the November elections have taken office. In addition, the debt ceiling will need to be raised again, probably in the first half of 2013. We assume that the lame-duck Congress will extend the deadlines for a short period, passing the problem on to the new Congress and president. We assume that a compromise involving entitlement spending cuts and tax increases, phased in over many years, will replace what would be a catastrophic fiscal tightening. The exact nature of that compromise will depend on the balance of power in Washington after the elections.

We believe that the Eurozone slipped into recession during the fourth quarter. In addition, emerging markets' growth has slowed, and the dollar is stronger than a year ago. This combination is bad news for US **export growth**, which will likely decelerate from 6.7% in 2011 to 4.5% in 2012.

Even though gasoline prices and food prices have been running higher than a year ago, their rate of increase in 2012 is much lower than in 2011, which means that headline **CPI inflation** should slow to 2.2% in 2012, from 3.1% in 2011. In addition, in the face of sluggish demand growth and some pullback in commodity prices, we expect core inflation to ease gradually during the year.

Addendum 2: US Regional Forecast Summary

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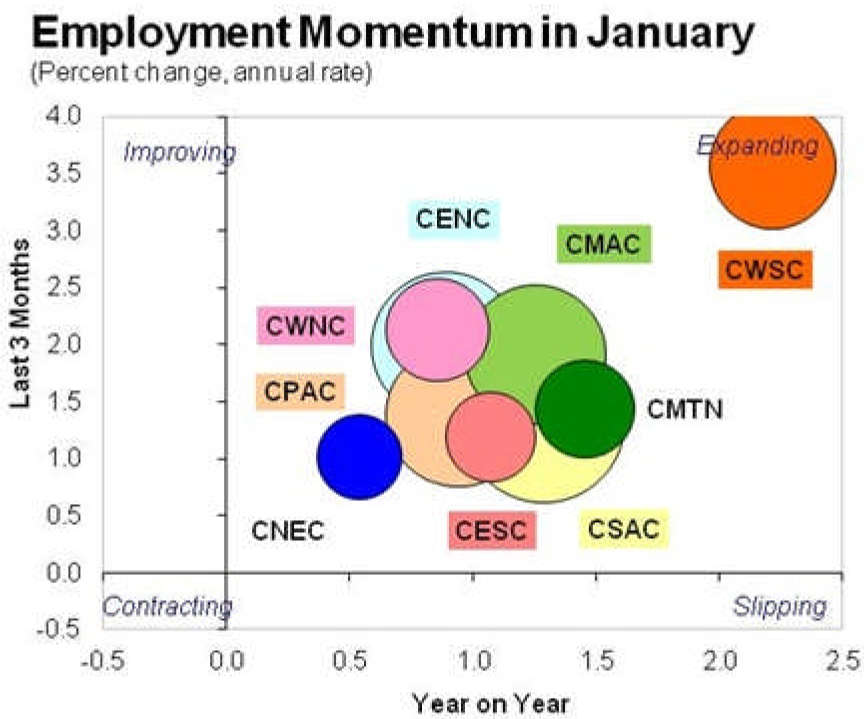
A Positive Start to the Year

Despite a midyear slowdown, all but four states—Missouri, Georgia, Alaska, and Delaware—ended 2011 with payroll gains. The unemployment rate dropped significantly in the final months of 2011, and only 5 states ended the year with double-digit jobless rates, down from 10 states at the end of 2010. January 2012 brought more good news: 37 states saw year-over-year growth in employment, while only 13 suffered losses. There has not been a month of employment growth this strong since the middle of 2010, and that payroll gain was mostly thanks to temporary hiring for the 2010 Census. The biggest contributors to job growth in January were Texas (up 67,200), New York (44,600), and Ohio (32,800), while the biggest loser was Florida (down 38,600). Texas and New York benefited from their burgeoning professional and business services sectors, while Florida was a victim of payroll cuts across the board.

Unemployment rates fell in 45 states in January, and only four states still had jobless rates in the double digits: Nevada, California, Rhode Island, and North Carolina. This is the lowest number of states with double-digit unemployment since early 2009. Most states with high unemployment are on the coasts, especially the Sunbelt states, which bore the brunt of the housing crash.

There are hints that a virtuous circle may be building where employment, incomes, and consumer spending move up together. All regions are now pretty solidly improving and expanding. We expect economic activity across regions will accelerate this year, although the combined weight of excess debt and excess housing supply will conspire to keep the domestic expansion a modest one. We anticipate growth to average around 500,000 jobs per quarter, or 170,000 per month. Although we do expect employment to outpace population growth, it will not be a wide enough margin to get the economy back to where it was before the recession by the end of this year. That will happen in 2013, when housing demand picks up steam, the world economy gets back on track, and consumer sentiment gains some optimism.



Household Debt in 2011

According to the Federal Reserve Bank of New York's Quarterly Report on Household Debt and Credit, released in March 2012, aggregate consumer debt fell 1.1 percent, or $126 billion, to $11.53 trillion in the fourth quarter of 2011. As a result, per capita household debt at the national level fell 1 percent to $47,800. The data show a continued decline in household debt in 2011, driven by reductions in real-estate-related debt, as well as a continued but slowing decline in delinquency, bankruptcy, and foreclosure rates.

Total Debt per Capita*

(Thousand dollars)

	2011Q4	Peak	Percent Change
California	71.60	87.69	-18.3
New Jersey	62.67	64.10	-2.2
Nevada	56.93	89.02	-36.0
New York	49.56	50.45	-1.8
Arizona	49.52	65.70	-24.6
Illinois	47.86	53.36	-10.3
Florida	46.70	56.60	-17.5
Pennsylvania	39.23	40.00	-1.9
Michigan	36.78	40.96	-10.2
Texas	35.45	36.57	-3.1
Ohio	35.33	36.72	-3.8
Nation	47.80	52.33	-8.7

*Based on the population with a credit report

During the fourth quarter, Nevada saw the steepest decline in per capita household debt among the 11 states included in the report, a 3.6 percent quarter-on-quarter drop. Nevada, once the most indebted state in the country, has seen debt fall 36 percent from a peak level of more than $89,000 per capita in the first quarter of 2009. As a result, Nevada now ranks third among the included states, with debt levels significantly below those of California and New Jersey. Debt in California peaked at nearly $88,000 per capita in the first quarter of 2008, but it has fallen only 18 percent since then. On the other hand, while New Jersey never saw debt levels rise as much as those of Nevada, California, or even Arizona, household debt there has not fallen much since the end of the recession, hovering around $62,000 per capita since early 2009.

Texas and Ohio remain the least indebted states, with per capita household debt levels of just over $35,000. Not coincidentally, these two states, which did not see a big run-up in home prices during the pre-recession boom years, have the lowest share of mortgage debt. In the last quarter of 2011, mortgage debt represented 22 percent of total household debt in Ohio and 23 percent in Texas. On the other hand, in California, mortgage debt amounts to nearly 57 percent of total household debt.

Despite the recent retreat, debt levels remain much higher than they were in the pre-housing boom years. Nationally, per capita household debt levels in the fourth quarter of 2011 were more than 45 percent higher than they were 10 years earlier (after adjusting for inflation).

Like household debt, delinquencies have also been declining. At the national level, the percentage of seriously delinquent debt (at least 90 days late) fell to 7.2 percent in the last quarter of 2011, down from a peak of 8.8 percent in the first quarter of 2010. Delinquency rates began to rise rapidly in the second half of 2006, becoming increasingly divergent across the states, with rates in the housing states soaring to double digits by early 2009. Despite recent retreats, rates in Nevada and Florida remain in the double digits, at 17.4 percent and 15.1 percent, respectively, while Pennsylvania, Texas, and Michigan all have delinquency rates below 6 percent.

The return of household debt to more sustainable levels is essential for the recovery, as it will allow consumer spending to gain some much-needed momentum. The decline in the delinquency rate is also important, as it signals a decline in the foreclosure rate. Elevated rates of foreclosures are one of the main factors weighing the housing market down by keeping home prices depressed.

Personal Income

According to the latest figures published by the Bureau of Economic Analysis (BEA), state personal income expanded 5.1 percent in 2011, an acceleration from a 3.7 percent increase in 2010. All states saw personal income rise in 2011, and all three major components of income—earnings, property income, and transfer receipts—expanded last year.

At the national level, only the state and local government sector saw earnings fall during 2011. Among the private sectors, the construction industry remained the weakest link; however, the 1.2 percent expansion in construction sector earnings was a welcome improvement from the four years of consecutive drops. The decline in government earnings was the main contributor to slower-than-average growth in Maine and Mississippi, while big drops in construction sector earnings placed Alabama and Nevada towards the bottom of the rankings in terms of net earnings growth. The continued weakness of the construction industry and its importance to the Nevada economy have made the Silver State the only one where personal income levels have not yet surpassed their pre-recession peak. In terms of earnings, five states—Nevada, Arizona, Florida, Michigan, and Oklahoma—have still not returned to their pre-recession levels.