

AAA Labor Day 2012 Travel Forecast



**GLOBAL
INSIGHT**



Prepared for:
American Automobile Association

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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 Labor 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 actual travel forecast and the holiday traveler profile. The actual 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.

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. The 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 stays¹.

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

Actual travel is forecast by person-trips, where a person-trip is defined as a round-trip that involves travel of 50 miles or more away from home. In particular, AAA and IHS Global Insight forecast total US holiday travel, travel by mode of transportation, and travel by US census region. The *Actual Travel Forecast* presented in this report was prepared the week of July 30.

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 DKSA. The initial survey includes 1,350 households out of which only the respondents intending to travel during the designated holiday are interviewed in detail about their anticipated trips. For Labor Day 2012, 325 respondents were interviewed in detail about their intended trips. The survey was in the field from Monday, July 16 to Friday, July 20, 2012.

LABOR DAY HOLIDAY TRAVEL PERIOD

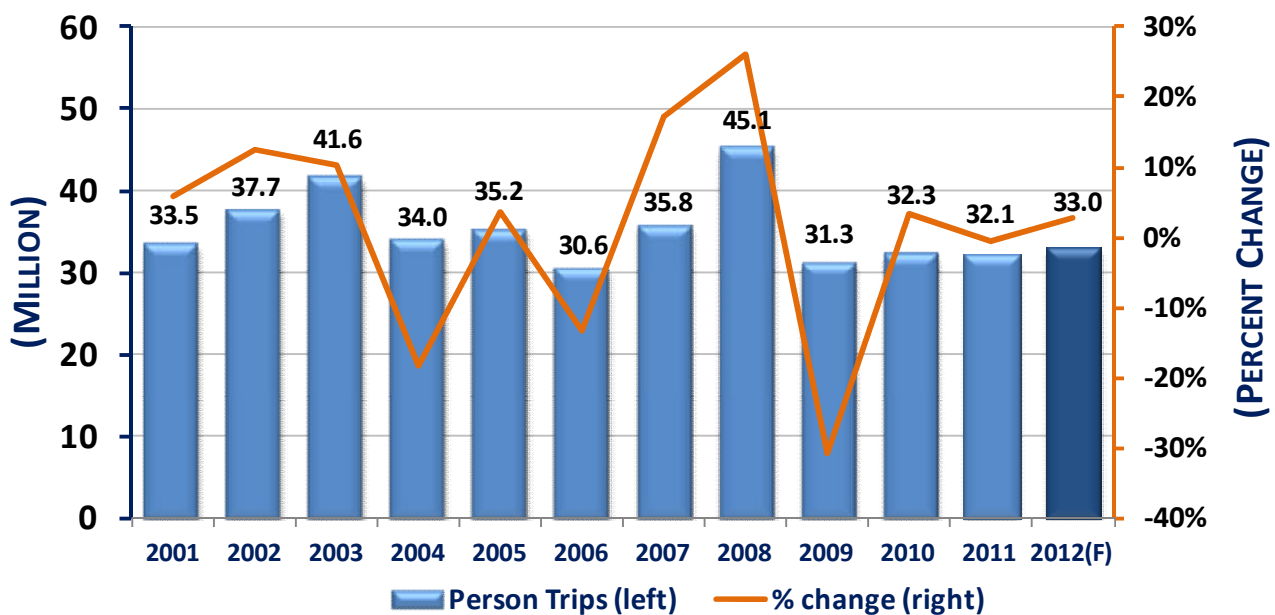
For purposes of this forecast, the Labor Day holiday travel period is defined as round-trips that include travel of 50 miles or more away from home during the period from Thursday, August 30 to Monday, September 3.

¹ Due to the timing of the release of the various forecasts from IHS Global Insight, some regional forecast data may lag the most recent version of the US Economic Forecast.

Travel Forecast for Labor Day, 2012

During the 2012 Labor Day holiday travel period, AAA and IHS Global Insight expect that 33.0 million travelers will take trips of at least 50 miles away from home, which represents a 2.9 percent increase over the 32.1 million travelers during the 2011 Labor Day holiday period. The increase in expected travelers is a result of increasing consumer confidence compared to one year ago, despite an economic outlook that remains in “slow and steady” mode and a recent rise in gas prices that has erased the gas price advantage that had existed since late April.

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



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

Travel volume during the Labor Day holiday period is expected to remain in the same range it has occupied since the economic downturn took effect. Barring any strong economic stimulus, our expectation is that this may be a new level of normal volume for the Labor Day holiday period, compared to the 35.5 million traveler average prior to 2008.

The economic outlook surrounding the Labor Day holiday period remains in that weak middle ground where there are improvements across most metrics compared to a year earlier, but without the level of strong growth that might fuel a significant boost in travel volume. Real gross domestic product for the third quarter is expected to be 2.1 percent higher than in 2011, while the unemployment rate, expected to average 8.1 percent for the quarter, is nearly a full percentage point below the average for the third quarter of 2011. These improvements are certainly a positive sign, but the economic growth remains below target rates for a strong rebound and the unemployment rate refuses to fall below eight percent.

The housing market is starting to move in the right direction, with new home sale prices up slightly compared to the third quarter of last year, although those results vary regionally across the country. On the consumer side, personal income is expected to be up 3.2 percent relative to the same quarter last year, while real disposable income is forecast to rise 1.4 percent. The result is that household net worth is expected to be six percent higher than it was during last year's third quarter.

While the economic forecast may not be compelling, the results are enough to improve the consumer outlook compared to last year. The Bloomberg Consumer Comfort Index shows a significant improvement since last year, although the results have been stagnant over the previous few months. The Conference Board's Consumer Confidence Index increased in July for the first time in five months and remains well above last year's levels. The Reuters/University of Michigan's Index of Consumer Sentiment tells a similar story, down off of the recent highs from earlier this year, but still well above last year's levels.

Gas prices, depending on both their nominal level and their comparison to the previous year, can have a significant impact on travel volume. Gas prices fell below last year's level in late April, and remained below the previous up through the first week of August. That three and a half month advantage helped boost consumer confidence and disposable income and came during a time when travelers were likely planning for the Labor Day Holiday. However, gas prices began rising steadily in late July and surpassed the year-ago levels on August 9th. This late shift is unlikely to have a major impact on travelers' decisions to go on a trip, but could impact their total budget, and their budget allocation as fuel costs rise.

The date of the Labor Day holiday is another variable that is considered in the forecast. Observed on the first Monday in September, Labor Day can fall anywhere from September 1– 7. When the holiday falls earlier in September, people have shown a higher tendency to travel. For example, the three-highest volume holiday travel years since 2000 have come in 2008, 2003, and 2002, when Labor Day fell on either September 1 or 2. This year, Labor Day is September 3, which is two days earlier in the month than last year. While not an overriding factor, Labor Day falling earlier within the potential window for when it can occur is another factor supporting an increase in expected travel volume.

Overall, AAA and IHS Global Insight are forecasting a 2.9 percent increase in Labor Day travel, with 33 million travelers expected during the holiday period. With the overall economic outlook providing low levels of growth, and an overall sense of optimism compared to last year, the total number of Labor Day travelers is expected to increase just enough to reach a new post-recession high.

Travel by Mode of Transportation

AAA and IHS Global Insight expect that approximately 85 percent of travelers—or 28.2 million—will make their Labor Day holiday journey in an automobile. Automobile travel continues to be the most convenient mode of travel for many Americans. This represents a 3.1 percent increase over the 27.3 million travelers that took to roads and highways last year and a slight increase in travel share from last year.

The national average price of self-serve regular gasoline as of August 13th is 10 cents higher than last year, a 2.6 percent increase compared to August 13th, 2011. Gas prices for all of August 2011 were less than a penny lower than the average through the 13th of August this year. With the monthly average right in line with last year, even with the recent rise, gas prices will not be a major impact for either overall or automobile travel growth.

“We are going to see our son graduate from Marine Basic Training and then fly to Florida to visit another son. We didn't have this much distance with the children last year.”
ESC Respondent

Air travel is expected to make up 7.7 percent of total travel share, which is similar to the share from 2011. The 2.6 million travelers expected to take to the air this holiday period is 3.7 percent more than in 2011, as air travel volumes seem to have stabilized since the recession-driven declines in 2008 and 2009.

Other modes of travel (trains, cruises, bus, multi-modal travel) will make up the remaining seven percent of total person-trips, down slightly from the 2011 share. The 2.3 million travelers expected to use this mode is 0.2% below the level of 2011. Travel via these modes seems to have stabilized a bit after three volatile years around the recession and immediately afterwards.

CHART 2
DISTRIBUTION OF 2012 US LABOR DAY TRAVELERS
FORECAST BY MODE OF TRANSPORTATION

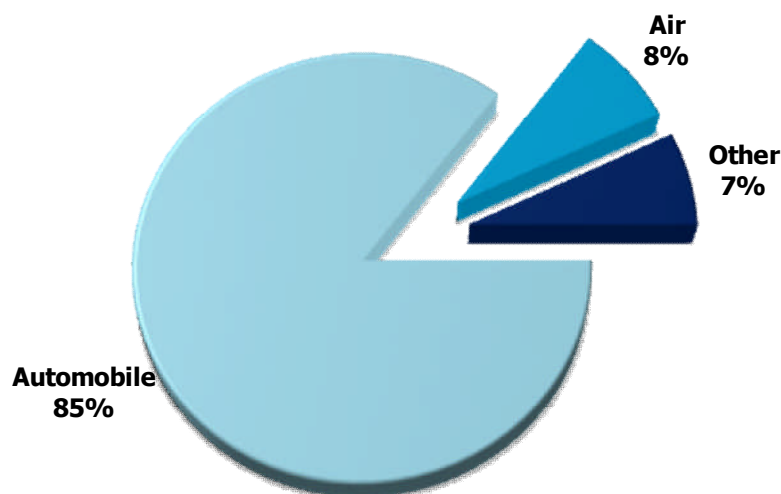
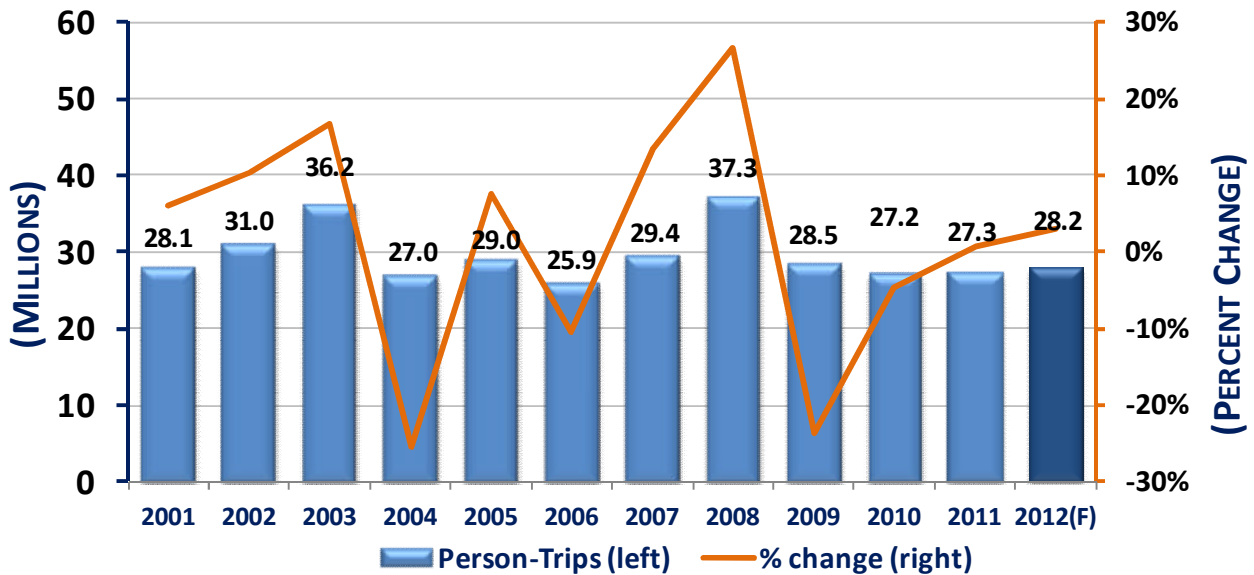
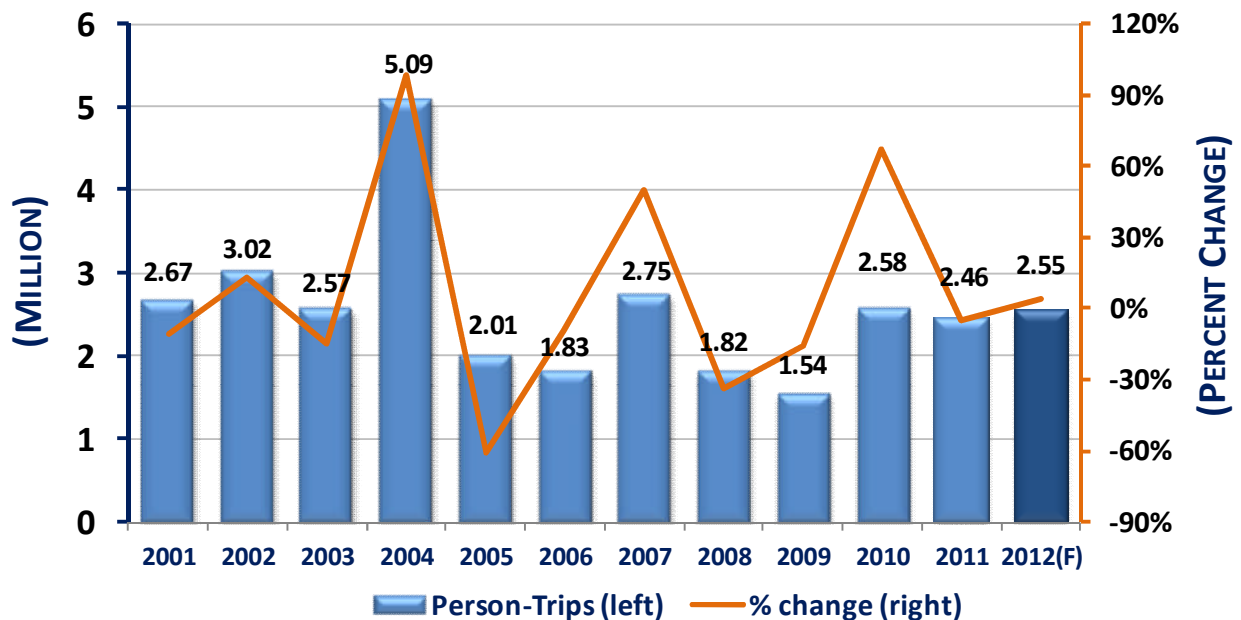


CHART 3
LABOR DAY TRAVELERS 2001-2012
AUTOMOBILE PERSON-TRIPS*



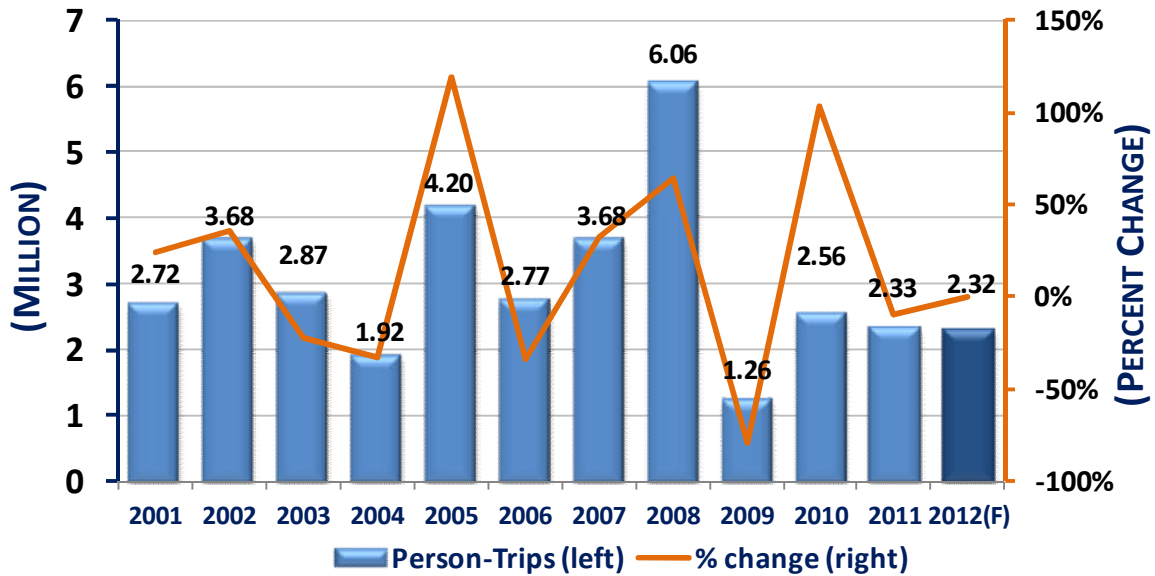
*2001-2011 represent actual travel results. 2012 is a forecast.

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



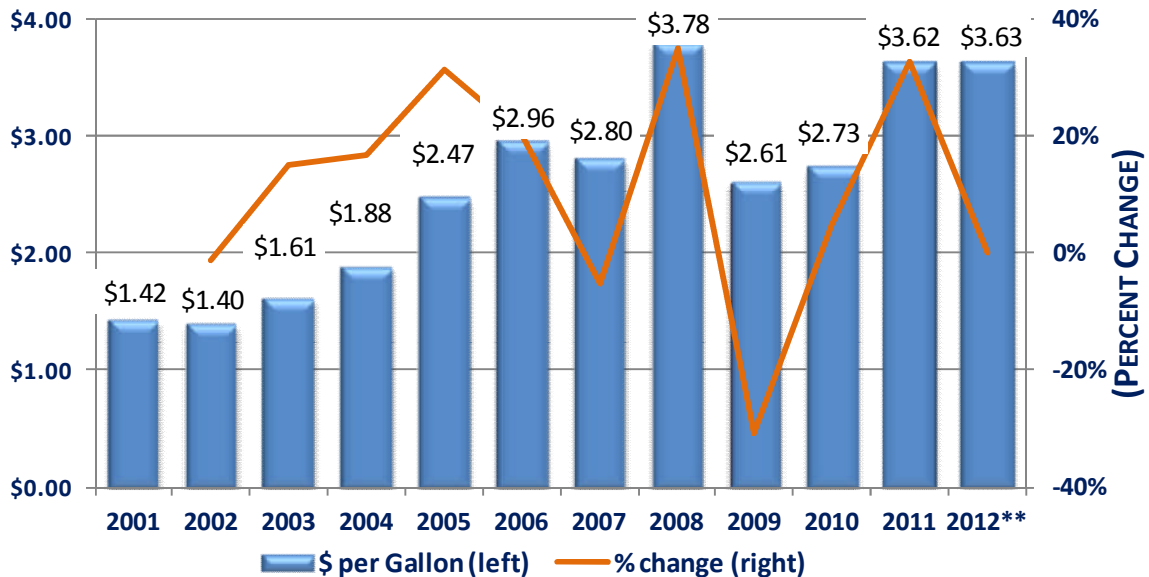
*2001-2011 represent actual travel results. 2012 is a forecast.

CHART 5
LABOR DAY TRAVELERS 2001-2012
OTHER PERSON-TRIPS*



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

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



Source: AAA Fuel Gauge Report

* August 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.

**2012 gasoline price is an August average through August 13, 2012.

Travel by Region: East North Central

The East North Central region (ENC) is expected to experience a 2.7 percent increase in total person-trips during the upcoming Labor Day holiday period. This forecast is slightly below the national holiday forecast of a 2.9 percent increase in total person-trips. Real gross regional product is expected to improve by 1.2 percent and the unemployment rate in the ENC is expected to fall by 1.4 percentage points, reaching 7.9 percent by quarter's end. Despite the slow pace of recovery, the improvement in the regional indicators is expected to have a positive impact on holiday travel originating from the East North Central region. Automobile travel is expected to rise 2.9 percent, while airplane travel is expected to increase 3.5 percent. Total person-trips in the East North Central region are projected to account for 12.5 percent of the population, which is larger than the national frequency of 10.5 percent.

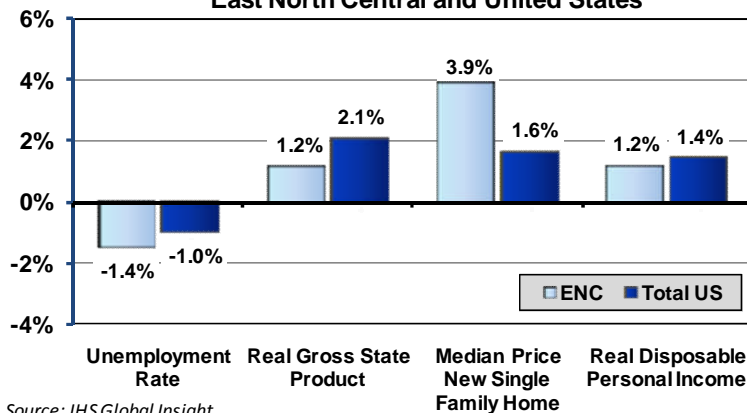
TABLE 1A
2012 LABOR DAY TRAVEL FORECAST – EAST NORTH CENTRAL REGION AND UNITED STATES

	East North Central			United States		
	YOY % Change	Level	% of Population	YOY % Change	Level	% of Population
Labor Day Travel						
Total (millions of person trips)	2.7%	5.83	12.5%	2.9%	33.03	10.5%
Automobile (millions of person trips)	2.9%	5.21	11.2%	3.1%	28.16	8.9%
Air (millions of person trips)	3.5%	0.22	0.5%	3.7%	2.55	0.8%
Economy (2012Q3)						
	YOY % Change	Level		YOY % Change	Level	
Unemployment Rate (YOY Change)	-1.4%	7.9%		-1.0%	8.1%	
Real Gross Product (\$, bn)*	1.2%	1,823		2.1%	13,610	
Median Price, New Single Family Home (\$, thn)	3.9%	200		1.6%	224	

From the beginning of 2010 through the first quarter of 2012, employment in the East North Central (ENC) had been trending upward. During this period, the region added more than 494,000 jobs, which stemmed from accelerated growth in professional and business services, durable goods manufacturing, and natural resources and mining. While this is certainly a step in the right direction, the region is still more than 1.2 million jobs shy of its prerecession peak—a level not expected to be met again until 2016. The unemployment rate in the ENC region, while falling 1.4 points in the past year, remains high at 7.9 percent. While the overall recovery remains painfully slow, the improvements to the regional labor market are expected to have a positive impact on travel intentions during the upcoming holiday season.

Real disposable personal income growth is expected to be modest, rising 1.2 percent relative to the third quarter of 2011. However, bank lending is rising gradually, and the anticipated 3.9 percent increase in the median price of new single-family homes will positively impact household net worth and stimulate discretionary spending.

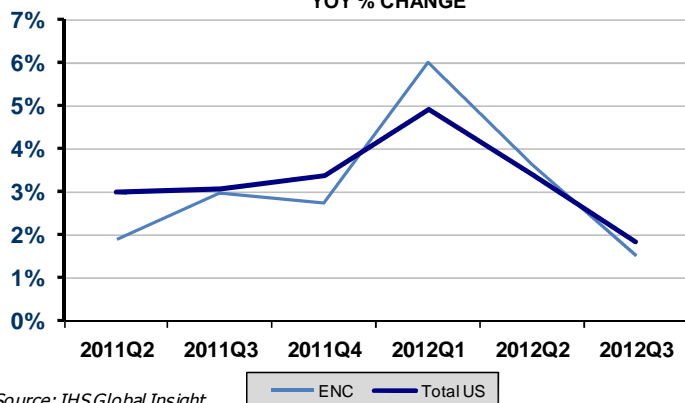
Chart 1A
YOY Growth, 2011Q3 to 2012Q3
East North Central and United States



Source: IHS Global Insight

Since most of the regional travel takes place by automobile, gasoline prices can have a strong effect on travel intentions. As of mid-August, the average regional gasoline price has risen 2.4 percent relative to this time last year, wiping out the benefits of the previous two months of lower gas prices. The slight increase in current gas prices is not expected to be a major factor in travel decisions this Labor Day.

**CHART 1B
REAL GROSS PRODUCT -- LEISURE & HOSPITALITY
YOY % CHANGE**



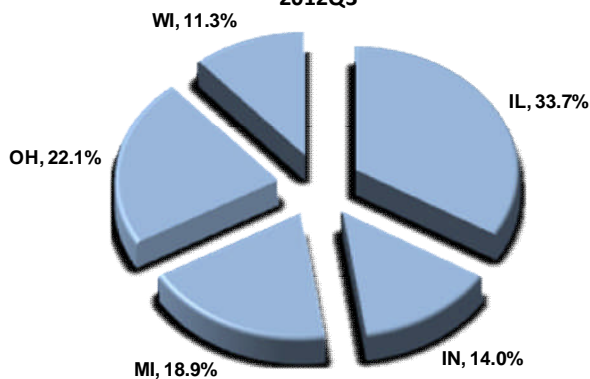
Source: IHS Global Insight

the ENC region will decelerate to 1.5 percent in the third quarter of 2012 (Chart 1B). While the ENC region's tourism industry was outperforming the nation in the first half of the year, its performance is expected to fall below the nation at large in the third quarter of 2012.

Of all the ENC states, Indiana is expected to see the largest year-over-year growth in tourism output in the third quarter of 2012 (2.7 percent), while Wisconsin is expected to see a decline of 0.5 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 United States, 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 just 11.3 percent of the total.

**CHART 1C
REAL GROSS PRODUCT -- LEISURE & HOSPITALITY
EAST NORTH CENTRAL REGION MAKEUP BY STATE,
2012Q3**



Source: IHS Global Insight

Travel by Region: East South Central

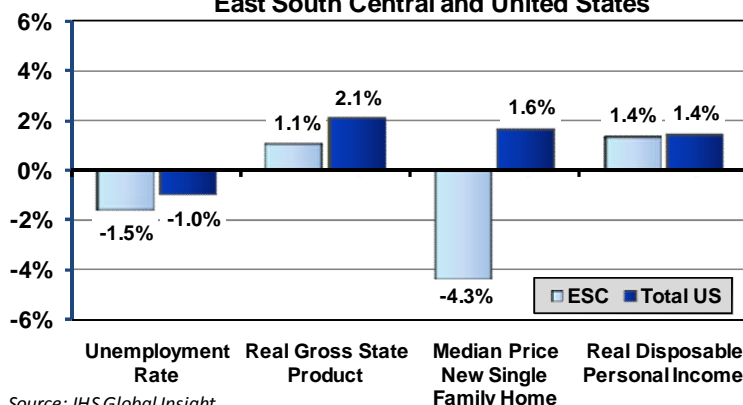
Labor Day travel originating from the East South Central (ESC) region is expected to improve by 2.7 percent relative to Labor Day 2011, which is slightly below the national forecast of 2.9 percent. Real gross regional product growth is expected to increase by 1.1 percent, as compared to last year, while the unemployment rate in the ESC region is forecasted to decline by nearly 1.5 percent. In light of these modest improvements to the regional economy, the forecast for total person-trips originating from the ESC region is relatively more optimistic, compared to the previous Labor Day travel period. Airplane and automobile travel is expected to grow by 3.4 percent and 2.9 percent, respectively. Total person-trips in the East South Central region are projected to account for 9.1 percent of the population, which is less than the national frequency (10.5 percent).

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

	East South Central			United States		
	YOY % Change	Level	% of Population	YOY % Change	Level	% of Population
Labor Day Travel						
Total (millions of person trips)	2.7%	1.71	9.1%	2.9%	33.03	10.5%
Automobile (millions of person trips)	2.9%	1.53	8.2%	3.1%	28.16	8.9%
Air (millions of person trips)	3.4%	0.08	0.4%	3.7%	2.55	0.8%
Economy (2012Q3)						
	YOY % Change	Level		YOY % Change	Level	
Unemployment Rate (YOY Change)	-1.5%	8.0%		-1.0%	8.1%	
Real Gross Product (\$, bn)*	1.1%	616		2.1%	13,610	
Median Price, New Single Family Home (\$, thn)	-4.3%	163		1.6%	224	

Over the past year, employment growth in the ESC has accelerated. Kentucky and Tennessee have recorded the highest employment gains in the region, while Mississippi has shown the weakest performance. The two sectors that accounted for the largest shares of this year's employment gains were professional and business services, and education and health services. Positive developments in the auto manufacturing industry across all states in the region have also created direct and indirect jobs by attracting suppliers and other related investments to the area. While the unemployment rate is expected to remain above eight percent in the third quarter of 2012, the regional jobless rate is more than 1.5 percentage points lower than it was at this time last year. The strengthening ESC labor market will have a positive effect on the regional economy and is forecast to produce a modest increase in Labor Day travel this year.

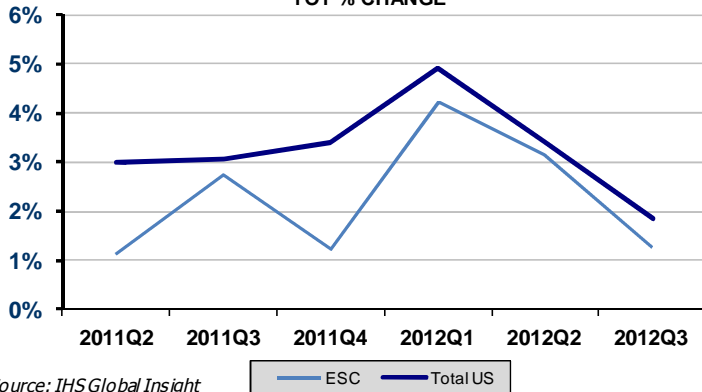
Chart 2A
YOY Growth, 2011Q3 to 2012Q3
East South Central and United States



Source: IHS Global Insight

Real disposable personal income growth in the ESC region remains modest, as it is projected to increase at an annual rate of 1.4 percent in the third quarter of this year, a rate equal to the national average. Consumers are cautiously increasing their spending thanks to low interest rates and gradually rising employment levels. Compared to mid-August of last year, the average price of gasoline in the ESC has risen back to last year's levels after over 3 months of relatively lower prices. The late-summer run up in the cost of gasoline this year is not expected to have a major impact on travel decision this Labor Day.

CHART 2B
REAL GROSS PRODUCT -- LEISURE & HOSPITALITY
YOY % CHANGE



Source: IHS Global Insight

Real gross product in the ESC is expected to increase by 1.1 percent in the third quarter of 2012, which is less than the projected 2.1 percent increase in national output. Furthermore, the median price of new single-family homes is projected to decline by 4.3 percent in the ESC, while the national figure is expected to increase by 1.6 percent. These two factors place downward pressure on consumers' willingness to engage in discretionary items such as travel. Therefore, the anticipated increase in Labor Day holiday travel is forecast to remain below the national growth figure.

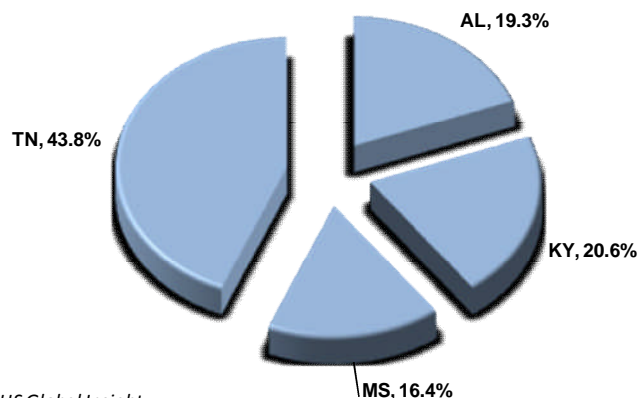
In addition to the originating travel forecast of person-trips from the East South Central region, the following information provides a look into the state of the local tourism industry in the region. In general, because the majority of travel occurs by automobile and remains within regional borders,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

The ESC region's tourism industry is recovering, although growth has been lagging behind the national rate over the past year. Still, the ESC region's leisure and hospitality industry output (the value of goods and services produced by the leisure and hospitality industry) has been growing on an annualized basis since the second quarter of 2011, as seen in Chart 2B.

In the third quarter of 2012, total output from the leisure and hospitality industry in the ESC region is projected to rise 1.3 percent annually. Leisure and hospitality output in the region has responded to the increase in US travel volumes in 2012, although the pace of growth in total output has slowed considerably.

The share of tourism industry output in the ESC region is comparatively even. Tennessee is the largest contributing state, making up 43.8 percent of ESC's tourism output, while Alabama, Kentucky, and Mississippi make up the remaining three-fifths of the total.

CHART 2C
REAL GROSS PRODUCT -- LEISURE & HOSPITALITY
EAST SOUTH CENTRAL REGION MAKEUP BY STATE,
2012Q3



Source: IHS Global Insight

Travel by Region: Middle Atlantic

For Labor Day 2012, travel originating from the Middle Atlantic (MATL) region is expected to improve by 2.3 percent relative to Labor Day 2011. This is slightly below the national holiday forecast of a 2.9 percent increase in total person-trips. Real gross regional product growth is expected to improve by 1.2 percent, as compared to last year, while the unemployment rate in the Middle Atlantic is projected to decline by 0.4 percentage point. While these figures indicate positive changes in terms of output and employment, they remain below the national figures for comparison. Airplane and automobile travel in the Middle Atlantic region are forecast to improve by three percent and 2.5 percent, respectively.

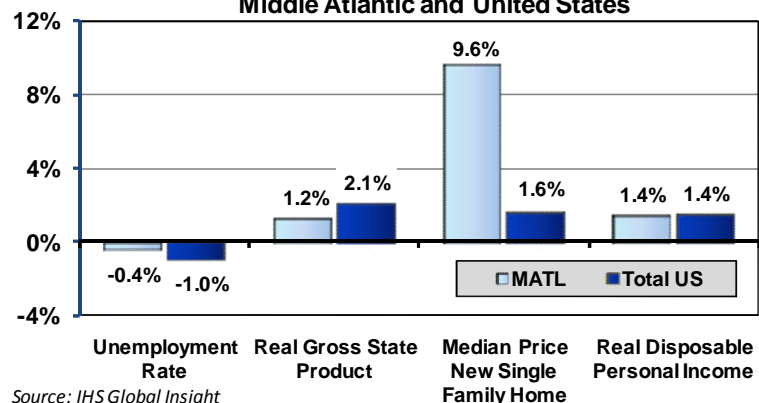
TABLE 3A
2012 LABOR DAY TRAVEL FORECAST – MIDDLE ATLANTIC REGION AND UNITED STATES

	Middle Atlantic			United States		
	YOY % Change	Level	% of Population	YOY % Change	Level	% of Population
Labor Day Travel						
Total (millions of person trips)	2.3%	4.58	11.1%	2.9%	33.03	10.5%
Automobile (millions of person trips)	2.5%	3.84	9.3%	3.1%	28.16	8.9%
Air (millions of person trips)	3.0%	0.40	1.0%	3.7%	2.55	0.8%
Economy (2012Q3)	YOY % Change	Level		YOY % Change	Level	
Unemployment Rate (YOY Change)	-0.4%	8.0%		-1.0%	8.1%	
Real Gross Product (\$, bn)*	1.2%	1,970		2.1%	13,610	
Median Price, New Single Family Home (\$, thn)	9.6%	339		1.6%	224	

The labor market in the Middle Atlantic region has shown signs of improving, as evidenced by the anticipated 0.4 point decline in the regional unemployment rate, compared to this time last year. Still, the recovery remains slow, trailing the expected decline in unemployment nationwide (one percentage point). During the first half of the year, all major job sectors in the MATL region experienced at least one month of employment contraction. Pennsylvania struggled with highly variable performances across most of its major sectors. New Jersey and New York, on the other hand, demonstrated robust gains in professional and business services and financial services, respectively. Despite the variation in employment data across the Middle Atlantic, the year-over-year decline in the region's unemployment rate points to a slow, ongoing recovery in the regional labor market. The gradual expansion in regional employment is expected to contribute to a modest increase in holiday travel this coming Labor Day.

Real disposable personal income in the Middle Atlantic region is expected to grow by 1.4 percent compared to the third quarter of 2011. This growth rate mirrors the overall stagnation in real disposable income nationwide. As of mid-August, the average price of gasoline in the MATL has increased to nearly the same level as last year, after spending the previous 3 months at below last year's levels. The recent rise in regional gas prices is not expected to have a major influence on holiday travel volumes originating from the MATL.

Chart 3A
YOY Growth, 2011Q3 to 2012Q3
Middle Atlantic and United States



Source: IHS Global Insight

Real gross state product in the MATL region is anticipated to rise 1.2 percent in the third quarter of this year, relative to one year ago. This growth in regional output will lag behind the expected growth in national output (2.1 percent), which

also continues to expand at a very modest pace. Still, the regional housing market is showing signs of improvement. In the third quarter of this year, the median price of new single-family homes in the MATL is expected to be 9.6 percent higher than a year previous; the second highest rate of price appreciation among the nine census regions. As the professional and business services sector continues to add jobs, the backlogged demand for new housing will begin to push housing prices upward, which could provide a subsequent rise in household net worth and spending.

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

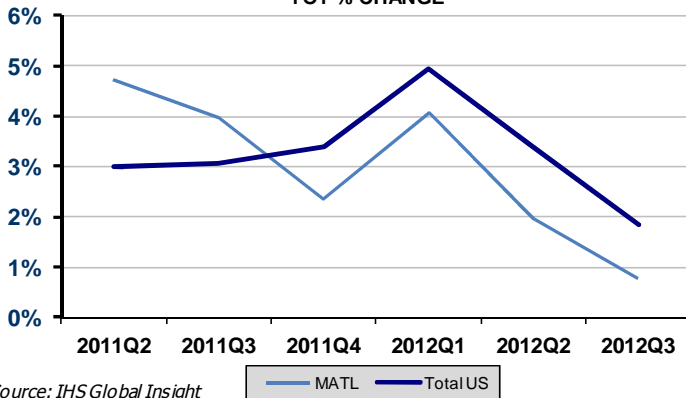
majority of travel occurs by automobile and remains within regional borders, regional travel ties closely with the output generated by that region's leisure and hospitality industry.

The national tourism industry has witnessed leisure and hospitality output (the value of goods and services produced by the leisure and hospitality industry) expand on an annualized basis since the second quarter of 2011. Chart 3B also reflects that the Middle Atlantic region has been underperforming the nation over this period.

During the first-quarter holiday season, the Middle Atlantic region's leisure and hospitality output increased 4.1 percent, which was below the 4.9 percent increase experienced nationwide. The Middle Atlantic region will continue to trail the nation in terms of the output growth, and is expected to see a 0.8 percent annual increase in the third quarter of this year.

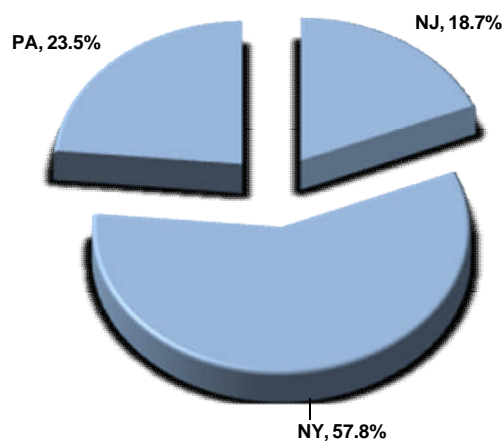
New York State contributes 57.8 percent of the Middle Atlantic region's tourism output, which is no surprise, since New York City is one of the top tourist destinations in the country. Pennsylvania and New Jersey account for the remaining 42.2 percent of total tourism output in this region.

CHART 3B
REAL GROSS PRODUCT -- LEISURE & HOSPITALITY
YOY % CHANGE



Source: IHS Global Insight

CHART 3C
REAL GROSS PRODUCT -- LEISURE & HOSPITALITY
MIDDLE ATLANTIC REGION MAKEUP BY STATE,
2012Q3



Source: IHS Global Insight

Travel by Region: Mountain

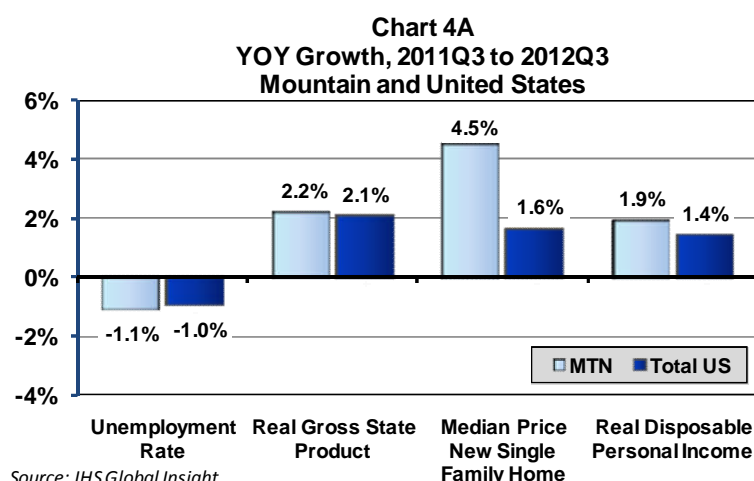
Labor Day travel originating from the Mountain (MTN) region is expected to improve by 3.2 percent relative to the holiday period in 2011, which is a slightly larger increase in travel than the forecast for the United States (2.9 percent). Real gross state product is forecast to grow 2.2 percent, while the unemployment rate in the Mountain region is expected to fall by 1.1 percentage points, relative to one year ago. Air travel is anticipated improve by 3.9 percent, while automobile travel is expected to increase by 3.4 percent. The projected 2.44 million travelers from the Mountain region accounts for 10.8 percent of the regional population, a slightly higher frequency than is expected nationwide (10.5 percent).

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

	Mountain			United States		
	YOY % Change	Level	% of Population	YOY % Change	Level	% of Population
Labor Day Travel						
Total (millions of person trips)	3.2%	2.44	10.8%	2.9%	33.03	10.5%
Automobile (millions of person trips)	3.4%	2.03	8.9%	3.1%	28.16	8.9%
Air (millions of person trips)	3.9%	0.21	0.9%	3.7%	2.55	0.8%
Economy (2012Q3)	YOY % Change	Level		YOY % Change	Level	
Unemployment Rate (YOY Change)	-1.1%	7.9%		-1.0%	8.1%	
Real Gross Product (\$, bn)*	2.2%	889		2.1%	13,610	
Median Price, New Single Family Home (\$, thn)	4.5%	189		1.6%	224	

The Mountain region strongly outpaced the nation in terms of employment growth in early 2012. While the unusually mild winter put a damper on ski resort activity and hurt the leisure and hospitality sector, other sectors of the Mountain economy added jobs at a higher rate than the greater nation. The construction, healthcare, and professional and business service sectors have all recorded payroll expansion, thereby reducing the regional unemployment rate by 1.1 percentage points, compared to the third quarter of last year. As a result, the unemployment rate in the Mountain region is expected to be 7.9 percent in the third quarter, which is 0.2 percentage point below the unemployment rate nationwide. While the overall growth in employment is likely to remain modest, a steadily declining regional unemployment rate should ease fears of a double-dip recession and encourage relatively more travel from the MTN region this upcoming Labor Day holiday.

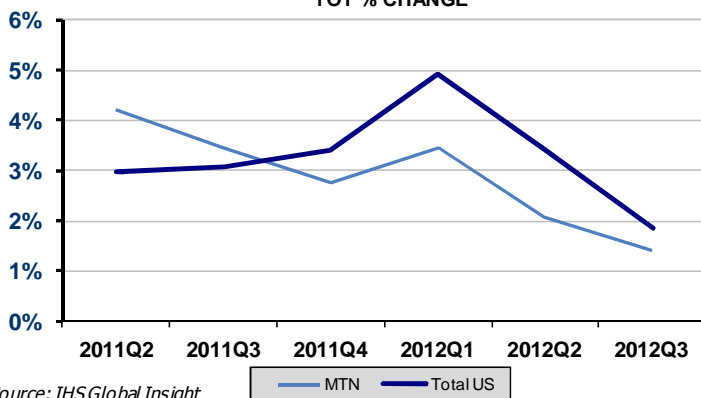
Real disposable personal income in the MTN region is expected to increase by 1.9 percent against the same quarter last year. Regional gas prices have risen over the past three weeks, wiping out the decrease in prices compared to last year that had existed for the past three months. Gas prices are therefore not expected to have a sizeable impact on holiday travel decisions originating from the MTN region.



The Mountain region is made up of states that were at the forefront of the housing boom and were affected more by the bust than other areas. Therefore, as the housing market begins to recover, home prices in the Mountain region are

expected to increase at a faster clip than the greater nation. In the third quarter of this year, the median price of a new single family home is expected to grow 4.5 percent relative to year-ago levels, which is nearly three times the anticipated national average (1.6 percent). Moreover, despite a painfully slow recovery in terms of economic output, the Mountain region demonstrates a slightly better performance than the nation at large (2.2 percent annual growth, versus 2.1 percent nationally). The slightly better performance of the Mountain region in terms of housing and real gross state product speaks to the larger expected increase in holiday travel originating from the Mountain region, versus the nation as a whole (3.2 percent versus 2.9 percent).

CHART 4B
REAL GROSS PRODUCT -- LEISURE & HOSPITALITY
YOY % CHANGE



Source: IHS Global Insight

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 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 Mountain 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 second quarter of 2011. However, as unusually warm winter depressed ski resort activity, the Mountain region's tourism industry has been

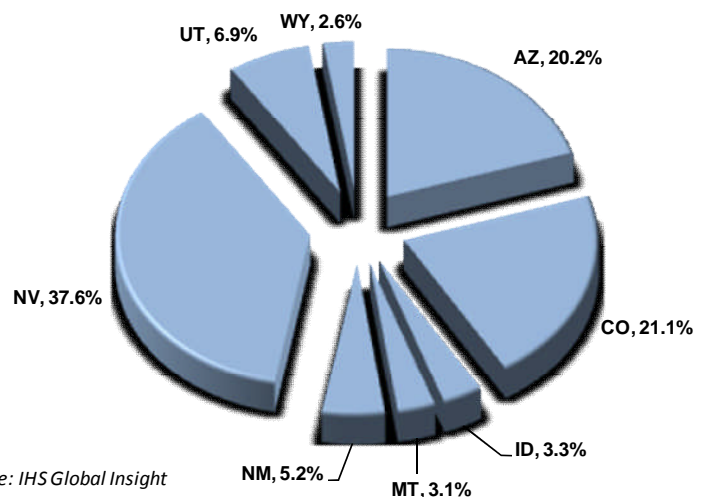
trailing the tourism growth for the whole United States since the winter holiday season.

In the third quarter of 2012, the Mountain region's total output from the leisure and hospitality industry is expected to grow 1.4 percent relative to one year ago (slightly lower than the national tourism output growth rate).

Colorado is the Mountain state expected to see the largest third-quarter tourism output growth, at 2.5 percent. Utah, however, is anticipated to demonstrate a 1.4 percent decline in output.

The Mountain region's states Nevada, Colorado and Arizona contribute the largest amounts of tourism output to the regional total. Nevada, which includes the major tourist city of Las Vegas, is expected to contribute 37.6 percent of the Mountain region's tourism output. The remaining states of Utah, Wyoming, Idaho, New Mexico, and Montana contribute a little over one-fifth of the total regional output.

CHART 4C
REAL GROSS PRODUCT -- LEISURE & HOSPITALITY
MOUNTAIN REGION MAKEUP BY STATE,
2012Q3



Source: IHS Global Insight

Travel by Region: New England

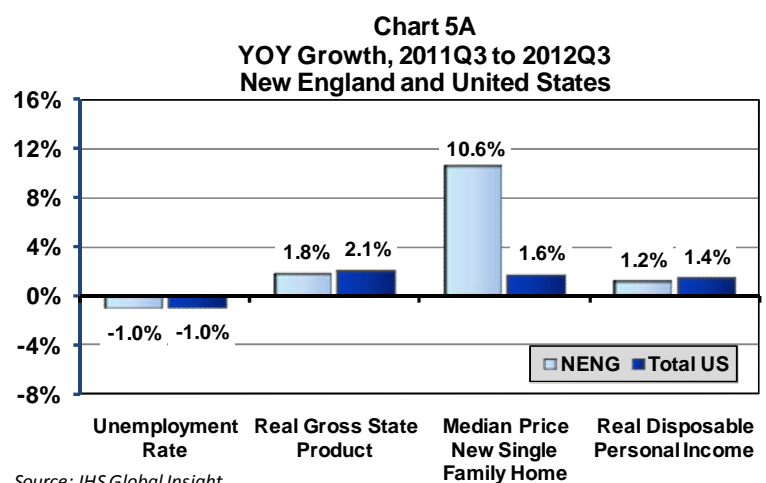
During the upcoming Labor Day holiday, travel originating from the New England (NENG) region is anticipated to improve by three percent relative to last year. The forecast is very close to the projected national growth rate of 2.9 percent. Real gross state product from the surrounding New England states is forecasted to grow by 1.8 percent, while the unemployment rate is expected to decline by one percentage point, relative to this time last year. While the pace of the recovery remains modest, the slow yet measured improvements to regional output and employment supports a moderate increase in total person-trips originating from the New England region. Automobile travel is projected to improve by 3.2 percent, while travel by airplane is expected to increase by 3.7 percent. Total person-trips in New England are forecast to account for 11.3 percent of the population, which exceeds the national frequency of 10.5 percent.

TABLE 5A
2012 LABOR DAY TRAVEL FORECAST – NEW ENGLAND REGION AND UNITED STATES

	New England			United States		
	YOY % Change	Level	% of Population	YOY % Change	Level	% of Population
Labor Day Travel						
Total (millions of person trips)	3.0%	1.65	11.3%	2.9%	33.03	10.5%
Automobile (millions of person trips)	3.2%	1.41	9.7%	3.1%	28.16	8.9%
Air (millions of person trips)	3.7%	0.12	0.8%	3.7%	2.55	0.8%
Economy (2012Q3)						
Unemployment Rate (YOY Change)	-1.0%	6.8%		-1.0%	8.1%	
Real Gross Product (\$, bn)*	1.8%	732		2.1%	13,610	
Median Price, New Single Family Home (\$, thn)	10.6%	365		1.6%	224	

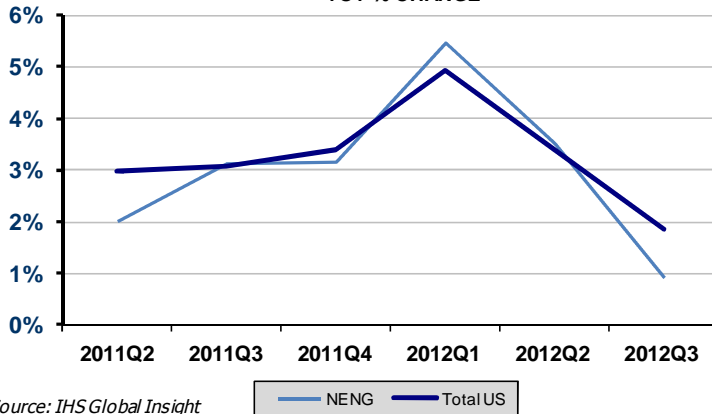
The New England labor market has been improving over the past few quarters, as evidenced by recent employment data. The largest contributing sectors to recent payroll gains have been healthcare, professional services, scientific services, and technical and administrative support services. An increase in consumer spending has stimulated retail trade and bolstered retail payrolls in the region. Rhode Island has fared the worst among the region's member states, while Massachusetts has experienced significant growth in the professional and business services sector. Overall, the regional unemployment rate is expected to fall by one percentage point relative to this time last year, reaching 6.8 percent by quarter's end—the second lowest unemployment rate among the nine census regions. While overall growth in employment is likely to remain modest, the slowly improving New England labor market is expected to encourage slightly more travel this upcoming holiday, relative to last year.

Real gross state product in the New England region is expected to grow by 1.8 percent, compared to Labor Day 2011. The slow pace of growth in regional output signifies that the recovery has lost momentum, but has not ground to a halt. While the New England real estate market remains depressed, the indicators are showing signs of improvement. The median price of new single-family homes is anticipated to



increase by 10.6 percent in the third quarter of 2012, relative to year-ago prices. The increase in home prices is expected to have a small, albeit positive impact on travel intentions, as it translates into higher net worth for households. Still, single-family home construction remains only a fraction higher than it was in early 2009. Future home price appreciation is dependent on continued job growth; young adults currently staying at home are creating pent-up demand, and at some point will spark a major revival in housing activity.

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



Source: IHS Global Insight

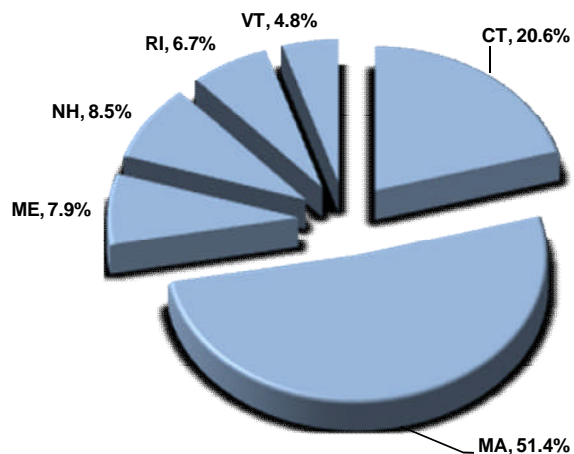
Real disposable income is anticipated to be 1.2 percent higher than it was last Labor Day, a slightly lower increase than is expected nationwide. As of mid-August, the average price of gasoline in New England has risen to nearly the same level as last year at this time, wiping out some of the benefits of the lower prices seen in the previous three months. The movement in regional gas prices is not expected to have a sizeable impact on Labor Day travel volumes this year.

In addition to the originating travel forecast of person-trips from the New England 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.

Leisure and hospitality industry output (the value of goods and services produced by the leisure and hospitality industry) in New England is expected to grow by 0.9 percent in the third quarter of 2012, compared to year-ago levels. Rhode Island is forecast to see a 2.1 percent increase in tourism industry output, while Vermont is expected to experience a 1.8 percent decline. Massachusetts, which accounts for 51.4 percent of the regional tourism output, is expected to demonstrate 1.3 percent growth in state tourism output. Connecticut, which contributes 20.6 percent of regional tourism output, is anticipated to show modest state tourism growth of 0.5 percent.

CHART 5C
REAL GROSS PRODUCT -- LEISURE & HOSPITALITY
NEW ENGLAND REGION MAKEUP BY STATE,
2012Q3



Source: IHS Global Insight

Travel by Region: Pacific

The Pacific region is expected to see a modest increase in travel demand this Labor Day holiday. The forecast calls for a 3.2 percent increase in total person-trips, relative to Labor Day 2011. The forecast for automobile travel is expected to increase 3.4 percent, while travel by airplane is forecast to increase by four percent. The forecast projects 10 percent of Pacific region residents to travel this coming holiday, which is slightly less than the national frequency of 10.5 percent.

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

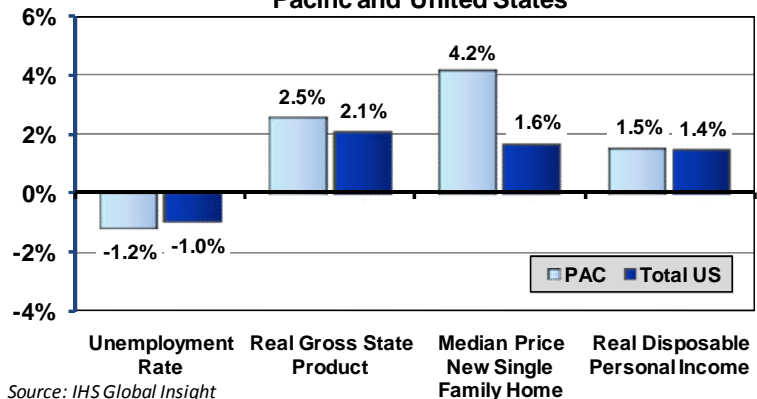
	Pacific			United States		
	YOY % Change	Level	% of Population	YOY % Change	Level	% of Population
Labor Day Travel						
Total (millions of person trips)	3.2%	5.09	10.0%	2.9%	33.03	10.5%
Automobile (millions of person trips)	3.4%	4.02	7.9%	3.1%	28.16	8.9%
Air (millions of person trips)	4.0%	0.66	1.3%	3.7%	2.55	0.8%
Economy (2012Q3)	YOY % Change	Level		YOY % Change	Level	
Unemployment Rate (YOY Change)	-1.2%	9.9%		-1.0%	8.1%	
Real Gross Product (\$, bn)*	2.5%	2,393		2.1%	13,610	
Median Price, New Single Family Home (\$, thn)	4.2%	311		1.6%	224	

The recovery in the Pacific region got off to a good start this year thanks to strong payroll gains in the professional and business services sector. The Pacific region is a hot spot for attracting skilled labor such as scientists, engineers, software programmers, and lawyers, which drives employment growth in the administrative services sector that supports them. The other high-performing sector was the transportation, warehousing, and utilities sector. Job growth in these industries is expected to drive the unemployment rate down 1.2 percentage points, relative to the third quarter of 2011. Modest improvements to the regional labor market support a modest increase in total person-trips originating from the Pacific region.

Over the past year, the median price of new single-family homes has increased 4.2 percent, which is higher than the average price increase experienced nationwide (1.6 percent). The rise in single-family home prices is a positive sign for the Pacific real estate market; however, future improvements are dependent on continued job growth, which will spark a major revival in housing activity.

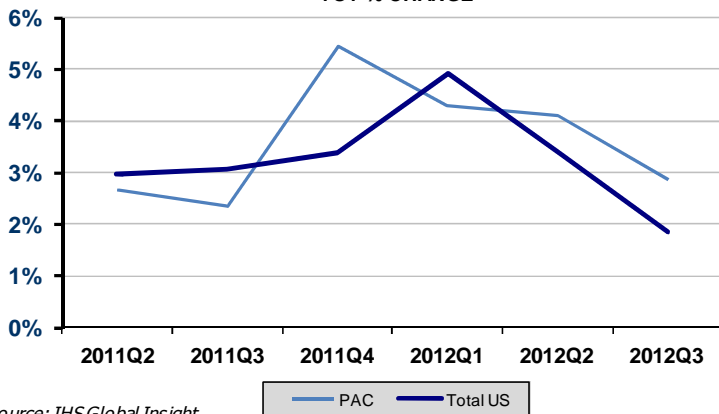
Real gross regional product is expected to rise 2.5 percent relative to the third quarter of 2011, which is slightly higher than the expected growth in national output (2.1 percent). Revisions to national output in prior years, however, point to a significantly deeper recession than once thought. The overall growth in regional output is likely to remain at a very modest pace.

Chart 6A
YOY Growth, 2011Q3 to 2012Q3
Pacific and United States



Real disposable personal income is expected to be just 1.5 percent higher than in the third quarter of 2011. High debt burdens, low house prices, and modest employment growth are some of the factors that have put downward pressure on consumer incomes. As of mid-August, the per-gallon cost of gasoline in the Pacific region has surpassed prices at the same time last year, after being below last year's levels since the beginning of July. The fluctuations in gas prices are not expected to have a sizeable impact on travel decisions this coming Labor Day.

CHART 6B
REAL GROSS PRODUCT -- LEISURE & HOSPITALITY
YOY % CHANGE

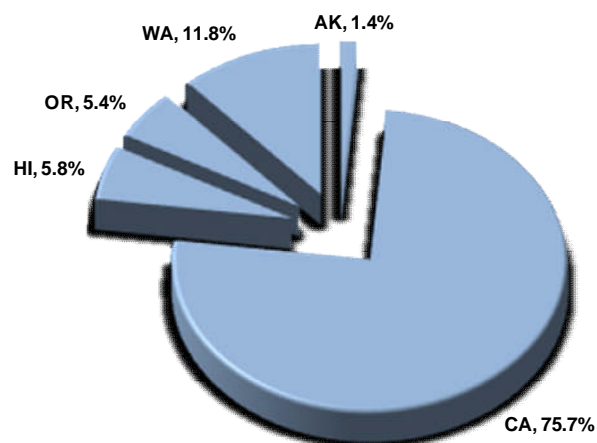


Source: IHS Global Insight

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 outpaced the nation in the second quarter of 2012, and this is expected to continue in the third quarter of this year. The Pacific region's leisure and hospitality output is projected to have risen 2.9 percent since one year ago; the comparable national figure is 1.8 percent. California and Washington have been the strongest performers, and are expected to have grown three percent and 2.9 percent, respectively, over this period.

CHART 6C
REAL GROSS PRODUCT -- LEISURE & HOSPITALITY
PACIFIC REGION MAKEUP BY STATE,
2012Q3



Source: IHS Global Insight

Travel by Region: South Atlantic

Labor Day travel originating from the South Atlantic (SATL) region is projected to increase by 2.7 percent compared to last year. Overall growth in output and employment remains sluggish, but the increase in expected travelers originating from the SATL region is a result of increasing consumer confidence compared to Labor Day 2011. Automobile and air travel are forecast to increase 2.9 percent and 3.4 percent, respectively. Of the regional population, 9.7 percent of the residents are expected to travel this Labor Day, a lower frequency than is expected nationwide (10.5 percent).

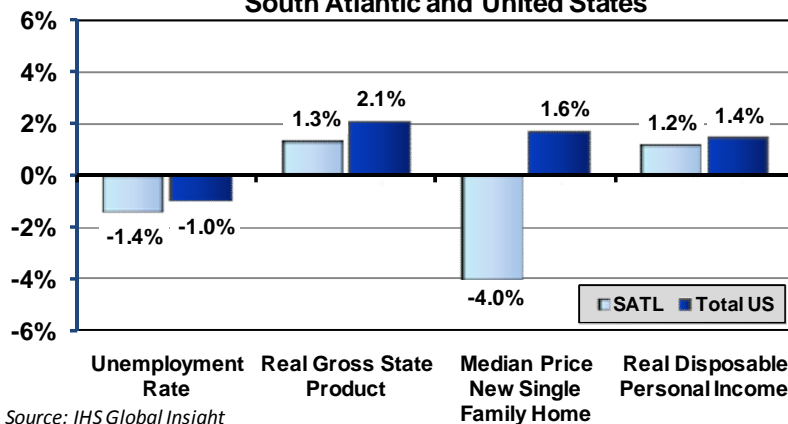
TABLE 7A
2012 LABOR DAY TRAVEL FORECAST – SOUTH ATLANTIC REGION AND UNITED STATES

	South Atlantic			United States		
	YOY % Change	Level	% of Population	YOY % Change	Level	% of Population
Labor Day Travel						
Total (millions of person trips)	2.7%	5.97	9.7%	2.9%	33.03	10.5%
Automobile (millions of person trips)	2.9%	5.18	8.4%	3.1%	28.16	8.9%
Air (millions of person trips)	3.4%	0.47	0.8%	3.7%	2.55	0.8%
Economy (2012Q3)	YOY % Change	Level		YOY % Change	Level	
Unemployment Rate (YOY Change)	-1.4%	8.0%		-1.0%	8.1%	
Real Gross Product (\$, bn)*	1.3%	2,432		2.1%	13,610	
Median Price, New Single Family Home (\$, thn)	-4.0%	224		1.6%	224	

Payrolls in the South Atlantic region have expanded at a modest pace. The service industries are adding jobs—tourism has boosted payrolls along the South Atlantic's coast and other vacation destinations, especially with the warm start to the year—and there has been solid recovery in the region's enormous trade and transportation sector. Growth in the leisure and health services sectors has also been realized. Other sectors, however, such as construction and manufacturing, continue to shed a significant amount of jobs. The unemployment rate rests at eight percent, slightly lower than the national rate of 8.1 percent, and 1.4 percentage points lower than at this time last year. Still, all of the major job sectors experienced at least one month of employment contraction during the first half of the year, an indication that the South Atlantic is still not on solid footing. The modest improvements to the region's labor market support the modest increase in expected travel activity, relative to Labor Day 2011.

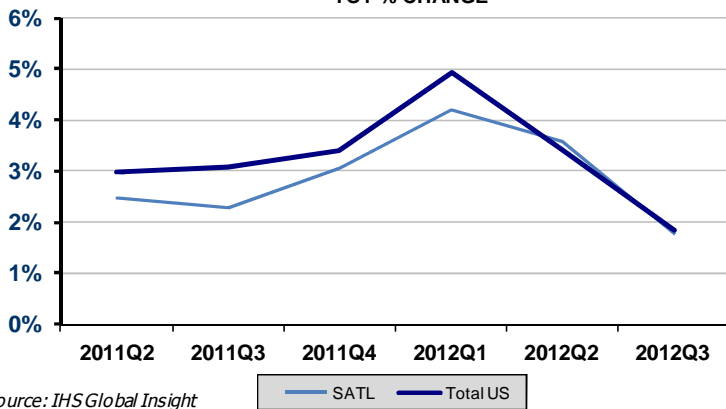
Real disposable income, which plays a significant role in travelers' decisions, is forecasted to increase just 1.2 percent over the last four quarters. This is slightly lower than the comparable national figure of 1.4 percent. Still, record-low interest rates and steadily rising employment levels are supporting increased amounts of consumer spending. While the regional price of gasoline, as of mid-August has risen recently to nearly match the price at this time last year, the movement in gas prices is not expected to have a sizeable impact on regional travel volumes this coming Labor Day.

Chart 7A
YOY Growth, 2011Q3 to 2012Q3
South Atlantic and United States



Unfortunately, the housing market in the South Atlantic region is lagging behind the rest of the nation. The median price of new single-family homes is expected to decline four percent relative to this time last year. Home sales and housing starts remain low, despite record-low borrowing rates. Credit remains tight for both builders and hope-to-be homeowners as the number of underwater homes and delinquent mortgages remains too high. The key to a recovery in the SATL real-estate market is strong job growth. Pent-up demand for housing is building as young adults stay at home, and at some point will spark a major revival in housing activity.

CHART 7B
REAL GROSS PRODUCT -- LEISURE & HOSPITALITY
YOY % CHANGE

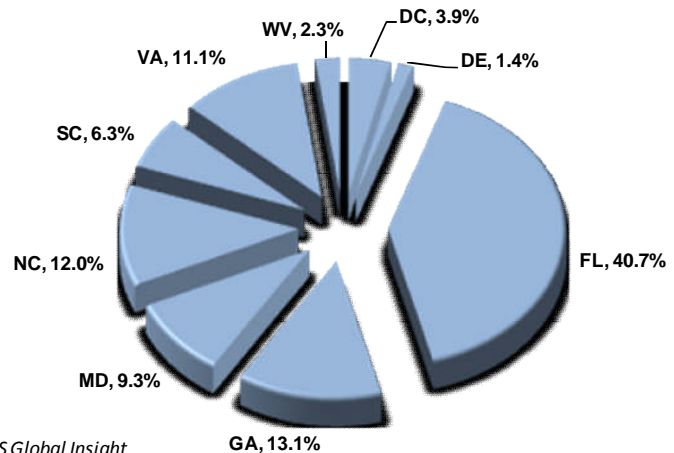


Source: IHS Global Insight

2012, leisure and hospitality output in the South Atlantic is expected to grow at a rate on a par with the greater nation (1.8 percent).

Florida contributes 40.7 percent of tourism output to the South Atlantic tourism industry with its draw of high-profile 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. West Virginia contributes just 2.3 percent to the region's tourism industry; however, West Virginia is the fastest growing state (or district) in the South Atlantic in terms of tourism output, growing 3.1 percent relative to this time last year.

CHART 7C
REAL GROSS PRODUCT -- LEISURE & HOSPITALITY
SOUTH ATLANTIC REGION MAKEUP BY STATE,
2012Q3



Source: IHS Global Insight

Travel by Region: West North Central

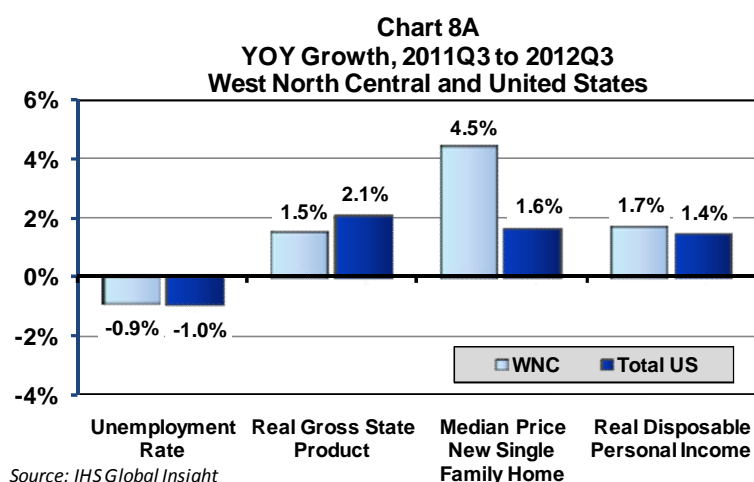
The West North Central (WNC) region is expected to witness a modest increase in Labor Day travel (2.8 percent), relative to last year. Real gross regional product is expected to grow 1.5 percent, relative to year-ago levels, while the unemployment rate is forecast to be 0.9 percentage point lower than at this point last year. Despite the slow pace of recovery in terms of output, the regional economy continues to show signs of progress. The improvement in the regional indicators is expected to contribute to the increase in total person-trips originating from the WNC this holiday period. The forecast calls for automobile travel to increase three percent, and air travel to increase 3.5 percent, relative to Labor Day 2011. A higher than average share of the West North Central population is expected to travel this upcoming holiday (12.1 percent), which is typical of the WNC based on its widespread geographic region.

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

	West North Central			United States		
	YOY % Change	Level	% of Population	YOY % Change	Level	% of Population
Labor Day Travel						
Total (millions of person trips)	2.8%	2.52	12.1%	2.9%	33.03	10.5%
Automobile (millions of person trips)	3.0%	2.23	10.8%	3.1%	28.16	8.9%
Air (millions of person trips)	3.5%	0.10	0.5%	3.7%	2.55	0.8%
Economy (2012Q3)						
	YOY % Change	Level		YOY % Change	Level	
Unemployment Rate (YOY Change)	-0.9%	5.8%		-1.0%	8.1%	
Real Gross Product (\$, bn)*	1.5%	864		2.1%	13,610	
Median Price, New Single Family Home (\$, thn)	4.5%	197		1.6%	224	

The unemployment rate in the West North Central region has significantly outperformed that of the United States. Standing at just 5.8 percent, the unemployment rate in the WNC region is currently the lowest of all census regions, and more than two percentage points below the national rate of 8.1 percent. The manufacturing, professional and business services, retail, and educational and health services sectors are expected to drive the largest employment gains in 2012. What remains to be seen, however, is whether the recent softening in employment reports is a temporary setback, or a future indicator of businesses' willingness to hire and spend.

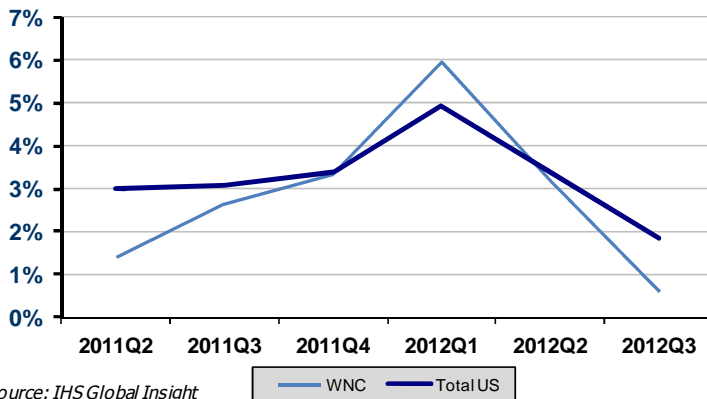
Real gross state output in the WNC region is expected to lag behind the nation, growing 1.5 percent, relative to year-ago levels (compared to the national figure of 2.1 percent). Real disposable personal income is also expected to increase, although by just 1.7 percent compared to this time last year. While the gains to disposable income are meager, consumers are cautiously increasing their spending thanks to steadily rising employment levels, and record-low interest rates. Compared to mid-August of last year, the average price of gasoline in the West North Central has increased by nearly three percent, due to a recent rise that has wiped out over 3 months where the average price was



lower than last year. These recent fluctuations in the regional gas price are not expected to have a significant impact on traveler decisions this upcoming Labor Day holiday.

The median price of new single-family homes is expected to have increased by 4.5 percent over the past year, which is higher than the national average (1.6 percent). This is a positive indication that the WNC real-estate market is on the road to recovery. A pickup in real housing wealth is a positive driver of consumer spending, and is forecast to contribute to a modest increase in total person-trips this holiday season.

CHART 8B
REAL GROSS PRODUCT -- LEISURE & HOSPITALITY
YOY % CHANGE



Source: IHS Global Insight

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.

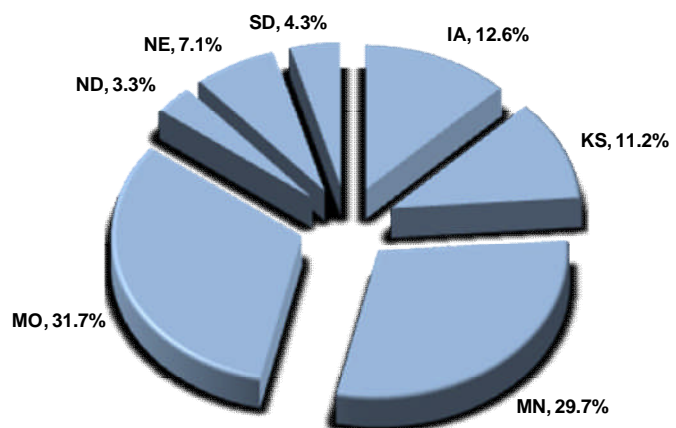
The WNC's tourism industry has been decelerating since the first quarter of 2012, as measured by leisure and hospitality industry output (the value of goods and services produced by the leisure and hospitality industry). Regional output growth remains below the nation and appears to be trending downwards into the third quarter of 2012.

In the third quarter, total output from the leisure and hospitality industry in the WNC region is expected to see annual growth of 0.6 percent, which is 1.2 percentage points lower than the growth predicted nationally (1.8 percent).

North Dakota is expected to see the largest annual growth (five percent) in tourism output since the third quarter of 2011, as compared to the rest of the WNC states. Tourism output in South Dakota is expected to contract by 1.2 percent.

The largest players in the West North Central tourism industry are Missouri and Minnesota, followed by Iowa, Kansas, Nebraska, South Dakota, and North Dakota.

CHART 8C
REAL GROSS PRODUCT -- LEISURE & HOSPITALITY
WEST NORTH CENTRAL REGION MAKEUP BY STATE,
2012Q3



Source: IHS Global Insight

Travel by Region: West South Central

AAA and IHS Global Insight's Labor Day holiday travel forecast calls for a four percent increase in West South Central (WSC) regional travel as compared to last year. The WSC region has led the country in recovery, expanding faster and adding more jobs than any other region. Real gross regional product is expected to grow 3.7 percent relative to this time last year, while the unemployment rate is expected to be 0.9 percentage points lower. Real disposable income is up 1.9 percent compared to this time last year. The forecast for travel by mode calls for a 4.2 percent increase in automobile travel and a 4.7 percent increase in air travel over last year. A projected 8.6 percent of the West South Central population will travel this Labor Day period, which is less than the estimated national frequency of 10.5 percent.

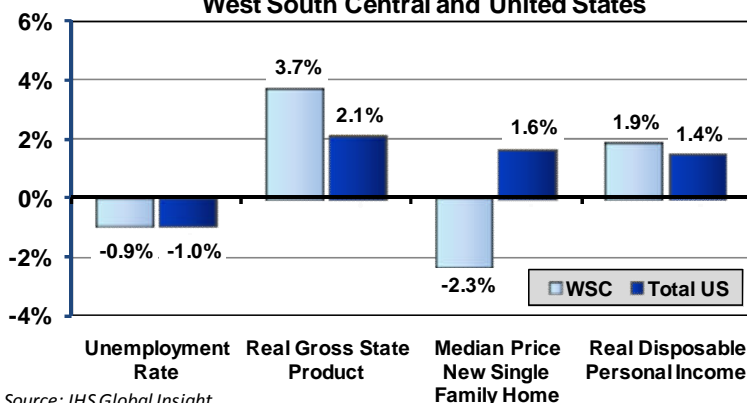
TABLE 9A
2012 LABOR DAY TRAVEL FORECAST – WEST SOUTH CENTRAL REGION AND UNITED STATES

	West South Central			United States		
	YOY % Change	Level	% of Population	YOY % Change	Level	% of Population
Labor Day Travel						
Total (millions of person trips)	4.0%	3.25	8.6%	2.9%	33.03	10.5%
Automobile (millions of person trips)	4.2%	2.71	7.2%	3.1%	28.16	8.9%
Air (millions of person trips)	4.7%	0.29	0.8%	3.7%	2.55	0.8%
	YOY % Change	Level		YOY % Change	Level	
Economy (2012Q3)						
Unemployment Rate (YOY Change)	-0.9%	6.8%		-1.0%	8.1%	
Real Gross Product (\$, bn)*	3.7%	1,645		2.1%	13,610	
Median Price, New Single Family Home (\$, thn)	-2.3%	174		1.6%	224	

This year began with strong payroll gains for the WSC region, but, as in much of the country, the expansion has slowed in recent months, with the crisis in Europe dampening consumer and business confidence nationwide. Particularly problematic for the region has been the recent retreat of oil prices. Strong oil prices buoyed the region's economy during the recovery, spurring very strong gains in the mining sector; following their recent retreat, mining payrolls declined in May for the first time since 2009. Despite this recent fall, however, the mining sector has seen the fastest expansion this year, followed by the leisure and hospitality and construction sectors. The expanding labor market is expected to provide an additional tailwind for holiday travel.

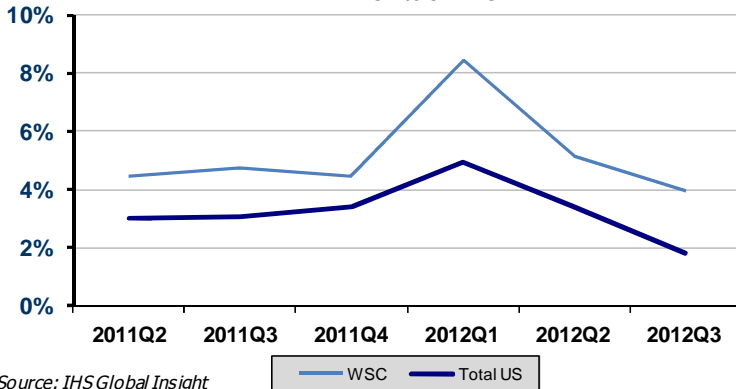
Real gross state product growth in the WSC region is expected to surpass the growth in national output in the third quarter, relative to year-ago levels (3.7 percent versus 2.1 percent). As regional output growth has become healthier, so has the amount of money in consumers' wallets. The annualized increase in real disposable personal income in the region is also poised to exceed national growth in the third quarter of 2012 (1.9 percent versus 1.4 percent). As of mid-August, the price of gasoline in the WSC has risen back to the levels seen at the same time last year, after nearly three months of lower prices. The recent movement in gas prices is not expected to have a sizeable impact on travel volumes originating from the WSC region this Labor Day holiday.

Chart 9A
YOY Growth, 2011Q3 to 2012Q3
West South Central and United States



Source: IHS Global Insight

CHART 9B
REAL GROSS PRODUCT -- LEISURE & HOSPITALITY
YOY % CHANGE



Source: IHS Global Insight

The housing market has continued to suffer in the WSC region, as it has across the country. The region's median new single-family home price has witnessed price reductions in the past year (2.3 percent) while the nation's median new single-family home price has shown positive gains (1.6 percent).

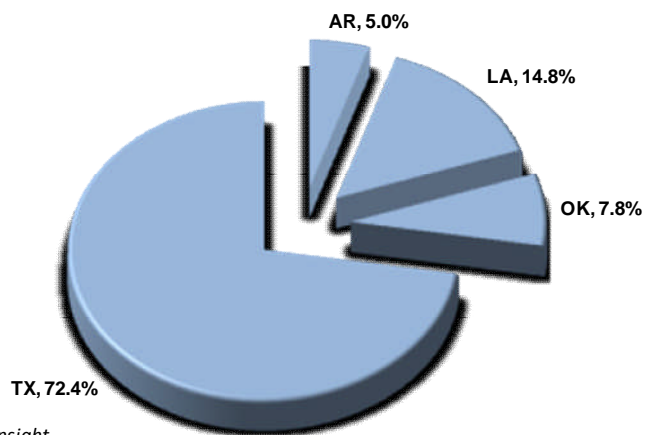
In addition to the originating travel forecast of person-trips from the West South Central region, the following information provides a look into the state of the local tourism industry in the region. In general, because the majority of travel occurs by automobile and remains within regional borders, 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 second quarter of 2011. The WSC region is expected to witness annual tourism output growth of 3.9 percent in the third quarter, relative to this time last year (compared to 1.8 percent nationwide).

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

CHART 9D
REAL GROSS PRODUCT -- LEISURE & HOSPITALITY
WEST SOUTH CENTRAL REGION MAKEUP BY STATE,
2012Q3



Source: IHS Global Insight

Labor 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 Labor Day 2012 holiday, the survey was in the field during July 16–20, 2012, and 325 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.² **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 New England respondents planning to travel as a party of "Two Adults" is listed as "10 percent*." As the footnote below the table states, the asterisk indicates that the New England estimate differs from the Total US estimate with 99 percent confidence or greater. In other words, if the actual proportion of New England residents traveling in a party of two adults were the same as the actual proportion of US residents traveling in a party of two adults, there would be a 1 percent or lower chance of seeing a difference as large as the difference observed in this survey (10 percent for New England versus 33 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 New England residents travelling in parties with two adults is +/-14 percent, meaning that the share could be as high as 24 percent. As such, we would either avoid highlighting that result or provide the margin of error to the reader for appropriate statistical context.³

² Specifically, the margin of error for each binary response question is, at most, about 6 percentage points, with 99% confidence.

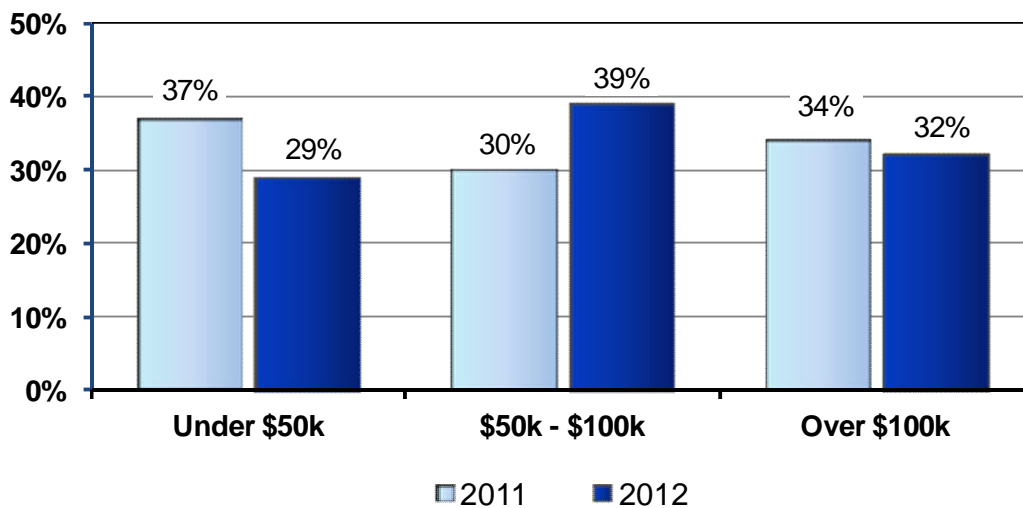
³ This +/-14% margin of error reflects a 99% confidence interval based on a t-distribution.

Change in the Average Labor Day Traveler

Despite small improvements in the macroeconomic indicators, growth in the national economy remains weak and has hampered consumer spending growth. From April through the month of July, consumer spending has been stimulated by lower gasoline prices; however, weak employment gains have been constraining income growth. As a result, the type of family planning to travel this holiday differs from those planning to travel last year, as has been the case for most of the year. The chart below highlights this by showing the change in income distribution of those intending to travel this holiday taken from the *Holiday Traveler Profile* survey.

Those households making less than \$50,000 are expected to make up 29 percent of all travelers this year, down from 37 percent in 2011. Conversely, households making over \$100,000 will make up 32 percent of holiday travelers this year versus 34 percent in 2010. Unlike last year, this year's data show that most travelers will come from households with incomes between \$50,000 and \$100,000.

CHART 10
HOUSEHOLD INCOME DISTRIBUTION OF INTENDING TRAVELERS
LABOR DAY 2011 AND 2012 HOLIDAYS
TOTAL U.S.



Travel Distances

On a national level, travelers plan to log an average of 626 miles round-trip this upcoming holiday. This is slightly more than the Labor Day holiday in 2011, when the expected round-trip distance was 608 miles. About 54 percent of total US travelers plan to log trips between 100 and 400 miles round-trip and the remainder of travelers expect to take longer trips of more than 400 miles. While the total number of travelers is expected to increase this year, more travelers will prefer shorter-distance trips. The proportion of travelers taking a trip of under 400 miles will increase by eight percent relative to last year. This increase in shorter trips is offset by an increase in the longest trips—those over 1,500 miles—the share of which is expected to increase to 13 percent this year, compared to nine percent in 2011, and is reflective of the expected increase in travel via airplane.

“Last year I only traveled from Indianapolis to South Bend, IN. This year the family is going to Texas for the Michigan/Alabama football game at the Cowboys Stadium.”
ENC Respondent

The distance traveled, however, varies across regions. For example, in the New England region, which is a relatively compact region, just 13 percent of travelers plan to go more than 700 miles round-trip this Labor Day holiday period. On average, New England respondents plan to travel 334 miles round-trip this upcoming holiday. In the Mountain region, which covers a large geographic portion of the country and consistently shows one of the higher expected distance traveled, 47 percent of travelers plan to make trips longer than 700 miles, which is up from 45 percent recorded last year. On average, respondents from this region plan to travel 905 miles round-trip over the holiday as compared to 978 miles last year, as the region is also expecting to see an increase in the shortest trips as well. The respondents from the Middle Atlantic region, however, are expecting to travel an average of 744 miles, which is markedly different from the last year’s figure of 404 miles. This is supported by the fact that a higher frequency of MATL respondents intend to travel by airplane (38 versus 36 percent) and automobile (57 versus 54 percent) this Labor Day compared to last. In 2011, other modes of transportation (e.g.- bus, train, ship), which typically span a shorter-distance in comparison, were a more popular choice among intending Labor Day travelers (3 percent in 2012 versus 11 percent in 2011).

TABLE 11
EXPECTED ROUND-TRIP DISTANCE TRAVELED
LABOR 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
<i>(Percentage of Travelers)</i>							
Total US	14%	23%	17%	17%	16%	13%	626
New England	37%	30%	12%	8%	10%	3%*	334
Middle Atlantic	19%	35%	9%	7%	8%	21%	744
South Atlantic	9%	16%	18%	35%	15%	7%	483
East North Central	12%	17%	22%	15%	20%	14%	642
East South Central	29%	15%	17%	13%	13%	13%	583
West North Central	8%	37%	18%	9%	6%	21%	644
West South Central	15%	23%	15%	20%	20%	6%	554
Mountain	11%	11%	19%	11%	27%	20%	905
Pacific	12%	31%	16%	13%	14%	13%	635

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

Measures of statistical confidence are not available for differences between regional and Total US average miles traveled. Numbers may not sum due to rounding

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

Total Spending

The median *Holiday Traveler Profile* respondent expects to spend \$749 this upcoming holiday period, which is slightly above the expected median spending of \$702 for survey respondents in 2011. The spending distribution is largely unchanged as well aside from an increase in other transportation, which means travelers have no plans to dramatically alter the components of their travel budget from last year. However, as stated in the Holiday Traveler Profile Survey Methodology, this survey was in the field during the week of July 17th. Since then, the national average price of gasoline has risen over 25 cents. It's possible that travelers total budget may be reduced by the recent rise in gas prices, and that the share of budget going to fuel transportation may rise, most likely taking share from the more discretionary categories of retail and food and beverage.

“Last year I stayed with relatives so that was free, and this year I will also gamble, and go to a new town, so will spend more shopping and on leisure gambling that I did not do last year.”
WSC 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 approximately 30 cents of the traveler dollar, while other categories make up 70 cents of the total holiday dollar. Accommodations and food and beverages account for the largest share of holiday spending, both receiving 20 percent each of the average respondent's wallet.

TABLE 12
MEDIAN EXPECTED TOTAL TRIP SPENDING AND AVERAGE EXPECTED SHARES OF BUDGET BY CATEGORY
LABOR 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	\$749	\$811	\$924	\$632	\$646	\$827	\$712	\$539	\$596	\$439
Fuel Transportation	13%	16%	9%	15%	12%	11%	18%	16%	16%	14%
Other Transportation	17%	6%	23%	15%	24%	13%	7%	11%	15%	25%
Accommodations	20%	20%	18%	21%	17%	24%	25%	20%	16%	16%
Food & Beverages	20%	28%	21%	21%	17%	22%	20%	17%	21%	20%
Shopping	13%	13%	12%	14%	14%	14%	16%	15%	14%	9%
Entertainment/Recreation	13%	13%	13%	13%	11%	12%	11%	16%	13%	12%
Other	4%	4%	4%	1%	5%	3%	5%	5%	5%	3%

Source: D.K. Shifflet & Associates, Ltd.
Numbers may not add due to rounding.

Chart 11 illustrates the average expected shares of budget by category for 2012 based on the Intenders Survey. Chart 12 compares this distribution for Labor Day 2012 to the expected budget distribution for Labor Day 2011. Due to a 2.6 percent increase in gasoline prices from August 13, 2012 to August 13, 2011, travelers may end up spending more of their budget on fuel this year than they did last year, despite their expectations in late July to spend a slightly lower share. The increase in other transportation spending is reflective of the expected bump in air travel, as more travelers plan to make trips of more than 700 miles, relative to last year. Travelers also expect to cut back slightly on accommodations, as well as food and beverage spending.

CHART 11
US 2012 LABOR DAY SPENDING
DISTRIBUTION BY CATEGORY

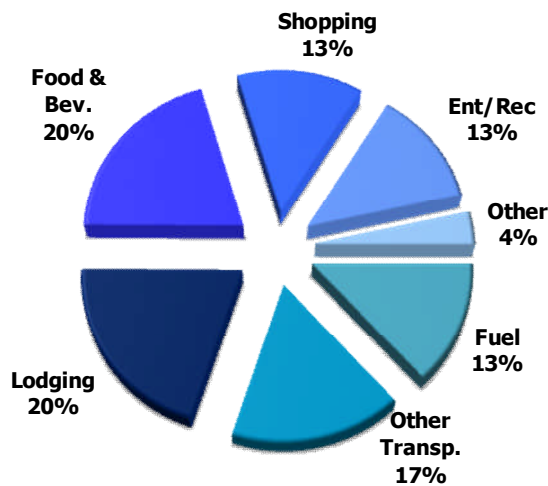
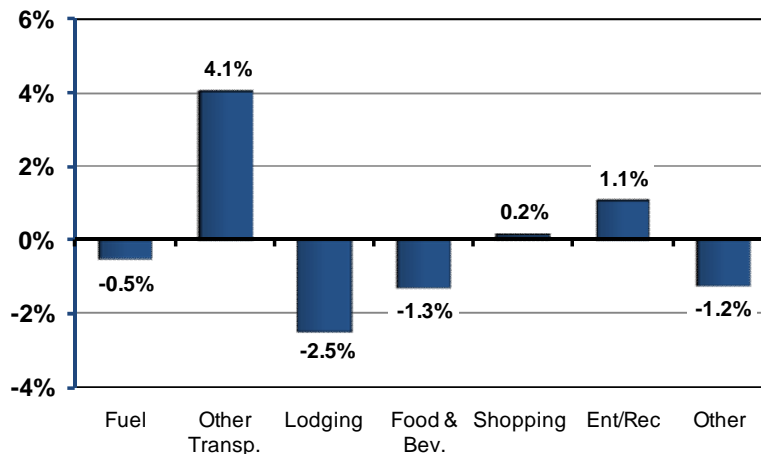


Chart 12
US 2012 and 2011 Labor Day
Spending Distribution by Category



Source: D.K. Shifflet & Associates, Ltd.
 Numbers may not add due to rounding.

Party Composition

For Labor Day 2012, the most common expected travel party (38 percent) is composed of two adults. About 28 percent of respondents expect to travel with family. Meanwhile, 16 percent of respondents expected to travel with just one adult and the remaining 18 percent expect to travel with parties of three or more adults this Labor Day holiday travel period. These results do not represent a dramatic change from 2011.

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

	One Adult	Two Adults	Three or more Adults	Families
Total US	16%	38%	18%	28%
New England	17%	39%	17%	28%
Middle Atlantic	7%	52%	11%	30%
South Atlantic	34%	24%	9%	33%
East North Central	9%	41%	24%	26%
East South Central	20%	25%	20%	35%
West North Central	8%	42%	27%	23%
West South Central	15%	38%	19%	28%
Mountain	24%	41%	11%	24%
Pacific	8%	42%	27%	24%

*Source: D.K. Shifflet & Associates, Ltd.
Numbers may not add due to rounding.*

Activities

The Labor Day travel holiday is viewed by some Americans as the last chance to take a summer trip. Therefore, travelers are expected to be involved in a variety of activities. The Labor Day holiday period generally includes a whole range of activities such as festivals, outdoor events, sporting events, trips to the beach, retail sales, and much more. Dining, visiting with friends and relatives, and shopping are expected to be the top three primary activities this Labor Day weekend.

"We are hoping to get tickets for a football game that we did not do last year. Golf in Chicago is more expensive than at home."

WNC Respondent

TABLE 14
EXPECTED PRIMARY ACTIVITIES
LABOR 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	56%	40%	58%	58%	49%	57%	71%	61%	51%	50%
Dining	56%	54%	66%	56%	54%	57%	48%	51%	52%	54%
Shopping	44%	46%	41%	42%	39%	50%	40%	49%	38%	44%
Touring/sightseeing	35%	38%	15%	33%	33%	46%	16%	39%	38%	50%
Go to beach/waterfront	28%	31%	35%	27%	26%	33%	38%	23%	22%	19%
Night Life	27%	16%	25%	28%	28%	48%	25%	22%	6%	18%
Visit museums, art exhibits, etc.	20%	7%	11%	18%	18%	43%	13%	29%	8%	12%
Hike, bike, etc.	20%	16%	11%	21%	19%	26%	17%	33%	12%	18%
Visit historic sites	19%	10%	7%	10%	25%	35%	19%	16%	20%	25%
Attend festivals, craft fairs, etc.	15%	4%	7%	21%	12%	25%	9%	14%	12%	12%
Visit national or state parks	14%	8%	3%	15%	21%	14%	9%	15%	17%	20%
Watch sporting events	12%	13%	14%	12%	18%	10%	10%	15%	5%	11%
Attend concerts, plays, dance, etc.	11%	0%	4%	5%	5%	24%	11%	12%	16%	10%
Gambling	10%	14%	7%	9%	13%	4%	14%	20%	11%	12%
Boat/sail	10%	8%	5%	16%	36%	8%	7%	2%	11%	4%
Visit theme/amusement parks	9%	6%	15%	6%	3%	11%	4%	16%	10%	6%
Play golf	9%	6%	12%	14%	1%	15%	14%	1%	5%	0%
Observe & conserve nature/culture - Eco-Travel	9%	14%	6%	0%	1%	15%	4%	6%	13%	24%
Hunt, fish, etc.	6%	6%	0%	9%	23%	3%	8%	2%	14%	2%
Spa	5%	8%	7%	0%	0%	8%	11%	10%	8%	2%
Look at real estate	4%	6%	5%	2%	2%	3%	4%	2%	5%	6%
Attend show: boat, car, home, etc.	4%	1%	5%	2%	10%	5%	7%	0%	5%	6%
Compete in sporting events	1%	0%	0%	2%	0%	2%	2%	0%	5%	0%
Snow ski, snow board, other snow/ice sports	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Other	7%	4%	14%	6%	10%	2%	12%	10%	6%	7%

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

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

As described previously in the report, the expectations for holiday travel this Labor Day are not significantly different from last year, as we expect only minor increases in total travelers, expected holiday spending, and expected distance traveled. However, there are some changes in the expected primary activities of travelers this coming holiday. Shopping, hiking, and beach trips are going to be replaced by more family visits, night life activities, and sporting events. Sightseeing, boating activities and visiting historical sites are also expected to decrease relative to Labor Day 2011.

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

Expected Primary Activities	2012	2011	Variance
Visit with friends/relatives	56%	50%	6%
Dining	56%	54%	2%
Shopping	44%	48%	-4%
Touring/sightseeing	35%	39%	-4%
Go to beach/waterfront	28%	35%	-7%
Night Life	27%	21%	6%
Visit museums, art exhibits, etc.	20%	21%	-1%
Hike, bike, etc.	20%	24%	-4%
Visit historic sites	19%	23%	-4%
Attend festivals, craft fairs, etc.	15%	15%	0%
Visit national or state parks	14%	16%	-2%
Watch sporting events	12%	8%	4%
Attend concerts, plays, dance, etc.	11%	9%	2%
Gambling	10%	10%	0%
Boat/sail	10%	14%	-4%
Visit theme/amusement parks	9%	9%	0%
Play golf	9%	6%	3%
Observe & conserve nature/culture -			
Eco-Travel	9%	8%	1%
Hunt, fish, etc.	6%	7%	-1%
Spa	5%	5%	0%
Look at real estate	4%	3%	1%
Attend show: boat, car, home, etc.	4%	1%	3%
Compete in sporting events	1%	2%	-1%
Snow ski, snow board, other			
snow/ice sports	0%	0%	0%
Other	7%	7%	0%

The Impact of Household Finances on Travel Plans

For the Labor Day 2012 Holiday Forecast Report, intending travelers were asked about the impact of their current financial situation on holiday travel plans. Real disposable income is up 1.4 percent, relative to last Labor Day, but high debt burdens, low house prices, and modest employment growth are some of the negatives preventing a robust recovery in consumer finances. Still, consumers are being helped by gasoline prices, which dropped almost 60 cents per gallon from early April to early July, effectively raising consumer purchasing power by about 0.5 percent of disposable income. Given the current mixed bag of indicators affecting consumer spending, expected travelers were asked if their current financial situation will impact their travel plans for the upcoming Labor Day holiday.

Despite the modest gains in real incomes this year compared to last, the expectation is that household finances will not impact travel plans for the majority of households this Labor Day holiday. Part of the basis for the stability in Labor Day travel is that overall growth in output and employment has remained steady, despite the slow pace of recovery. The slow, yet predictable path of the upturn, combined with the recent decline in gas prices, has allowed consumers to properly balance their finances so as to still allow for a last-minute summer vacation.

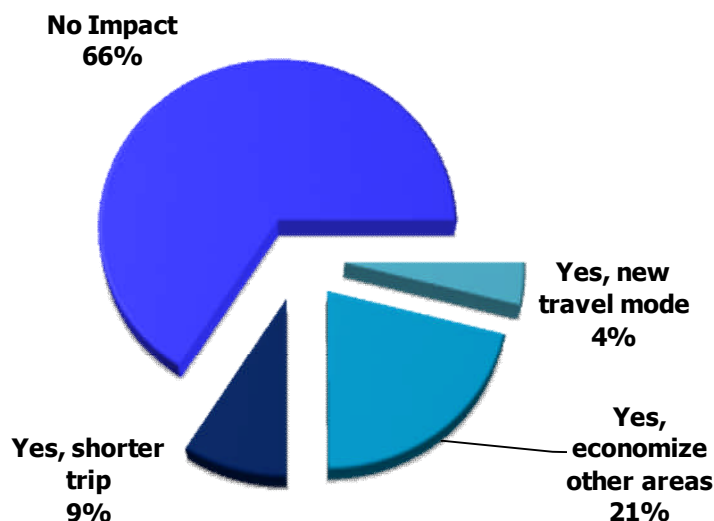
The survey clearly supports this assumption, as 66 percent of expected travelers do not expect their current financial situation to have any impact on their travel plans.

Of the 34 percent who do expect it to impact their travel plans, 21 percent plan to economize in other areas. The remaining travelers are divided between changing their travel mode (four percent) and taking a shorter trip (nine percent).

BASED ON YOUR CURRENT FINANCIAL SITUATION, WILL YOU ECONOMIZE YOUR TRAVEL DURING FOR THE LABOR DAY HOLIDAY?

- YES, TRAVELING BY ANOTHER MODE OF TRANSPORTATION
- YES, I WILL ECONOMIZE ON OTHER AREAS OF MY TRIP
- YES, TAKING A SHORTER TRIP
- NO IMPACT, TRAVELING AS I ORIGINALLY PLANNED

CHART 13
TOTAL US LABOR DAY HOLIDAY
IMPACT OF HOUSEHOLD FINANCES



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

Addendum 1: US Economic Forecast Summary: Growth Continues, but Uncertainties Linger

PUBLISHED: AUGUST 10, 2012

Most incoming evidence points to continued growth, albeit at a modest pace. The best news recently was the July employment report, showing 163,000 jobs created, suggesting that second-quarter job creation averaging just 73,000 per month had undershot the economy's underlying trend, just as the first quarter's 226,000 average had overshot it. The key manufacturing signal from the ISM survey remains fractionally below the breakeven 50-mark, but well above the low-40s level that would point to recession. The survey still shows production growing, but heavily reliant on an earlier backlog of orders that is now being worked off. It shows new orders falling in both June and July, especially for exports. We need to see orders picking up soon, or production will follow orders down. The most upbeat news is coming from housing, with prices now beginning to turn up, and home sales and housing starts trending higher.

Second-Half Growth Will Probably Be Restrained by Inventory Caution. We expect second-half 2012 GDP growth averaging 1.4%, to be little different from the second quarter's 1.5% pace. That's slower than the 2.0% second-half pace that we assumed last month, in large part because of reduced expectations for consumption growth. We think that final sales growth will achieve a 2.1% average pace, but that inventory accumulation will be a drag on growth, as inventory-to-sales ratios have recently begun to creep higher. GDP growth for calendar year 2012 now comes in at 2.1%, up from 2.0% in last month's forecast, only because an upward revision to growth in the fourth quarter of 2011 has given the economy a stronger starting point as it entered 2012. But our 2013 growth projection has been lowered to 1.8%, from 2.0%, partly because of the weaker momentum exiting 2012. In addition, the higher food inflation resulting from this year's drought adds a slight drag (we expect consumer food prices to rise about 3% in 2013).

Key Uncertainties Unlikely to Be Resolved Soon (1): Europe. Unfortunately, key uncertainties casting shadows over the recovery are unlikely to be resolved soon. Despite the initial euphoria over ECB president Draghi's commitment to do "whatever it takes" to save the euro, the Eurozone crisis is dragging on with no end in sight, and the (as yet unofficial) Eurozone recession is deepening. We continue to assume that it will take a dramatic event—Greek exit from the euro, which we assume for mid-2013—for policymakers to finally deliver on "whatever it takes" to save the rest of the Eurozone.

Key Uncertainties Unlikely to Be Resolved Soon (2): Fiscal Cliff. We do not expect the economy to go off the "fiscal cliff." But the uncertainties over the cliff—and more broadly over the direction of federal tax and spending policy—are unlikely to be resolved quickly unless November's elections deliver an extremely decisive result. Our assumption is that the lame-duck Congress will punt the problem down the road with a "stay of execution" that will postpone the tax hikes and spending cuts for a few months. That will remove the immediate risk but delay a final resolution. As a result, extreme uncertainty over fiscal policy is likely to remain a fact of life—and a deterrent to risk-taking—well into 2013. The fact that the debt ceiling will need to be raised some time in the first few months of 2013 adds an unwelcome extra complication.

The Fed: Quantitative Easing Expected in September. The Federal Reserve has signaled that it is ready to do more to help the economy. The improved July employment report eased the pressure for action slightly, but we believe that the Fed's published growth projections remain too optimistic, and that it will downgrade its outlook and take more action in September. We assume it will announce another round of quantitative easing worth \$600 billion, concentrated on mortgage-backed securities. We still see growth picking up sufficiently in 2014, led by a housing revival, for the Fed to start raising interest rates at the end of that year, consistent with its present guidance.

Addendum 2: US Regional Forecast Summary: A Summer Slowdown?

PUBLISHED: JULY 30, 2012

This year, most of the United States continues to expand at a moderate pace. All but six states—Florida, Nevada, New Hampshire, Rhode Island, Vermont, and West Virginia—added jobs in the first five months of the year. However, after strong gains in January and February, most states saw payroll growth decelerate in March–May. During the remainder of the year, we anticipate that employment growth will gradually pick up some momentum, and average 1.5% per quarter, which translates into around 490,000 new jobs per quarter, or 160,000 per month. All states will post job gains by the end of the year. However, only New York and West Virginia will join the five states that have already returned to their prerecession employment levels: North Dakota, Alaska, Washington DC, Texas, and Louisiana. Most other states will be unable to close their employment gap until 2014, a testament to the depth of the recession and the sluggish pace of the ongoing recovery.

The clear downshift in employment growth in the last three months has raised the question of whether this year will see a marked summer slowdown in the economy, similar to 2011. In our view, the first two months of this year were partly helped by the unseasonably warm weather, and as a result, we do not expect such robust jobs gains during the remainder of the year. However, we do not believe the recovery will stall the way it did in mid-2011. This year, although there are plenty of downside risks, we have not yet had shocks comparable in impact to those in 2011, when oil prices surged, the Japanese earthquake disrupted supply chains around the globe, and the Eurozone debt crisis erupted.

Metro Area Economies in 2012 and 2013

In 2011, total real gross metropolitan product (GMP) grew by 1.7% as it expanded in 267 metros. The metropolitan areas of the Southwest and Northwest topped the list of the fastest growing metros among the largest 100. San Jose-Sunnyvale-Santa Clara (nestled inside of the Silicon Valley and ripe with well-paying tech jobs) along with Portland-Vancouver-Hillsboro (which is home to more than 1,200 technology companies including a large Intel presence) placed first and second. The Texas metros of Austin-Round Rock-San Marcos (one of the fastest growing metros in several categories over the past 10 years), McAllen-Edinburg-Mission (home to the first inland foreign trade zone in the United States and hub for trade and retail for the entire Rio Grande Valley), and Houston-Sugar Land-Baytown (second only to New York City for Fortune 500 headquarters, with 22 located inside Houston) rounded out the top five.

In 2012, we anticipate the nation's real GDP will grow at 2.0%, and the average of all 363 metros will be just below that at 1.8%, while more than 290 metropolitan areas will see real GMP growth, continuing the steady progress seen since exiting the recession. Lafayette (Louisiana), Odessa (Texas), Columbus, Elkhart-Goshen (Indiana), and Bismarck (North Dakota) will top the list of fastest growing metros, with each expected to see real GMP expand by more than 7%. Lafayette, Odessa, and Bismarck will each see robust activity in natural resources. The Bakken shale oil formation (an oilfield stretching from Canada to North Dakota and Montana, and containing possibly 4 billion barrels of oil reserves) will provide a surge in real GMP to Bismarck, while the energy sectors in Odessa (the long-time beneficiary of the Permian Basin) and Lafayette will also drive employment growth and real GMP gains while lowering unemployment.

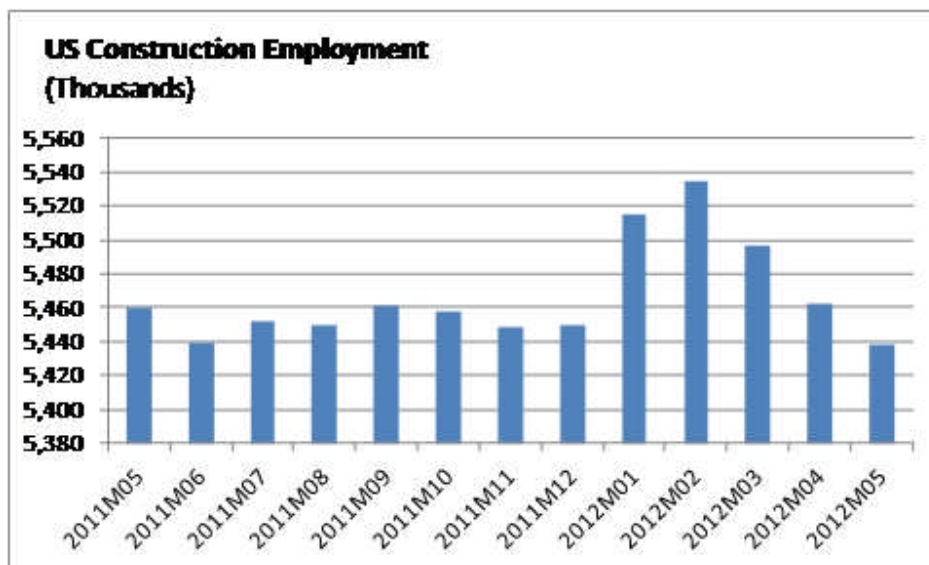
The resurgent manufacturing sector will be the engine powering growth in Columbus and Elkhart-Goshen. Since the end of the recession—during which inventories were short and payrolls fell drastically—firms have called back workers and expanded operations as the recovering economy has demanded a greater supply of manufactured goods. The metropolitan areas of the Rust Belt will reap the benefits of this recovering manufacturing sector. In particular, Elkhart-Goshen will expand its recreational vehicle manufacturing while Columbus will continue to grow its presence in advanced manufacturing, including in automobile, metals, and precision tools and molds production. Gains in the energy and

manufacturing sectors will also benefit industrial cities like Sandusky (Ohio) and Holland-Grand Haven (Michigan), and oil and natural gas areas like Fargo (North Dakota), and Corpus Christi and Midland (Texas). They are all anticipated to fall within the top 15 metros in terms of real GMP growth this year. Overall, 50 metros will achieve real GMP growth rates of 3% or more (led by Austin and Houston among the largest metros), while more than 110 metros will see growth of 2% or better (with Phoenix, San Francisco, Denver, and Boston at the forefront of the second group) and over 220 metropolitan areas will increase their real GMP by 1% or higher (Des Moines, Sacramento, and Chattanooga will lead the charge in the third tier).

Changes in Construction Employment

The nation's construction sector was hit hard when the housing market crashed beginning in 2006, losing more than 2 million jobs between mid-2006 and mid-2010, and job levels have not budged much from the 5.5 million mark since that time (two years ago!). Early in 2012, construction payrolls saw temporary signs of growth thanks to the warm winter—in fact, the first quarter of 2012 was the warmest winter on record.

The downside of higher employment in the first quarter, though, is that recent data show that employment levels in construction fell in the second quarter, both in month-over-month numbers and over the year. This is because the warmer winter resulted in work being pulled forward into the earlier months, leaving less work for later in the year.

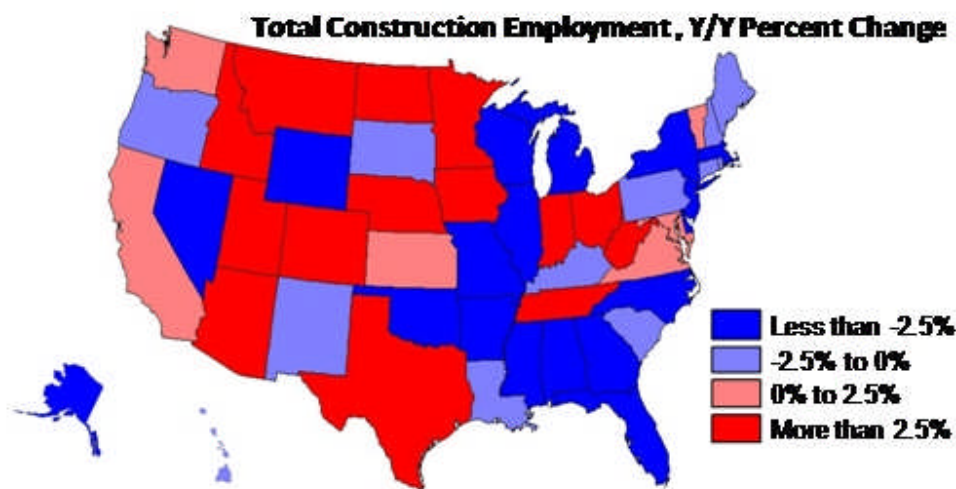


While the United States is showing overall lower employment levels, how does construction employment look across the states? Below is a map showing the year-over-year percent change in total construction employment broken out by state. Much of the job growth is being seen in the western half of the country, while industry payrolls are still falling in many eastern states. To see what is driving these differences, we looked at some finer detail on construction employment in the Bureau of Labor Statistics (BLS) data.

Through May 2012, we see that employment levels are mixed across the country, with stronger growth on the coastal areas and weaker growth in the interior states. Much of this is due to the fact that the coastal states were harder hit by the recession. The interior states, although affected by the downturn, saw much smaller losses. Employment in heavy and

civil engineering has been affected as it represents the infrastructure segment of construction, which has been weak because of funding uncertainties across the board. The total construction data are influenced by changes in the specialty trade segment. This segment accounts for the largest portion of total construction employment, with more than 3.0 million jobs, compared with just more than 1.0 million jobs in construction of buildings and 0.7 million in heavy and civil engineering.

Employment levels in the construction industry also reflect current spending levels, which are very low by historical standards. As a result, the outlook is muted in the near term for the country as a whole, for both spending and employment, but there are many areas where employment is growing and this is a good signal for the industry. North Dakota, which has been booming as a result of the development of the Bakken Shale reserve, is doing well in all categories of construction. Texas is another state that is faring well, having one of the better growth economies at present. The middle section of the country, which did not experience the wild ups and downs of this cycle, is seeing more muted growth rates compared with areas, like Arizona, that are picking up from a very deep bottom.



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