AAA 2012/2013 Year-End Holidays Travel Forecast

Prepared for:

American Automobile Association

December 13, 2012

Table of Contents

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 2012/13 Year-End Holidays Travel Forecast*** combines information from multiple sources to provide a forecast of travel patterns for the upcoming holiday period. This report comprises two key components—the **Travel Forecast** and the **Holiday Traveler Profile**. The Travel Forecast is based on economic conditions while the Holiday Traveler Profile is developed employing survey data on travel behaviors. This approach provides the most comprehensive and detailed understanding of holiday travel at both the national and regional levels. In addition, the regional travel sections in this report incorporate information about the state of the local tourism industries throughout the United States.

Travel Forecast

In cooperation with AAA, IHS Global Insight developed a unique methodology to forecast actual domestic travel volumes. The economic variables used to forecast travel for the current holiday are leveraged from IHS Global Insight's proprietary databases. 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.

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.

The Travel Forecast is reported in person-trips, which are defined as round-trips that involve 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 Travel Forecast presented in this report was prepared the week of November 19.

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 1,353 households, out of which only those respondents intending to travel during the designated holiday are interviewed in detail about their anticipated trips. For the year-end holidays in 2012/13, 655 respondents were interviewed in detail about their intended trips. The survey was in the field from Wednesday, November 7 to Monday, November 12.

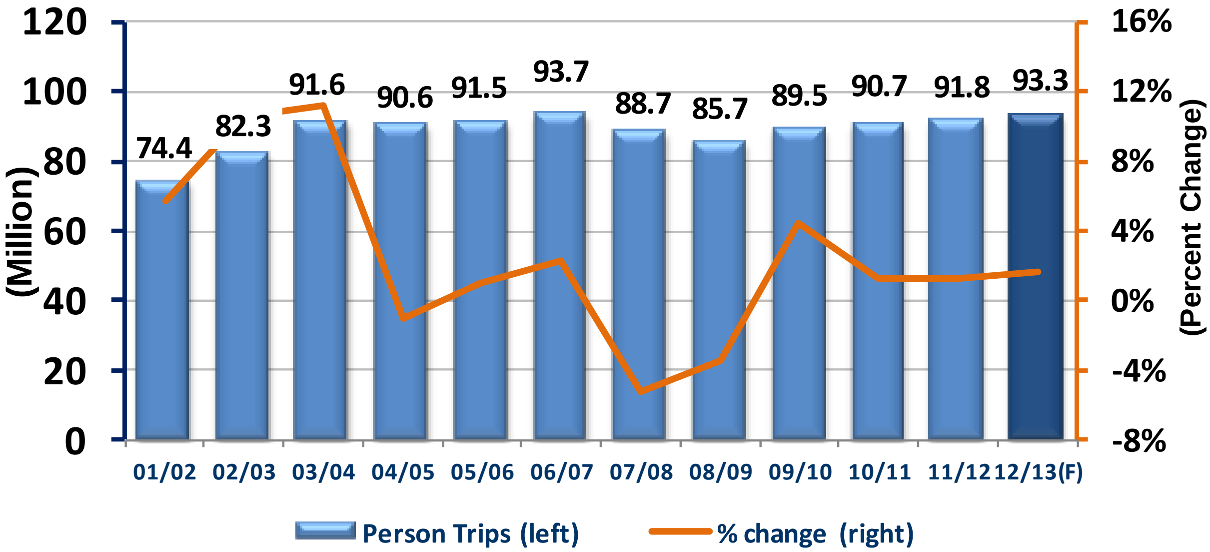
Year-End Holiday Travel Period

For purposes of this forecast, the Year-End holiday travel period is defined as trips that include travel of 50 miles or more away from home during the period from Saturday, December 22, 2012 to Tuesday, January 1, 2013.

Year-End Holidays 2012/13 Travel Forecast

Travel for the 2012/13 Year-End holiday is expected to increase slightly from the 91.8 million travelers last year, continuing to build on the steady increase in travel volume. AAA and IHS Global Insight expect 93.3 million travelers to venture at least 50 miles from their home this holiday period, an increase of 1.6 percent from one year ago. Despite continued sluggishness within the economy, this marks the fourth consecutive year of travel volume growth since the recession-driven decline of the holiday period covering December 2008 and January 2009.

CHART 1
YEAR-END TRAVELERS 2001/02 – 2012/13
TOTAL PERSON-TRIPS*



** 2001/02–2011/12 represent actual travel results, 2012/13 is a forecast.*

The current economic outlook remains largely unchanged from the previous holiday periods in 2012. The primary economic indicators all show improvements from one year ago, but there does not exist the kind of strong consistent growth necessary to encourage stronger travel growth.

IHS Global Insight expects real GDP for the fourth quarter of 2012 to increase 1.6 percent compared to the fourth quarter of 2011. The unemployment rate is expected to be down 0.8 percentage point from a year ago, but is still expected to be at 7.9 percent for the quarter. The weak economic growth and stubbornly high unemployment rate are helping to constrain real disposable income growth, which is forecast to rise just 2.1 percent for the quarter.

As can be seen in Chart 1, travel volumes for the Year-End holiday are traditionally very stable. Only once in the past 10 years have we seen a yearly travel volume change of greater than five percent, and that was a decline in 2007 as the recession was getting started. The stability precludes any impact of pent-up demand, as last year's holiday stands as the second highest travel volume, trailing only 2006.

Despite the low growth in real disposable income mentioned previously, consumers are expected to increase spending by 3.3 percent for the quarter, highlighting a willingness to spend ahead of the economic recovery. This is supported in part by rising consumer optimism. The Bloomberg Consumer Comfort Index shows significant improvement across all sectors compared to last year. That is also the case for the most recent results from the Reuters/University of Michigan's Consumer Sentiment Index and the Conference Board's Consumer Confidence Index. The strength of optimism from consumers is offsetting the overall weakness of the economic growth and will help propel 2012/13 Year-End holiday travel volume closer to an all-time high.

Gas prices are not expected to have a major impact on travel decisions this year. While prices are expected to remain above last year's levels and at all-time highs for this time of the year, the national average price per gallon as of November 30 was $3.40, which was just 3.3% above last year's level on the same day.

The Year-End holiday period, covering both the Christmas and New Year holidays, is by far the longest holiday period of the year, enabling travelers to visit friends and family, take a vacation during the holiday break, or both. Travel during the holiday declined by a total of 8.5 percent during the two years after the recession hit, but over the succeeding four years, including 2012, travel volumes have seen a slow but steady rebound to just under the 2006/07 peak. That relatively consistent growth is expected to continue this holiday period, with an estimated 93.3 million travelers taking a trip for the holidays, an increase of 1.6 percent compared to the 91.8 million travelers last year. This year's travel volume will be the second highest number of travelers seen in the past decade, and will be within half a million of the prerecession peak in of 93.7 million.

Travel by Mode of Transportation

For the Year-End holiday period, AAA and IHS Global Insight expect that the primary mode of transportation will remain the automobile, with just over 90 percent of travelers expected to travel via this mode. That is a very slight decrease in share from 2011 when 90.9 percent of people traveled by automobile. The 84.4 million auto travelers represent an increase of 1.3 percent from last year. The Year-End holiday period covers two weekends and spans 11 days, which results in a high volume of travelers in comparison to other holiday periods. Additionally, 84.4 million auto travelers means that nearly 27 percent of the total US population will hit the road this holiday period.

As mentioned previously, the price of gasoline as of November 30 was $3.40. That's an increase of 3.3 percent compared to a year ago, but down 47 cents from the fall peak on September 14. While the current price remains at an all-time high for this time of the year, the minor increase from year-ago prices, and the steep decline from the peak of just three months ago will result in only a minor impact on travel modes.

"'7- night cruise vs. theme park"

Pacific Respondent

Air travel is expected to account for six percent of all travel this holiday period, up slightly from the 5.9 percent last year. Some 5.6 million people are expected to travel by air during the year-end holidays this year, an increase of 4.5 percent from the 5.4 million travelers in 2011. Although we are still not at pre-recession levels, air travel volume seems to have stabilized a bit after the decline and rebound during and after the recession.

Other modes of travel (bus, train, cruise, multimodal travel) will account for the remaining 3.5 percent of the total person-trips, as 3.3 million travelers will use these modes to take their year-end trips. That 3.3 million travelers is a 5.4 percent increase from the 3.1 million travelers last year. This marks the second consecutive year of growth after two years of decline that resulted in a more than 50 percent decline in volume via these modes.

CHART 2
DISTRIBUTION OF US 2012/13 YEAR-END TRAVELERS
BY MODE OF TRANSPORTATION

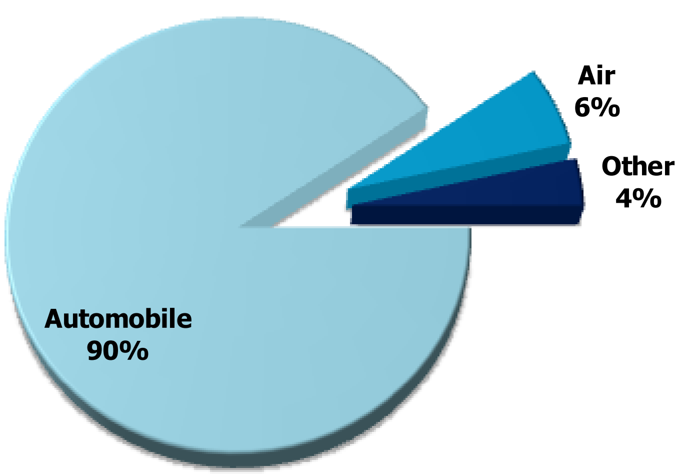
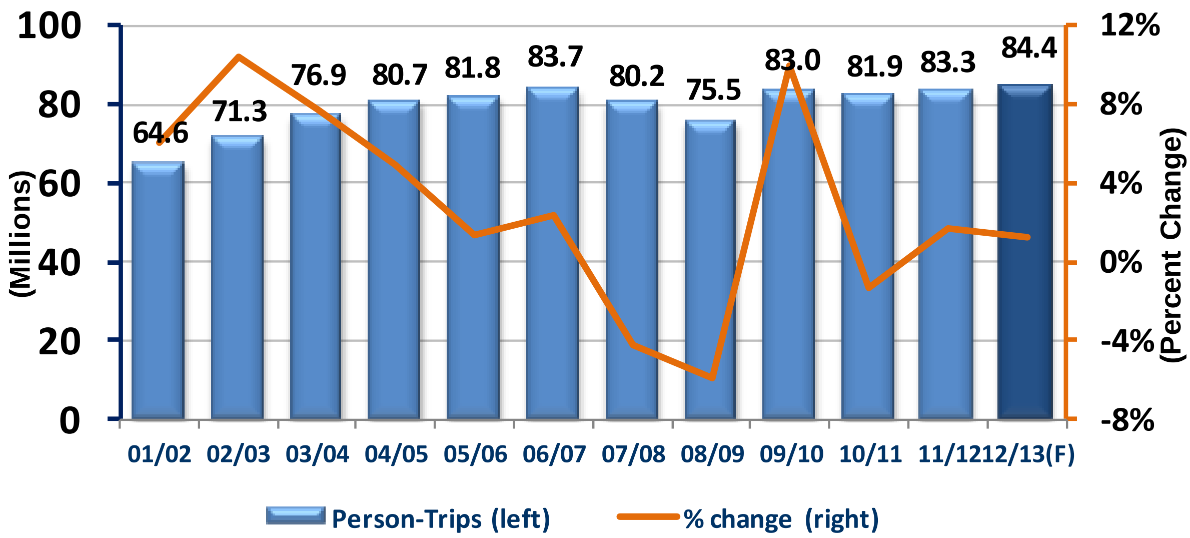
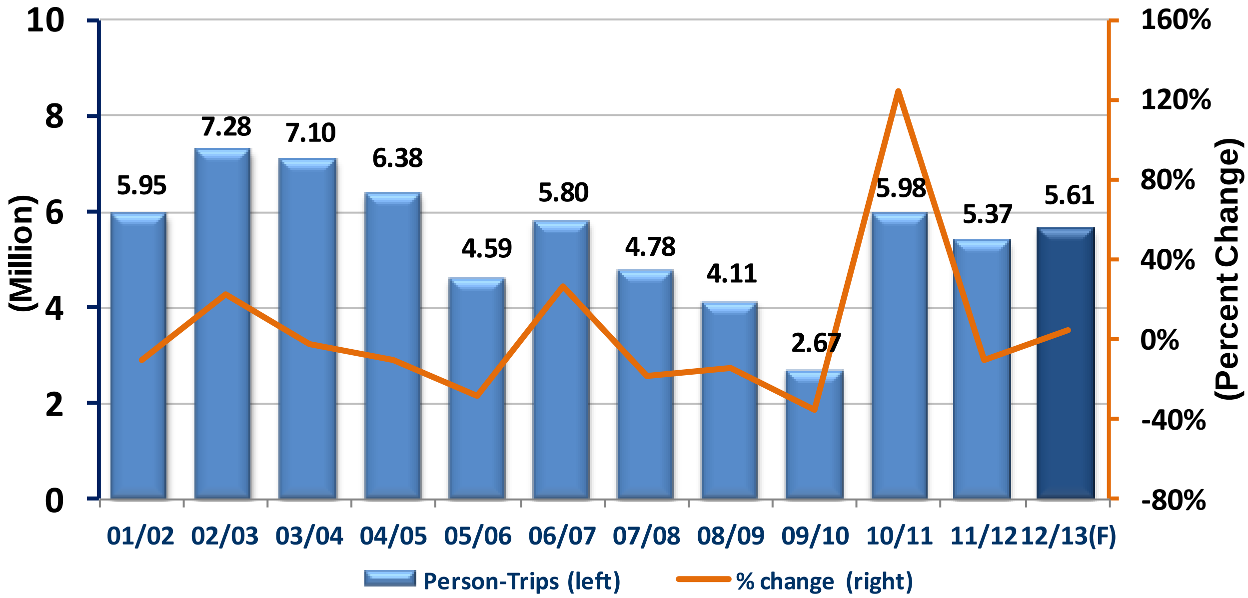


CHART 3
YEAR-END TRAVELERS 2001/02 – 2012/13
AUTOMOBILE PERSON-TRIPS*



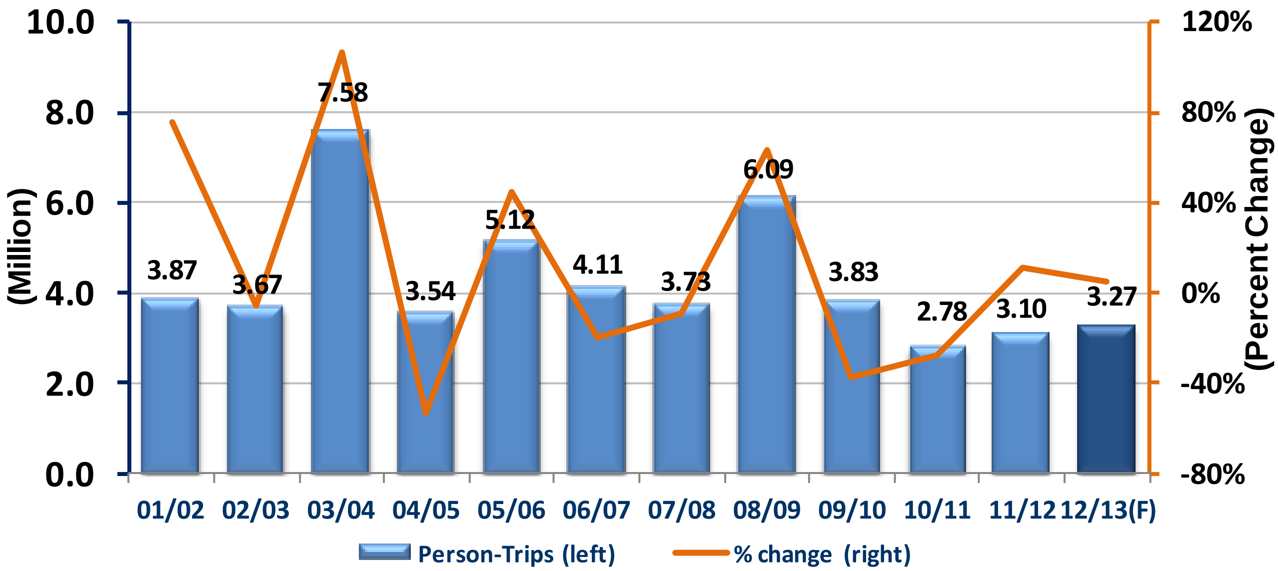
* 2001/02–2011/12 represent actual travel results and 2012/13 is a forecast.

CHART 4
YEAR-END TRAVELERS 2001/02 – 2012/13
AIR PERSON-TRIPS*



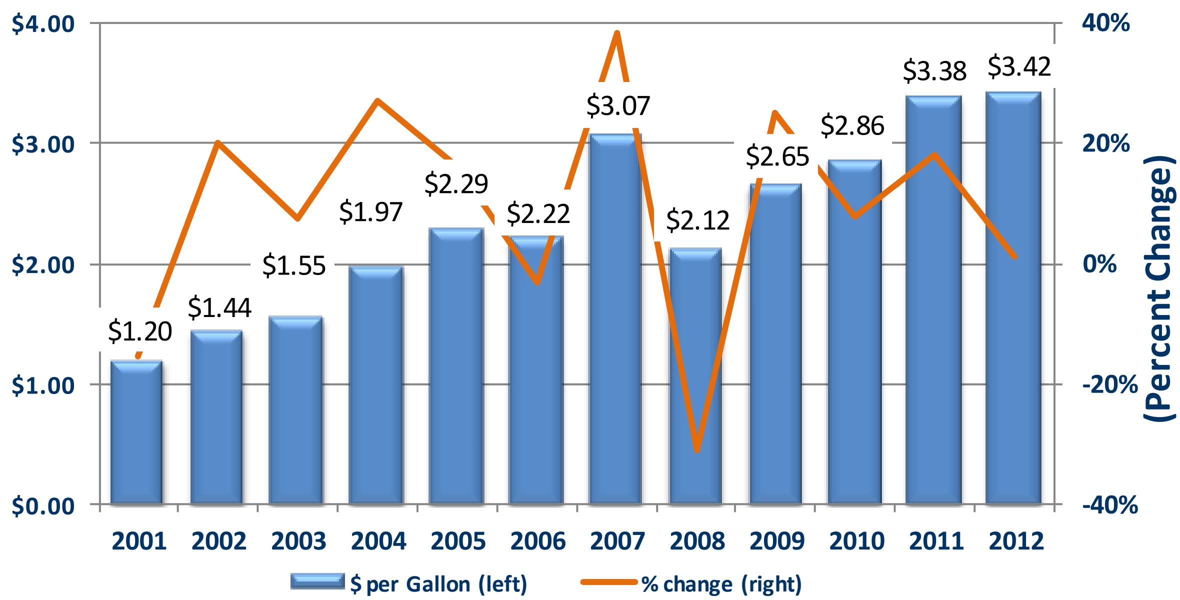
* 2001/02–2011/12 represent actual travel results and 2012/13 is a forecast.

CHART 5
YEAR-END TRAVELERS 2001/02 – 2012/13
OTHER TRAVEL MODES PERSON-TRIPS*



** 2001/02–2011/12 represent actual travel results and 2012/13 is a forecast.*

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



Source: AAA Fuel Gauge Report

** November 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

Year-End holiday travel originating from the East North Central region (ENC) is expected to increase 1.3 percent this upcoming holiday period compared to last year, which is slightly lower than the national increase but still in line with the modest rise expected nationwide (1.6 percent). The forecast for travel by automobile calls for an increase of 1.1 percent, while travel by airplane is forecast to increase by 4.3 percent. Total person-trips in the East North Central region are projected to account for 31.7 percent of the regional population.

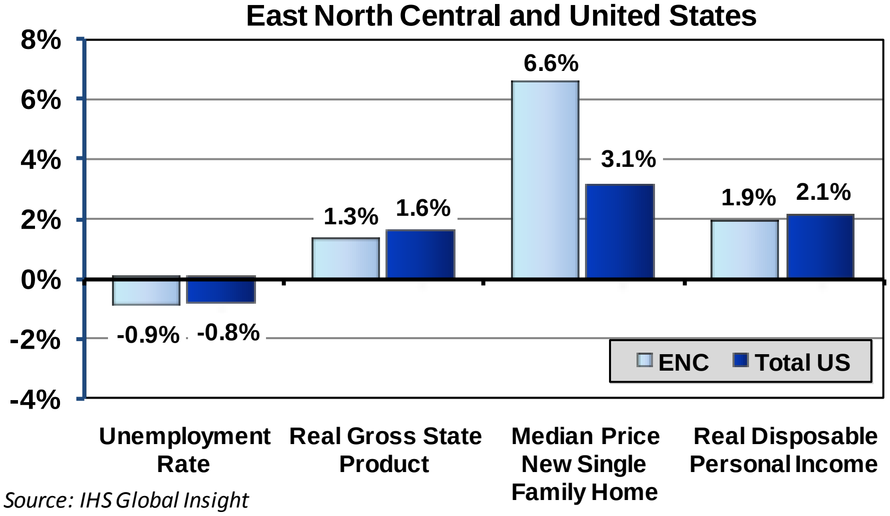
TABLE 1A
2012/13 YEAR-END TRAVEL FORECAST – EAST NORTH CENTRAL REGION AND UNITED STATES

	East North Central			United States		
Year End Travel	**YOY % Change**	**Level**	**% of Population**	**YOY % Change**	**Level**	**% of Population**
Total (millions of person trips)	1.3%	14.80	31.7%	1.6%	93.25	29.5%
Automobile (millions of person trips)	1.1%	13.47	28.9%	1.3%	84.37	26.7%
Air (millions of person trips)	4.3%	0.84	1.8%	4.5%	5.61	1.8%
Economy (2012Q4)	**YOY % Change**	**Level**		**YOY % Change**	**Level**	
Unemployment Rate (YOY Change)	-0.9%	8.0%		-0.8%	7.9%	
Real Gross Product ($, bn)*	1.3%	1,831		1.6%	13,650	
Median Price, New Single Family Home ($, thn)	6.6%	222		3.1%	227	

The US economy is moving forward at a slow pace, a story that is echoed in the ENC region. The unemployment rate is almost a full percentage point lower, compared to this time last year, but it remains high at eight percent. Lower labor-force participation, not rapid growth, has been the primary driver of the drop in nationwide unemployment (0.8 percent decline) and as jobs return, the labor force is likely to grow faster, slowing down the decline in unemployment. The ENC economy is heavily dependent on the performance of durable goods manufacturing, which is suffering from weak business investment demand at home and abroad. Without a quick resolution to the fiscal cliff, the uncertainty that seems to be paralyzing businesses is likely to continue, which translates to less hiring and capital spending.

Regional output is expanding at a modest pace, much like the muted expansion seen nationwide. Economic growth in the ENC region is projected to increase by 1.3 percent in the fourth quarter relative to last year, compared to national GDP growth of 1.6 percent. The extreme uncertainty over future fiscal policy remains the single biggest drag on growth, as the restraining effect on business activity cannot be overestimated. Real disposable income is expected to increase by just 1.9 percent relative to last year, as modest employment growth, high debt burdens,

Chart 1A
YOY Growth, 2011Q4 to 2012Q4
East North Central and United States

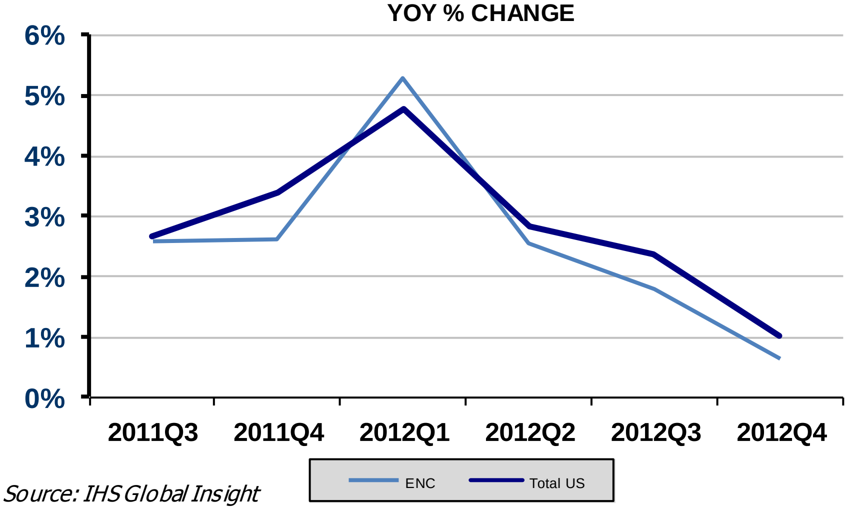


Source: IHS Global Insight

and a lack of confidence in the government's ability to make things better are factors that threaten to undermine the recent uptick in consumer sentiment. With so much uncertainty holding growth back, the economy is still moving forward at a slow pace, and travel volumes originating from the East North Central are forecast to increase at a comparable rate.

The housing market remains the bright spot in an otherwise sluggish stage of the recovery. The median price of new single-family homes in the East North Central region is expected to increase by 6.6 percent since last year's holiday season, compared to 3.1 percent nationwide. The housing market plunged in the ENC region before it did across the rest of the country, so the degree to which single-family home prices improve is expected to lead that of the nation. The number of households is growing, despite sluggish employment growth, and the recovery in demand is spreading from rental units to the owner-occupied sector. While the housing recovery is still at an early stage, the demand for housing is one of the traditional drivers of economic recovery. Once the current high levels of uncertainty diminish, the underlying dynamics of recovery are in place to reignite economic growth.

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



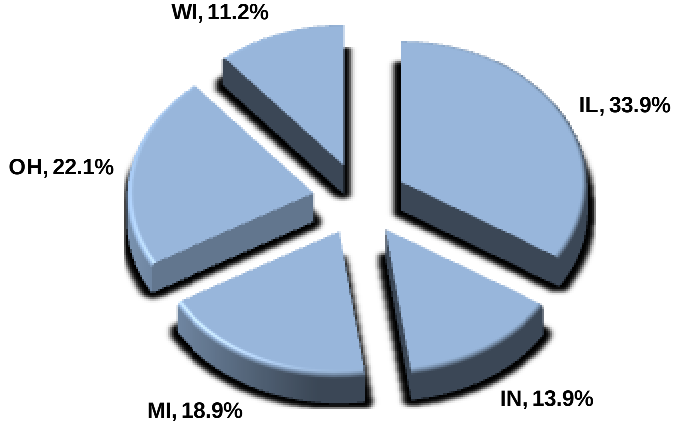
Source: IHS Global Insight

In addition to the originating travel forecast of person-trips from the East 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 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 third quarter of 2011, albeit at a decreasing rate since the beginning of 2012. Chart 1B illustrates the path of growth for total output from the leisure and hospitality industry in the ENC region and the broader United States.

Chart 1C provides a breakdown of the composition of total output from the leisure and hospitality industry by state. With Chicago being one of the top cities for tourism in the United States, it is no surprise that Illinois accounts for one-third of tourism output in the East North Central region.

CHART 1C
REAL GROSS PRODUCT -- LEISURE & HOSPITALITY
EAST NORTH CENTRAL REGION MAKEUP BY STATE, 2012Q4



Source: IHS Global Insight

Travel by Region: East South Central

Year-End holiday travel for the East South Central (ESC) region is forecast to grow 1.6 percent compared to last year, which is in line with the rise in travel volumes expected nationwide. Automobile travel is forecast to increase 1.3 percent, while travel by airplane is forecast to grow 4.9 percent, which is slightly above the national average. The forecast indicates that 5.5 million ESC residents will travel during the upcoming holiday season. This number represents 29.4 percent of the regional population, which mirrors the frequency expected to travel nationwide.

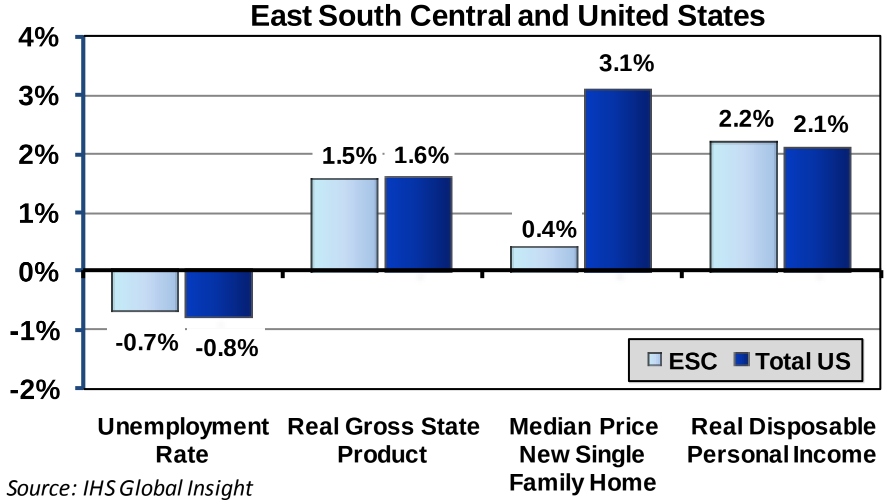
TABLE 2A
2012/13 YEAR-END TRAVEL FORECAST – EAST SOUTH CENTRAL REGION AND UNITED STATES

	East South Central			United States		
Year End Travel	**YOY % Change**	**Level**	**% of Population**	**YOY % Change**	**Level**	**% of Population**
Total (millions of person trips)	1.6%	5.50	29.4%	1.6%	93.25	29.5%
Automobile (millions of person trips)	1.3%	5.14	27.5%	1.3%	84.37	26.7%
Air (millions of person trips)	4.9%	0.15	0.8%	4.5%	5.61	1.8%
Economy (2012Q4)	**YOY % Change**	**Level**		**YOY % Change**	**Level**	
Unemployment Rate (YOY Change)	-0.7%	8.3%		-0.8%	7.9%	
Real Gross Product ($, bn)*	1.5%	622		1.6%	13,650	
Median Price, New Single Family Home ($, thn)	0.4%	166		3.1%	227	

The East South Central region is continuing to recover at a modest pace. Compared to this time last year, real gross state product in the ESC region is expected to grow by 1.5 percent, which is slightly below the projected national increase of 1.6 percent. With the combination of slow global growth and domestic policy uncertainty, businesses have put off hiring decisions and become more cautious on capital investment plans. As a result, employment gains in the ENC region remain sluggish. Even after a 0.7 percent decline over the past year, the ESC region has the third highest unemployment rate in the country, at 8.3 percent.

The regional housing market continues to make small improvements. The ESC has weathered the real estate crisis, protected by relatively little price speculation, an ample supply of land, and the lack of a housing craze that elsewhere led to boom and bust. As a result, home prices in the ESC are down only seven percent from their pre-crisis peak levels, which is significantly less than the average national decline of more than 17 percent. With the relatively low decline, the improvement in the housing market is also modest. The median price of a new single-family home is up only 0.4 percent compared to this time last year, which is lower than the national average of 3.1 percent. Lackluster job growth, depressed household formation, and tight lending standards are also slowing down growth in the real estate market.

Chart 2A
YOY Growth, 2011Q4 to 2012Q4
East South Central and United States

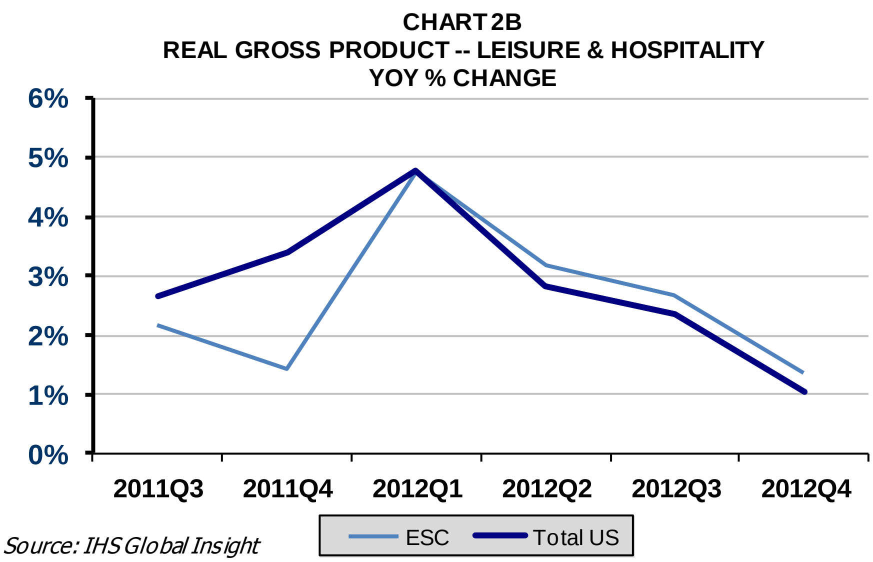


Source: IHS Global Insight

In the fourth quarter of 2012, real

disposable income in the ESC is projected to be 2.2 percent higher than at this time last year, an increase that is slightly above the national average (2.1 percent). Households are feeling more confident with consumer confidence at a four-year high, but 2.2 percent real income growth is not enough to support a strong revival in consumer spending. High debt burdens, low house prices, modest employment growth, and a lack of confidence in the government's ability to make things better are some of the obstacles in the path of robust consumer spending. While not all news is bad news, and signs of improvement are present, the upcoming holiday travel season will continue to experience headwinds brought on by the overall weakness in the current recovery.

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.

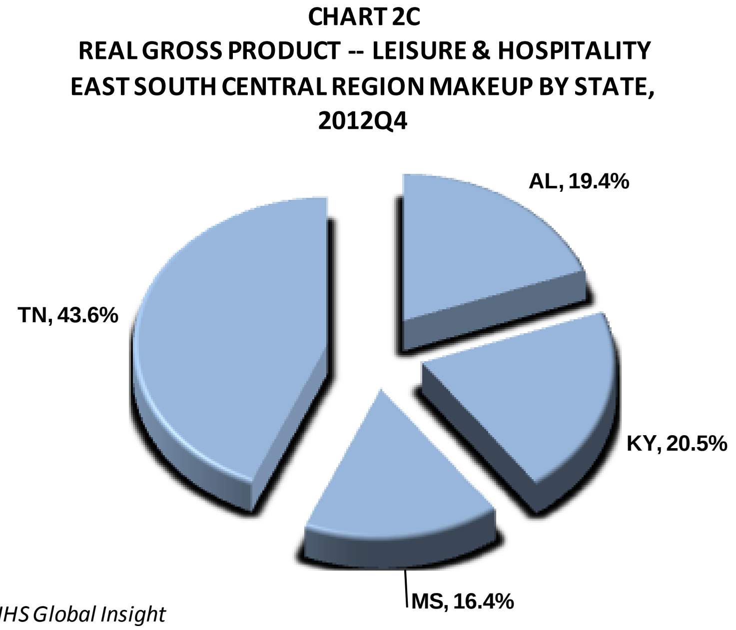


Source: IHS Global Insight

The tourism industry in the ESC region has been growing on an annualized basis since the third quarter of 2011, but growth in leisure and hospitality industry output (the value of goods and services produced by the leisure and hospitality industry) has been decelerating over the course of 2012. Chart 2B illustrates that total output from the leisure and hospitality industry in the ESC region has slightly surpassed that of the greater nation for most of the past year. In the fourth quarter of this year, tourism output is forecast to grow by 1.4 percent from the year prior, which is just above the national average of one percent.

Chart 2C provides a breakdown of the composition of total output from the leisure and hospitality industry by state. Tennessee contributes the most to the region's leisure and hospitality sector, accounting for 43.6 percent of the leisure and hospitality output, while Alabama, Kentucky, and Mississippi make up the remaining three-fifths of the total.

In terms of growth, Alabama is expected to see the largest fourth-quarter increase in tourism output, growing 2.5 percent compared to year-ago levels. Conversely, Kentucky is forecast to experience the smallest increase in tourism output, growing 0.1 percent annually. Tennessee and Mississippi are forecast to expand 1.5 and 1.2 percent, respectively, relative to last fourth quarter.



Source: IHS Global Insight

Travel by Region: Middle Atlantic

As recovery in the Middle Atlantic (MATL) region continues at a slow pace, total travel during the Year-End holidays is projected to increase 1.9 percent compared to last year. The forecast for automobile travel calls for an increase of 1.5 percent, while airplane travel is expected to grow 4.8 percent. The 10.47 million people expected to travel during the upcoming holidays represents 25.4 percent of the population, which is below the national frequency expected to travel (29.5 percent).

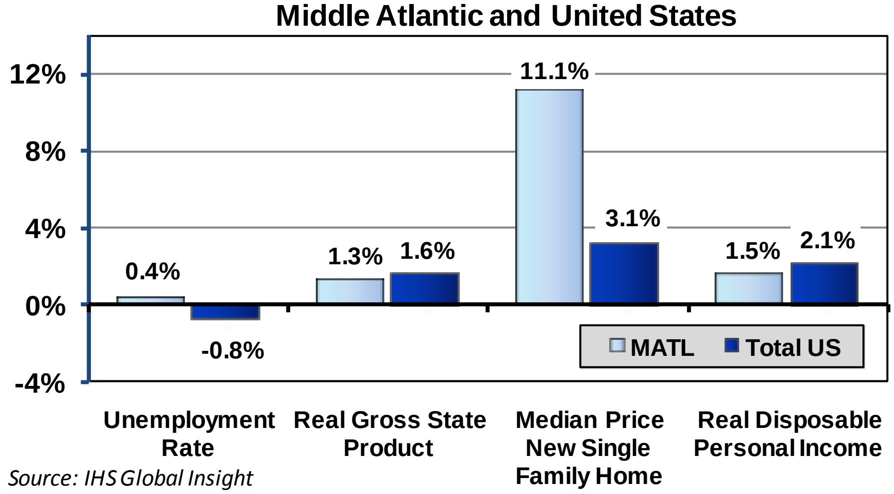
TABLE 3A
2012/13 YEAR-END TRAVEL FORECAST – MIDDLE ATLANTIC REGION AND UNITED STATES

	Middle Atlantic			United States		
Year End Travel	**YOY % Change**	**Level**	**% of Population**	**YOY % Change**	**Level**	**% of Population**
Total (millions of person trips)	1.9%	10.47	25.4%	1.6%	93.25	29.5%
Automobile (millions of person trips)	1.5%	9.39	22.8%	1.3%	84.37	26.7%
Air (millions of person trips)	4.8%	0.71	1.7%	4.5%	5.61	1.8%
Economy (2012Q4)	**YOY % Change**	**Level**		**YOY % Change**	**Level**	
Unemployment Rate (YOY Change)	0.4%	8.6%		-0.8%	7.9%	
Real Gross Product ($, bn)*	1.3%	1,977		1.6%	13,650	
Median Price, New Single Family Home ($, thn)	11.1%	345		3.1%	227	

The Middle Atlantic economy is still moving forward, but the recovery has weak momentum, and the pace of recovery is trailing that of the greater nation. In the fourth quarter, real gross state product is forecast to grow 1.3 percent above year-ago levels, versus real gross domestic product growth of 1.6 percent. The near-term outlook is complicated by Hurricane Sandy, the late-October storm that did severe damage in the Northeast, especially to the New Jersey coast, Long Island and lower Manhattan. It is very difficult to judge the immediate implications for growth, not least because we cannot be sure how much of the actual impact will appear in the source data. We have assumed that Sandy will take around 0.3 percentage points out of real gross domestic product in the fourth quarter, but add back slightly more than that in the first quarter of 2013, helped by reconstruction efforts.

The labor market in the MATL region continues to improve in fits and starts. In the fourth quarter, the unemployment rate in the region is forecast to decline on a quarterly basis, reaching 8.6 percent, but the decline is due to a reduction in the size of the labor force, rather than an increase in the number of jobs. The MATL region maintains the second-highest unemployment rate among the nine census regions, and remains 0.4 percent above what it was one year ago. Job losses in manufacturing have offset robust gains in professional and business services, as slowing exports and business

Chart 3A
YOY Growth, 2011Q4 to 2012Q4
Middle Atlantic and United States

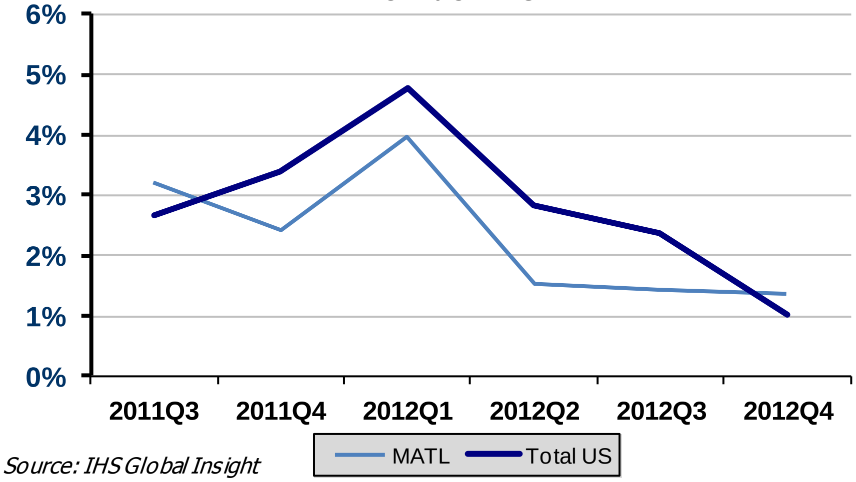


Source: IHS Global Insight

fixed investment continue to put a strain on growth in manufacturing.

The good news is that housing markets are rebounding more quickly than anticipated. Housing starts spiked in September, and in the MATL region, housing starts are forecast to grow 16.8 percent in the fourth quarter compared to one year ago. Creation of new households is reviving, despite sluggish employment growth, and home prices appear to be stabilizing as a result. In the MATL region, the median price of new single-family homes is expected to increase 11.1 percent since last year's holiday season, compared to 3.1 percent nationally. As promising as the housing numbers have been recently, it is important to keep in mind that the market is still depressed and that recent improvements have been modest. The housing market will continue to improve, so long as the economy is creating jobs. The outlook is for a modest recovery that lasts about three years, not the sharp upswing that characterizes most housing recoveries.

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



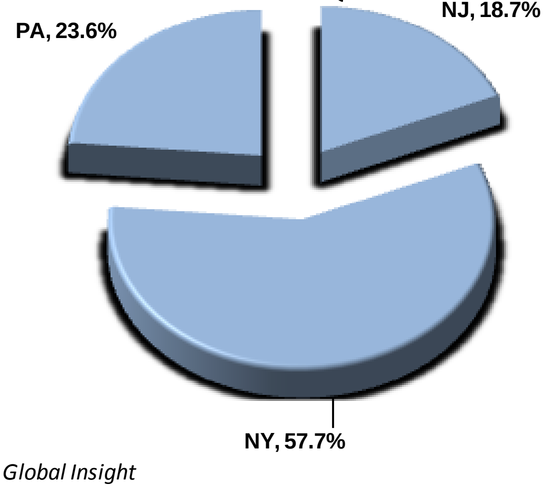
Source: IHS Global Insight

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 tourism industry in the Middle Atlantic 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 third quarter of 2011, but has been trailing that of the nation until the fourth quarter of this year. Chart 3B illustrates the path of growth for total output from the leisure and hospitality industry in the MATL region and for the nation.

Chart 3C provides a breakdown of the composition of total output from the leisure and hospitality industry by state. New York leads the region's tourism sector. With New York City being one of the most attractive destinations for global tourism, it is not surprising that New York State contributes 57.7 percent to the region's leisure and hospitality output. Pennsylvania contributes another 23.6 percent, while New Jersey accounts for 18.7 percent of the region's leisure and hospitality output.

CHART 3C
REAL GROSS PRODUCT -- LEISURE & HOSPITALITY
MIDDLE ATLANTIC REGION MAKEUP BY STATE,
2012Q4



Source: IHS Global Insight

Travel by Region: Mountain

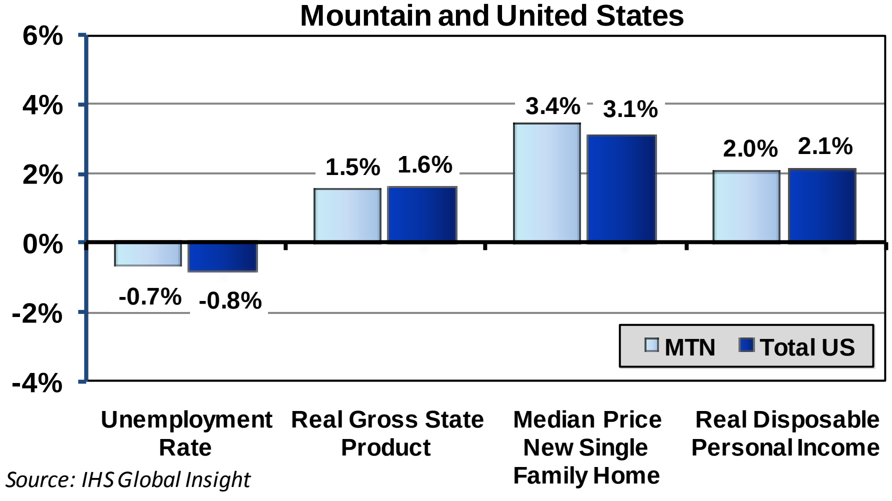
The recovery in the Mountain (MTN) region has weak momentum, but has not ground to a halt. Fourth-quarter growth looks modest (1.5 percent, compared to fourth-quarter 2011), as exports and business fixed investment have worsened in recent quarters, and uncertainty at home and abroad is holding back the private sector. In the midst of slow economic growth and little forward momentum, Year-End holiday travel for the MTN region is forecast to grow 1.4 percent compared to last year. Travel by automobile is projected to grow 1.1 percent, while airplane travel will increase four percent. The 7.12 million person-trips from the MTN region represents 31.2 percent of the population, which is above the expected national frequency of 29.5 percent.

TABLE 4A
2012/13 YEAR-END TRAVEL FORECAST – MOUNTAIN REGION AND UNITED STATES

	Mountain			United States		
Year End Travel	**YOY % Change**	**Level**	**% of Population**	**YOY % Change**	**Level**	**% of Population**
Total (millions of person trips)	1.4%	7.12	31.2%	1.6%	93.25	29.5%
Automobile (millions of person trips)	1.1%	6.35	27.9%	1.3%	84.37	26.7%
Air (millions of person trips)	4.0%	0.52	2.3%	4.5%	5.61	1.8%
Economy (2012Q4)	**YOY % Change**	**Level**		**YOY % Change**	**Level**	
Unemployment Rate (YOY Change)	-0.7%	7.9%		-0.8%	7.9%	
Real Gross Product ($, bn)*	1.5%	888		1.6%	13,650	
Median Price, New Single Family Home ($, thn)	3.4%	189		3.1%	227	

Economic growth in the Mountain region closely mirrors that of the nation. In the fourth quarter, real gross state product in the combined Mountain states is expected to grow 1.5 percent above year-ago levels, which is slightly lower than the projected increase in real gross domestic product (1.6 percent). The unemployment rate has eased over the last four quarters, falling 0.7 percentage points to 7.9 percent, a rate equal to the national average. Healthcare continues to account for a large portion of new jobs in the Mountain region, as does the professional and business services sector. The “clean-tech” industry, which added many manufacturing jobs to the region in recent years, has hit a rough patch due to the impending expiration of production tax credits for wind and solar energy. Hundreds of layoffs have already been announced due to lost business, but in the long term, the region stands to benefit from its broad-based energy production portfolio.

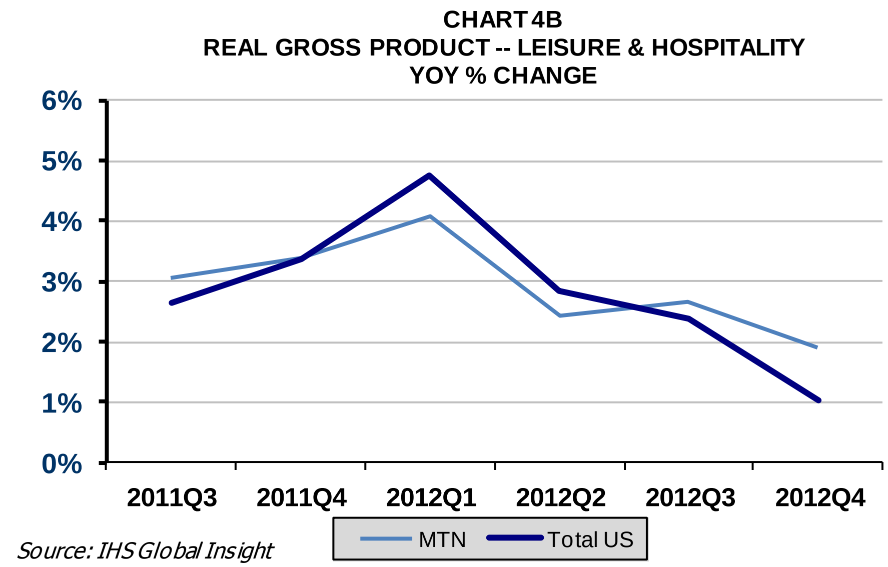
Chart 4A
YOY Growth, 2011Q4 to 2012Q4
Mountain and United States



Source: IHS Global Insight

The regional housing market is also demonstrating signs of nascent recovery. Arizona and Nevada were among the states hit hardest by the housing decline but the Arizona real-estate market is benefitting from renewed investor interest, after years of working through foreclosures and overbuilding. Total housing starts have been growing steadily over the past year and that trend is expected to continue into 2014. While employment gains remain sluggish, household formation is reviving, and prices appear to be stabilizing. In the Mountain region, the median price of new single-family homes is expected to increase 3.4 percent since last year's holiday season, compared to 3.1 percent nationwide. While the outlook is for a modest recovery that lasts several years rather than a sharp upswing, as the housing recovery gains momentum, economic output should accelerate in 2014 and beyond.

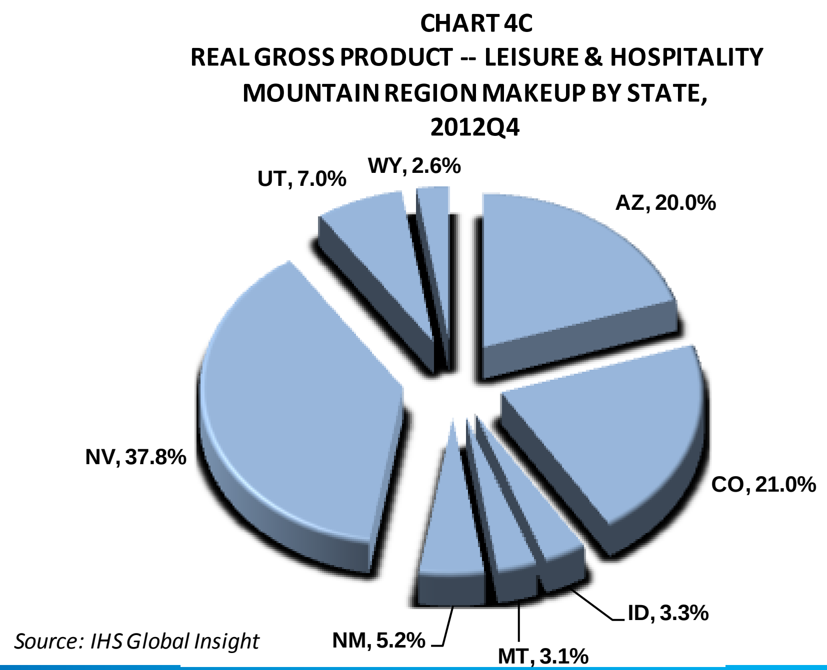
The "fiscal cliff" and uncertainty over domestic fiscal policy constitutes the single biggest drag on growth in both the Mountain region and the country as a whole. Businesses remain very cautious about capital expenditures due to uncertainty about future taxation, regulations, spending cuts, healthcare, and other fiscal policies. If some of this uncertainty can be removed, then hiring and capital spending can accelerate, thereby raising consumers' willingness to spend. How quickly these uncertainties clear up will determine how quickly overall economic activity can pick up. Until then, the recovery in the MTN region and throughout the nation is likely to continue at a modest pace.



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 on an annualized basis since the end of 2011. Chart 4B demonstrates that the Mountain region had been lagging the nation in terms of total output growth in the leisure and hospitality industry until the third quarter of this year, when the Mountain region surpassed that of the greater United States.

Chart 4C provides a breakdown of the composition of total output from the leisure and hospitality industry by state. With Las Vegas being one of the most attractive tourist destinations, Nevada contributes 37.8 percent to the region's leisure and hospitality output. Arizona and Colorado contribute around 20 percent each, with the rest of tourism output split between Utah, Wyoming, New Mexico, Montana, and Idaho.



Travel by Region: New England

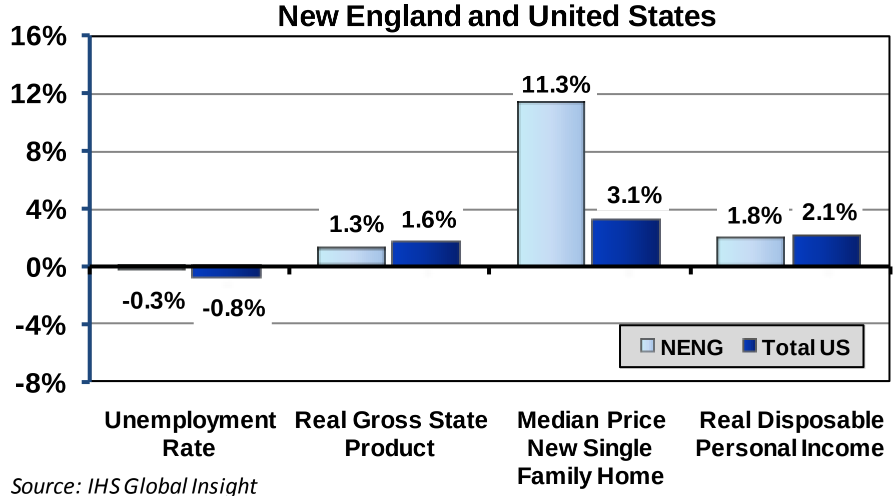
The New England (NENG) region is expected to see a 1.4 percent increase in travel this Year-End holiday period as compared to last year. Automobile travel is forecast to grow 1.2 percent, while travel by airplane is projected to increase four percent. The 3.96 million residents expected to travel during the upcoming holiday season represents 27.2 percent of the region's population, which is below the national average (29.5 percent). Modest improvements to the NENG economy support a slight increase in holiday travel, but gains are less than expected and lower than needed to spur a strong recovery.

TABLE 5A
2012/13 YEAR-END TRAVEL FORECAST – NEW ENGLAND REGION AND UNITED STATES

	New England			United States		
Year End Travel	**YOY % Change**	**Level**	**% of Population**	**YOY % Change**	**Level**	**% of Population**
Total (millions of person trips)	1.4%	3.96	27.2%	1.6%	93.25	29.5%
Automobile (millions of person trips)	1.2%	3.48	23.9%	1.3%	84.37	26.7%
Air (millions of person trips)	4.0%	0.35	2.4%	4.5%	5.61	1.8%
Economy (2012Q4)	**YOY % Change**	**Level**		**YOY % Change**	**Level**	
Unemployment Rate (YOY Change)	-0.3%	7.1%		-0.8%	7.9%	
Real Gross Product ($, bn)*	1.3%	734		1.6%	13,650	
Median Price, New Single Family Home ($, thn)	11.3%	368		3.1%	227	

The New England economy has lost steam over the past few quarters, following a similar pattern that has emerged at the national level. Businesses remain very cautious about spending and hiring decisions due to sluggish global demand and uncertainty about future taxation, regulations, healthcare, and other fiscal policies. As such, growth in private payrolls dropped to an anemic 0.1 percent on average over the last six months (through September) which translates to a net gain of only 1,800 jobs. The unemployment rate in New England stands at 7.1 percent, down 0.3 percentage point from the previous holiday season, but lower labor-force participation, not rapid job growth, has been the primary driver of the decline in unemployment. As some of the uncertainty that is holding growth back is removed, the recovery should come to life, but the current landscape has weak momentum. Real gross state product is expected to grow 1.3 percent, compared to year-ago levels, leading to a modest increase in regional holiday travel.

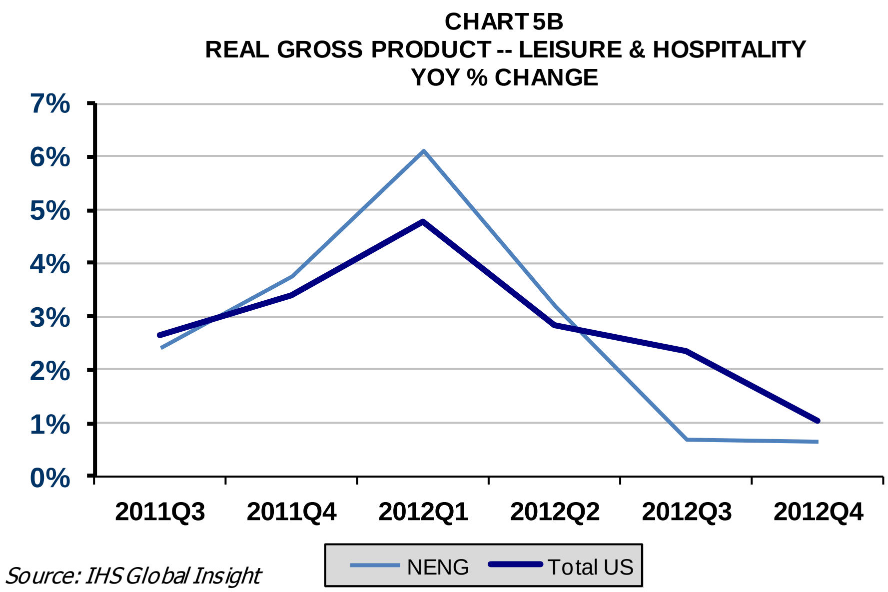
Chart 5A
YOY Growth, 2011Q4 to 2012Q4
New England and United States



Source: IHS Global Insight

The Reuters/University of Michigan index of consumer sentiment increased for a third consecutive month in October, as consumer confidence reached a four-year high. Households, unlike businesses, do not seem worried about either developments overseas or the impending domestic fiscal cliff. There are good reasons for optimism, as the pent-up demand that has built up over the past four years is providing powerful tailwinds for consumer discretionary spending. However, households still face too many negatives to allow a robust spending recovery, as growth in real incomes remains suppressed. Compared to this time last year, real disposable income in the New England region increased 1.8 percent, which is less than the national figure for comparison (2.1 percent).

The housing market in New England is beginning to show signs of revival. Housing starts are slowly picking up, and the median price of a new single-family home is 11.3 percent higher than year-ago prices which is far above the national average (3.1 percent). Recent evidence suggests that home prices are stabilizing, but there is much parity in the home price situation across states. Connecticut has seen one of the largest increases in foreclosure inventory share from the second quarter of 2011 to the second quarter of 2012, according to the Mortgage Bankers Association. As these foreclosed homes go onto the market at reduced prices, they present a significant barrier to regional home price growth in the near term. Moreover, job growth and investment purchasing are driving a lot of the current gains, and Rhode Island has ranked near the bottom in terms of employment growth, limiting potential homebuyers' ability to take advantage of record-low interest rates. Thus, while the state-level data show that home prices have been rising nationwide, the housing market is still depressed. The outlook calls for a modest recovery that lasts about three years, not the sharp upswing that characterizes most housing recoveries.

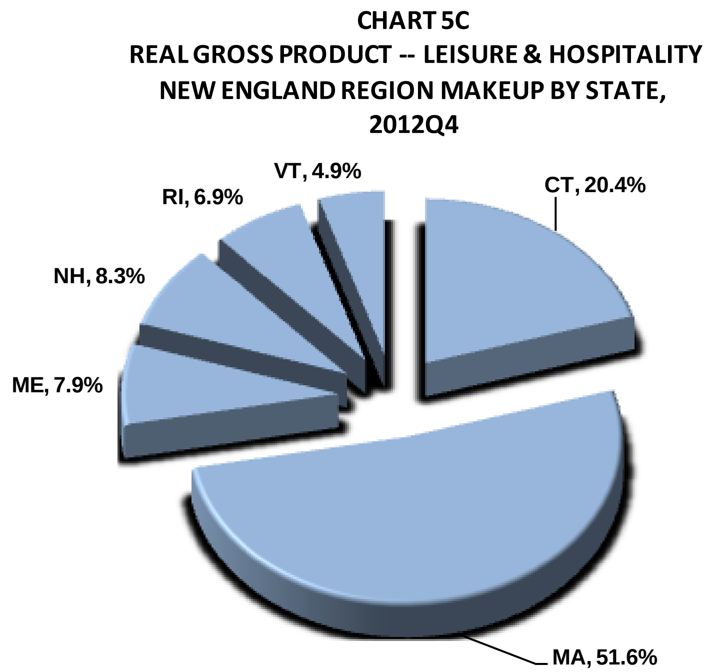


Source: IHS Global Insight

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.

The tourism industry in the New England 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 third quarter of 2011. As illustrated in chart 5B, the New England region has been outpacing the nation in leisure and hospitality growth until the third quarter of 2012, when regional growth fell below that of the nation.

Chart 5C provides a breakdown of the composition of total output from the leisure and hospitality industry by state.



Source: IHS Global Insight

Travel by Region: Pacific

The Year-End travel forecast for the Pacific (PAC) region calls for total travel to increase by 1.8 percent, as 15.79 million residents are expected to journey at least 50 miles away from home. Travel by automobile is projected to rise by 1.4 percent, while air travel is forecast to rise by 4.4 percent. The Pacific economy is still moving forward at a slow pace, and the increase in holiday travel is expected to mirror that pace. As some of the uncertainties surrounding the recovery are resolved, US growth will likely accelerate over the course of next year. For the time being, however, the recovery has weak momentum, and travel volumes originating from the Pacific region are expected to increase at a modest rate.

TABLE 6A

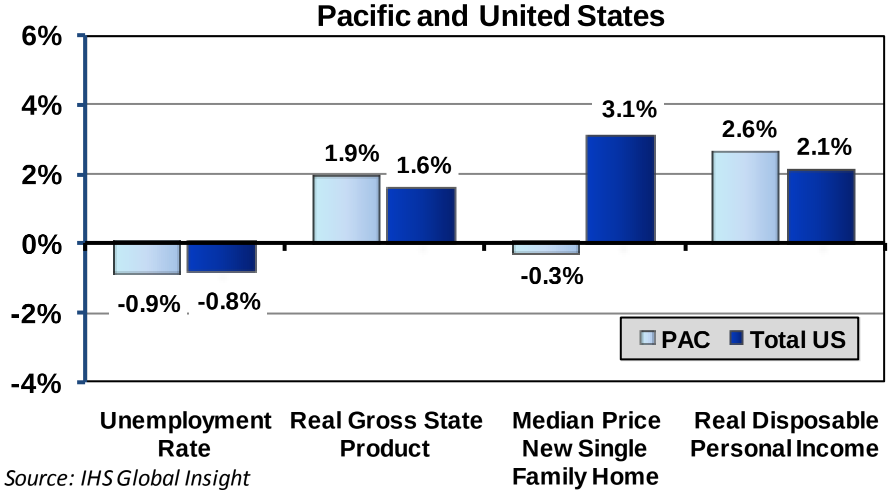
2012/13 YEAR-END TRAVEL FORECAST – PACIFIC REGION AND UNITED STATES

	Pacific			United States		
Year End Travel	**YOY % Change**	**Level**	**% of Population**	**YOY % Change**	**Level**	**% of Population**
Total (millions of person trips)	1.8%	15.79	30.8%	1.6%	93.25	29.5%
Automobile (millions of person trips)	1.4%	13.98	27.3%	1.3%	84.37	26.7%
Air (millions of person trips)	4.4%	1.28	2.5%	4.5%	5.61	1.8%
Economy (2012Q4)	**YOY % Change**	**Level**		**YOY % Change**	**Level**	
Unemployment Rate (YOY Change)	-0.9%	9.7%		-0.8%	7.9%	
Real Gross Product ($, bn)*	1.9%	2,412		1.6%	13,650	
Median Price, New Single Family Home ($, thn)	-0.3%	301		3.1%	227	

The recovery in the Pacific region has weak momentum, but has not ground to a halt, and real gross state product is expected to be 1.9 percent higher than the previous holiday season. This is slightly higher, but still comparable to the growth expected nationwide (1.6 percent). The uncertainty surrounding future fiscal policy remains the biggest drag on growth, as the restraining effect on businesses in terms of spending and hiring decisions cannot be overstated. 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 service sectors that support them. However, with so much uncertainty surrounding future tax increases and spending cuts, businesses are reluctant to take risks until some of this uncertainty is removed.

In the fourth quarter of 2012, the unemployment rate in the Pacific region is expected to be 0.9 percentage point lower than year-ago levels. While this is good news, lower labor-force participation, not rapid job growth, has been the driver of this decline. The underlying dynamics of recovery are in place to reignite growth once the current high levels of uncertainty diminish. For now, however, the pace of recovery remains muted, and travel volumes are expected to increase at a modest pace.

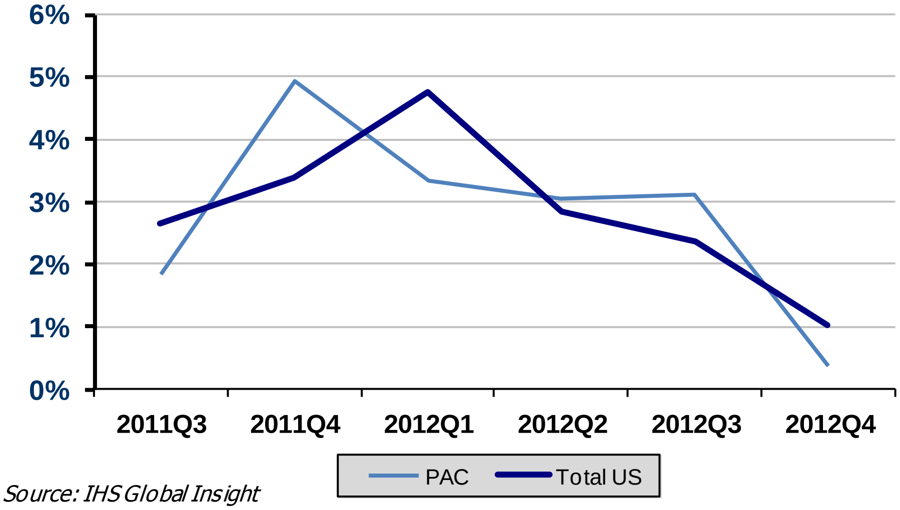
Chart 6A
YOY Growth, 2011Q4 to 2012Q4
Pacific and United States



Source: IHS Global Insight

Credit conditions are gradually easing, and household demand for the traditional drivers of recovery—vehicles and houses—is gaining momentum. The median price of new single-family homes in the Pacific region appears to have stabilized, and is expected to fall just 0.3 percent in the fourth quarter, relative to year-ago prices. In California in particular—the epicenter of the housing boom and bust—home prices were up 3.5 percent during the second quarter and up 4.1 percent from year-earlier levels according to the Federal Housing Finance Agency's purchase-only home price index. Thanks to increased economic activity, rising pent-up demand, and improved affordability, the housing recovery in the PAC region finally appears to be underway. The outlook is for a modest recovery that lasts about three years, not the sharp upswing that characterizes most housing recoveries

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



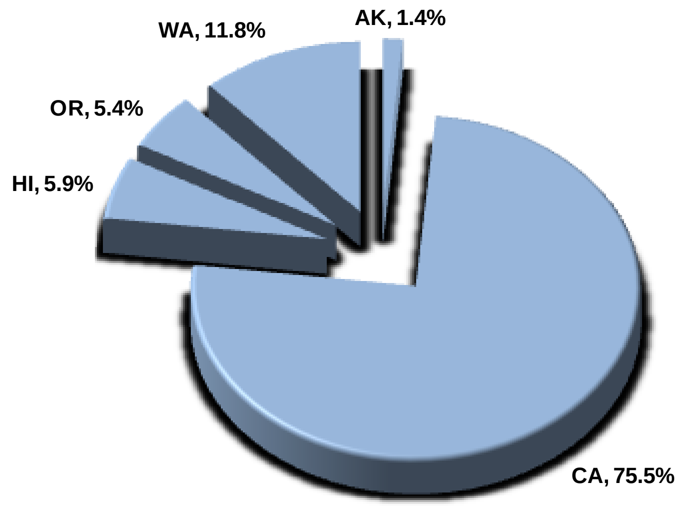
Source: IHS Global Insight

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.

The tourism industry in the Pacific 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 over the course of 2012. Chart 6B illustrates the path of growth for total output from the leisure and hospitality industry in the Pacific region.

Chart 6C provides a breakdown of the composition of total output from the leisure and hospitality industry by state. California is the largest contributor of tourism output in the Pacific region (75.5 percent). Washington is second to California in terms of output in the Pacific region (11.8 percent). Alaska accounts for the smallest share of tourism output in the Pacific region (1.4 percent).

CHART 6C
REAL GROSS PRODUCT -- LEISURE & HOSPITALITY
PACIFIC REGION MAKEUP BY STATE,
2012Q4



Source: IHS Global Insight

Travel by Region: South Atlantic

During the Year-End holiday period, travel originating from the South Atlantic (SATL) region is expected to increase by 1.3 percent relative to last year, which is slightly lower than the growth expected nationwide (1.6 percent). Automobile travel is forecast to increase by one percent, while air travel is expected to be 4.1 percent higher than year-ago levels. Despite the slow pace of economic recovery, the SATL region continues to show signs of progress. Fourth-quarter growth looks soft, but steady improvements to the regional economy supports a small increase in travel volumes over the Year-End holiday season.

TABLE 7A

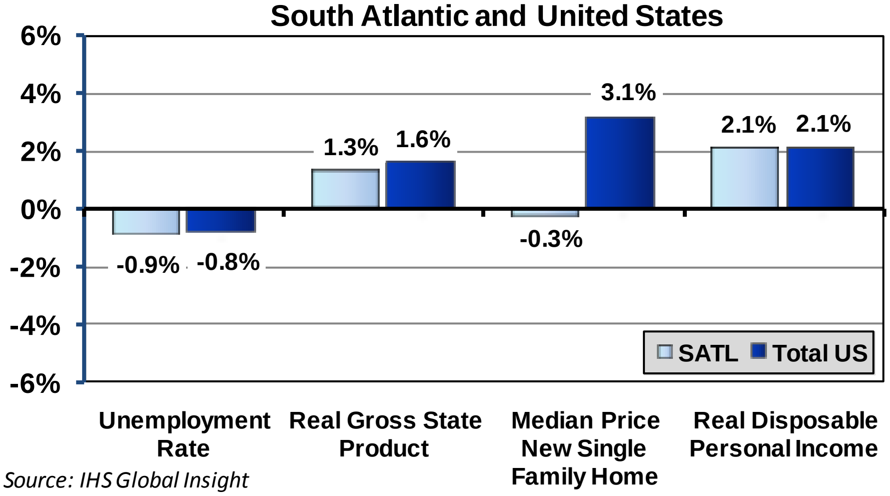
2012/13 YEAR-END TRAVEL FORECAST – SOUTH ATLANTIC REGION AND UNITED STATES

	South Atlantic			United States		
Year End Travel	**YOY % Change**	**Level**	**% of Population**	**YOY % Change**	**Level**	**% of Population**
Total (millions of person trips)	1.3%	17.26	28.1%	1.6%	93.25	29.5%
Automobile (millions of person trips)	1.0%	15.59	25.3%	1.3%	84.37	26.7%
Air (millions of person trips)	4.1%	0.97	1.6%	4.5%	5.61	1.8%
Economy (2012Q4)	**YOY % Change**	**Level**		**YOY % Change**	**Level**	
Unemployment Rate (YOY Change)	-0.9%	8.1%		-0.8%	7.9%	
Real Gross Product ($, bn)*	1.3%	2,451		1.6%	13,650	
Median Price, New Single Family Home ($, thn)	-0.3%	224		3.1%	227	

Employment gains in the South Atlantic region have been up and down over the course of 2012. After beginning the year with 1.1 percent annualized job growth through the first three months, payroll gains decelerated to 0.2 percent and 0.6 percent annualized growth in the second and third quarters, respectively. While there has been solid recovery in the SATL region's enormous trade and transportation sector, the construction and government sectors continue to be an obstacle for growth. The unemployment rate remains elevated at 8.1 percent, and while this is 0.9 percentage point lower than at this time last year, lower labor-force participation, not rapid job growth, has been the primary driver of the drop in the unemployment rate. As jobs return, the labor force is likely to grow faster, slowing down the decline in unemployment. The modest improvements to the regional labor market support the slight gain in expected travel during the upcoming Year-End holiday period.

In terms of economic output, fourth-quarter growth looks soft. Compared to year-ago levels, real gross state output in the combined SATL states is expected to grow 1.3 percent in the fourth quarter of this year. The economy is still moving forward at a slow pace, facing headwinds from weak exports and business caution in capital spending. Credit conditions are gradually easing, and household demand for the traditional drivers of recovery—vehicles and houses–is gaining momentum. If some of the uncertainty regarding domestic fiscal

Chart 7A
YOY Growth, 2011Q4 to 2012Q4
South Atlantic and United States



Source: IHS Global Insight

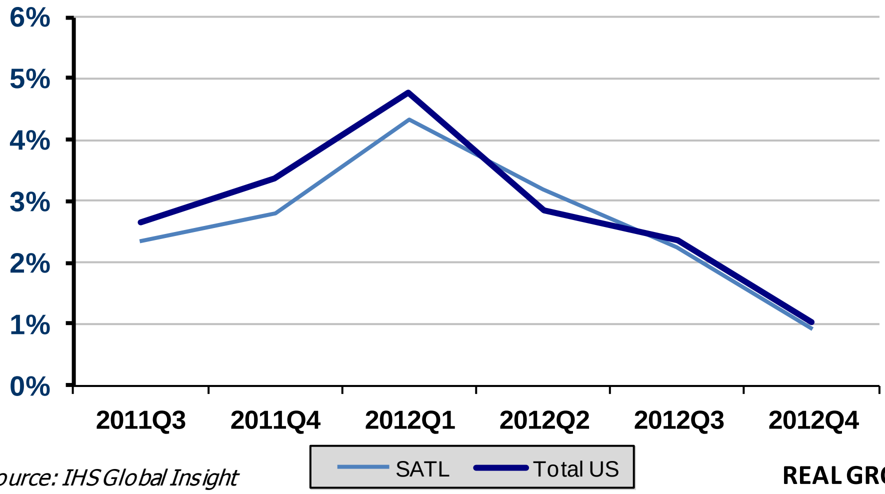
policy is removed, then hiring and capital spending can accelerate, and consumers will become even more optimistic and willing to spend. We assume, however, that the process of getting to an agreed deficit reduction package is long, drawn-out, and messy, and that the growth acceleration is not visible in calendar-year figures until 2014. Consequently, while the fundamentals are improving, the recovery in the SATL region continues forward at a slow pace.

The housing recovery finally seems to be underway. Household formation is reviving, despite sluggish employment growth. The median price of new-single family homes in the South Atlantic region is expected to fall by just 0.3 percent in the fourth quarter of 2012, relative to this time last year. However, there exists much disparity in the home price situation across states. Florida has benefitted from strong investor interest in homes, while Maryland's foreclosure share increased significantly over year-ago levels in the second quarter of this year. Foreclosed homes go onto the market at reduced prices, and they present a significant barrier to overall home price growth in the near term. Thus, while recent evidence suggests that home prices are stabilizing, it is important to keep in mind that this market is still depressed and that the recent improvements have been modest, and varied.

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 South Atlantic 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, albeit at a decelerating rate, over the course of 2012. Chart 7B illustrates the path of growth for total output in the leisure and hospitality industry in the South Atlantic region and the broader United States.

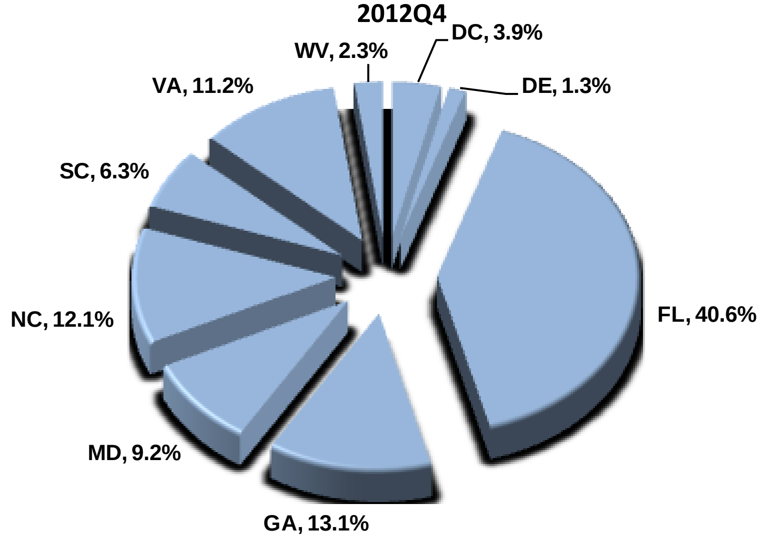
CHART 7B
REAL GROSS PRODUCT -- LEISURE & HOSPITALITY
YOY % CHANGE



Source: IHS Global Insight

Chart 7C provides a breakdown of the composition of total output from the leisure and hospitality industry by state. Florida contributes the largest portion of tourism output to the South Atlantic region, at 40.6 percent.

CHART 7C
REAL GROSS PRODUCT -- LEISURE & HOSPITALITY
SOUTH ATLANTIC REGION MAKEUP BY STATE, 2012Q4



Source: IHS Global Insight

Travel by Region: West North Central

The West North Central (WNC) region is expected to witness a 1.8 percent increase in travel this Year-End holiday period as compared to last year. Automobile travel is forecast to increase by 1.5 percent, while the forecast for travel by airplane calls for an increase of 4.8 percent. A higher-than-average share of the West North Central population is expected to travel this holiday (37.5 percent), which is typical of the WNC region based on its widespread geographic region. The gradual recovery of the regional economy mirrors the national trend, but gains are lower than needed to spur a stronger increase in holiday travel.

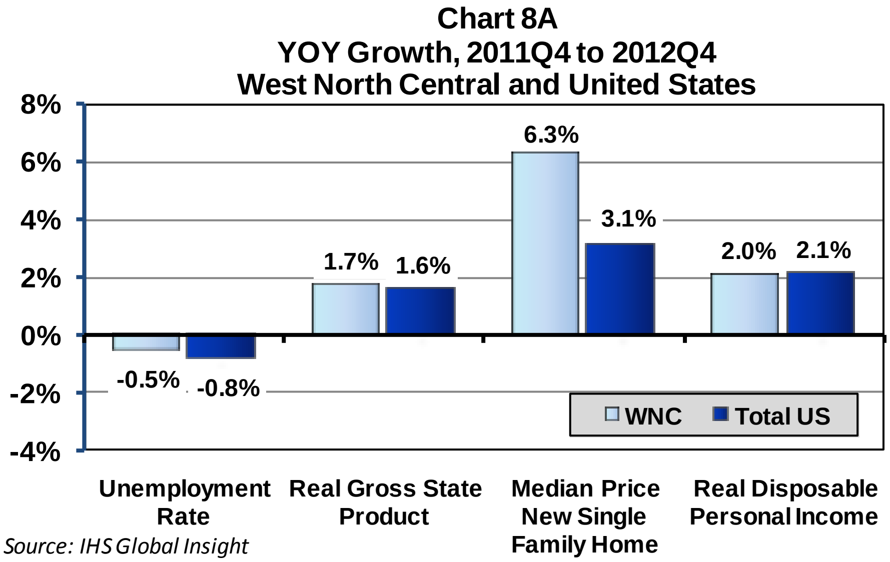
TABLE 8A

2012/13 YEAR-END FORECAST – WEST NORTH CENTRAL REGION AND UNITED STATES

	West North Central			United States		
Year End Travel	**YOY % Change**	**Level**	**% of Population**	**YOY % Change**	**Level**	**% of Population**
Total (millions of person trips)	1.8%	7.80	37.5%	1.6%	93.25	29.5%
Automobile (millions of person trips)	1.5%	7.25	34.8%	1.3%	84.37	26.7%
Air (millions of person trips)	4.8%	0.31	1.5%	4.5%	5.61	1.8%
Economy (2012Q4)	**YOY % Change**	**Level**		**YOY % Change**	**Level**	
Unemployment Rate (YOY Change)	-0.5%	5.7%		-0.8%	7.9%	
Real Gross Product ($, bn)*	1.7%	869		1.6%	13,650	
Median Price, New Single Family Home ($, thn)	6.3%	218		3.1%	227	

The unemployment rate in the WNC is the lowest among the nine census regions, at 5.7 percent. In the fourth quarter of 2012, the unemployment rate is expected to fall by 0.5 percentage point, which is less than the average decline expected nationwide (0.8 percentage point) due to a more slowly growing population, and a shallower recession in the WNC versus the nation as a whole. Looking at the performance of the labor market across individual states, North Dakota has fared the best, fueled by continued expansion in the energy sector with activity centered in the Bakken shale. Missouri, on the other hand, has fared the worst due to a sharp slowdown in manufacturing and continued weakness in construction.

The breakdown in manufacturing in the WNC region is indicative of a weakening in orders for capital equipment across most of the country. With so much uncertainty surrounding future tax increases and spending cuts, businesses are reluctant to take risks until some of this uncertainty is removed, particularly in terms of capital spending and hiring decisions. As fiscal policy uncertainties are resolved and export markets strengthen, growth should pick up in 2014 and beyond, but the current pace of recovery remains subdued and below what is needed to spur more than a modest increase in Year-End holiday travel. Real gross



Source: IHS Global Insight

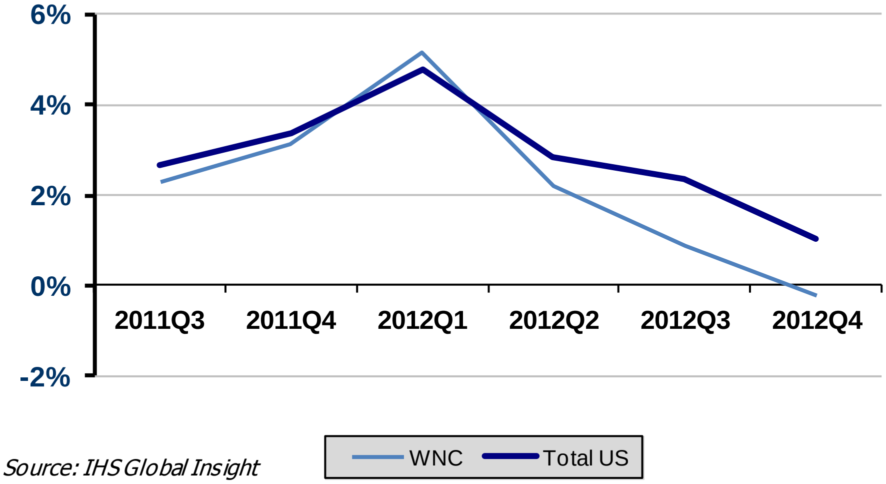
state product in the WNC region increased by 1.7 percent annually in the fourth quarter of 2012, which is comparable to the projected growth in real gross domestic product (1.6 percent).

Recent evidence suggests that the housing market in the WNC region is making headway. The median price of new single-family homes in the WNC is expected to increase by 6.3 percent since last year's holiday season, compared to 3.1 percent nationwide. Housing markets are rebounding more quickly than anticipated, but it is important to keep in mind that the market is still depressed. The outlook is for a modest recovery that lasts about three years, not the sharp upswing that characterizes most housing recoveries. As the housing market recovery gains momentum, WNC growth should pick up in 2012 and beyond.

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.

Chart 8B illustrates the path of total output from the leisure and hospitality industry in the WNC and the broader United States The tourism industry in the West North Central 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 since the third quarter of 2011. In the fourth quarter of 2012, tourism output is forecast to decline for the first time in six quarters, falling 0.2 percent compared to year-ago levels.

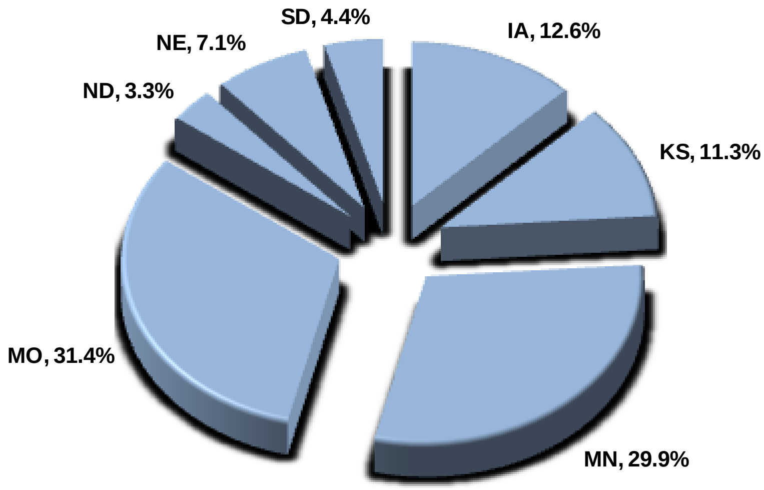
CHART 8B
REAL GROSS PRODUCT -- LEISURE & HOSPITALITY
YOY % CHANGE



Source: IHS Global Insight

Chart 8C provides a breakdown of the composition of total output from the leisure and hospitality industry by state. Missouri is the largest contributor to tourism in the West North Central region.

CHART 8C
REAL GROSS PRODUCT -- LEISURE & HOSPITALITY
WEST NORTH CENTRAL REGION MAKEUP BY STATE, 2012Q4



Source: IHS Global Insight

Travel by Region: West South Central

The West South Central (WSC) region has shown relatively strong economic growth this year, expanding faster than the rest of the country. The recovery is still moving forward, but without ample momentum to stimulate more than a modest increase in holiday travel. The Year-End holiday travel forecast calls for an increase of 1.9 percent in WSC region holiday travel relative to last year, compared to 1.6 percent nationwide. Automobile travel is forecast to rise by 1.5 percent, while air travel is expected to increase by 5.9 percent. The 10.54 million person-trips from the WSC region represents 27.9 percent of the population, which is below the expected national frequency of 29.5 percent.

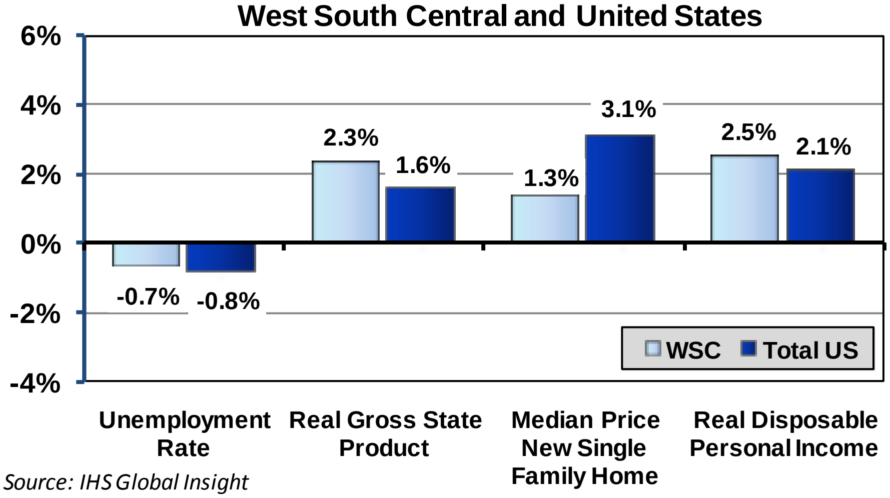
TABLE 9A

2012/13 YEAR-END TRAVEL FORECAST – WEST SOUTH CENTRAL REGION AND UNITED STATES

	West South Central			United States		
Year End Travel	**YOY % Change**	**Level**	**% of Population**	**YOY % Change**	**Level**	**% of Population**
Total (millions of person trips)	1.9%	10.54	27.9%	1.6%	93.25	29.5%
Automobile (millions of person trips)	1.5%	9.72	25.7%	1.3%	84.37	26.7%
Air (millions of person trips)	5.9%	0.47	1.3%	4.5%	5.61	1.8%
Economy (2012Q4)	**YOY % Change**	**Level**		**YOY % Change**	**Level**	
Unemployment Rate (YOY Change)	-0.7%	6.8%		-0.8%	7.9%	
Real Gross Product ($, bn)*	2.3%	1,635		1.6%	13,650	
Median Price, New Single Family Home ($, thn)	1.3%	176		3.1%	227	

The year began with strong gains for the West South Central region, but as in much of the country, the expansion has slowed, with the crisis in Europe and the impending fiscal cliff dampening consumer and business confidence nationwide. Still, despite the slowdown, the WSC region remains the nation's main engine of growth. The West South Central has led the country since the end of the recession, expanding faster and adding more jobs than any other region. Real gross state product in the WSC increased 2.3 percent annually in the fourth quarter of 2012, which is higher than the projected growth in real gross domestic product (1.6 percent). The regional unemployment rate is expected to decline by 0.7 percent, compared to this time last year, resulting in the second-lowest fourth-quarter unemployment rate among the nine census regions (6.8 percent). The recovery should come to life in 2014 and 2015, as fiscal policy uncertainties are resolved and export markets strengthen, but the recovery will continue to drag in the interim, contributing to a modest increase in 2012/13 Year-End holiday travel.

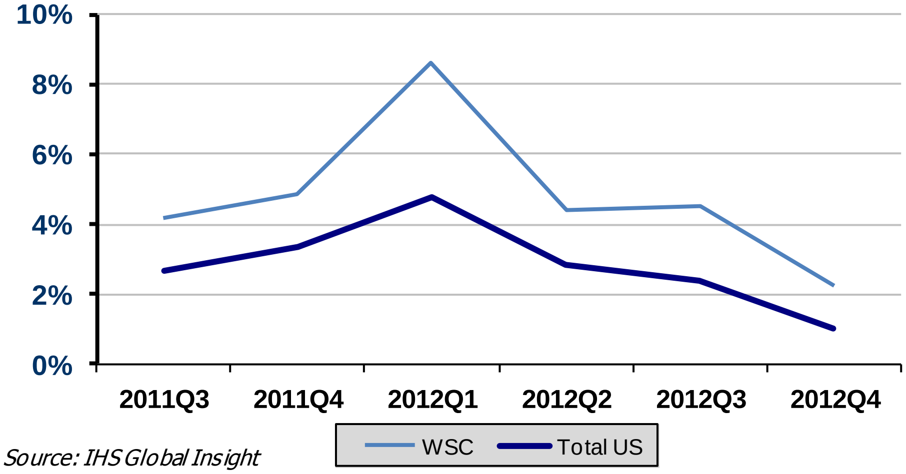
Chart 9A
YOY Growth, 2011Q4 to 2012Q4
West South Central and United States



Source: IHS Global Insight

On the brighter side, housing markets are rebounding more quickly than anticipated. Housing starts surged in September, up 35 percent at the national level, compared to one year ago. Household formation is reviving, despite sluggish employment growth, and homes prices appear to be stabilizing as a result. In the WSC region, the median price of new single-family homes is expected to increase by 1.3 percent since last year's holiday season, compared to 3.1 percent nationally. The outlook is for a modest recovery that lasts about three years, not the sharp upswing that characterizes most housing recoveries, but the recent results are encouraging. As the housing market recovery gains momentum, the regional recovery should come to life, sparking acceleration in growth in 2014 and beyond.

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



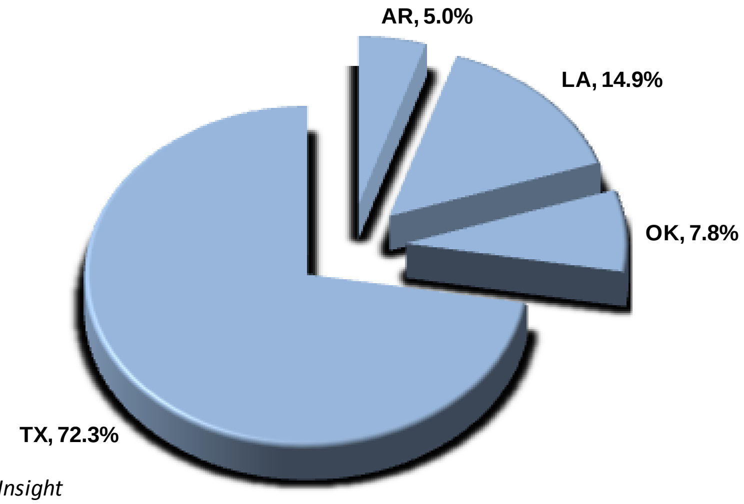
Source: IHS Global Insight

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 tourism industry in the West South Central region has been growing on an annualized basis since the third quarter of 2011, but growth in tourism output (the value of goods and services produced by the leisure and hospitality industry) has been decelerating over the course of 2012. Chart 9B illustrates the path of total output from the leisure and hospitality industry for the region and the total United States.

Chart 9C provides a breakdown of the composition of total output from the leisure and hospitality industry by state. Texas accounts for nearly three-quarters of tourism output in the West South Central region. Alternatively, Arkansas accounts for the smallest share with just five percent of tourism industry output in the WSC region. Louisiana and Oklahoma account for 14.9 and 7.8 percent of regional tourism output, respectively.

CHART 9C
REAL GROSS PRODUCT -- LEISURE & HOSPITALITY
WEST SOUTH CENTRAL REGION MAKEUP BY STATE,
2012Q4



Source: IHS Global Insight

2012/13 Year-End Holidays 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 year-end 2012/13 holiday travel period, the survey was in the field during November 7–12, 2012, and 655 respondents were interviewed in detail about their holiday plans. This panel was designed to yield survey responses that are statistically significant at the national level.[1] Although we report detail for individual census regions, the reader should be aware that the census-region-level results are not generally statistically significant and margins of error are generally large.

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

Party Composition Memorial Day 2010 (example)

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

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

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

Note that the percent of 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 1.0 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.[2]

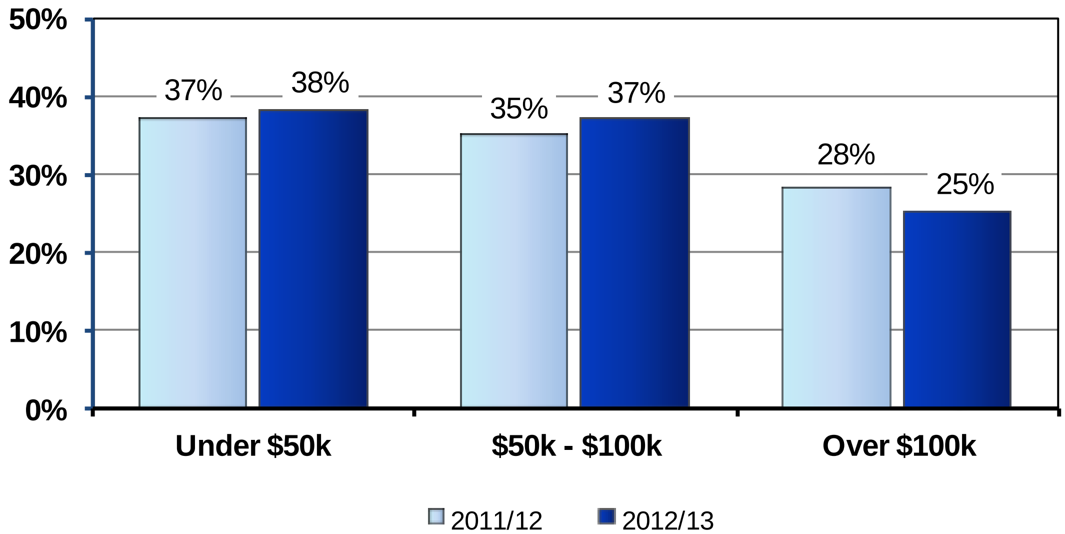
[1] Specifically, the margin of error for each binary response question is, at most, about 6 percentage points, with 99% confidence.

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

Change in Year-End Traveler Demographics

While the pace of recovery remains painfully slow, the economy continues to move forward at a modest pace. Consumer confidence is at a four-year high, as the pent-up demand that has built up over the past four years is providing a tailwind for consumer discretionary spending. The chart below, taken from the *Holiday Traveler Profile,* shows that households making less than $50,000 are expected to make up 38 percent of all travelers this year, up from 37 percent last year. The share of travelers with household incomes between $50,000 and $100,000 is also expected to increase, up from 35 percent last year to 37 percent. Households making over $100,000 will make up the remaining 25 percent of total person-trips.

CHART 7
HOUSEHOLD INCOME DISTRIBUTION OF INTENDING TRAVELERS
YEAR-END 2011/12 AND 2012/13 HOLIDAY
TOTAL US



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

Travel Distances

Travelers intend to journey an average of 760 miles round-trip over the upcoming Year-End holidays, which is a slight increase relative to the 726 miles expected from last year's survey. While some improvements in the economy, such as rising consumer expectations, may be conducive to travelers taking longer trips, overall holiday travel expectations this year are not much different from the previous Year-End holiday period.

"Planning a longer trip to visit family this year."

New England Respondent

The expected increase of 4.5 percent in those planning to travel by air may could be driving the increase in average miles traveled. The percentage of expected trips with a round trip distance over 1,500 miles has risen from 17 percent last year to 21 percent this year, while those trips in the 701-1,500 mile category have fallen by 5 percent (17 percent in 2012/13 versus 22 percent last year).

The distribution among mileage categories for the United States is fairly balanced, with every category receiving between a 14 percent and 21 percent share of intended travelers. The average miles traveled varies between regions. The East North Central region expects to average just 497 miles round-trip over the year-end holidays, with nearly 42 percent of intending travelers planning to travel 250 miles or less round-trip. On the other end of the spectrum is the Mountain region, which is consistently at the top of expected travel distance, and whose travelers for this holiday period are planning to travel 1,038 miles with 60 percent of intending travelers planning to travel more than 700 miles round-trip.

TABLE 8
EXPECTED ROUND-TRIP DISTANCE TRAVELED
2012/13 YEAR-END HOLIDAYS
TOTAL US AND BY REGION OF RESIDENCE

	50-150 miles	151-250 miles	251-400 miles	401-700 miles	701-1500 miles	Over 1500 miles	Average Miles
			(Percentage of Travelers)				
Total US	18%	14%	14%	16%	17%	21%	760
New England	23%	21%	21%	9%	3%	23%	688
Middle Atlantic	24%	12%	20%	9%	14%	20%	743
South Atlantic	16%	23%	10%	12%	25%	14%	765
East North Central	29%	13%	18%	24%	8%	8%	497
East South Central	11%	11%	18%	18%	18%	24%	889
West North Central	12%	19%	10%	26%	14%	19%	727
West South Central	19%	10%	15%	20%	16%	21%	749
Mountain	8%	5%	12%	15%	30%	30%	1038
Pacific	16%	6%	10%	14%	18%	37%	838

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

Total Spending

Travelers intend to spend a median of $759 this holiday period. That figure is up almost six percent from last year's median spend of $718. 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 is expected to account for roughly 29 cents of the traveler dollar. The largest single spending categories continue to be food and beverages and shopping, each of which account for 19 cents of the travel dollar.

"In 2011 we tried to save and avoid big ticket items or events but this year 2012 we feel secure about how much we can spend."

South Atlantic Respondent

TABLE 9
MEDIAN EXPECTED TOTAL HOUSEHOLD TRIP SPENDING AND AVERAGE EXPECTED SHARES OF BUDGET BY CATEGORY
2012/13 YEAR-END HOLIDAYS
TOTAL US AND BY REGION OF RESIDENCE

	Total US	New England	Middle Atlantic	East North Central	West North Central	South Atlantic	East South Central	West South Central	Mountain	Pacific
Median Total Expenditures	**$759**	**$859**	**$831**	**$510**	**$656**	**$801**	**$770**	**$744**	**$694**	**$1,048**
Fuel Transportation	12%	12%	11%	16%	18%	11%	11%	13%	10%	9%
Other Transportation Spending	17%	15%	17%	5%	18%	13%	19%	20%	21%	21%
Accommodations	17%	24%	15%	18%	15%	15%	18%	10%	16%	21%
Food & Beverages	19%	20%	22%	20%	18%	21%	18%	18%	22%	17%
Shopping	19%	14%	16%	22%	17%	24%	18%	22%	14%	14%
Entertainment/Recreation	12%	10%	15%	15%	11%	13%	12%	10%	13%	12%
Other	5%	5%	4%	5%	4%	3%	4%	6%	4%	6%

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

Chart 10 illustrates the average expected shares of budget by category for 2012/13. Chart 11 shows the change in expected budget distribution from year-end 2011/12 to 2012/13.

CHART 10
US 2012/13 YEAR-END SPENDING
DISTRIBUTION BY CATEGORY

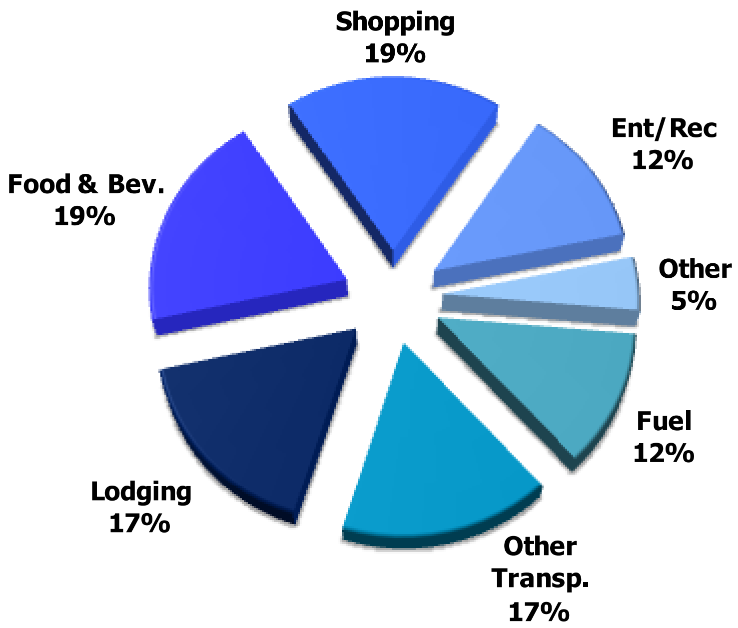
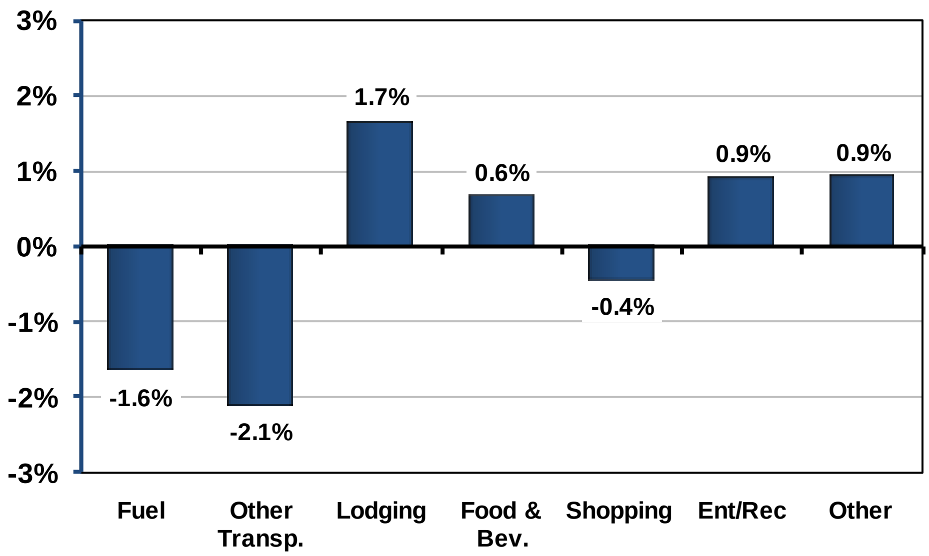


CHART 11
TOTAL US YEAR-END HOLIDAYS SPENDING
CHANGE IN BUDGET SHARE FROM 2011/12 TO 2012/13



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

Party Composition

For the 2012/13 Year-End holiday period, the most common party composition remains two adults, at 36 percent, unchanged from last year. The next largest share is families, at 29 percent. That share is down three points from last year. Groups with one adult or with three or more adults will each make up 18 percent of total travel parties this year.

.

"Traveling with friends, will go more places, do more shopping, eat out more."

West North Central Respondent

TABLE 12
PARTY COMPOSITION
2012/13 YEAR-END HOLIDAYS
TOTAL US AND BY REGION OF RESIDENCE

	One Adult	Two Adults	Three or more Adults	Families
Total US	**18%**	**36%**	**18%**	**29%**
New England	17%	50%	15%	19%
Middle Atlantic	20%	27%	27%	26%
South Atlantic	13%	47%	16%	24%
East North Central	16%	37%	13%	34%
East South Central	20%	38%	10%	32%
West North Central	24%	31%	20%	25%
West South Central	21%	25%	24%	30%
Mountain	28%	27%	16%	29%
Pacific	17%	32%	17%	33%

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

Activities

Visiting with friends and family as well as dining remain the top two activities for travelers during the upcoming holiday season. The table below shows that 67 percent are planning on dining as a specific activity, while 66 percent of travelers plan to visit with friends and family. The share of travelers planning to shop is expected to rise above the last year's share of 54 percent to 57 percent.

"Planning to do more dining out. Staying in Hotel instead of with friends."

Mountain Respondent

These three activities are clearly the primary planned activities as they are the only activities showing up on more than 50 percent of travelers' plans.Touring/sightseeing has also become a slightly more important activity, with 34 percent of respondents expecting to partake in this, compare to 32 percent last year. However, no other activity makes the plans of more than a one-third of expected travelers. The next group of expected activities is clearly focused around entertainment, such as sightseeing, nightlife, and sporting events.

TABLE 13
EXPECTED ACTIVITIES
2012/13 YEAR-END HOLIDAYS
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	**67%**	68%	67%	71%	57%	71%	72%	53%	61%	73%
Visit with friends/relatives	**66%**	63%	59%	75%	77%	60%	71%	60%	63%	72%
Shopping	**57%**	58%	56%	65%	49%	65%	68%	42%	48%	54%
Touring/sightseeing	**34%**	37%	27%	31%	26%	51%	27%	23%	25%	37%
Night Life	**27%**	37%	32%	25%	29%	28%	26%	16%	32%	26%
Go to beach/waterfront	**19%**	15%	25%	6%	12%	21%	12%	9%	17%	34%
Watch sporting events	**17%**	28%	19%	19%	18%	12%	20%	17%	16%	15%
Visit museums, art exhibits, etc.	**16%**	22%	18%	13%	17%	17%	13%	14%	17%	14%
Visit historic sites	**16%**	22%	12%	11%	11%	24%	16%	6%	14%	20%
Attend festivals, craft fairs, etc.	**13%**	24%	18%	15%	11%	9%	12%	8%	13%	14%
Attend concerts, plays, dance, etc.	**13%**	18%	21%	5%	9%	14%	16%	8%	18%	12%
Gambling	**13%**	17%	10%	7%	7%	11%	13%	23%	9%	21%
Hike, bike, etc.	**10%**	9%	11%	9%	3%	11%	8%	10%	12%	11%
Visit national or state parks	**10%**	11%	13%	1%	10%	8%	14%	7%	17%	16%
Snow ski, snow board, other	**9%**	15%	11%	10%	8%	7%	3%	13%	12%	8%
Other	**8%**	8%	5%	10%	17%	1%	20%	14%	5%	5%
Visit theme/amusement parks	**7%**	5%	9%	4%	10%	2%	2%	8%	10%	13%
Observe & conserve nature/culture - Eco-Travel	**6%**	8%	5%	8%	4%	7%	7%	1%	1%	10%
Spa	**6%**	9%	4%	4%	5%	8%	7%	4%	11%	7%
Hunt, fish, etc.	**5%**	4%	7%	11%	3%	3%	9%	6%	5%	3%
Boat/sail	**4%**	8%	4%	1%	2%	3%	4%	5%	4%	4%
Look at real estate	**4%**	7%	5%	7%	3%	7%	3%	1%	3%	1%
Play golf	**3%**	2%	0%	2%	1%	5%	5%	6%	8%	3%
Attend show: boat, car, home, etc.	**3%**	2%	6%	0%	1%	1%	5%	1%	5%	7%
Compete in sporting events	**2%**	0%	0%	3%	1%	3%	1%	0%	3%	2%

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

With the economy continuing to crawl foward, modest improvements in disposable income will help stimulate spending on discretionary items such as dining and shopping. Visiting with friends and relatives is expected to show a decline in expected participation of approximately four percent, while nightlife and tourism are expected to increase in popularity by few percentage points.

CHART 14
VARIANCE IN EXPECTED PRIMARY ACTIVITIES
YEAR-END 2012/13 COMPARED TO 2011/12 YEAR-END HOLIDAYS

Expected Primary Activities	2012/13	2011/12	Variance
Dining	**67%**	62%	5%
Visit with friends/relatives	**66%**	70%	-4%
Shopping	**57%**	54%	3%
Touring/sightseeing	**34%**	32%	2%
Night Life	**27%**	24%	3%
Go to beach/waterfront	**19%**	17%	2%
Watch sporting events	**17%**	20%	-3%
Visit museums, art exhibits, etc.	**16%**	18%	-2%
Visit historic sites	**16%**	16%	0%
Attend festivals, craft fairs, etc.	**13%**	14%	-1%
Attend concerts, plays, dance, etc.	**13%**	15%	-2%
Gambling	**13%**	10%	3%
Hike, bike, etc.	**10%**	13%	-3%
Visit national or state parks	**10%**	13%	-3%
Snow ski, snow board, other snow	**9%**	9%	0%
Other	**8%**	6%	2%
Visit theme/amusement parks	**7%**	8%	-1%
Observe & conserve nature/culture	**6%**	5%	1%
Spa	**6%**	5%	1%
Hunt, fish, etc.	**5%**	4%	1%
Boat/sail	**4%**	2%	2%
Look at real estate	**4%**	4%	0%
Play golf	**3%**	6%	-3%
Attend show: boat, car, home, etc.	**3%**	1%	2%
Compete in sporting events	**2%**	1%	1%

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

Addendum 1: US Economic Forecast Summary: A Good Election to Win

PUBLISHED 11/7/2012

The economy is still moving forward at a slow pace, facing headwinds from weak exports and business caution in capital spending. But the ground is being prepared for faster growth, making the 6 November election a good one to win. Credit conditions are gradually easing, and household demand for the traditional drivers of recovery—vehicles and houses—is gaining momentum. If we can remove some of the uncertainty that is holding growth back—over the Eurozone crisis, Chinese growth momentum, and domestic fiscal policy—growth will accelerate.

In our baseline forecast (completed before the election), we assume that uncertainty clears only gradually. In particular, we assume that the process of getting to an agreed deficit reduction package is long, drawn-out, and messy. Given the election result, which leaves President Obama in office but needing to cooperate with a divided Congress, that assumption seems well-justified. As a result, the growth acceleration is not visible in calendar-year figures until 2014. But over the president's second term (first-quarter 2013 to first-quarter 2017), we anticipate 9.75 million jobs being added (roughly 200,000 per month), and the unemployment rate dropping to 6.0%.

Fourth-quarter growth looks soft. Third-quarter GDP growth came in above our expectations, at 2.0%, partly because defense spending bounced up even more sharply than we had anticipated, and partly because of a surprising increase in spending on oil and gas drilling ("surprising" because rig counts have declined). We expect only 1.0% growth in the fourth quarter, as defense spending goes into reverse and the disruptive effects of Hurricane Sandy pull down activity. But that should set the stage for a first-quarter bounce in growth, to 2.5%, as rebuilding effects turn Sandy into a plus for GDP growth and as the drag from the drought on farm inventories disappears. Growth for calendar-year 2012 comes in at 2.1%, the same as our October forecast, but we have raised our 2013 growth projection to 1.9% (from 1.8%).

The near-term outlook is complicated by **Hurricane Sandy,** the late-October storm that did severe damage in the Northeast, especially to the New Jersey coast and lower Manhattan. We have assumed that Sandy has caused around $10–20 billion in insured damage, and around $30–50 billion in total costs if uninsured damage and costs of business interruption are included. It is very difficult to judge the immediate implications for growth, not least because we cannot be sure how much of the actual impact will appear in the source data (for example, Sandy did not affect official estimates of employment and hours worked for October because it came too late in the month). We have assumed that Sandy will take around 0.3 percentage point out of GDP growth in the fourth quarter, but add back slightly more than that in the first, helped by reconstruction efforts.

Households are feeling more confident, but still face too many negatives to allow a robust **consumer spending** recovery—high debt burdens, low house prices, modest employment growth, and a lack of confidence in the government's ability to make things better. Overall, we expect consumer spending growth of 1.9% in 2012, down from 2.5% in 2011, followed by 2.3% growth in 2013. **Light-vehicle sales** are the brightest spot, as pent-up demand is coming through, and we have raised our forecast for 2012 to 14.4-million units (from 14.3 million) and for 2013 to 15.1 million (from 14.9 million). We allowed an extra 100,000 units in 2013 to replace vehicles destroyed by the hurricane.

October's **employment** report delivered an improved 171,000 payroll jobs, and raised job creation estimates for the previous two months. We see job growth of around 140,000 per month over the rest of the year. The unemployment rate remains elevated at 7.9%. Lower labor-force participation, not rapid jobs growth, has been the primary driver of the drop in unemployment from its 10.0% peak. As jobs return, so the labor force is likely to grow faster, slowing down the decline in unemployment.

The **housing** recovery finally seems to be under way. Household formation is reviving, despite sluggish employment growth, and the recovery in demand is spreading from rental units to the owner-occupied sector. Housing starts spiked

15.0% in September, to 872,000 units. For 2012 overall, we expect a 25% increase in housing starts, albeit from a low base (767,000 units, compared with 610,000 in 2011), concentrated in the multifamily segment, where pent-up demand is helping the rental market. We expect starts to improve to 980,000 in 2013 and 1.29 million in 2014. We added 15,000 starts to both 2013 and 2014 as an allowance for rebuilding after Hurricane Sandy. Recent evidence suggests that home prices are stabilizing. We expect a 4.9% house-price increase in 2012, as measured by the FHFA purchase-only index, fourth quarter to fourth quarter.

Capital equipment should remain an important driver of GDP growth, but its momentum has disappeared, at least temporarily. Recent evidence shows a weakening in orders for capital equipment, indicating that firms have become more cautious on capital investment plans. The last two ISM reports, showing better orders, are a hopeful sign that the tide is turning. We expect **business equipment and software spending** growth to slow to 7.7% in 2012, from 11.0% in 2011, and then to 6.2% growth in 2013.

On the **business structures** side, spending on buildings fell 2.9% in the third quarter, after sharp increases in the first half of the year. Since leading indicators have been pointing sideways, it was not a surprise that the first-half pace was not maintained. We expect spending to rise 4.9% in 2013, down from 9.3% growth in 2012. **Oil and gas drilling activity** surprisingly rose in the third quarter, despite a retreat in natural gas drilling in the face of exceptionally low prices. We expect overall drilling to rise 4.7% in 2012, but then only 0.5% in 2013.

In the **state and local government sector**, the pace of budget tightening has eased slightly as revenues have begun to improve, but municipalities remain under severe pressure. We expect real state and local government spending to decline 1.4% in calendar 2012 and 0.3% in calendar 2013, after a 3.4% decline in calendar 2011.

The **federal budget deficit** in fiscal 2012 narrowed to $1.1 trillion (7.0% of GDP), from $1.3 trillion in fiscal 2011 (8.7% of GDP). Fiscal policy is tightening, as stimulus fades away and spending cuts take effect. We expect the deficit to decline further to $928 billion in fiscal 2013 (5.8% of GDP). We do not expect the economy to go off the **"fiscal cliff,"** but 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. Our baseline assumes that the cliff is avoided (at the last minute) and replaced by a program of tax increases and spending cuts that begins in earnest only in 2014, replacing what would be a catastrophic fiscal tightening—even if we go off only a "narrow" cliff (i.e., if we extend AMT relief and the Medicare "doc fix," as routinely done in the past).

A combination of slower growth around the world and a stronger US dollar is creating headwinds for US **export growth**, which we expect to decelerate from 6.7% in 2011 to 3.3% in 2012 and 3.1% in 2013. We expect the **dollar** to strengthen against the euro as the Eurozone recession deepens, but we see no clear medium-term trend in the dollar against major currencies. We foresee a downward trend against emerging-market currencies, dictated by the pace at which China allows the renminbi to appreciate. The overall **current-account deficit** should remain steady at 3.1% of GDP in 2012, and then narrow to 2.8% of GDP in 2013 due to a smaller bill for imported oil.

Inflation remains a nonissue. We expect lower oil prices to pull **headline CPI inflation** down to 2.1% in 2012 and 1.3% in 2013, from 3.1% in 2011. In addition, in the face of sluggish demand growth and a pullback in commodity prices, we expect core inflation to ease gradually.

The combination of slow global growth and a deepening Eurozone crisis has kept 10-year Treasury **bond yields** low this year, at times driving them below 1.5%. We expect bond yields to move substantially higher over the long term, but see them just below 1.8% in the fourth quarter of 2012 and 2.1% in 2013.

Addendum 2: US Regional Forecast Summary

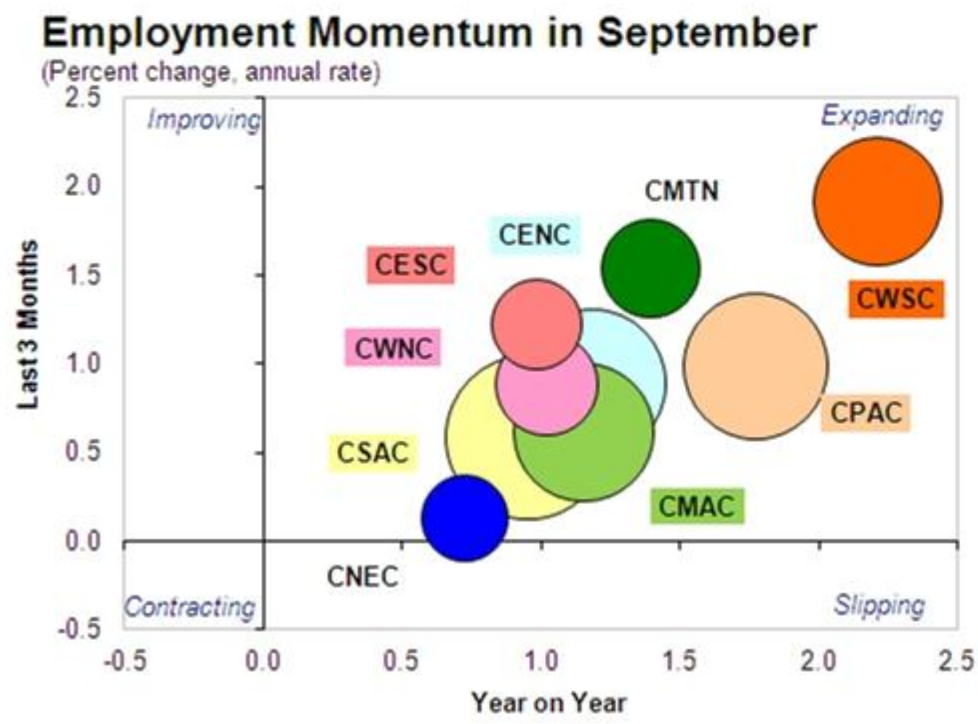
PUBLISHED 11/1/2012

Moderate recovery continues

This fall, most state economies continue to slowly expand. Over the course of the year ending in September, 29 states saw positive job gains, and West Virginia was the only one with a large loss. Although we saw a slight deceleration over the summer, the number of states with positive year-over-year growth has been fairly stable since the spring.

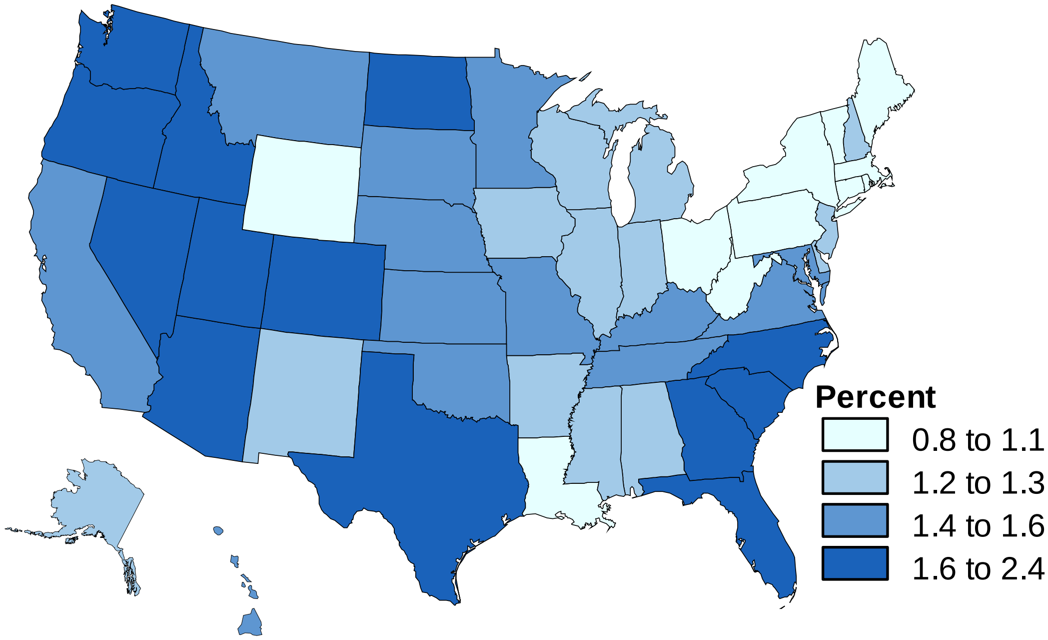
For the remainder of the year and throughout 2013, employment growth should remain moderate, averaging 1.5% per quarter over the next six quarters. All states except West Virginia will post job gains by the end of this year, and all will see payrolls rise in 2013. By the end of 2012, though, only New York (although Hurricane Sandy could change this) and Oklahoma will join the five states that have already returned to their prerecession employment levels—North Dakota, Alaska, the District of Columbia, Texas, and Louisiana. Another seven states will move from recovery to expansion in 2013, but most states will not be able to close their employment gap until 2014, a testament to the depth of the recession and the sluggish pace of the ongoing recovery. Strong construction sector gains, on the back of a recovering housing market, will move Arizona, Florida, California, and Nevada among the top 15 states in terms of employment growth in 2013.

Regionally, we expect the West South Central to continue to be the leading economic performer, generating annual payroll growth well ahead of the other regions in 2012, at 2.2%. Most of the rest of the regions will cluster around 1.0% job growth this year, again in line with a moderate national recovery. The only outliers will be the Mountain region, which will vault forward a bit with 1.5% job growth, and the Northeast, which will lag behind with 0.7%.



Meanwhile, the unemployment rate in most states has been trending lower since the last quarter of 2011. As a result, only three states—Nevada, California, and Rhode Island—still have double-digit rates. We expect this rate to slow during the remainder of the year and into 2013, however, as ongoing employment gains attract previously discouraged job seekers back into the labor force. By the end of 2013, more than half the states will still have unemployment rates at or above 7%.

Employment Growth, 2012-18, Average Annual Growth Rate



Although the housing sector has finally seen some improvement, some of the drivers that were previously supporting growth have weakened. Global economic headwinds and uncertainty surrounding the impending fiscal cliff have taken a toll on exports and business fixed investment and, as a result, manufacturing has lost its momentum, at least temporarily. We thus expect that overall growth in output and employment will remain modest through the remainder of this year and during much of 2013.

State personal income growth, second-quarter 2012

According to the latest figures published by the Bureau of Economic Analysis (BEA), state personal income decelerated in the second quarter of 2012, rising by an annualized 4.1% quarter on quarter (q/q), after expanding by a revised 6.9% in the first quarter of the year. Personal income rose in all states, but growth slowed in 40 states and the District of Columbia. While growth of the dividends, interest, and rents component accelerated, net earnings and transfer receipts slowed significantly.

Earnings in the professional, scientific, and technical services sector and the healthcare sector once again contributed the most to growth. These sectors drove earnings gains in all regions except the Southwest and the Plains. In the Southwest, the construction sector added more to earnings growth than any other sector, with strong gains in Arizona and Texas. Indeed, these two states accounted for nearly two-thirds of the national gain in construction sector earnings during the second quarter. In the Plains region, farm sector earnings, which were actually down nationally, drove second-quarter personal income growth, with very strong gains in the Dakotas. In North Dakota, however—the top state in terms of earnings growth—the mining sector drove earnings growth, as it continues to benefit from a booming energy sector thanks to soaring exploration at the Bakken Shale.

Highest and lowest net earnings growth rates, 2012Q2 (Quarter-on-quarter, annual rate)					
Rank	State	Growth rate %	Rank	State	Growth rate %
1	North Dakota	9.5	47	Delaware	1.0
2	South Dakota	9.2	48	Idaho	1.0
3	Hawaii	4.8	49	Montana	1.0
4	Mississippi	4.6	50	Wyoming	0.0
5	Indiana	4.5	51	New Mexico	-0.5

Nationally, three sectors saw earnings drop during the second quarter: the farm, federal government, and military sectors. Large farm sector losses made New Mexico one of the worst-performing states in the nation, and also contributed significantly to weak earnings results in Wyoming and Idaho.