

# AAA Memorial Day 2011 Travel Forecast



**GLOBAL  
INSIGHT**



Prepared for:

American Automobile Association

May 19, 2011

## Table of Contents

Holiday Forecast Methodology: A Brief Overview .....	2
Actual Travel Forecast for Memorial Day 2011 .....	3
Travel by Mode of Transportation.....	5
Travel by Region: East North Central .....	8
Travel by Region: East South Central.....	10
Travel by Region: Middle Atlantic .....	12
Travel by Region: Mountain .....	14
Travel by Region: New England .....	16
Travel by Region: Pacific .....	18
Travel by Region: South Atlantic .....	20
Travel by Region: West North Central .....	22
Travel by Region: West South Central.....	24
The Memorial Day 2011 Holiday Traveler Profile Survey Methodology .....	26
Change in the Average Memorial Day Traveler .....	27
Travel Distances .....	28
Total Spending.....	29
Party Composition.....	31
Activities .....	32
The Impact of Rising Fuel Prices on Travel Plans.....	34
Addendum 1: US Economic Forecast Summary: More of the Same .....	36
Addendum 2: US Regional Forecast Summary: A Slow Ascent out of Recession .....	37

**Regional definitions used throughout the report:**

East North Central (ENC): IL, IN, MI, OH, WI  
 East South Central (ESC): AL, KY, MS, TN  
 Middle Atlantic (MATL): NJ, NY, PA  
 Mountain (MTN): AZ, CO, ID, MT, NM, NV, UT, WY  
 New England (NENG): CT, MA, ME, NH, RI, VT

South Atlantic (SATL): DC, DE, FL, GA, MD, NC, SC, VA, WV  
 West South Central (WSC): AR, LA, OK, TX  
 West North Central (WNC): IA, KS, MN, MO, ND, NE, SD  
 Pacific (PAC): AK, CA, HI, OR, WA

## Holiday Forecast Methodology: A Brief Overview

The *AAA Memorial Day 2011 Travel Forecast* combines information from several sources to provide a prospective assessment of likely travel patterns for the upcoming holiday weekend. This report is comprised of 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 both at the national and regional levels. In addition, the regional travel sections in this report have been enhanced to incorporate information about the state of the local tourism industries throughout the U.S.

### Actual Travel Forecast

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

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

Actual travel is forecasted by person-trips, where a person-trip is defined as a trip that involves travel of 50 miles or more away from home. In particular, AAA and IHS Global Insight forecasts total US holiday travel, travel by mode of transportation, and travel by US census region. The *Actual Travel Forecast* presented in this report was prepared the week of May 2.

### Holiday Traveler Profile

The Holiday Traveler Profile is a survey of intended travel behaviors related to party composition, travel distances, trip expenditures and vacation activities conducted by D.K. Shifflet & Associates. The initial survey includes 1,350 households out of which only the respondents intending to travel during the designated holiday are interviewed in detail about their anticipated trips. For Memorial Day 2011, 325 respondents were interviewed in detail about their intended trips. The survey was in the field from Tuesday, April 19 to Saturday, April 23, 2011.

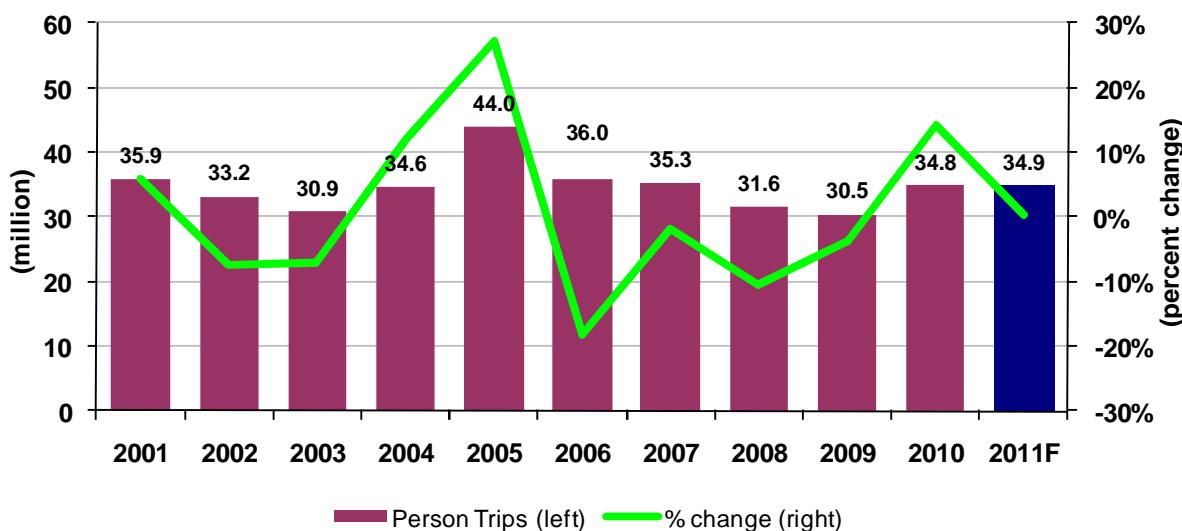
### Memorial Day Holiday Travel Period

For purposes of this forecast the Memorial Day holiday travel period is defined as trips that include travel of 50 miles or more away from home during the 5 day period from Thursday, May 26 to Monday, May 30.

## Actual Travel Forecast for Memorial Day Holiday, 2011

AAA and IHS Global Insight project 34.9 million travelers will journey at least 50 miles from home this upcoming Memorial Day holiday weekend. This represents an increase of 0.2 percent relative to the 34.8 million trips that occurred over the holiday period in 2010.

**CHART 1**  
**MEMORIAL DAY TRAVELERS 2001-2011**  
**TOTAL PERSON-TRIPS\***



\* 2001-2010 represent actual travel results. 2011 is a forecast.

The economic factors contributing to the travel outlook for Memorial Day 2011 are, in general, consistently positive in comparison to spring of 2010. Real gross domestic product is up over 2.7 percent, while the unemployment rate has fallen a full percentage point from the same time in 2010. The improving economy and rising employment picture has resulted in a 1.9 percent increase in real disposable income and a 5.2 percent increase in real household net worth, which comes despite continued weakness in the housing market.

Taken as a whole, that economic improvement might normally be expected to result in a much stronger increase in expected holiday travel in comparison to last year. However, the significant spike in gas prices that has occurred over the past six months will impact holiday travel decisions. The national average price for regular gasoline for April 2011 was 33 percent higher than for April 2010. Some areas of the country are experiencing average prices topping \$4 a gallon, a level not seen since the summer of 2008. The 2008 gas price spike, combined with an economy that was beginning to struggle, resulted in a 10% decline in holiday travel from the previous year.

---

*"I have a job now so I have more money to spend, and I intend to celebrate the holiday accordingly."*  
WNC Respondent

---

Considering the other positive economic factors, the expectation is that the effect of rising gas prices will counteract any benefit from a slow but steadily improving outlook. That is supported by the expectations of travelers for this holiday, who see fuel costs taking up a higher percentage of their expected holiday spend, although when asked specifically if rising gas prices will impact their plans to travel this year, more than half said it will not negatively impact them.

The Memorial Day holiday commemorates those who have died in military service, while also serving as the “unofficial start” of the summer travel season. AAA and IHS Global Insight forecast of 0.2 percent growth in holiday travel, with nearly 35 million travelers expected. This total matches 2010, which itself was over 14 percent above 2009, highlights the resiliency of the travel market in the United States to be able to maintain its level despite such a significant spike in gas prices.

## Travel by Mode of Transportation

AAA and IHS Global Insight expect that automobile travel will account for approximately 88 percent of total travel this upcoming Memorial Day holiday period. About 31 million Americans are expected to travel by automobile, which is down slightly in comparison to Memorial Day 2010. Even with recent improvements in the airline industry, automobile travel is still the preferred choice for travel – by nature, it is often more affordable, more convenient and allows for greater flexibility. However, automobile travel is also subject to gas price fluctuations, which this year are higher than they have ever been. Further contributing to the impact in gas prices is that the larger than typical increase has been concentrated in just the last few months without giving potential travelers who haven't yet had time to grow accustomed to the increasing share of fuel costs to their budget. The monthly average price for April was \$3.79 and that's nearly a dollar more than the monthly average for April 2010 (\$2.85). While the broader economic indicators may be encouraging to potential travelers, rising gas prices will offset that factor and keep the number of automobile travelers at the same level as in 2010.

---

*“Didn't take a vacation last year so the plan is to make this one special.”*  
*New England Respondent*

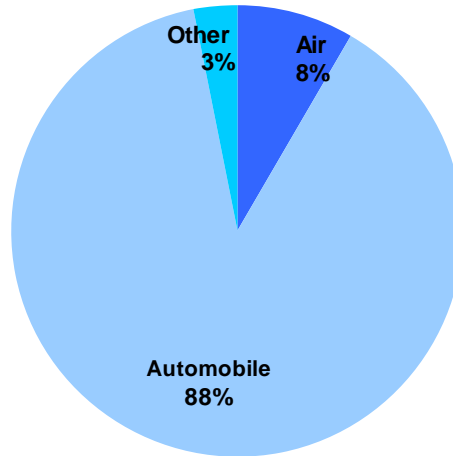
---

Air Travel, represents a significantly smaller share of the total, and is much more volatile from year-to-year. For this Memorial Day travel period, air travel is projected to increase 11.5 percent compared to 2010, bringing the share of total travel via air to 8.4 percent, from 7.5 percent share in 2010. That increase will result in more than 2.9 million travelers expected to fly this year, a level reached or exceeded 5 times in the 6 years from 2000 to 2005 but not surpassing 2.7 million travelers since 2005.

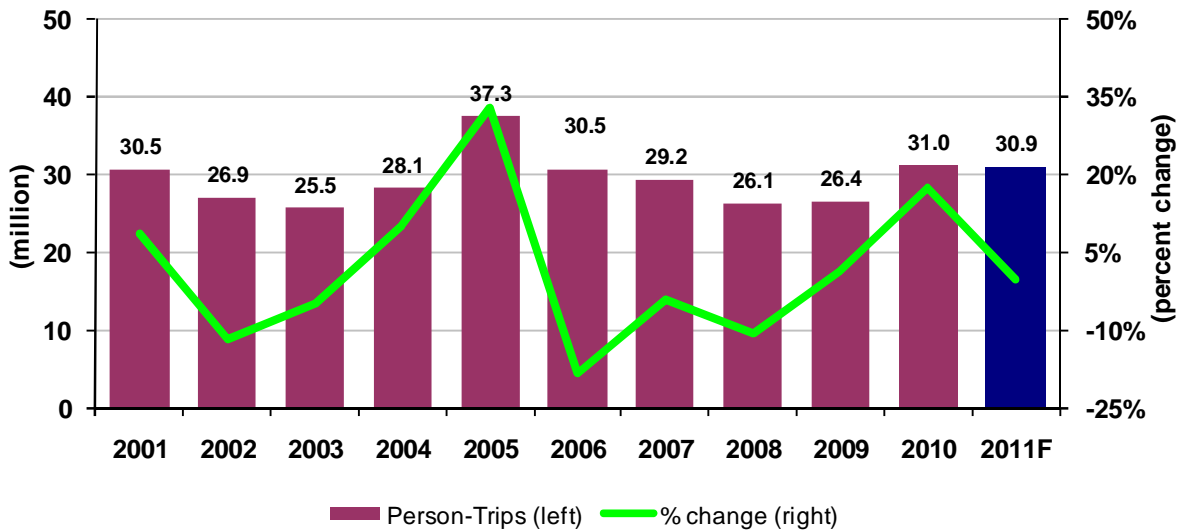
Air travel propensity is driven by economic factors as well as the changing nature of air travel, from increased security procedures to new fees and disappearing services. The latest data from the Bureau of Transportation Statistics (BTS) shows that average airfare prices had increased less than 10 percent from the first quarter of 2009 through the 4<sup>th</sup> quarter of 2010, which is the last quarter for which data is available. Additionally, since Q2 of 2010, during which Memorial Day travel would have occurred, 4<sup>th</sup> quarter 2010 prices were one percent less, on average. However, the significant increase in fuel prices this year have forced airlines to raise airfares several times over the past few months. The industry seems to have stabilized from a capacity standpoint, with available seat miles up just over one percent in 2010 compared to the year prior, but the overall improvement in the economy compared to 2010 is expected to boost air travel this holiday period.

Other modes of travel (trains, watercraft, multi-modal travel) will comprise the remaining three percent of the total person-trips.

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

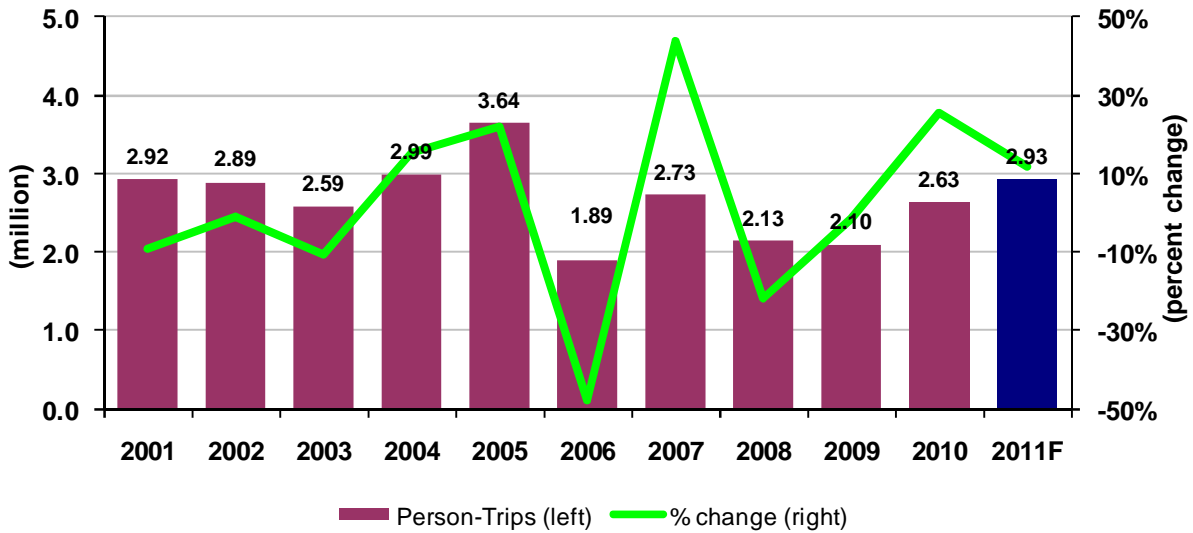


**CHART 3**  
MEMORIAL DAY TRAVELERS 2001-2011  
AUTOMOBILE PERSON-TRIPS\*



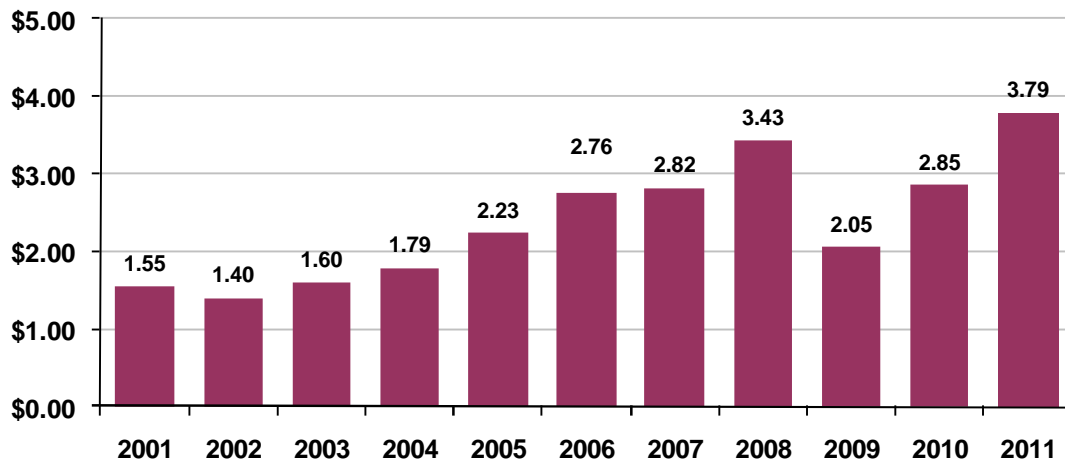
\*2001-2010 represent actual travel results. 2011 is a forecast.

**CHART 4**  
**MEMORIAL DAY TRAVELERS 2001-2011**  
**AIR PERSON-TRIPS\***



\*2001-2010 represent actual travel results. 2011 is a forecast.

**CHART 5**  
**AVERAGE APRIL\* GASOLINE PRICES**  
**NATIONAL AVERAGE PER GALLON REGULAR UNLEADED**  
**2001-2011**



Source: AAA Fuel Gauge Report

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



## Travel by Region: East North Central

Travel from the East North Central region (ENC) is expected to rise by 0.3 percent this Memorial Day holiday period relative to last year. The 5.66 million person-trips from the ENC region represent 12.2 percent of the population, which is higher than the national frequency expected to travel (11.1 percent). The economic downturn in the ENC region was deep, partly due to the collapse of the automobile industry which maintains a strong presence in the region. However, the region continues to gradually climb back from the recession. The improvement in the regional economy since last year supports a moderate increase for travel this holiday, although, this increase will be tempered by the record-high gasoline prices experienced in all five states in 2011. Travel by airplane from the ENC region is expected to increase by 11.9 percent compared to Memorial Day 2010, while travel by automobile is expected to remain unchanged.

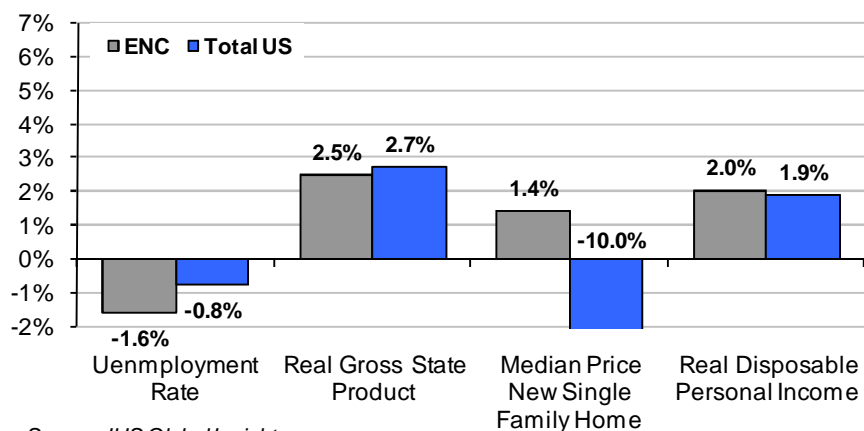
**TABLE 1A**  
**2011 MEMORIAL DAY TRAVEL FORECAST – EAST NORTH CENTRAL REGION AND UNITED STATES**

	East North Central			United States		
	YOY % Change	Level	% of Population	YOY % Change	Level	% of Population
<b>Memorial Day Travel</b>						
Total (millions of person trips)	0.3%	5.66	12.2%	0.2%	34.89	11.1%
Automobile (millions of person trips)	0.0%	5.14	11.0%	-0.3%	30.88	9.9%
Air (millions of person trips)	11.9%	0.35	0.8%	11.5%	2.93	0.9%
<b>Economy (2011Q2)</b>						
	YOY % Change	Level		YOY % Change	Level	
Unemployment Rate (YOY Change)	-1.6%	9.1%		-0.8%	8.9%	
Real Gross Product (\$, bn)*	2.5%	1,826		2.7%	13,552	
Median Price, New Single Family Home (\$, thn)	1.4%	198		-10.0%	211	

The housing bubble burst in this region before it did across the rest of the nation, and the manufacturing economy here slowed before the rest of the nation went into recession. With the region suffering from such a deep and prolonged decline, it will take time for the region to bounce back from high unemployment rates. However, the ENC region is making strides and is now tracking the recovery in the national economy.

The ENC now boasts the fifth lowest unemployment rate of all census regions at about 9.1 percent. The rate has come down from last year when it rested above 10.5 percent. Michigan has the fifth-highest unemployment rate in the country among states, as the state was victim to large contractions in manufacturing jobs. However, the manufacturing industry is slowly adding jobs in the ENC region and since one year ago the region has seen its unemployment rate drop 1.6 percent (Chart 1A). The national unemployment rate sits at about 8.9 percent and has declined almost a full

**CHART 1A**  
**YOY GROWTH, 2010Q2 TO 2011Q2**  
**EAST NORTH CENTRAL AND UNITED STATES**



Source: IHS Global Insight

percentage point (0.8 percent decline) since the second quarter of 2010.

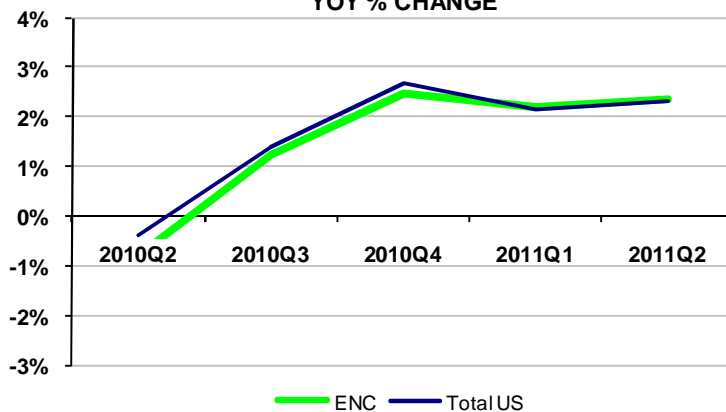
Output in the ENC region is also increasing and is anticipated to grow 2.5 percent in the second quarter of 2011. This level of growth slightly trails national GDP growth (2.7 percent). Real disposable personal income growth is outpacing the nation and is projected to rise two percent as compared to one year ago. This increase means that potential travelers have more money in their pockets than last holiday. Housing prices are seeing some improvement, and the median price of new single family homes is expected to grow 1.4 percent in the second quarter of 2011.

While the regional economy is now recovering and realizing positive growth in many economic indicators, the price of gasoline is near an all-time high. From 2010 to 2011, the price of gasoline in the ENC region increased by 44.9 percent. The resulting increase in fuel costs will be offset by less spending on leisure and hospitality such as accommodations or food and beverages.

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

into the state of the local tourism industry in the East North Central region

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



Source: IHS Global Insight

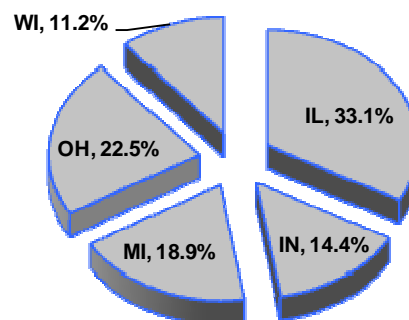
The tourism industry in the ENC region, as measured by leisure and hospitality industry output (the value of goods and services produced by the leisure and hospitality industry), has been growing on an annualized basis since the beginning of 2010. Output has been rising as travel volumes to the ENC region strengthen and the amount of money spent by travelers also increases.

In the second quarter of 2011, total output from the leisure and hospitality industry in the ENC region is expected to see annual growth of 2.4 percent. Chart 1B demonstrates that the tourism industry recovery in the ENC region has lagged the national tourism recovery until the first quarter of 2011 when the ENC outgrew the nation on an annual basis, and the

region has continued to do so since then. Of all ENC states, Ohio is expected to see the lead year-over-year growth in tourism output in the fourth quarter of 2010 (3.8 percent), with Illinois trailing behind with 2.6 percent annual growth. Michigan is expected to see the smallest growth (0.9 percent) over this period.

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

**CHART 1C  
REAL GROSS PRODUCT -- LEISURE & HOSPITALITY  
EAST NORTH CENTRAL REGION MAKEUP BY STATE,  
2011Q2**



Source: IHS Global Insight

## Travel by Region: East South Central

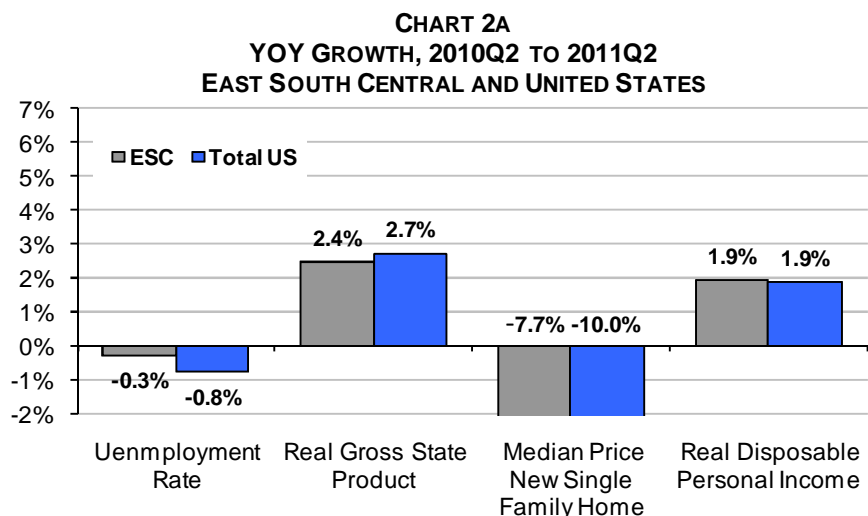
Travel from the East South Central (ESC) region this Memorial Day holiday is projected to remain flat compared to Memorial Day 2010. The regional travel forecast for the ESC region is consistent with the slight 0.2 percent increase that is forecasted for the national population this upcoming holiday period. Automobile travel is expected to decrease 0.6 percent and airplane travel is anticipated to rise 11.1 percent. Total person-trips in the East South Central region are projected to account for 10.1 percent of the population, which is one percent lower than the expected nationwide frequency (11.1 percent).

**TABLE 2A**  
**2011 MEMORIAL 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
<b>Memorial Day Travel</b>						
Total (millions of person trips)	0.0%	1.88	10.1%	0.2%	34.89	11.1%
Automobile (millions of person trips)	-0.6%	1.64	8.8%	-0.3%	30.88	9.9%
Air (millions of person trips)	11.1%	0.18	1.0%	11.5%	2.93	0.9%
<b>Economy (2011Q2)</b>						
	YOY % Change	Level		YOY % Change	Level	
Unemployment Rate (YOY Change)	-0.3%	9.7%		-0.8%	8.9%	
Real Gross Product (\$, bn)*	2.4%	624		2.7%	13,552	
Median Price, New Single Family Home (\$, thn)	-7.7%	150		-10.0%	211	

The ESC economy is not firing on all cylinders, but it is recovering from remarkable losses suffered during the recession. Central to the turnaround has been stabilization in the region's large and highly cyclical trade and manufacturing sectors, which combine for 33 percent of ESC employment, the highest concentration out of the nine census regions. The good news is that manufacturing employment posted annual gains in the first quarter of 2011 and is expected to do the same in the second quarter of this year. Overall, job gains in the ESC region last year were far from robust, but they were a welcome departure from the severe losses experienced over the second half of 2008 and all of 2009. Employment gains, albeit small, in multiple sectors over the past year have helped the unemployment rate in the ESC region decline by about 0.3 percent.

Giving consumers more power have been gains in real disposable personal income in the region, which is projected to have increased 1.9 percent since one year ago. This is the same expected growth in real personal



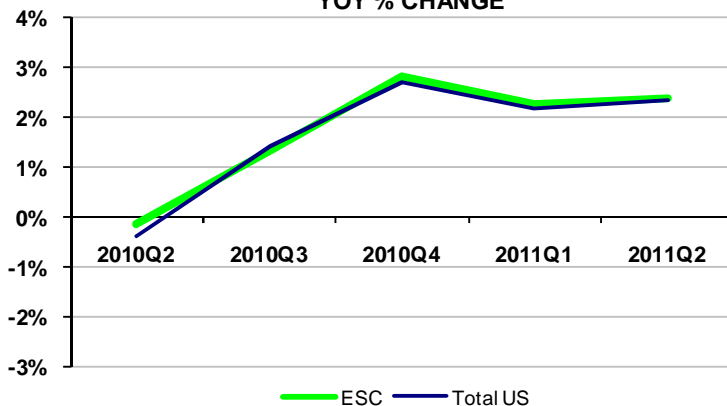
Source: IHS Global Insight

income for the nation as a whole. Real gross state product in the ESC region is expected to have increased 2.4 percent annually since the second quarter of 2011, slightly lower than GDP growth for the nation as a whole (2.7 percent).

Home prices have not fallen as much in the ESC region as they have in some of the other census regions, but the regional home prices have continued to contract. Since one year ago, the median price of a new single family home in the ESC region is expected to have decreased 7.7 percent in the second quarter of 2011.

While the ESC region is on the heels of economic recovery, the rising price of gasoline is expected to restrain the demand for holiday travel. In 2011, the price of gasoline in the ESC region increased by 41 percent. The effect of this price increase will be to restrict the number of total person-trips and to reduce total spending on leisure and hospitality.

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



Source: IHS Global Insight

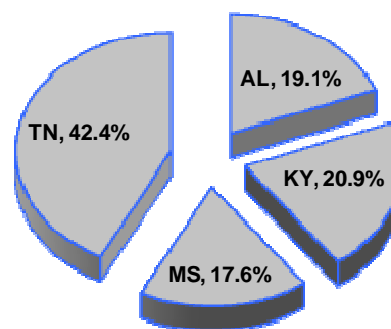
In addition to the originating travel forecast of person-trips from the East South Central region, the following information provides a look into the state of the local tourism industry in the region. In general, because the majority of travel occurs by automobile and remains within regional borders,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

The ESC region's tourism industry growth has been lagging behind the national recovery over the past year and the ESC has lost more ground as the price of gasoline has continued to rise. 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 third quarter of 2010 as seen in Chart 2B.

In the second quarter of 2011, total output from the leisure and hospitality industry in the ESC region is projected to rise 2.4 percent annually.

The share of tourism industry output in the ESC region is comparatively even. Tennessee is the largest contributing state, making up 42.4 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,**  
**2011Q2**



Source: IHS Global Insight

## Travel by Region: Middle Atlantic

Memorial Day holiday travel originating from the Middle Atlantic region is forecasted to remain unchanged relative to the holiday period in 2010. The recovery in the Middle Atlantic region is in progress, led by New York and followed by Pennsylvania and New Jersey. Economic growth in the region since last year is expected to promote increased travel demand over the upcoming holiday, but high gas prices will offset the resulting increase in travel demand. The forecast for travel by automobile from the Middle Atlantic region is expected to decrease by 0.5 percent, with air travel forecasted to increase by 11.2 percent. About 10 percent of the regional population is expected to journey at least 50 miles from home this holiday, a slightly lower frequency than is expected nationwide (11.1 percent).

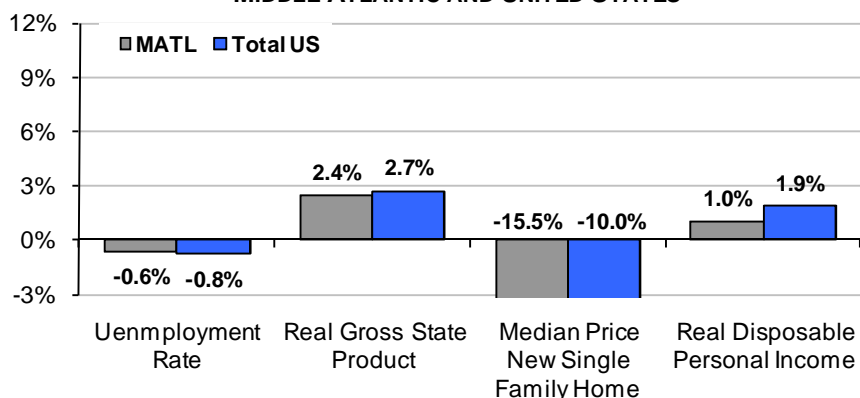
**TABLE 3A**  
**2011 MEMORIAL DAY TRAVEL FORECAST – MIDDLE ATLANTIC REGION AND UNITED STATES**

	Middle Atlantic			United States		
	YOY % Change	Level	% of Population	YOY % Change	Level	% of Population
<b>Memorial Day Travel</b>						
Total (millions of person trips)	0.0%	4.12	10.0%	0.2%	34.89	11.1%
Automobile (millions of person trips)	-0.5%	3.70	9.0%	-0.3%	30.88	9.9%
Air (millions of person trips)	11.2%	0.33	0.8%	11.5%	2.93	0.9%
<b>Economy (2011Q2)</b>						
	YOY % Change	Level		YOY % Change	Level	
Unemployment Rate (YOY Change)	-0.6%	8.3%		-0.8%	8.9%	
Real Gross Product (\$, bn)*	2.4%	1,990		2.7%	13,552	
Median Price, New Single Family Home (\$, thn)	-15.5%	293		-10.0%	211	

The Middle Atlantic economy was hit hard in 2008 and 2009, but a recovery is slowly underway. By the end of 2010, the region had returned to positive year-over-year job growth, after starting the year with 1.8 percent contraction in the first quarter. Progress has been seen in the manufacturing sector of Pennsylvania and the financial sectors in New York and New Jersey. These sectors, in particular, are important to the regional economic recovery, and many economic indicators point to marked improvement for the region.

Helping to promote consumer spending and travel are income gains, and real disposable income in the Middle Atlantic is expected to have risen one percent since a year ago. The unemployment rate in the region has fallen 0.6 percentage points from last year, and sits below the national unemployment rate of 8.9 percent. Real gross state product for the region is anticipated to slightly trail the growth in national output over the past year, with the Middle Atlantic region and the U.S. expected to realize 2.4 percent

**CHART 3A**  
**YOY GROWTH, 2010Q2 TO 2011Q2**  
**MIDDLE ATLANTIC AND UNITED STATES**



Source: IHS Global Insight

and 2.7 percent annual growth in output since the second quarter of 2010, respectively.

The Middle Atlantic regional housing market remains a noticeable weakness on the heels of a recovery. New housing construction is stuck near historical lows in almost every state, and the declining trend in prices is expected to have worsened in the Middle Atlantic region. Relative to the second quarter of 2010, the median price of new single family homes in the Middle Atlantic is forecasted to have decreased by 15.5 percent.

Although the economic picture in the Middle Atlantic region is forecasted to have improved, the effect of rising gasoline prices will counteract the resulting increase in regional holiday travel demand. The price of gasoline in the Middle Atlantic region increased by 38 percent in 2011. The effect of this price increase will be to restrict the number of total person-trips and to reduce total spending on leisure and hospitality.

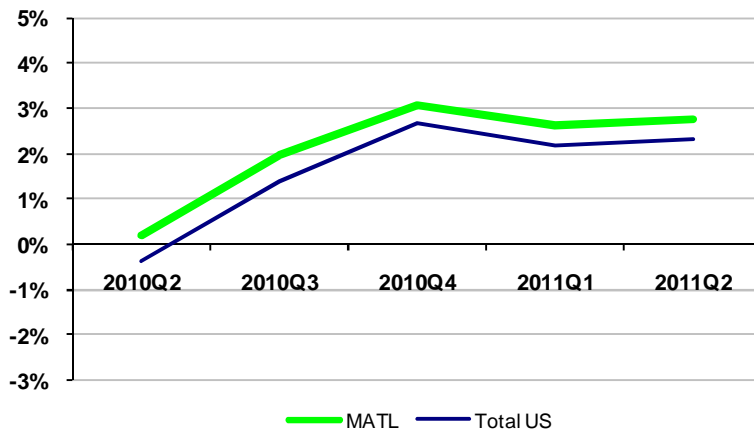
In addition to the originating travel forecast of person-trips from the Middle Atlantic region, the following information provides a look into the state of the local tourism industry in the region.

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 first quarter of 2010. Chart 3B shows that the Middle Atlantic region's tourism output has been increasing since the last quarter of 2009 and has been recovering faster than the nation over the last year.

The Middle Atlantic region's output increased 0.9 percent in the fourth quarter of 2009, one of three regions to begin recovering at the end of 2009. In the second quarter of 2011, the leisure and

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

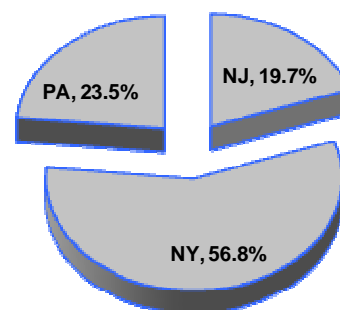


Source: IHS Global Insight

hospitality industry in the Middle Atlantic is anticipated to generate 2.8 percent higher output than in the second quarter of 2011. The relative nationwide figure for comparison is 2.3 percent annual growth in tourism output.

New York State contributes 56.8 percent of the Middle Atlantic region's tourism output, which is no surprise based on the fact that New York City is one of the top tourist destinations in the country. New York State is also growing faster than Pennsylvania and New Jersey in terms of tourism output, expected to increase 3.4 percent annually since one year ago. However, Pennsylvania and New Jersey do contribute large amounts to the Middle Atlantic regional tourism output, accounting for 23.5 and 19.7 percent, respectively.

**CHART 3C  
REAL GROSS PRODUCT -- LEISURE & HOSPITALITY  
MIDDLE ATLANTIC REGION MAKEUP BY STATE, 2011Q2**



Source: IHS Global Insight

## Travel by Region: Mountain

The holiday forecast for the Mountain region calls for a 0.2 percent increase in travel this Memorial Day versus 2010. The Mountain region's economic recovery is coming to life slowly and is making progress, which should support an increase in travel. The regional cost of gasoline is more than 27 percent higher than it was this time last year, which will counteract the increase in holiday travel demand. Automobile travel is anticipated to fall by only 0.5 percent, relative to Memorial Day 2010, while air travel is forecasted to increase 11.3 percent. The growth in total person trips in this region will mirror the nation as a whole (0.2 percent) while the percentage of travelers from the Mountain region expected to travel (12.0 percent) is higher than the projected national frequency (11.1 percent).

**TABLE 4A**  
**2011 MEMORIAL DAY TRAVEL FORECAST – MOUNTAIN REGION AND UNITED STATES**

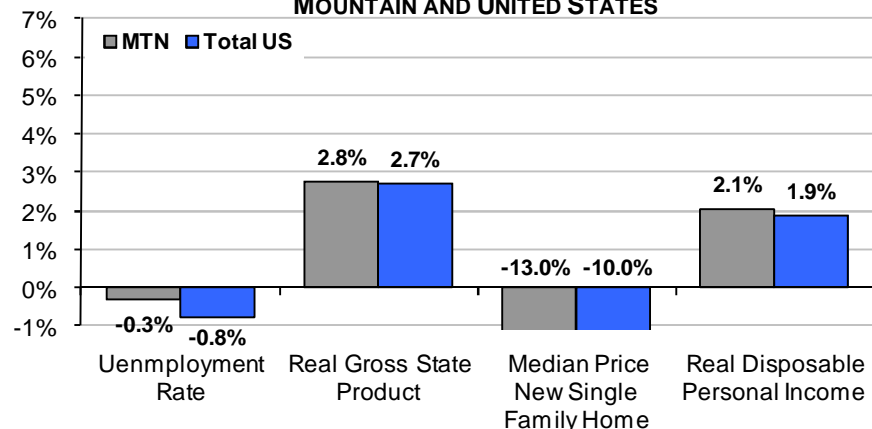
	Mountain			United States		
	YOY % Change	Level	% of Population	YOY % Change	Level	% of Population
<b>Memorial Day Travel</b>						
Total (millions of person trips)	0.2%	2.69	12.0%	0.2%	34.89	11.1%
Automobile (millions of person trips)	-0.5%	2.36	10.5%	-0.3%	30.88	9.9%
Air (millions of person trips)	11.3%	0.26	1.2%	11.5%	2.93	0.9%
<b>Economy (2011Q2)</b>	YOY % Change	Level		YOY % Change	Level	
Unemployment Rate (YOY Change)	-0.3%	9.4%		-0.8%	8.9%	
Real Gross Product (\$, bn)*	2.8%	910		2.7%	13,552	
Median Price, New Single Family Home (\$, thn)	-13.0%	171		-10.0%	211	

The Mountain region is realizing economic growth, albeit slowly. The region posted an employment decline of 1.5 percent in 2010, a fairly dramatic improvement over its 5.9 percent decline in 2009. Among the Mountain states, Arizona and Utah were the best-performing in 2010, with job levels declining by 1.5 percent in Arizona and by less than one percent in Utah.

Unemployment in the Mountain region is higher than the national figure (8.9 percent), but it has witnessed a decrease of 0.3 percent over the past year. This improved employment picture is expected to produce growth in real disposable personal income of 2.8 percent compared to one year ago, outpacing the growth in gross domestic product for the nation as a whole (2.7 percent).

The effect of a 27 percent increase in gasoline prices relative to last year will counteract the increase in regional holiday travel demand spurred by increases in real personal income and state output. The effect of this

**CHART 4A**  
**YOY GROWTH, 2010Q2 TO 2011Q2**  
**MOUNTAIN AND UNITED STATES**

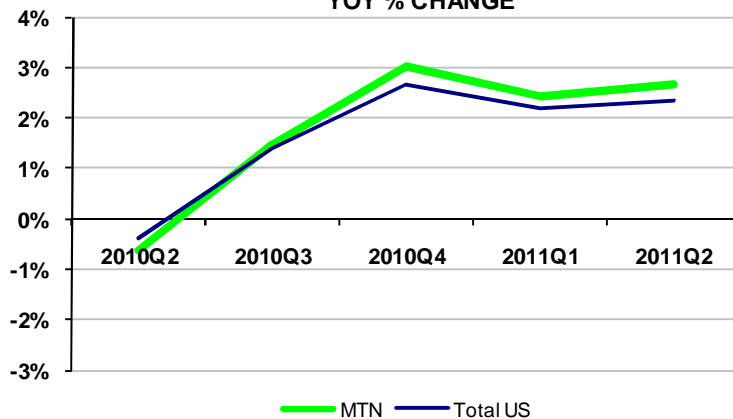


Source: IHS Global Insight

increase in regional fuel price will be to restrict the number of total person-trips and to reduce total spending on leisure and hospitality.

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.

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



Source: IHS Global Insight

The tourism industry in the Mountain region, as measured by leisure and hospitality industry real gross product (the value of goods and services produced by the leisure and hospitality industry), has been growing since the third quarter of 2010. Moreover, the Mountain region's tourism industry has been outperforming the nation's tourism recovery for over that same time span.

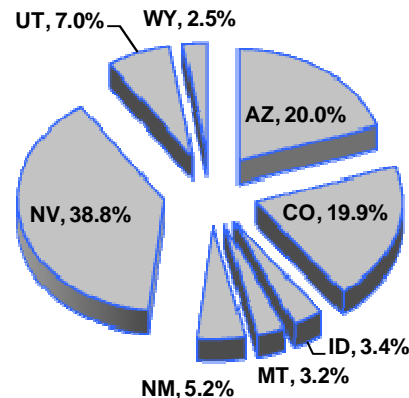
In the second quarter of 2011, the Mountain region's total output from the leisure and hospitality industry is anticipated to rise by 2.7 percent relative to one year ago (the national tourism output growth rate for comparison is 2.3 percent).

Utah is the Mountain state expected to see the largest increase in tourism output growth (4.0 percent) since the second quarter of 2010. New

Mexico is at the other end of the spectrum with a 0.2 percent decline in tourism output since last year; New Mexico is one of the few states where tourism output is expected to have decreased over the past year.

The Mountain region is comprised of states such as Nevada, Colorado and Arizona, which contribute large amounts of tourism output to the regional total. Nevada, which includes the major tourist city of Las Vegas, contributes 38.8 percent of the Mountain region's tourism output. The remainder of the states account for much smaller shares of the Mountain region's tourism output.

**CHART 4C**  
REAL GROSS PRODUCT -- LEISURE & HOSPITALITY  
MOUNTAIN REGION MAKEUP BY STATE, 2011Q2



Source: IHS Global Insight



## Travel by Region: New England

Travel originating from the New England region is expected to remain the same over the Memorial Day holiday relative to 2010. Automobile travel from the New England region is projected to fall by 0.9 percent compared to the holiday last year, while the forecast for air travel is expected to increase by 10.9 percent. The forecast indicates that 10.6 percent of the New England population will travel this upcoming Memorial Day holiday period, which is lower than the national frequency (11.1 percent). However, a slightly higher percentage of the regional population will travel by air than the broader nation (1.0 percent compared to 0.9 percent).

**TABLE 5A**  
**2011 MEMORIAL DAY TRAVEL FORECAST – NEW ENGLAND REGION AND UNITED STATES**

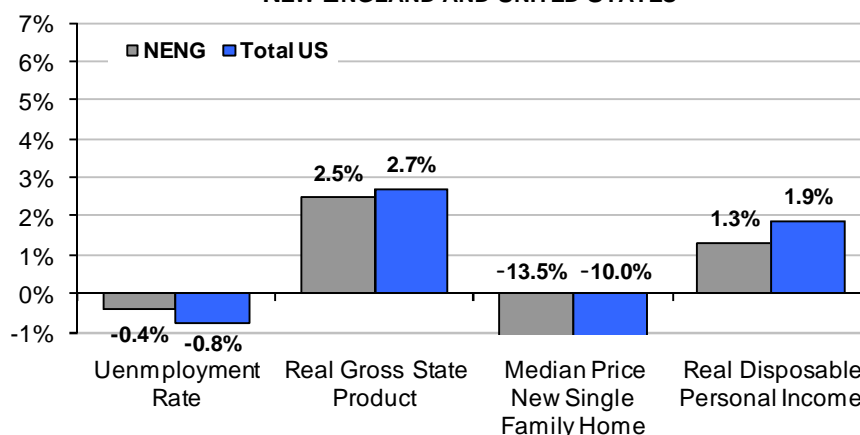
	New England			United States		
	YOY % Change	Level	% of Population	YOY % Change	Level	% of Population
<b>Memorial Day Travel</b>						
Total (millions of person trips)	0.0%	1.54	10.6%	0.2%	34.89	11.1%
Automobile (millions of person trips)	-0.9%	1.38	9.5%	-0.3%	30.88	9.9%
Air (millions of person trips)	10.9%	0.15	1.0%	11.5%	2.93	0.9%
<b>Economy (2011Q2)</b>						
	YOY % Change	Level		YOY % Change	Level	
Unemployment Rate (YOY Change)	-0.4%	8.1%		-0.8%	8.9%	
Real Gross Product (\$, bn)*	2.5%	728		2.7%	13,552	
Median Price, New Single Family Home (\$, thn)	-13.5%	313		-10.0%	211	

The New England region is benefitting from slow but measured progress. The unemployment rate is holding steady at 8.1 percent which is significantly lower than the national unemployment rate (8.9 percent). Gross state product is expanding slowly on a quarter-over-quarter basis throughout 2011 and on an annual basis (2.5 percent) in the second quarter of 2011. Real disposable personal income is forecasted to increase by 1.3 percent in the second quarter of 2011 compared to last year which is slightly lower than the increase expected nationwide but is still marked progress.

Demand in the New England residential real estate market has been the lone sore spot in an otherwise promising recovery. The median price of new single family homes is projected to decrease on an annual basis in the second quarter of 2011 by 13.5 percent.

Although the economic picture in the New England region is forecast to have improved in 2011, travel originating from the New England region is expected to remain the same over the Memorial Day holiday. In New England, the price of gasoline increased by 37.1 percent in 2011.

**CHART 5A**  
**YOY GROWTH, 2010Q2 TO 2011Q2**  
**NEW ENGLAND AND UNITED STATES**

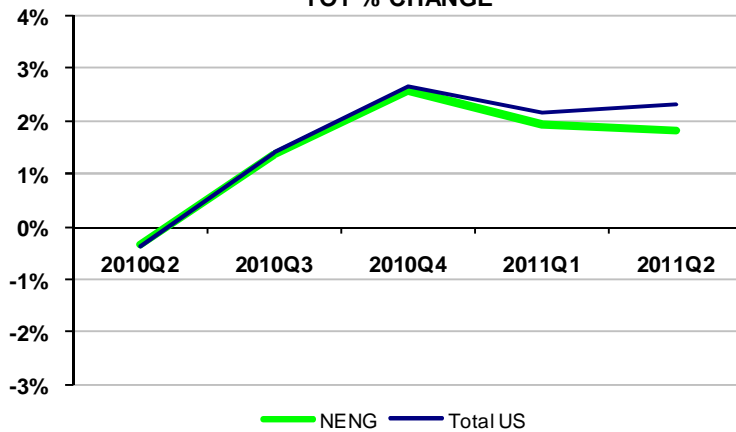


Source: IHS Global Insight

The effect of this price increase will be to restrict the number of total person-trips and to reduce total spending on leisure and hospitality over the Memorial Day holiday period.

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.

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



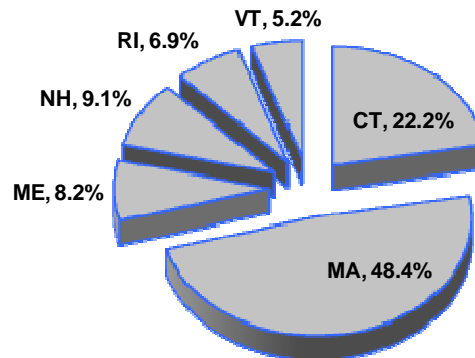
Source: IHS Global Insight

New England's tourism industry has seen growth recovery over the past year that is on par with the national tourism industry. Leisure and hospitality industry output (the value of goods and services produced by the leisure and hospitality industry) in New England is expected to rise by 1.8 percent in the second quarter of 2011 on an annual basis. In comparison, the nation as a whole is expected to register growth of 2.3 percent.

Massachusetts is the largest contributor of tourism output to the New England economy, comprising 48.4 percent of tourism output in New England. Rhode Island and Maine, although smaller than Massachusetts in terms of tourism output, are expected to also see the largest growth in tourism output since the second quarter of 2010 with 2.9 percent and 2.6 percent growth, respectively.

Connecticut is second to Massachusetts in terms of tourism output in New England, but the state is forecasted to grow just 1.3 percent annually in the fourth quarter of 2010. This represents the smallest year-over-year growth of the New England states.

**CHART 5C**  
REAL GROSS PRODUCT -- LEISURE & HOSPITALITY  
NEW ENGLAND REGION MAKEUP BY STATE, 2011Q2



Source: IHS Global Insight

## Travel by Region: Pacific

The Pacific region is projected to see Memorial Day travel rise by 0.2 percent since the holiday last year. The region's downturn was particularly deep, but the economy is now recovering and realizing positive growth in many economic indicators. A more than 32 percent annual increase in the regional price of gasoline, however, is expected to curb the demand for regional holiday travel. The forecast calls for air travel to increase 11.4 percent and automobile travel to decrease 0.4 percent compared to last year. The forecast projects 11.1 percent of Pacific region residents to travel this holiday, which is equal to the percentage of the national population expected to travel. The Pacific region typically sees a higher than average share of its population expected to travel by air, and this is the case for Memorial Day (1.2 percent compared to the national figure of 0.9 percent).

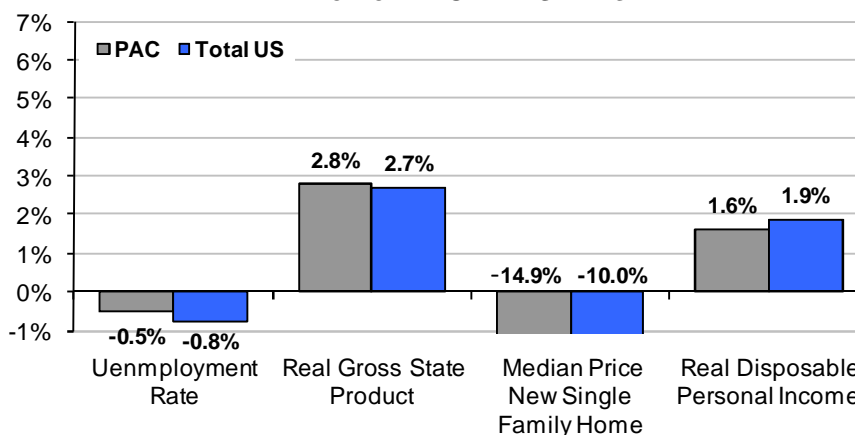
**TABLE 6A**  
**2011 MEMORIAL DAY TRAVEL FORECAST – PACIFIC REGION AND UNITED STATES**

	Pacific			United States		
	YOY % Change	Level	% of Population	YOY % Change	Level	% of Population
<b>Memorial Day Travel</b>						
Total (millions of person trips)	0.2%	5.60	11.1%	0.2%	34.89	11.1%
Automobile (millions of person trips)	-0.4%	4.74	9.4%	-0.3%	30.88	9.9%
Air (millions of person trips)	11.4%	0.62	1.2%	11.5%	2.93	0.9%
<b>Economy (2011Q2)</b>						
	YOY % Change	Level		YOY % Change	Level	
Unemployment Rate (YOY Change)	-0.5%	11.2%		-0.8%	8.9%	
Real Gross Product (\$, bn)*	2.8%	2,431		2.7%	13,552	
Median Price, New Single Family Home (\$, thn)	-14.9%	283		-10.0%	211	

The Pacific region's recovery got off to a good start in 2011, with positive job growth in the first quarter of this year (0.3 percent). While the unemployment rate in the Pacific region is still the highest of any census region at 11.2 percent, the unemployment rate is anticipated to have fallen by 0.5 percent since the second quarter of 2010.

Many economic indicators in the Pacific region are realizing positive growth. Real gross state product for the Pacific region has increased over the past year as the regional economy recuperates. Growth in regional output is expected to rise 2.8 percent in the second quarter of 2011 as compared to the previous year. This growth is expected to be somewhat higher than the national forecasted gross domestic product growth of 2.7 percent. Regional real disposable personal income is also expected to have grown relative to last year. Real disposable personal income in the Pacific region is projected to be 1.6

**CHART 6A**  
**YOY GROWTH, 2010Q2 TO 2011Q2**  
**PACIFIC AND UNITED STATES**



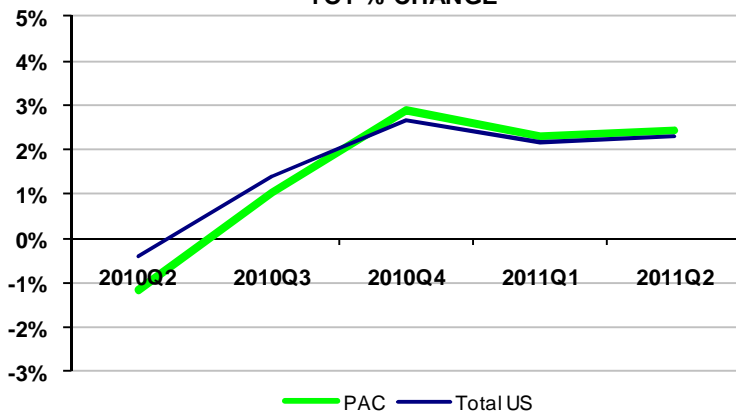
Source: IHS Global Insight

percent higher than the second quarter of 2010, just slightly trailing the national growth figure of 1.9 percent.

After suffering through one of the most significant housing market declines of all of the census regions, sliding house prices continue to undermine the Pacific region's recovery. In the second quarter of 2011, the median price of new single family homes is expected to have decreased by an annual rate of 14.9 percent.

Although the economic picture in the Pacific region is expected to have improved in the second quarter of 2011, the effect of rising gasoline prices will counteract the resulting increase in regional holiday travel spurred by increases in real disposable personal income and real gross state output. The price of gasoline in the Pacific region increased by more than 32 percent in 2011. The impact of this increase in the regional fuel price will be to restrict the number of total person-trips and to reduce total holiday spending on leisure and hospitality.

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

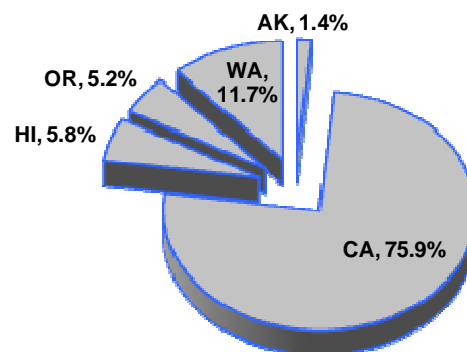


Source: IHS Global Insight

Pacific region's leisure and hospitality output is projected to rise 2.4 percent since the second quarter of 2010, and the comparable national figure is 2.3 percent. Washington lags the rest of the Pacific states in growth recovery, expected to grow 1.6 percent since last year. The remaining four states are all expected to grow more than two percent during this period.

The composition of tourism industry output by state in the Pacific region is dominated by California, which accounts for 75.9 percent of tourism output in the region. Washington is the second largest state, contributing 11.7 percent of tourism output to the Pacific region.

**CHART 6C**  
**REAL GROSS PRODUCT -- LEISURE & HOSPITALITY**  
**PACIFIC REGION MAKEUP BY STATE, 2011Q2**



Source: IHS Global Insight

## Travel by Region: South Atlantic

Memorial Day travel growth from the South Atlantic (SATL) region is estimated at 0.1 percent this holiday period as compared to the holiday in 2010. The South Atlantic regional economy is rebounding slowly, and travel demand is expected to be stimulated by economic improvement, but the rising price of fuel will hold regional travel steady when compared to last year. Air travel is projected to rise by 11.3 percent, while automobile travel is expected to fall by 0.5 percent. The forecast calls for 10.8 percent of the regional population to travel this Memorial Day holiday period.

**TABLE 7A**  
**2011 MEMORIAL DAY TRAVEL FORECAST – SOUTH ATLANTIC REGION AND UNITED STATES**

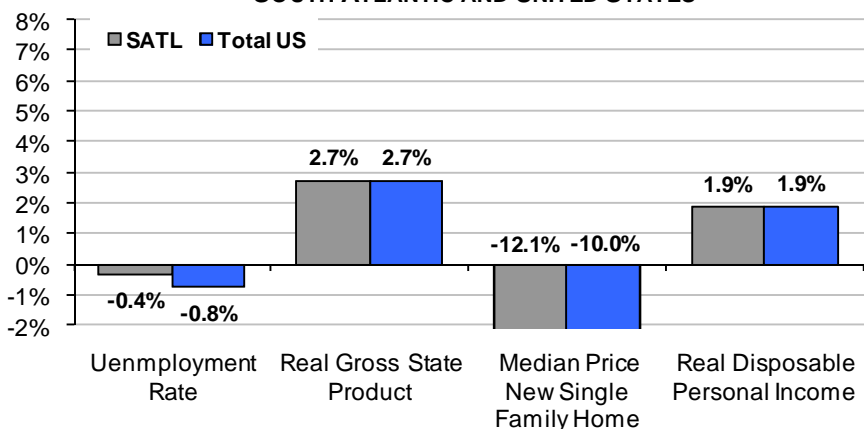
	South Atlantic			United States		
	YOY % Change	Level	% of Population	YOY % Change	Level	% of Population
<b>Memorial Day Travel</b>						
Total (millions of person trips)	0.1%	6.54	10.8%	0.2%	34.89	11.1%
Automobile (millions of person trips)	-0.5%	5.86	9.7%	-0.3%	30.88	9.9%
Air (millions of person trips)	11.3%	0.55	0.9%	11.5%	2.93	0.9%
<b>Economy (2011Q2)</b>	YOY % Change	Level		YOY % Change	Level	
Unemployment Rate (YOY Change)	-0.4%	9.5%		-0.8%	8.9%	
Real Gross Product (\$, bn)*	2.7%	2,459		2.7%	13,552	
Median Price, New Single Family Home (\$, thn)	-12.1%	201		-10.0%	211	

It has been a tough few years for the South Atlantic region, but economic change is moving in a positive direction. In the second quarter of 2011, the unemployment rate is expected to have fallen by 0.4 percent after remaining relatively stable over the past year at about 10 percent. Output in the SATL region is also increasing and is anticipated to grow 2.7 percent in the second quarter of 2011. This level of growth is in line with national GDP.

The badly damaged housing market in the SATL region has been the lone sore spot in an otherwise promising recovery. The median price of new single family homes is projected to decrease on an annual basis in the second quarter of 2011 by 12.1 percent. The year-over-year reduction in the median house price exceeds the national average by more than two percent.

Real disposable personal income tends to play a more direct role in travelers' decisions, and it is expected to grow by 1.9 percent in the second quarter of 2011 relative to one year ago. This is on par with national real disposable personal income growth.

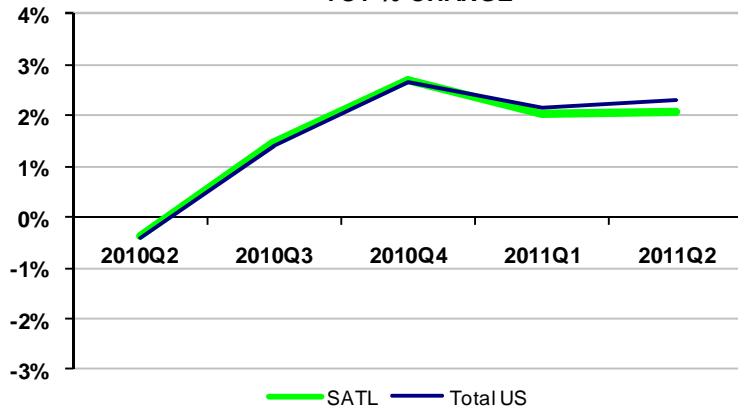
**CHART 7A**  
**YOY GROWTH, 2010Q2 TO 2011Q2**  
**SOUTH ATLANTIC AND UNITED STATES**



Source: IHS Global Insight

While the South Atlantic region is on the heels of economic recovery, the rising cost of gasoline is forecasted to reduce the demand for holiday travel. In 2011, the price of gasoline in the SATL region increased by 37 percent. The effect of this annual increase in the price of gasoline will be to restrict the number of total person-trips and to reduce total spending on leisure and hospitality during the Memorial Day holiday travel period.

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



Source: IHS Global Insight

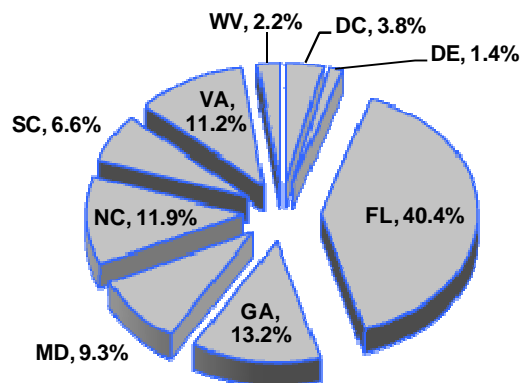
nationwide).

Florida contributes over 40 percent of tourism output to the South Atlantic tourism industry with its draw of high profile beaches and amusement parks in the state. Georgia contributes the second-largest share of tourism output with Atlanta being one of the top cities for tourism in the U.S. Other states such as Maryland and Virginia contribute just about 10 percent each to the region's tourism industry, but Maryland is seeing the largest tourism output growth in the SATL region since one year ago (2.7 percent).

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

The tourism industry in the SATL region, as measured by leisure and hospitality industry output (the value of goods and services produced by the leisure and hospitality industry), has been growing since the third quarter of 2010 but has been lagging the national tourism recovery. In the second quarter of 2011, total output from the leisure and hospitality industry in the SATL region is expected to grow by 2.1 percent from the year prior (compared to 2.3

**CHART 7C**  
REAL GROSS PRODUCT -- LEISURE & HOSPITALITY  
SOUTH ATLANTIC REGION MAKEUP BY STATE, 2011Q2



Source: IHS Global Insight

## Travel by Region: West North Central

The West North Central (WNC) region is projected to see a 0.2 percent increase in Memorial Day travel this year compared to 2010. The regional economy is recovering gradually mirroring the national trend but historically-high fuel prices are tightening travel budgets in the WNC region. Air travel and automobile travel in the region are expected to grow 12.3 and 0.4 percent, respectively, since Memorial Day last year. A much higher-than-average share of the West North Central population is expected to travel this holiday (14.4 percent), which is typical of the WNC region based on its widespread geographic region.

**TABLE 8A**  
**2011 MEMORIAL DAY FORECAST – WEST NORTH CENTRAL REGION AND UNITED STATES**

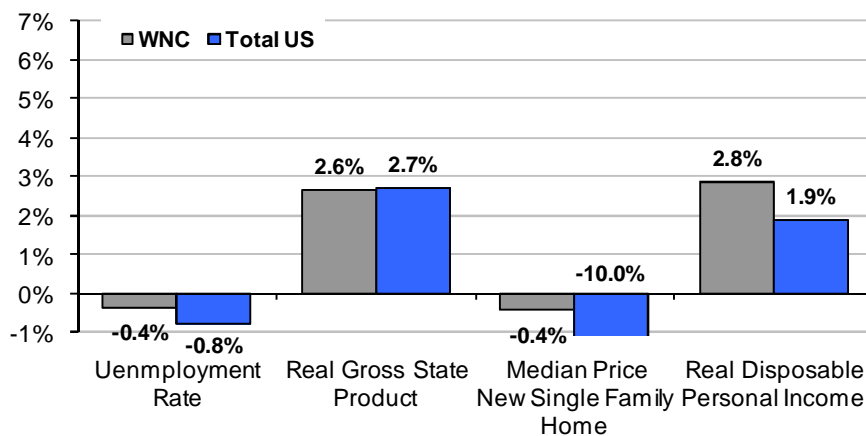
	West North Central			United States		
	YOY % Change	Level	% of Population	YOY % Change	Level	% of Population
<b>Memorial Day Travel</b>						
Total (millions of person trips)	0.2%	2.98	14.4%	0.2%	34.89	11.1%
Automobile (millions of person trips)	0.4%	2.66	12.9%	-0.3%	30.88	9.9%
Air (millions of person trips)	12.3%	0.15	0.7%	11.5%	2.93	0.9%
<b>Economy (2011Q2)</b>						
	YOY % Change	Level		YOY % Change	Level	
Unemployment Rate (YOY Change)	-0.4%	6.9%		-0.8%	8.9%	
Real Gross Product (\$, bn)*	2.6%	869		2.7%	13,552	
Median Price, New Single Family Home (\$, thn)	-0.4%	189		-10.0%	211	

With an unemployment rate of roughly 6.9 percent, the WNC region boasts the lowest unemployment rate of any region. The economy is waiting for the labor market to catch up, but keeping in perspective that job losses were mounting one year ago, the U.S. is in a better position this year.

In general, the regional economy is moving in step with the nation. Real gross state product in the WNC region is expected to have increased 2.6 percent annually in the second quarter of 2011, which is comparable to the projected growth of 2.7 percent in real gross domestic product. Real disposable personal income is also anticipated to rise; growth of 2.8 percent on an annual basis is expected in this category in the last quarter of this year, which is higher than the increase expected nationally (1.9 percent).

The housing market in the WNC remains extremely depressed like that of the rest of the nation. The median price of new

**CHART 8A**  
**YOY GROWTH, 2010Q2 TO 2011Q2**  
**WEST NORTH CENTRAL AND UNITED STATES**

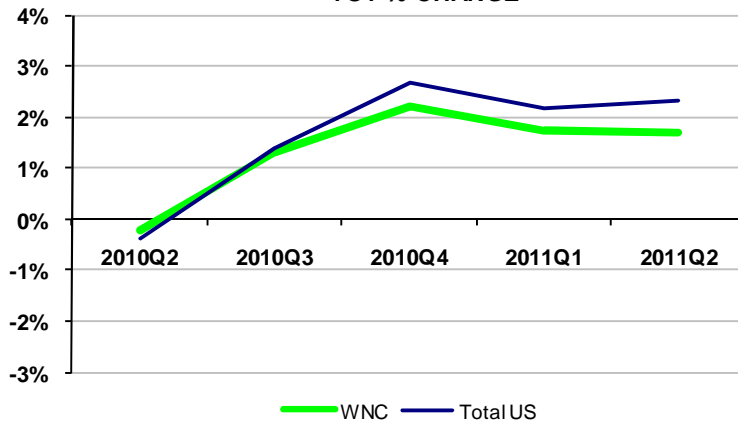


Source: IHS Global Insight

single family homes is forecasted to decrease 0.4 percent on a year-over-year basis in the second quarter of 2011. This rate of price depreciation is far less than in the broader U.S (10 percent).

Although the economic picture in the WNC region is expected to have improved in the second quarter of 2011, the effect of rising gasoline prices (44.9 percent annual growth) will counteract the resulting increase in regional holiday travel spurred by the improved regional economy. The increase in the regional fuel price is expected to reduce the number of total person-trips and lower total holiday spending on leisure and hospitality.

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



Source: IHS Global Insight

leisure and hospitality industry in the WNC region is expected to see annual growth of 1.7 percent, which is lower than growth predicted nationally over this period (2.3 percent).

North Dakota is expected to see the largest annual growth (2.7 percent) in tourism output since the second quarter of 2010 as compared to the rest of the WNC states.

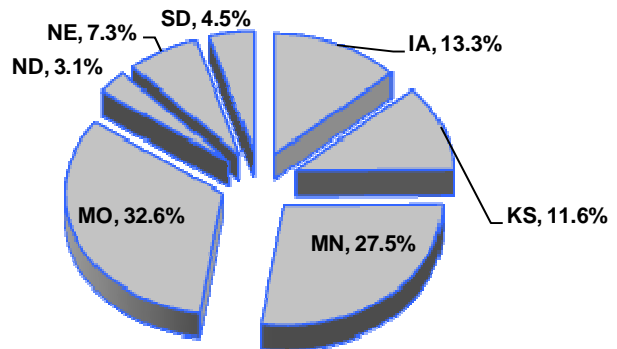
Missouri and Minnesota are the largest contributors to tourism output in the West North Central region, followed by Iowa, Kansas, Nebraska, South Dakota and North Dakota.

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 recovering since the first quarter of 2010, as measured by leisure and hospitality industry output (the value of goods and services produced by the leisure and hospitality industry). Regional output growth has been underperforming the national recovery since the third quarter of 2010.

In the second quarter of 2011, total output from the

**CHART 8C**  
REAL GROSS PRODUCT -- LEISURE & HOSPITALITY  
WEST NORTH CENTRAL REGION MAKEUP BY STATE,  
2011Q2



Source: IHS Global Insight



## Travel by Region: West South Central

The Memorial Day holiday travel forecast calls for an increase of 0.7 percent in West South Central (WSC) region holiday travel relative to last year. Travel is expected to remain relatively steady with record-high gas prices for this time of year holding back demand on the heels of regional economic recovery. Air and automobile travel are expected to rise by 12.1 percent and 0.7 percent, respectively, since Memorial Day 2010. About 10.4 percent of the WSC population is predicted to travel this Memorial Day period, which is slightly less than the estimated national frequency of 11.1 percent.

**TABLE 9A**  
**2011 MEMORIAL 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
<b>Memorial Day Travel</b>						
Total (millions of person trips)	0.7%	3.87	10.4%	0.2%	34.89	11.1%
Automobile (millions of person trips)	0.2%	3.40	9.2%	-0.3%	30.88	9.9%
Air (millions of person trips)	12.1%	0.34	0.9%	11.5%	2.93	0.9%
<b>Economy (2011Q2)</b>	YOY % Change	Level		YOY % Change	Level	
Unemployment Rate (YOY Change)	0.0%	7.9%		-0.8%	8.9%	
Real Gross Product (\$, bn)*	3.5%	1,620		2.7%	13,552	
Median Price, New Single Family Home (\$, thn)	-8.5%	152		-10.0%	211	

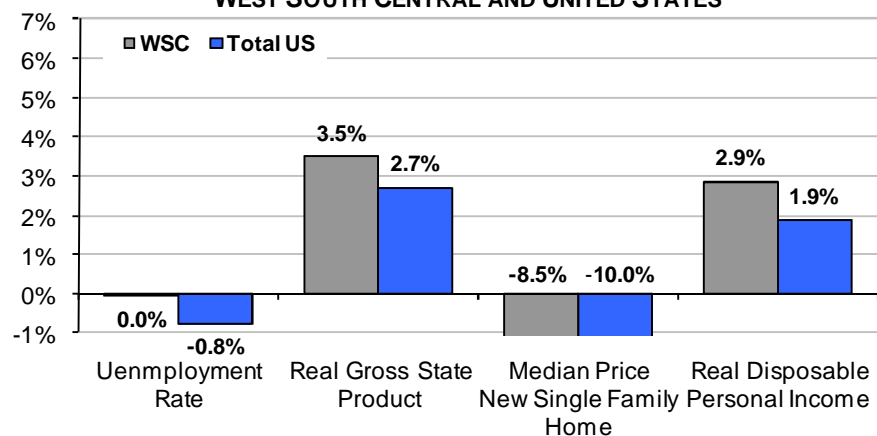
The unemployment rate in the region has remained around 7.9 percent for the past year. The WSC maintains the second-lowest unemployment rate of all nine census regions. In the second quarter of 2011, employment in the WSC region is anticipated to increase at an annual rate of 1.5%. All four WSC states ended the year 2010 with job gains, with Texas adding the most jobs and Arkansas the fewest jobs,

Real gross state product growth over the past four quarters in the WSC region is expected to exceed national output growth (3.5 percent versus 2.7 percent). However, it is the expected 2.9 percent annual increase in real disposable personal that will directly propel travel growth this Memorial Day.

The housing market has been up and down, but expectations for the median price of new single-family homes in the second quarter of the year are negative in following with the rest of the nation. The region's median price of new single-family homes is projected to decrease by 8.5 percent in the second quarter of 2011 relative to the previous year.

While the WSC region is on the heels of economic recovery, the rising price of gasoline is expected to restrain the demand for holiday travel. In 2011,

**CHART 9A**  
**YOY GROWTH, 2010Q2 TO 2011Q2**  
**WEST SOUTH CENTRAL AND UNITED STATES**

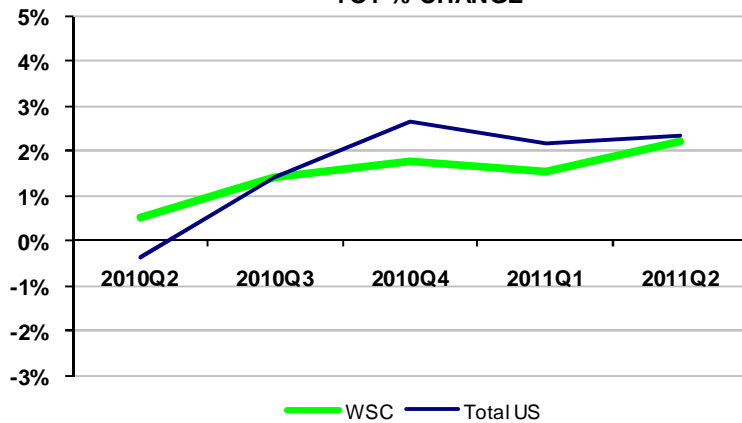


Source: IHS Global Insight

the price of gasoline in the WSC region increased by 37.2 percent. The effect of this price increase is expected to restrict the number of total person-trips and to reduce total spending on leisure and hospitality.

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

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

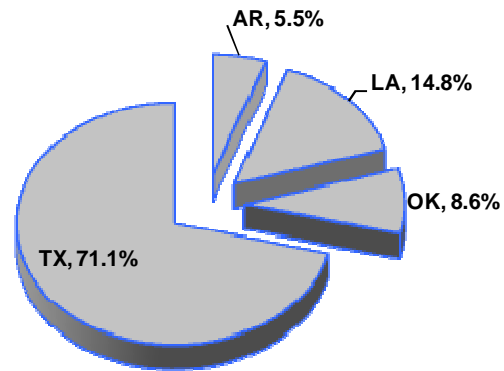


Source: IHS Global Insight

The WSC recovery in real gross state product from the leisure and hospitality industry (the value of goods and services produced by the leisure and hospitality industry) commenced in the third quarter of 2010. In the second quarter of 2011, the WSC region is expected to witness annual tourism output growth of 2.2 percent (national figure for comparison is 2.3 percent).

Texas accounts for nearly three quarters of tourism output in the West South Central region. Arkansas accounts for the smallest share with just 5.5 percent of tourism industry output in the WSC region.

**CHART 9C  
REAL GROSS PRODUCT -- LEISURE & HOSPITALITY  
WEST SOUTH CENTRAL REGION MAKEUP BY STATE,  
2011Q2**



Source: IHS Global Insight

## Memorial Day 2011 Holiday Traveler Profile Survey Methodology

The *Holiday Traveler Profile* study, conducted by D.K. Shifflet and Associates, surveys holiday travelers regarding their planned holiday travel including planned party composition, travel distances, trip expenditures and activity participation. For the Memorial Day 2011 holiday, the survey was in the field from April 19-23, 2011, 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.<sup>1</sup> 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
<b>Total US</b>	<b>21%</b>	<b>33%</b>	<b>19%</b>	<b>27%</b>
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 one 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.<sup>2</sup>

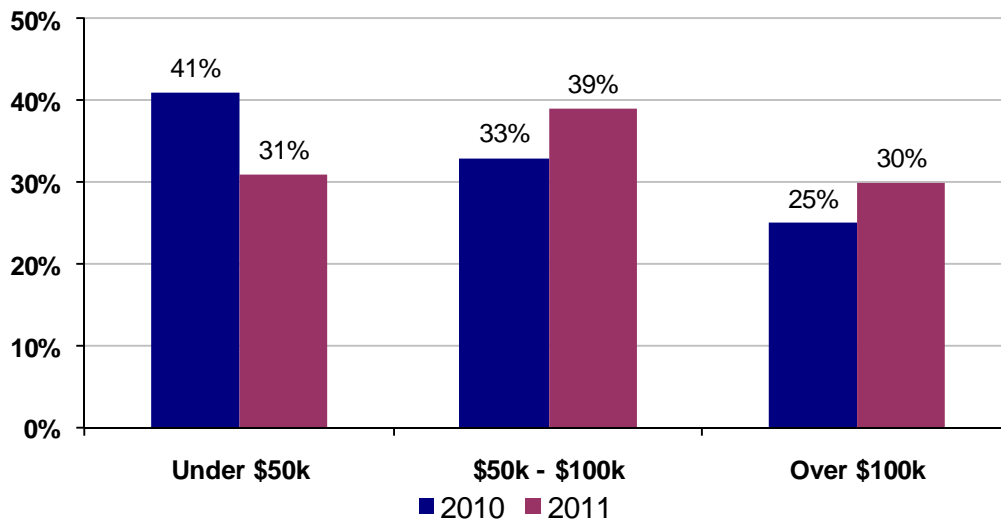
<sup>1</sup> Specifically, the margin of error for each binary response question is, at most, about 6 percentage points, with 99% confidence.

<sup>2</sup> This +/-14% margin of error reflects a 99% confidence interval based on a t-distribution.

## Change in the Average Memorial Day Traveler

The improving economic picture, as compared to last year's holiday period, was mentioned earlier in the report, highlighting the rise in overall economic growth, a falling unemployment rate, and rising disposable income. Counteracting these improvements is the significant spike in gasoline prices. Fuel demand is fairly inelastic, so rising costs cut into spending on other purchases or even personal savings. This effect is obviously more significant on those with lower household income, as fuel costs will make up a larger share of their overall spending. The impact of this is highlighted in the chart below, which shows the change in income distribution of those intending to travel this holiday compared to last year. Results from the survey of intended travelers reveal that the share of expected travelers in the under \$50K household income bracket has fallen from 41 percent last year to 31 percent this year, with that share decline split fairly evenly in the other two income distribution categories.

**CHART 10**  
**HOUSEHOLD INCOME DISTRIBUTION OF INTENDING TRAVELERS**  
**MEMORIAL DAY 2010 AND 2011 HOLIDAYS**  
**TOTAL US**



## Travel Distances

Travelers intend to journey an average of 792 miles round-trip this upcoming Memorial Day, which is significantly higher than last year, when travelers planned to log an average of 626 miles. Initially this may seem counterintuitive considering the significant rise in gas prices, but a closer look at the distribution reveals that the longer trips, which are more likely to be air travel, are gaining travel share at the expense of the shorter trips. Last year, the shortest trips, those less than 150 miles, made up 14 percent of total travel compared to 19 percent for this year, reinforcing the expectation that shorter trips are especially popular this holiday period.

---

*"Shorter trip to hometown area."  
WSC Respondent*

---

The distribution among mileage categories is very balanced, with every category receiving between 15 and 20 percent share of intended travelers. However, the average number of miles does vary by region. The South Atlantic, Mountain and Pacific regions, which have the highest shares of population intending to travel by air, also have the highest average round-trip distances this holiday. Travelers in the Middle Atlantic region, on the other hand, plan to stay relatively close to home and average just 513 miles round-trip during the holiday.

**TABLE 11**  
**EXPECTED ROUND-TRIP DISTANCE TRAVELED**  
**MEMORIAL DAY 2011 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	19%	15%	20%	15%	15%	16%	792
New England	21%	29%	13%	15%	16%	7%	611
Middle Atlantic	25%	27%	22%	13%	5%	9%	513
South Atlantic	12%	14%	18%	14%	24%	18%	1037
East North Central	34%	13%	16%	15%	4%	17%	644
East South Central	14%	10%	13%	29%	16%	17%	884
West North Central	11%	16%	30%	18%	19%	7%	548
West South Central	17%	3%	30%	15%	18%	17%	768
Mountain	8%	12%	14%	13%	19%	34%	1345
Pacific	20%	13%	13%	12%	17%	25%	1040

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

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

## Total Spending

The median *Holiday Traveler Profile* respondent expects to spend \$692 this upcoming holiday period, significantly less than the \$809 expected median spending of intending travelers in 2010. The drop is likely due to a changing mix of planned activities towards less expensive activities for those intending to travel this year. The overall increase in respondents intending to travel this Memorial Day was small and only nine percent of respondents stated an intention to spend less this holiday than last year.

---

*“Can't afford additional expenses of parks, shows, etc., gas and food prices are too high!”*  
WNC Respondent

---

Total spending can be roughly grouped into the following categories – transportation spending and spending occurring at the travel destination including lodging, food and beverages, shopping, and entertainment. Transportation spending accounts for roughly 31 cents of the traveler dollar, which compares to just 25 cents from last year, with nearly all of that increase coming in higher expectations for fuel costs. Other categories make up the remaining 69 cents of the holiday dollar. Travelers plan to spend 25 percent of their budget on shopping and entertainment, down from 29 percent in 2010, a clear signal that rising fuel costs will be deducted from shopping and entertainment spending.

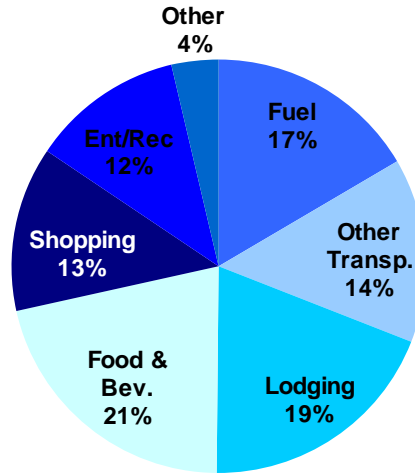
**TABLE 12**  
**MEDIAN EXPECTED TOTAL TRIP SPENDING AND AVERAGE EXPECTED SHARES OF BUDGET BY CATEGORY**  
**MEMORIAL DAY 2011 HOLIDAY**  
**TOTAL US AND BY REGION OF RESIDENCE**

	Total US	New England	Middle Atlantic	East North Central	West North Central	South Atlantic	East South Central	West South Central	Mountain	Pacific
<b>Median Total</b>	<b>\$692</b>	<b>\$541</b>	<b>\$698</b>	<b>\$456</b>	<b>\$467</b>	<b>\$813</b>	<b>\$697</b>	<b>\$804</b>	<b>\$870</b>	<b>\$979</b>
Fuel Transportation	17%	14%	15%	14%	18%	17%	20%	19%	13%	18%
Other Transportation	14%	25%	13%	20%	9%	16%	5%	12%	12%	15%
Accommodations	19%	15%	19%	9%	20%	17%	20%	17%	28%	24%
Food & Beverages	21%	20%	23%	22%	23%	21%	21%	18%	26%	20%
Shopping	13%	15%	13%	15%	16%	12%	15%	18%	9%	9%
Entertainment/Recreation	12%	9%	13%	10%	13%	12%	12%	13%	10%	12%
Other	4%	3%	3%	10%	2%	4%	7%	3%	3%	1%

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

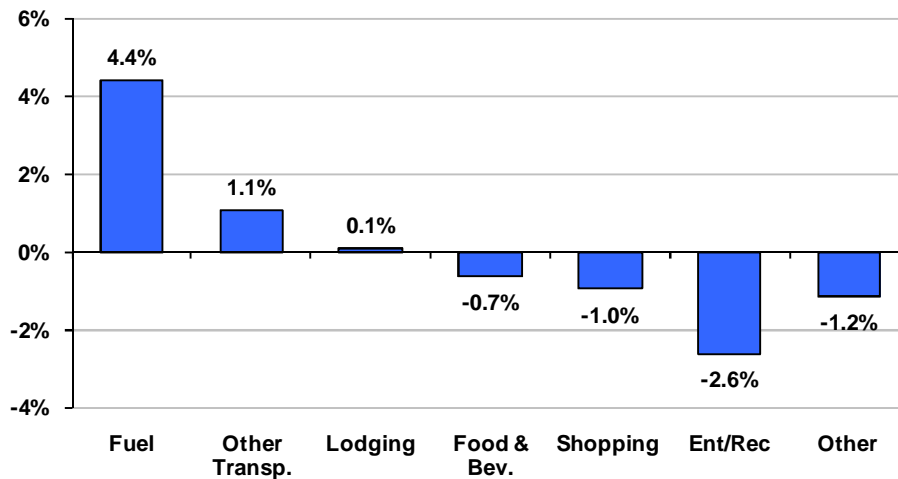
Chart 12 illustrates the average expected shares of budget by category for 2011. Chart 13 shows the change in expected budget distribution from Memorial Day 2010 to Memorial Day 2011.

**CHART 12**  
**US MEMORIAL DAY 2011 HOLIDAY SPENDING**  
**DISTRIBUTION BY CATEGORY**



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

**CHART 13**  
**TOTAL US MEMORIAL DAY HOLIDAY SPENDING**  
**CHANGE IN BUDGET SHARE FROM 2010 TO 2011**



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

## Party Composition

For Memorial Day 2011, the most common expected travel party (36 percent) is a party composed of two adults. About 28 percent expect to travel with their family while 20 percent intend to travel with 3 or more adults. The main variance here from 2010 is that the “One Adult” segment has fallen from 21 percent in 2010 to the 16 percent in 2011. The difference is split across the other three categories.

**TABLE 13**  
**PARTY COMPOSITION**  
**MEMORIAL DAY 2011 HOLIDAY**  
**TOTAL US AND BY REGION OF RESIDENCE**

	One Adult	Two Adults	Three or more Adults	Families
<b>Total US</b>	<b>16%</b>	<b>36%</b>	<b>20%</b>	<b>28%</b>
New England	16%	30%	26%	28%
Middle Atlantic	12%	43%	25%	21%
South Atlantic	21%	30%	22%	28%
East North Central	14%	35%	26%	26%
East South Central	13%	47%	17%	24%
West North Central	21%	40%	12%	27%
West South Central	15%	33%	19%	33%
Mountain	14%	33%	23%	30%
Pacific	18%	36%	10%	36%

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

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

Numbers may not add due to rounding.



## Activities

The Memorial Day holiday, in addition to being a time of remembrance, is a time spent with friends and family as a release from a winter and spring kept indoors and a reminder that summer is about to start. Therefore, it is not surprising that dining and visiting with friends and relatives make up the two top activities, at 59 percent and 52 percent, respectively. Other top activities include such outdoor activities as going to the beach (36%), hiking (25%) and visiting national and state parks (19%).

*“We will splurge a little visiting Rehoboth Beach, DE, that we love and haven't been at in a few years.*

*Middle Atlantic Respondent*

**TABLE 14**  
**MAIN PURPOSE OF TRIP**  
**MEMORIAL DAY 2011 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
Dining	59%	59%	56%	40%	50%	65%	59%	68%	58%	78%
Visit with friends/relatives	52%	53%	52%	53%	69%	50%	45%	54%	69%	33%
Shopping	43%	36%	44%	51%	43%	42%	46%	33%	46%	46%
Touring/sightseeing	37%	33%	31%	36%	24%	52%	21%	34%	51%	40%
Go to beach/waterfront	36%	43%	47%	27%	25%	41%	50%	18%	34%	50%
Night Life	28%	19%	25%	26%	21%	25%	26%	43%	36%	29%
Hike, bike, etc.	25%	36%	15%	25%	22%	28%	27%	20%	24%	34%
Visit historic sites	23%	22%	20%	11%	10%	33%	20%	18%	41%	39%
Visit national or state parks	19%	18%	11%	11%	17%	22%	18%	24%	20%	31%
Visit museums, art exhibits, etc.	15%	16%	7%	12%	15%	19%	13%	15%	19%	24%
Attend festivals, craft fairs, etc.	13%	15%	14%	10%	15%	10%	10%	10%	13%	21%
Boat/sail	12%	13%	9%	16%	12%	12%	7%	18%	12%	9%
Observe & conserve nature/culture - Eco-Travel	11%	13%	1%	12%	8%	17%	4%	19%	0%	14%
Watch sporting events	10%	16%	10%	13%	11%	21%	5%	1%	8%	3%
Play golf	8%	3%	8%	5%	17%	11%	9%	8%	10%	4%
Hunt, fish, etc.	8%	4%	3%	14%	12%	5%	20%	5%	8%	4%
Gambling	7%	8%	10%	6%	4%	8%	16%	6%	8%	7%
Visit theme/amusement parks	7%	4%	10%	1%	16%	5%	6%	10%	12%	6%
Attend concerts, plays, dance, etc.	7%	7%	5%	3%	7%	5%	22%	10%	6%	5%
Look at real estate	5%	2%	2%	8%	2%	12%	0%	1%	7%	7%
Spa	5%	5%	3%	4%	3%	0%	11%	8%	11%	11%
Compete in sporting events	3%	5%	4%	3%	0%	5%	0%	3%	3%	0%
Attend show: boat, car, home, etc.	1%	1%	0%	0%	5%	0%	2%	0%	0%	0%
Snow ski, snow board, other snow/ice sports	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Other	8%	10%	16%	1%	15%	4%	8%	13%	7%	4%

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

In conjunction with changing travel distances, we are also observing some substitution effects as additional ways for individuals to continue to travel this holiday in spite of the rising fuel costs. As the table below illustrates, there are clear differences in expected activities between now and 2010. From the table, it's clear that areas that travelers expect to do more of are those that would normally be considered to cost less, such as outdoor activities like the beach, sightseeing, hiking, historic and state parks and nature trips. These come at the expense of dining, shopping, gambling, concerts/plays museum and art exhibits. Visiting friends and relatives is also taking a hit from a share standpoint as shift away from longer road trips to visit friends and families this holiday.

Expected Primary Activities	2011	2010	Variance
Dining	59%	68%	-9%
Visit with friends/relatives	52%	61%	-9%
Shopping	43%	50%	-7%
Touring/sightseeing	37%	30%	7%
Go to beach/waterfront	36%	35%	1%
Night Life	28%	28%	0%
Hike, bike, etc.	25%	19%	6%
Visit historic sites	23%	22%	1%
Visit national or state parks	19%	17%	2%
Visit museums, art exhibits, etc.	15%	23%	-8%
Attend festivals, craft fairs, etc.	13%	17%	-4%
Boat/sail	12%	13%	-1%
Observe & conserve nature/culture - Eco-Travel	11%	4%	7%
Watch sporting events	10%	11%	-1%
Play golf	8%	11%	-3%
Hunt, fish, etc.	8%	13%	-5%
Gambling	7%	19%	-12%
Visit theme/amusement parks	7%	10%	-3%
Attend concerts, plays, dance, etc.	7%	16%	-9%
Look at real estate	5%	0%	5%
Spa	5%	6%	-1%
Compete in sporting events	3%	1%	2%
Snow ski, snow board, other snow/ice sports	0%	0%	0%
Attend show: boat, car, home, etc.	1%	3%	-2%
Other	8%	7%	1%

## The Impact of Rising Fuel Prices on Travel Plans

As mentioned previously in this report, the monthly average gas price in April 2011 was \$3.79, 95 cents higher than April 2010, and numerous regions of the country are already seeing average prices topping the \$4/gallon milestone. Rising gas prices have numerous effects on the economy, including cutting into disposable income and, therefore, consumer spending. The rise in gas prices is clear, but what is less certain is the impact that current prices will have on the economy and more importantly, on holiday travel.

Analysis by IHS economists has shown that a 24-cent per gallon increase in the price of gasoline has the impact of lowering real disposable income by 0.26 percent. This impact grows to -0.5 percent if the increase lasts for a full year, with the note that the recent gas price spike has only been in effect for about six months. As mentioned previously, real disposable income for the second quarter of 2011 is expected to be 1.9 percent higher than Q2 2010.

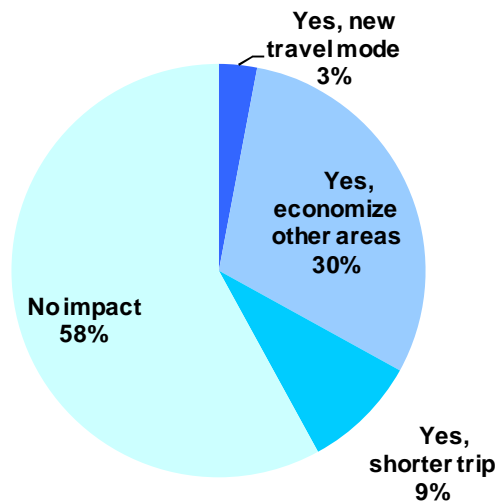
Therefore, rising gas prices have cut nearly one-third of the potential growth in real disposable income, which could have gone to creating more economic activity within the economy, including the travel and tourism industry.

However, when asked specifically about the impact of rising gasoline prices on travel plans for this Memorial Day holiday, 58 percent of intending travelers stated that rising prices would not impact their travel plans. Within the remaining 42 percent who feel that their travel plans will be impacted, nearly 10 percent are planning to take a shorter trip, while 30 percent will be economizing in other areas.

**WILL THE RECENT INCREASE IN GASOLINE PRICES IMPACT YOUR TRAVEL PLANS THIS MEMORIAL DAY HOLIDAY?:**

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

**CHART 14**  
**TOTAL US MEMORIAL DAY HOLIDAY**  
**IMPACT OF RISING FUEL PRICES**



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

The impacts of the shorter trips and economizing are clear in the responses to other questions on the survey, in which total median expected travel spend is 14 percent lower than the expectation from 2010. The share of expected spending has moved significantly towards fuel costs at the expense of shopping and entertainment, while food and lodging spend

remain largely unaffected. Many travelers may feel strongly that rising gas prices won't affect their travel plans, but for those who are affected, their changes will be significant. And for those who feel it won't impact their choices, those choices that have already been made and may, in fact, be more conservative in relation to 2010 due to the already constrained growth in disposable income and how it has impacted their ability to save and prepare for their trip.

## Addendum 1: US Economic Forecast Summary: Conflicting Signals

PUBLISHED 5/5/2011

The economy slowed in the first quarter, in GDP terms, at the same time that job creation accelerated, the unemployment rate fell sharply, and survey evidence was buoyant, especially from manufacturing. We believe that the economy had more momentum in the first quarter than the GDP figures showed, so GDP should do better in the second quarter. But underlying momentum is moving in the opposite direction to GDP—labor market evidence and business surveys are now weakening. Our forecast anticipates that the current soft patch represents another bump in the road on a prolonged and subdued recovery, rather than a more serious breakdown. But downside risks have become more troubling. Overall, our growth forecasts remain in the high-2% range for this year and next, at 2.7% in 2011 (down from 2.8% last month) and 2.9% in 2012 (as before).

**The First-Quarter GDP Slowdown.** Fortunately, the first-quarter GDP report showing just 1.8% growth was not as bad as it looked on the surface. There were a number of temporary factors restraining growth, including unusually bad weather (which hurt construction) and a plunge in defense spending that will likely prove temporary. Indeed, defense spending and private structures spending combined took 1.4 percentage points off the GDP growth rate. We think that manufacturing production (up 9.1% in the first quarter, compared with 3.5% in the fourth quarter) was a better guide to momentum.

**Second Quarter Has Less Momentum, But Will Probably Show Faster GDP Growth.** Underlying momentum has slowed, as surging commodity prices have taken their toll on consumer spending power, and possibly now on business hiring intentions. But we still expect second-quarter GDP growth to beat first-quarter growth (3.3% versus 1.8%), as the unusual factors that held down the first quarter unwind. Construction spending should increase along with the arrival of more-normal weather, and we expect much of the plunge in defense spending to be reversed. The GDP bounce would be bigger still but for the supply-chain problems that will temporarily disrupt domestic vehicle production.

**Oil and Commodity Prices Crucial.** Improvements in the second-half are conditional on, among other things, an easing in oil prices back to around the \$100/barrel mark (West Texas Intermediate), from recent levels of \$110–115/barrel. We also anticipate some easing for food and other commodity prices. At the time of writing (late afternoon on May 5), we have effectively seen that oil price fall occur in just one day. Fears over growth generated by signs of a slowing labor market, plus a surge in the dollar generated by a less-hawkish-than-anticipated European Central Bank, drove that price adjustment. To the extent that surging commodity prices were threatening to throttle the expansion, it's good news to see them lower. The primary downside risk to our forecast is if commodity prices have fallen so sharply because the economy has lost more momentum than it appeared.

**Consumer spending is a concern.** The recent evidence has been mixed. Consumer confidence and sentiment fell dramatically during March. But monthly chain-store sales increased in March despite the drag from the late timing of Easter this year. Volatility in oil and stock markets is undermining consumer optimism. The recent increases in gasoline and food prices are taking a toll on consumer spending. Our forecast projects a 2.6% advance in real consumer spending during 2011; first-quarter growth will come in at only 1.4% and the remaining quarters of 2011 will see gains in the 2.4–3.3% range. Falling housing prices, state and local government budget constraints, climbing gasoline and food prices, and turmoil in the Middle East are major trouble spots for consumers.

**Housing remains a key downside risk for 2011.** February new home sales were at an all-time low, while housing starts were close to one, and house prices have been declining again since mid-2010. There remains a fundamental oversupply, and we continue to unwind the effects of the homebuyer tax credit, which brought sales forward and temporarily propped up prices. We anticipate a further decline in prices of almost 5%. As employment growth picks up, we expect housing starts to improve gradually, but only to 616,000 units in 2011, up from 585,000 in 2010.

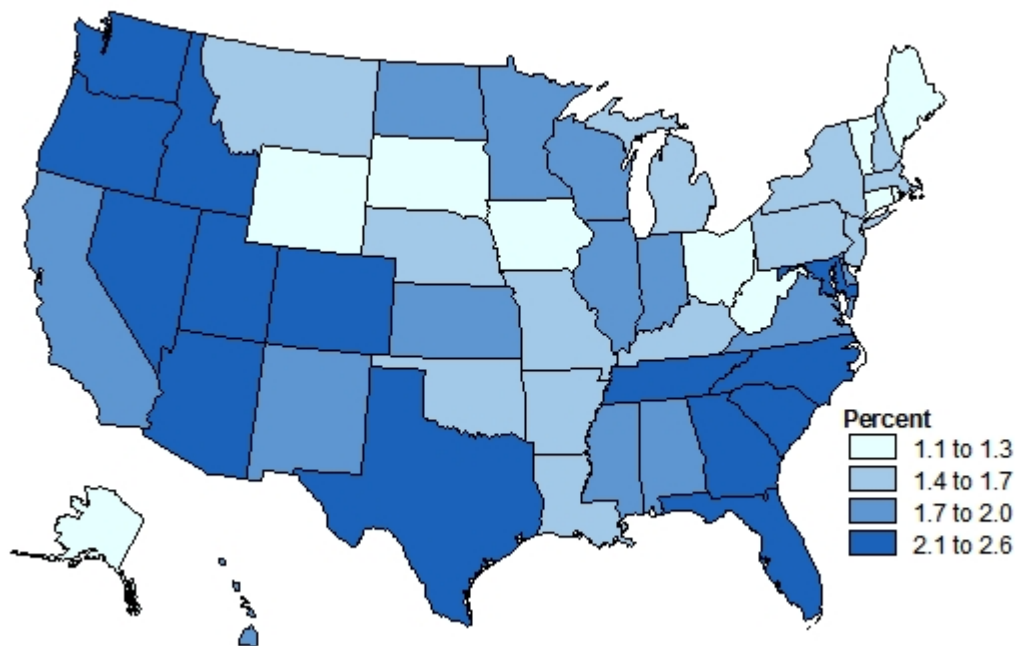
## Addendum 2: US Regional Forecast Summary: Gradual Recovery Underway

PUBLISHED 4/1/2011

As we wrap up the first quarter of 2011, IHS Global Insight believes that the economy is still in a recovery/expansionary phase that is broad-based and sustainable. Events overseas, of course, have added some uncertainty and risk. Middle East turmoil and fighting in Libya has at least temporarily boosted oil prices, which have predictable negative effects on the U.S. economy. These impacts are spread widely across the regional economy. The earthquake and tsunami catastrophe in Japan has also cast a pessimistic pall, but we think the economic impacts here will be confined to short-term supply-chain bottlenecks in electronics and auto production. Hawaii does report large cancellations from its Japanese visitors, a key component of the state's tourism industry.

It is also state budget season across the country, and that sector continues to suffer huge shortfalls in revenue that will persist for a few more years. Government, along with construction, remains one of the sectors still mired in recession, although this was not unexpected. Regionally, this is reflected in the long length of time we project it will take states such as Florida, Georgia, Arizona, and especially Nevada, to fully recover past levels of economic activity. Note that recent Bureau of Labor Statistics (BLS) data revisions resolved the puzzle as to why Arizona was expanding well ahead of the other Sand States—it was not.

### U.S. Employment Growth 2011–16, Average Annual Growth Rate

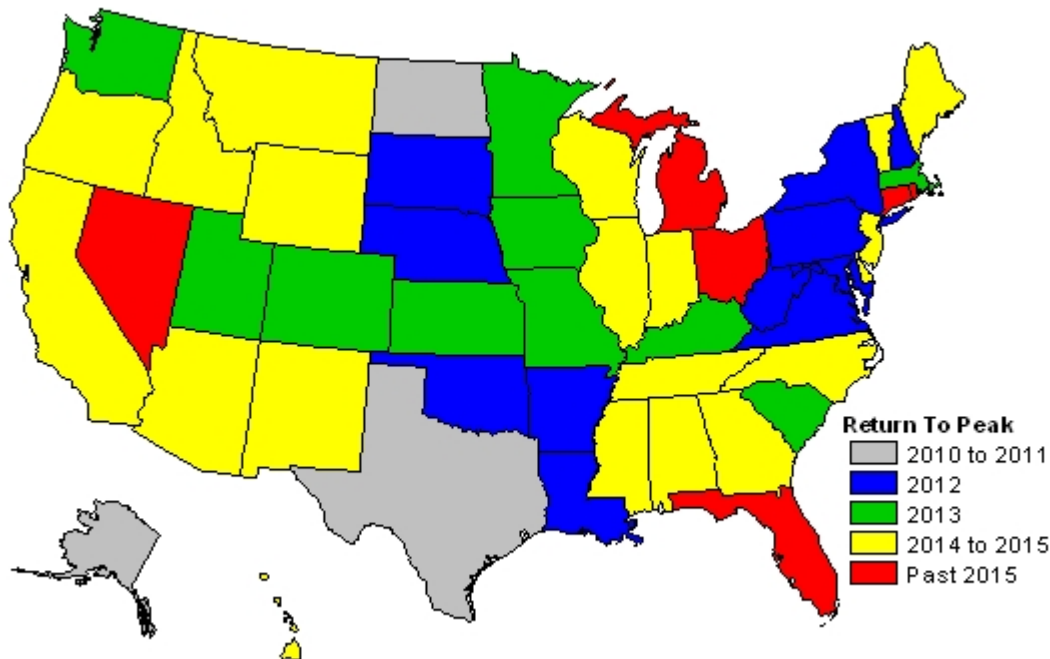


In the first quarter of 2011, 42 states reported expansion in employment over the past year. Going forward, and taking into account those BLS data revisions, we continue to forecast that the central states, led by Texas, will be at the forefront of growth in 2011. We have lowered our near-term forecasts for Florida and Arizona, while raising them in the Midwest for Illinois, Ohio, and Michigan, which will grow near the national average.

The U.S. economic recovery will continue, creating jobs and boosting incomes across the country. The recovery pace, though, will be slower than those of typical recoveries in the post-World War II world.

Employment data show 44 states had private-sector job growth in 2010; therefore, we continue to project broad employment gains in the near term. For 2011, Utah, Idaho, and Texas lead our growth ranking. Job gains will also be stronger in the country's central regions and around its capital. Notably appearing in the upper quartile of growth this year will be Indiana, New York, and Pennsylvania. Another sign of recovery: only five states will see employment gains of less than 1% in 2011.

### When Will States Return to Pre-Recession Peak Employment?



### State Initial Claims for Unemployment Insurance: 2010 in Review

The data show that labor-market conditions improved in most regions of the country over the course of last year, as 38 states recorded declines in initial claims between the first and fourth quarters. Additionally, initial claims dropped in 47 states during the fourth quarter alone. This supports our latest forecasts that call for net payroll gains in all 50 states and the District of Columbia over the next year.

IHS Global Insight has examined quarterly data on initial claims for unemployment insurance in each of the 50 states and the District of Columbia for 2010. Overall, the data show that labor-market conditions improved in most regions of the country over the course of the year. Of the 38 states recording declines in initial claims between the first and fourth quarters of the year, 11 states saw claims drop more than 10%. Results for the second half of the year were more mixed, however. As many local economies began to lose momentum in hiring, initial claims data looked far less encouraging: 35 states saw initial claims rise during the third quarter. Nevertheless, this turn for the worse ultimately proved temporary, as initial claims dropped in 47 states during the fourth quarter, which bodes well for the near-term outlook. This provides strong evidence in support of our latest forecasts that call for net payroll gains in all 50 states over the next year.

One of the more notable states is Kentucky, because of both its size and the magnitude of its drop-off—a second best 24%. This improvement has coincided with relatively strong payroll growth that ranked as the seventh fastest in the country between the first and fourth quarters of 2010. Kentucky's gains were broad-based, including thousands of jobs added in wholesale trade and its highly troubled manufacturing sector. Also worth highlighting are Florida and Nevada, both which have suffered through exceptionally severe recessions. The decrease in Florida's initial claims (down 13%)

has been accompanied by modest employment growth, as its key services sectors—namely leisure/hospitality and healthcare—struggle to bring the Sunshine State economy back to health. In contrast, Nevada has yet to produce top-line payroll gains because of crippling weakness in its construction and tourism industries, but claims are still down 30% from their 2009 peak and our forecasts indicate that job gains will resume during the first half of this year.

Shifting the focus to the lower performers, 13 states saw initial claims increase between the first and fourth quarters of 2010. But we do not see this as a significant sign of weakness. With the exception of Michigan and Rhode Island, all had shown improvement by the end of the year, with fourth-quarter declines, and with particularly strong results in Idaho (down 16.4%), Oregon (down 11.2%), and Wyoming (down 9.7%). The most notable problem area at the bottom of the list is Rhode Island, which has seen total employment trending downward over the last six months of data and an unemployment rate that still exceeds 11%. Limited economic diversification and a heavy reliance on manufacturing left the state extremely exposed to the effects of recession and will also be a tremendous obstacle to its recovery.

### Personal Income

The latest data show that after expanding in all four quarters, state personal income grew an average 3.0% in 2010, with all states reporting gains during the year. This was a significant improvement from 2009, when personal income fell 1.7% and only five states saw gains. This latest report confirms that the national economy continues to slowly recover. Personal income has now exceeded its pre-recession levels in all but two states—Wyoming and Nevada. During 2011, we expect personal income growth will accelerate as the labor market gains some momentum.

### Regional Housing Update - Winter 2011

**Existing Home Sales Bounce Around.** After a rise of 2.7% in January 2011, existing home sales fell 9.6% in February, to a seasonally adjusted annual rate of 4.88-million units. Weather likely played a role in the sudden drop in purchases, as did an expected reversion toward the mean after January's unusually positive data. Regionally, existing-home sales in the Northeast fell 7.2% in February, and the median price was \$230,200, down 9.5% from a year earlier. Existing-home sales in the Midwest dropped 12.2% and the median price was \$122,000, which was 5.4% below February 2010. In the South, existing-home sales fell 10.2%; the median price in the South was \$134,600, down 3.9% from a year earlier. Existing-home sales in the West declined 8.0%, and the median home price was \$190,000, which is 5.2% lower than a year earlier. Distressed homes still make up a sizable portion of the total sales—37% in January and 39% in February—and the large number of discounted properties continues to have a negative effect on new home sales.

**Most States and Metros See Overall Price Gains.** The most recent National Association of Realtors' home price report, for the fourth quarter of 2010, showed that home sales rebounded in 49 states, with 78 metro markets—just over half of the available metropolitan areas—experiencing price gains from a year earlier. This is up a tiny bit from 77 metro markets seeing price gains in the third quarter.

Although buyers are still taking advantage of deals to be had on foreclosures, sales activity remains depressed. The key for housing going forward is still employment growth. New jobs will require that new homes be built nearby. More importantly, the household formation rate will pick up once job growth takes off. Increases in the household formation rate will then reduce the housing glut, which will stimulate new construction. Overall, we expect the economy to add about 2.3-million jobs in 2011 and 2.6-million more in 2012. With more jobs, housing starts will bounce back from 586,000 units in 2010 to 680,000 units in 2011 and 1.097 million in 2012. Our view is that the housing market will start to get back on its feet this year. The forecast, however, hinges on builders being able to access credit. If builders cannot get financing to build new homes, housing will remain in the dumps.