

# AAA Independence Day 2013 Travel Forecast



**GLOBAL  
INSIGHT**



Prepared for:

American Automobile Association

June 20, 2013

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### Regional definitions used throughout the report:

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

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

Middle Atlantic (MATL): NJ, NY, PA

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

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

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

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

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

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



## Holiday Forecast Methodology: A Brief Overview

The AAA *Independence Day 2013 Travel Forecast* combines information from several sources to provide a prospective assessment of likely travel patterns for the upcoming holiday weekend. This report comprises two key components: the holiday travel forecast and the holiday traveler profile. The holiday travel forecast is based on economic conditions while the holiday traveler profile is developed employing survey data on travel behaviors. This approach provides the most comprehensive and detailed understanding of holiday travel at both the national and regional levels. In addition, the regional travel sections in this report have been enhanced to incorporate information about the state of the local tourism industries throughout the United States.

### Holiday Travel Forecast

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

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

Holiday travel is forecast by person-trips, where a person-trip is defined as a trip that involves travel of 50 miles or more away from home. In particular, AAA and IHS forecasts total US holiday travel, travel by mode of transportation, and travel by US census region. The Holiday Travel Forecast presented in this report was prepared the week of June 1.

### Holiday Traveler Profile

The Holiday Traveler Profile is a survey of intended travel behaviors related to party composition, travel distances, trip expenditures and vacation activities conducted by D.K. Shifflet & Associates. The initial survey includes 1,351 households, out of which only the respondents intending to travel during the designated holiday are interviewed in detail about their anticipated trips. For Independence Day 2013, 382 respondents were interviewed in detail about their intended trips. The survey was in the field from May 28 to May 30, 2013.

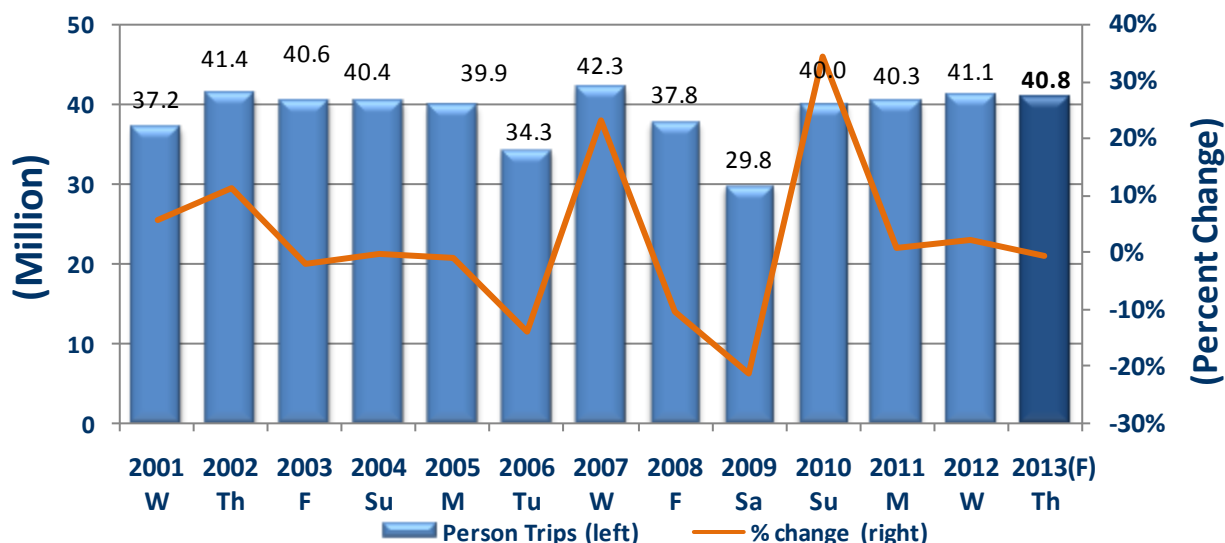
### Independence Day Holiday Travel Period

For purposes of this forecast the Independence Day holiday travel period is defined as trips that include travel of 50 miles or more away from home during the five-day period from Wednesday, July 3 to Sunday, July 7.

## Holiday Travel Forecast for Independence Day, 2013

AAA and IHS project 40.8 million travelers will journey at least 50 miles from home this upcoming Independence Day holiday weekend. This represents a decrease of 0.8 percent relative to the 41.1 million trips that occurred over the holiday period in 2012. With the Fourth of July being on a Thursday this year, the holiday period is back to the standard five-day holiday compared to the six-day period in 2012 when the holiday fell on a Wednesday.

**CHART 1**  
**INDEPENDENCE DAY TRAVELERS 2001-2013**  
**TOTAL PERSON-TRIPS\***



\* 2001-2012 represent actual travel results. 2013 is a forecast.

Over the past four years the travel volume for the Independence Day holiday has stabilized at just above 40 million travelers, which is well above the 13-year average of 38.9 million. However, there are some calendar effects that are relevant to the analysis. The growth seen in 2012 was driven by calendar effects as much as economics, with the Fourth of July falling on Wednesday and resulting in a six-day holiday period. Similarly, the slight decline expected for 2013 is not truly representative of the improving economic situation, as the upcoming holiday period covers one fewer day than in 2012.

The economic picture continues to improve, and while we are not yet in a strong growth period, there are increasing signs of positivity that should contribute to an improved travel outlook. For the second quarter, leading up to the holiday, the forecast for real gross domestic product (GDP) growth has been raised to 1.8 percent, up from 0.4 percent just a few months ago. Third-quarter growth is expected to be 1.5 percent. The employment market shows improvement compared to last year, with the third-quarter unemployment rate expected to average 7.6 percent, which is an improvement of nearly half a percentage point from the third quarter of 2012. Both personal income and consumer spending are forecast to increase 3.1 percent during the third quarter, which is strong growth but also shows that consumers aren't expected to dip into their savings to spend beyond their means.

Despite the expectation that consumers won't be spending beyond their income, the overall consumer mood seems to be improved considerably compared to last year. The Reuters/University of Michigan Consumer Sentiment Index for May has improved both compared to last month and compared to last year. The Bloomberg Consumer Comfort Index has held



steady in the past month but is well ahead of the results at this time last year. The Conference Board's Consumer Confidence Index has improved steadily over the past two months and is now well above last year's levels.

Gas prices are unlikely to be a major factor in travel decisions this holiday. As of mid-June, prices were on average up two percent compared to the same time in 2012. Despite the slight increase compared to last year, prices remain below their highs of earlier this year and previous Holiday Travel Forecast surveys have shown that travelers tend to adjust their spending to compensate for high gas prices by spending less in other areas such as dining and accommodations.

During the 2013 Independence Day holiday weekend, 40.8 million people are expected to travel. This represents a 0.8 percent decrease from in travelers from last year, which was the second highest volume seen in the past 10 years. The 40.8 million travelers should be seen as a positive situation for travel as it is in comparison to a 2012 holiday that had one extra day than the 2013 period, and remains well above the 38.9 million traveler historical average.



## Travel by Mode of Transportation

AAA and IHS expect that more than 84 percent of all Independence Day travelers will choose the automobile as their primary mode of transportation, which is right in line with the share seen in 2012. The resulting 34.4 million travelers is a decrease of 0.7 percent compared to the 2012 total. With the price of gasoline as of mid-June just two percent higher than at the same time in 2012, it is unlikely that gas prices will have a major impact on travel decisions this holiday period.

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*"Taking a vacation trip to New York  
from California. Saved a year for it."*

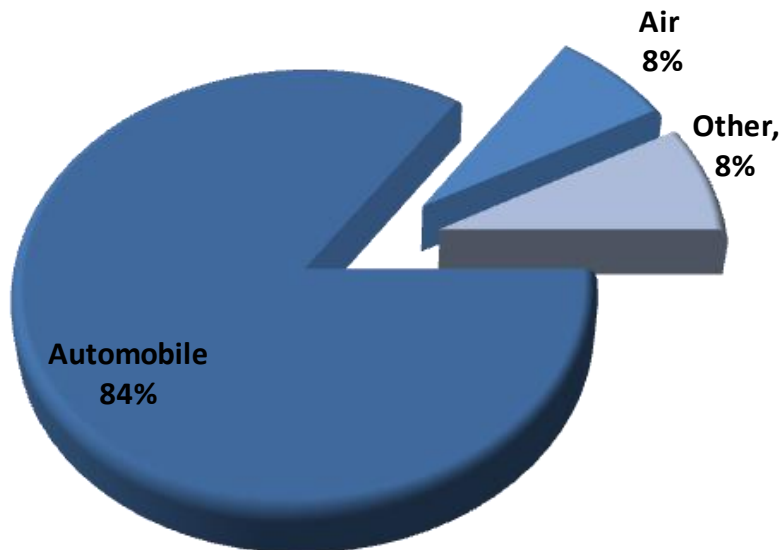
*Pacific Respondent*

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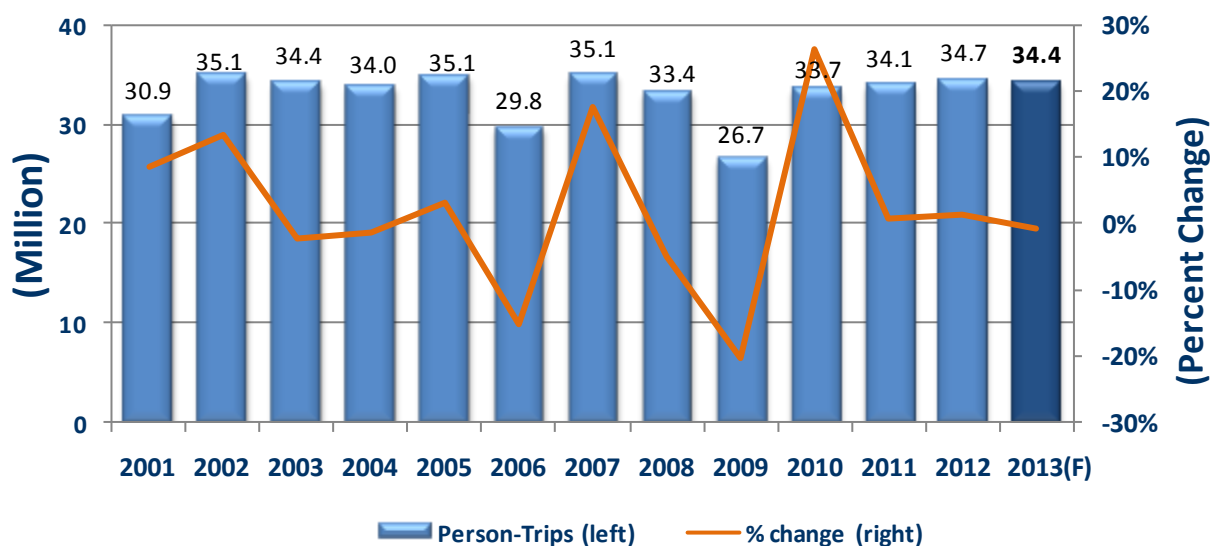
Air travel is expected to make up nearly eight percent of total travel share, a slight increase from 2012. The number of air travelers is expected to be just under over 3.1 million, up almost one-quarter of one percent from 2012. The resulting air travel volume will be the second highest travel volume seen since 2004.

Other modes of travel (trains, watercraft, multi-modal travel) are expected to decrease 3.3 percent this holiday, making up just over eight percent of the total person-trips. Travel via these modes has remained fairly steady for the past four years after bouncing back from the steep decline during the recession.

**CHART 2**  
**DISTRIBUTION OF US INDEPENDENCE DAY TRAVELERS**  
**BY MODE OF TRANSPORTATION**

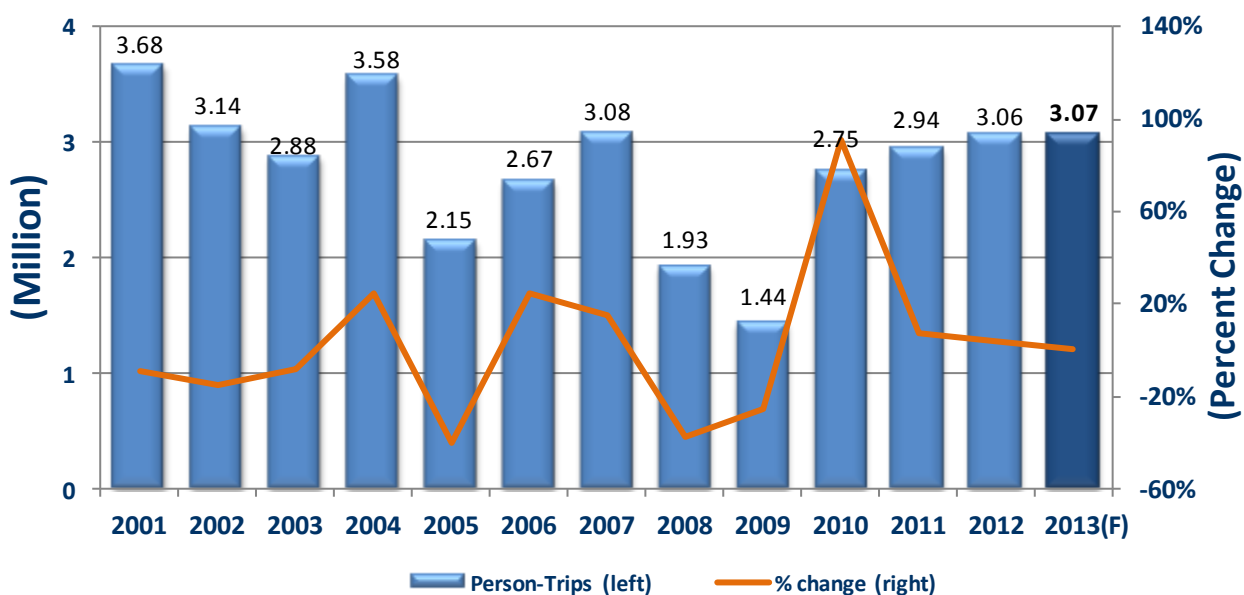


**CHART 3**  
INDEPENDENCE DAY HOLIDAY TRAVELERS 2001-2013  
AUTOMOBILE PERSON-TRIPS\*



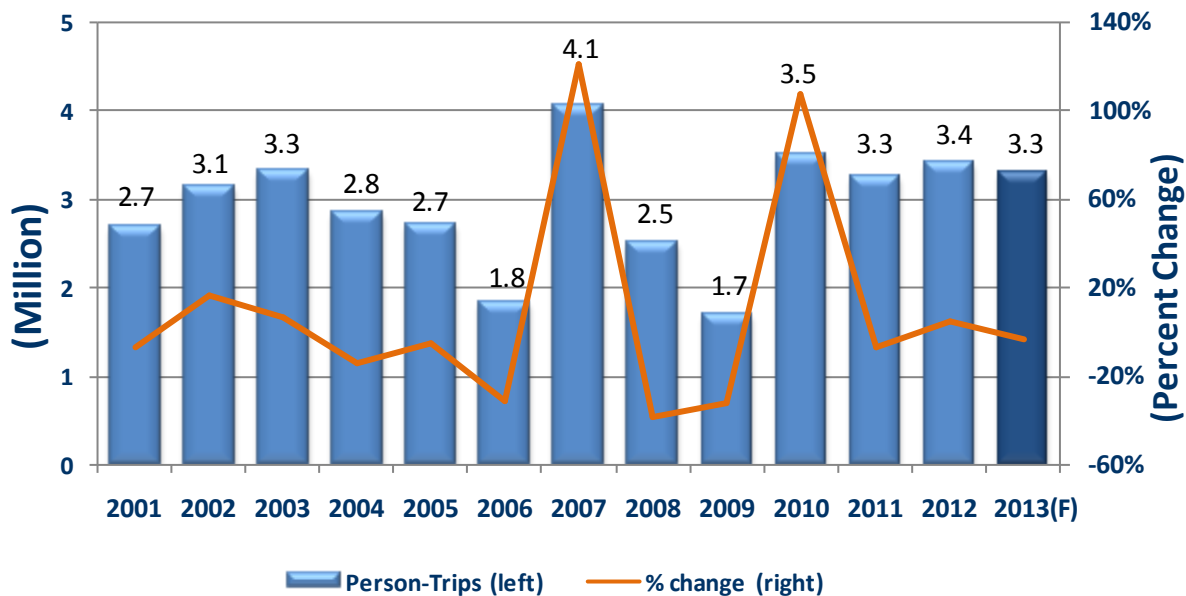
\*2001-2012 represent actual travel results. 2013 is a forecast.

**CHART 4**  
INDEPENDENCE DAY HOLIDAY TRAVELERS 2001-2013  
AIR PERSON-TRIPS\*



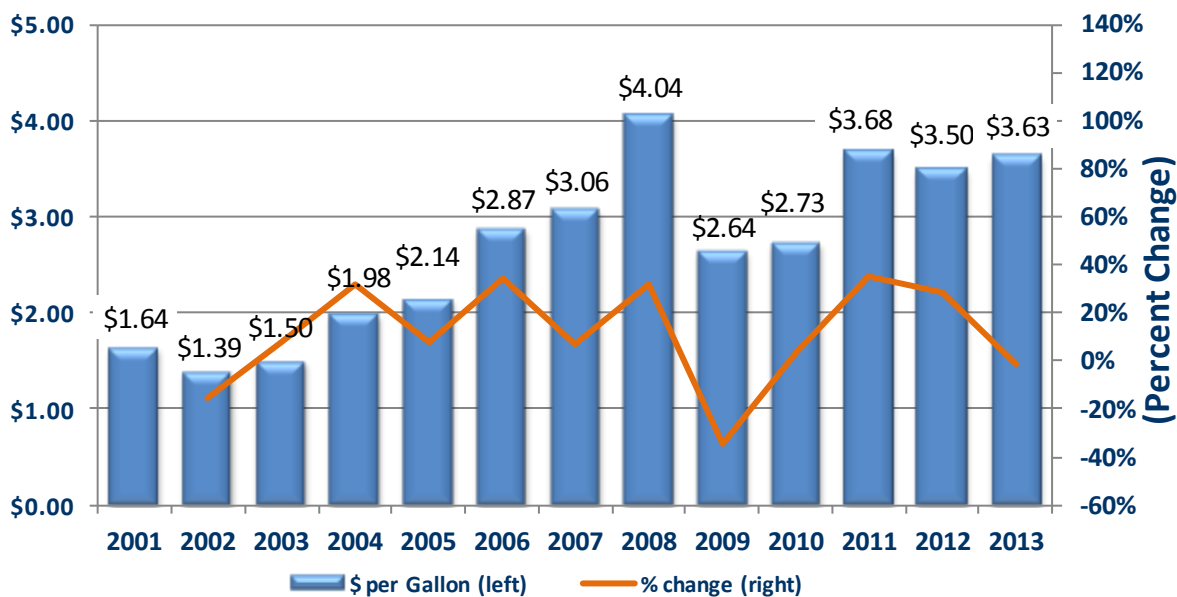
\*2001-2012 represent actual travel results. 2013 is a forecast.

**CHART 5**  
**INDEPENDENCE DAY HOLIDAY TRAVELERS 2001-2013**  
**OTHER PERSON-TRIPS\***



\*2001-2012 represent actual travel results. 2013 is a forecast.

**CHART 6**  
**AVERAGE JUNE\* GASOLINE PRICES**  
**NATIONAL AVERAGE PER GALLON REGULAR UNLEADED**  
**2001-2013**



Source: AAA Fuel Gauge Report

\* June 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.

\*\* 2013 gasoline price is a June average through June 12.



## Travel by Region: East North Central

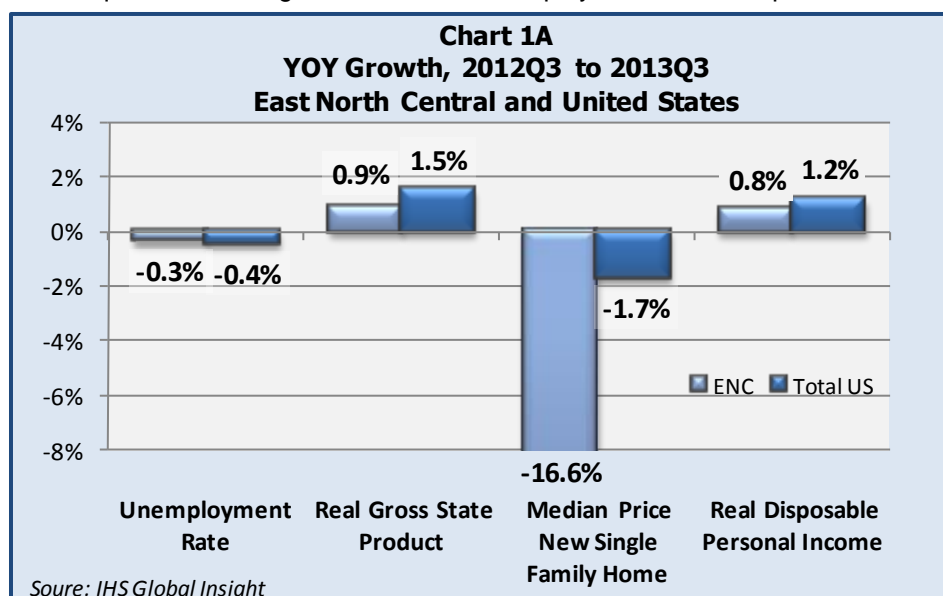
Travel from the East North Central region (ENC) is expected to decline 0.9 percent this Independence Day holiday period, relative to last year. The 7.11 million person-trips from the ENC region represent 15.2 percent of the population, which is higher than the national frequency expected to travel (12.9 percent). Payrolls in the ENC region expanded throughout 2012 and into early 2013. However, with the Fourth of July falling upon a Thursday this year, the combination of a shorter holiday travel period (five days rather than six) and weak disposable income growth will lead to a small decline in 2013 Independence Day travel. Travel by airplane from the ENC region will remain relatively unchanged compared to last holiday, while travel by automobile is expected to decline 0.8 percent.

**TABLE 1A**  
**2013 INDEPENDENCE DAY TRAVEL FORECAST – EAST NORTH CENTRAL REGION AND UNITED STATES**

East North Central				United States		
Independence Day Travel	YOY % Change	Level	% of Population	YOY % Change	Level	% of Population
Total (millions of person trips)	-0.9%	7.11	15.2%	-0.8%	40.79	12.9%
Automobile (millions of person trips)	-0.8%	6.19	13.3%	-0.7%	34.43	10.8%
Air (millions of person trips)	0.0%	0.32	0.7%	0.2%	3.07	1.0%
Economy (2013Q3)	YOY % Change	Level		YOY % Change	Level	
Unemployment Rate (YOY Change)	-0.3%	7.9%		-0.4%	7.6%	
Real Gross Product (\$, bn)*	0.9%	1,854		1.5%	13,861	
Median Price, New Single Family Home (\$, thn)	-16.6%	198		-1.7%	243	

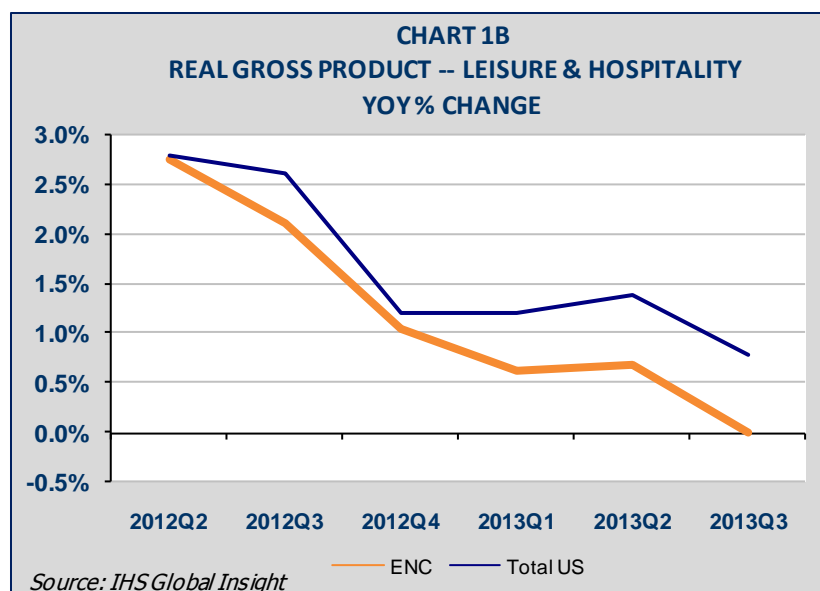
The East North Central region continued to add jobs throughout 2012 and into early 2013. The downside, however, is that employment growth decelerated during the first two quarters of 2013, with the labor force growing less than one percent compared to year-earlier levels. Michigan, in particular, saw its labor market come to a standstill in the first half of the year, as declines in information and public sector employment erased gains in the leisure/hospitality and education/health service sectors. Illinois, too, shed more than 18,500 jobs in March and April after adding more than 21,000 jobs in the first two months of 2013. Job growth in Wisconsin remains considerably weak, while Indiana and Ohio are expected to see minor upticks in unemployment during the third quarter. At a regional level, the unemployment rate is expected to reach 7.9 percent this coming holiday, 0.3 percentage points below year-earlier levels, but well above the pre-recession trough.

The regional housing recovery is underway, but it continues to be a bumpy ride within the region. Tight inventory nationwide is being driven by elevated levels of investor activity, some homeowners' inability to sell due to underwater mortgages, and other potential sellers waiting for prices to rise further. Price gains will encourage more homeowners to place their homes on the market and will lift others out from negative equity. We expect nationwide home sales in 2013



to follow a similar trajectory to that of last year, climbing eight percent.

At the regional level, weak job growth in the surrounding ENC states continues to inhibit new home price appreciation. The median price of new single-family homes is expected to fall 16.6 percent in the third quarter of this year relative to year-earlier prices. Tight inventory and rising existing home prices are making new homes an attractive alternative to potential homebuyers. However, as the labor market continues to struggle, first-time ENC homebuyers have remained in apartments. The sale of foreclosed homes also constitutes a drag on new home prices, as Illinois has the fourth-highest share of total loans in foreclosure among all states.



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.

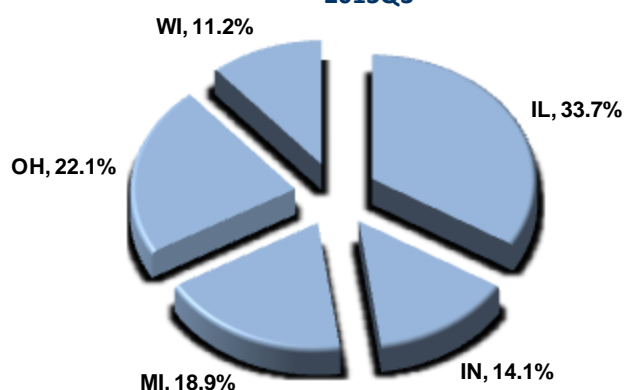
The tourism industry in the ENC region, as measured by leisure and hospitality industry output (the value of goods and services produced by the leisure and hospitality industry), has been growing since the second quarter of 2012, albeit at a decelerating pace. In the third quarter of this year, ENC tourism output is expected to come to a complete standstill (0 percent annualized

growth) while national tourism output is expected to grow 0.8 percent.

Among contributing states, Illinois and Michigan are expected to be the worst performers, with tourism output forecast to decline 0.5 percent in the third quarter compared to last year. Indiana is expected to be the best growth performer (1.1 percent), followed by Ohio (0.4 percent) and Wisconsin (0.2 percent)

The composition of tourism industry output by state in the ENC region is fairly balanced (Chart 1C). With Chicago being one of the top cities for tourism in the United States, it is no surprise that Illinois accounts for more than one-third of tourism output in the East North Central region (33.7 percent). Ohio accounts for the second-largest share of regional tourism (22.1 percent), followed by Michigan (18.9 percent), Indiana (14.1 percent), and Wisconsin (11.2 percent).

**CHART 1C**  
**REAL GROSS PRODUCT -- LEISURE & HOSPITALITY**  
**EAST NORTH CENTRAL REGION MAKEUP BY STATE,**  
**2013Q3**



Source: IHS Global Insight

-Percentages may not sum to 100 due to rounding

## Travel by Region: East South Central

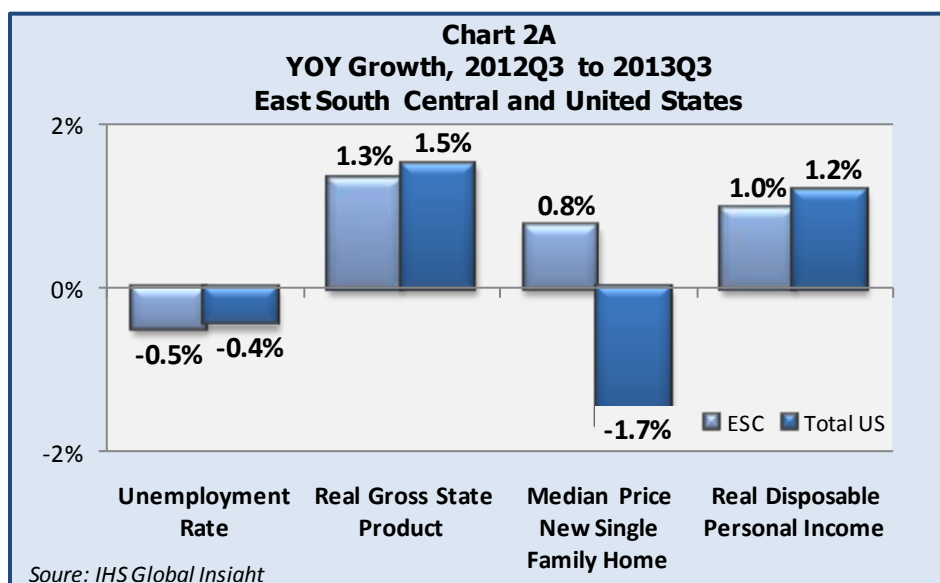
Holiday travel from the East South Central (ESC) region is projected to decline 1.3 percent compared to Independence Day 2012. Automobile travel is expected to fall 0.9 percent, while air travel is forecast to remain virtually unchanged. The primary drivers of economic recovery are improving, particularly in housing, but the pace of the current expansion remains modest. The federal spending sequester is now fully entrenched, and with fiscal uncertainty likely to remain a fact of life through September, we expect economic growth to pull back in the third quarter. The length of the holiday travel period is a day shorter than it was last year, which means there are fewer trips to be had. As a result, total person-trips in the ESC region are expected to account for 11.2 percent of the population, which is 0.6 percentage points lower than last year. This figure is also significantly below the travel frequency expected nationwide (12.9 percent).

**TABLE 2A**  
**2013 INDEPENDENCE DAY TRAVEL FORECAST – EAST SOUTH CENTRAL REGION AND UNITED STATES**

	East South Central			United States		
	YOY % Change	Level	% of Population	YOY % Change	Level	% of Population
<b>Independence Day Travel</b>						
Total (millions of person trips)	-1.3%	2.10	11.2%	-0.8%	40.79	12.9%
Automobile (millions of person trips)	-0.9%	1.87	10.0%	-0.7%	34.43	10.8%
Air (millions of person trips)	0.0%	0.09	0.5%	0.2%	3.07	1.0%
<b>Economy (2013Q3)</b>						
Unemployment Rate (YOY Change)	-0.5%	7.7%		-0.4%	7.6%	
Real Gross Product (\$, bn)*	1.3%	629		1.5%	13,861	
Median Price, New Single Family Home (\$, thn)	0.8%	184		-1.7%	243	

Since the first quarter of 2012, all four states in the ESC region have experienced strong payroll gains. Tennessee is leading the pack in this regard, averaging two percent year-over-year job growth over the last six quarters. Much of the boom in the Volunteer State can be attributed to a burgeoning manufacturing sector—particularly transportation equipment manufacturing—which has been expanding rapidly for the past four years. Volkswagen has ramped up production at the newly constructed plant in Chattanooga, while large expansion plans are in place for the General Motors' plant in Spring Hill. The automobile industry will remain a key component of ESC manufacturing as these plants create jobs both directly and indirectly, by attracting suppliers and other related investments to the area.

The region's key service sectors—education/health, finance, and leisure/hospitality services—also posted significant gains over the past year, but the trade and manufacturing sectors, which combine for one-third of total employment, have the largest bearing on the health of the regional labor market. The good news is that these sectors rely heavily on domestic demand and will be among the fastest growing as economic activity picks up towards the end of the year. The



unemployment rate in the ESC region is expected to reach 7.7 percent in the third quarter, a 0.5 percent decline from the year prior.

The long-awaited housing recovery is finally underway. Household formation is trending upward and the recovery in demand is spreading to the owner-occupied sector. In the East South Central region, the residential real estate market is in better shape than the country as a whole. With one of the least expensive housing markets in the nation, the ESC weathered the real estate crisis better than most, 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. The median price of new single-family homes in the ESC region is expected to increase 0.8 percent in the third quarter of 2013, far better than the 1.7 percent decline expected nationwide. Although the level of new home sales remains far below its peak in 2005, new sales continue to climb steadily. Tight inventory and rising prices in the existing home market will make new homes a more attractive alternative to homebuyers going forward, which should lead to future price gains.

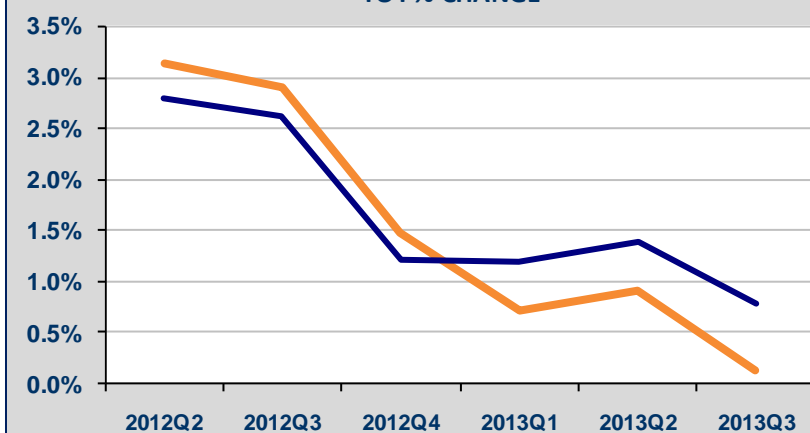
The housing recovery is supporting consumer spending, and is probably one of the reasons why consumer spending grew 3.2 percent nationally in the first quarter. However, households still face too many negatives for this pace to be maintained, including the ending of the payroll tax cut, high debt burdens, and modest employment growth. Real disposable incomes in the ESC are expected to be just one percent higher this Independence Day holiday

period relative to last. With modest incomes and a shorter holiday travel period, we expect total person-trips to dip slightly this year, relative to Independence Day 2012.

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.

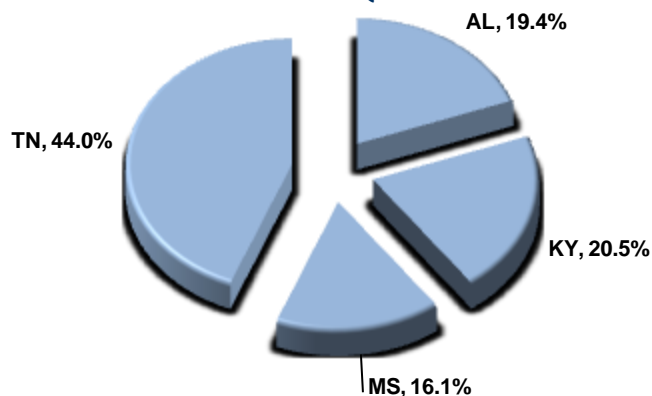
As seen in Chart 2B, leisure and hospitality industry output (the value of goods and services produced by the leisure and hospitality industry) has been growing at a declining rate over the past four quarters. Up until this year, the ESC had been outpacing the greater nation in terms of tourism growth. However, in the third quarter, leisure and hospitality output is expected to remain flat in the ESC (0.1 percent increase), as compared to a 0.8 percent increase nationwide.

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



Source: IHS Global Insight

**CHART 2C**  
**REAL GROSS PRODUCT -- LEISURE & HOSPITALITY**  
**EAST SOUTH CENTRAL REGION MAKEUP BY STATE,**  
**2013Q3**



Source: IHS Global Insight

-Percentages may not sum to 100 due to rounding

## Travel by Region: Middle Atlantic

The Middle Atlantic (MATL) labor market continues to show signs of progress, but with a shorter holiday travel period and a stubbornly high level of unemployment, the number of total person-trips originating from the MATL region is forecast to decline 0.7 percent this Independence Day holiday period relative to last. The forecast for automobile travel calls for a 0.6 percent decline, while air travel is expected to increase a meager 0.3 percent. About 13.7 percent of the regional population is expected to journey at least 50 miles from home this holiday, a slightly higher frequency than is expected nationwide (12.9 percent).

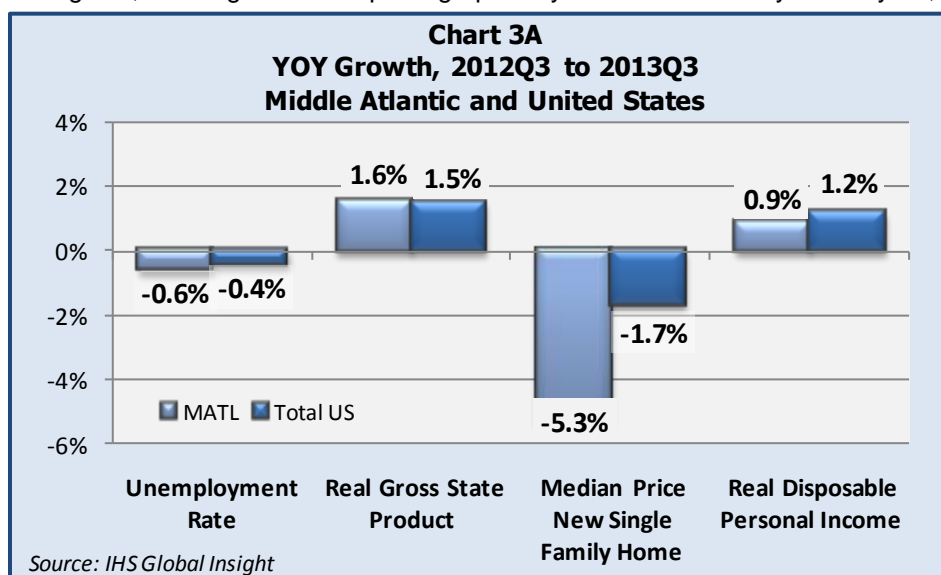
**TABLE 3A**  
**2013 INDEPENDENCE DAY TRAVEL FORECAST – MIDDLE ATLANTIC REGION AND UNITED STATES**

	Middle Atlantic			United States		
	YOY % Change	Level	% of Population	YOY % Change	Level	% of Population
<b>Independence Day Travel</b>						
Total (millions of person trips)	-0.7%	5.68	13.7%	-0.8%	40.79	12.9%
Automobile (millions of person trips)	-0.6%	4.76	11.5%	-0.7%	34.43	10.8%
Air (millions of person trips)	0.3%	0.43	1.0%	0.2%	3.07	1.0%
<b>Economy (2013Q3)</b>						
Unemployment Rate (YOY Change)	-0.6%	8.1%		-0.4%	7.6%	
Real Gross Product (\$, bn)*	1.6%	2,014		1.5%	13,861	
Median Price, New Single Family Home (\$, thn)	-5.3%	346		-1.7%	243	

The Middle Atlantic economy fared well in 2012, notching 1.2 percent annual job growth on the heels of a 1.0 percent increase in 2011. For the most part, early-2013 has seen continued positive momentum, putting the region on track to better that pace in 2013. Among Middle Atlantic states, New Jersey is currently leading the pack in terms of job growth. In the third quarter, employment levels in the Garden State are expected to be 1.6 percent higher than the year previous, as compared to 1.1 and 0.8 percent growth in New York and Pennsylvania, respectively. The MATL region's consistent, if routinely moderate, job gains are expected to result in a 0.6 percent decline in the unemployment rate this Independence Day holiday compared to last year, but the region's unemployment rate will remain well above the national average.

As the labor market continues to slowly improve, the long-awaited housing recovery is finally taking hold. While the pace of recovery is uneven across the nine census regions, housing starts are picking up everywhere. In February of this year, total housing starts in the Northeast were up 56.1 percent compared to year ago levels, as homebuilders continue to break ground on more homes as household formation rates begin to pick up. The difference in performance across regional housing markets is most evident in terms of home prices.

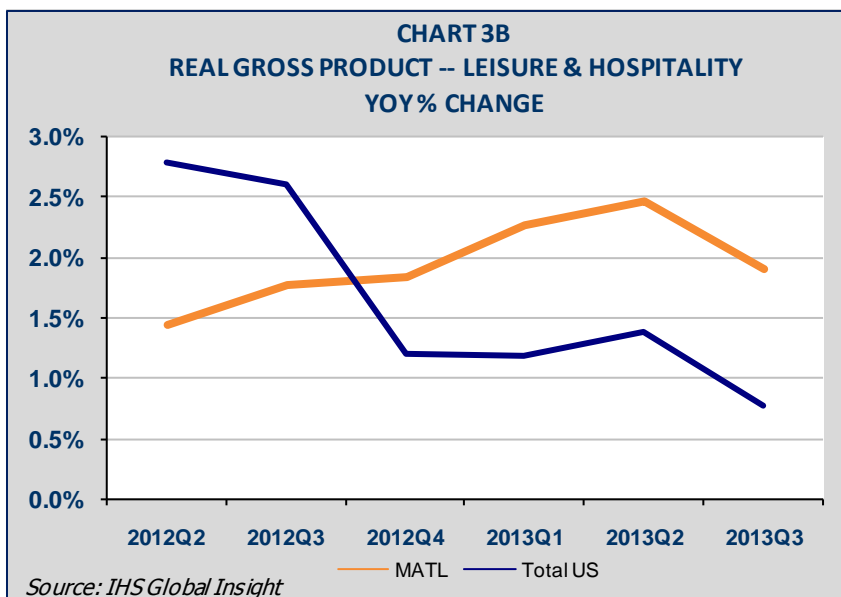
The MATL region continues to suffer from a significant inventory of foreclosed homes, as New Jersey and New York have the second and third highest proportion of total loans in foreclosure nationwide (8.9 and 6.3 percent, respectively). Unlike the West, where





much of the recent rise in home values is being driven by investor activity, the Northeast has seen significantly less investor activity to balance out the effect of foreclosed homes on prices. Consequently, the median price of new single-family homes in the MATL region is expected to decline 5.3 percent in the third quarter, compared to year-earlier prices. Foreclosure inventory is elevated but falling. Once the excess existing supply is gobbled up, rising prices in the existing home market will make new homes a much more attractive alternative to homebuyers than they were just a couple years ago.

While the labor and housing markets are showing signs of progress, Middle Atlantic residents still face too many negatives to allow a robust consumer spending recovery—a loss of about 1 percent of disposable income due to the



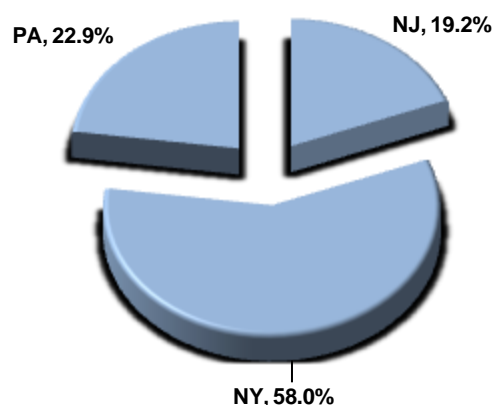
ending of the payroll tax cut, high (though falling) debt burdens, modest employment growth, and a lack of confidence in the government's ability to make things better. The sequester has become entrenched, at least for the rest of the fiscal year. The real headwind is not the magnitude of the cuts, but rather the transient nature of existing fiscal policy. This uncertainty makes it difficult for businesses and individuals to make investment and hiring decisions if they do not know the costs behind them. We expect economic growth to pull back in the third quarter, as real disposable personal income in the MATL is expected to increase just 0.9 percent relative to last Independence Day.

In addition to the originating travel forecast of person-trips from the MATL region, the following

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

The national tourism industry has witnessed leisure and hospitality output (the value of goods and services produced by the leisure and hospitality industry) increase on an annualized basis since the second quarter of 2012. Chart 3B shows that tourism output in the Middle Atlantic region is expected to grow 1.9 percent in the third quarter of 2013, which is well above the 0.8 growth expected nationwide.

**CHART 3C**  
**REAL GROSS PRODUCT -- LEISURE & HOSPITALITY**  
**MIDDLE ATLANTIC REGION MAKEUP BY STATE,**  
**2013Q3**



Source: IHS Global Insight

-Percentages may not sum to 100 due to rounding

## Travel by Region: Mountain

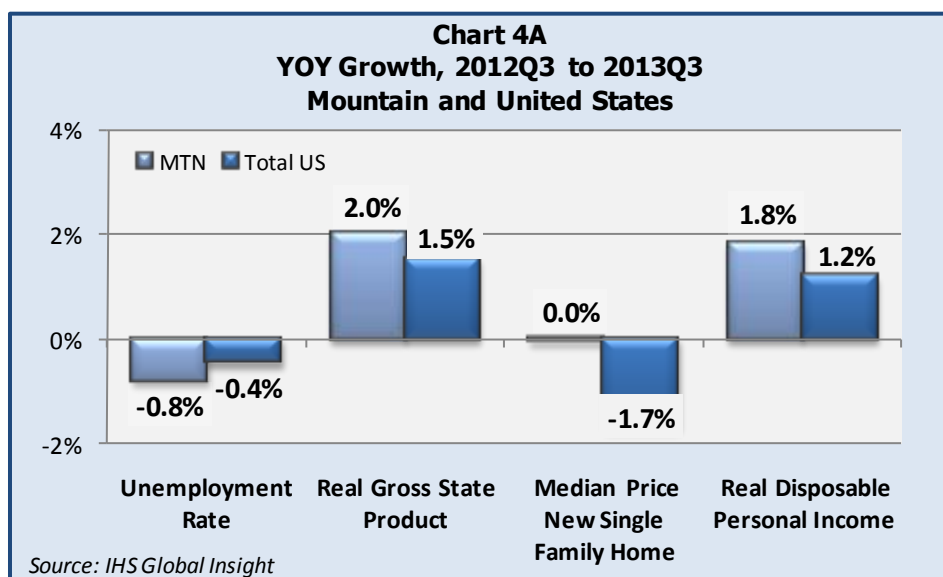
The holiday forecast for the Mountain region calls for a 0.5 percent decline in travel this Independence Day holiday versus 2012. The Mountain region's economic recovery from the recession continues to outpace much of the rest of the nation. With the length of the holiday travel period a day shorter than it was last year, we expect travel to fall modestly. Automobile travel is anticipated to decline by 0.3 percent, relative to Independence Day 2012, while air travel is forecast to increase 0.6 percent. The decline in total person-trips in this region is slightly lower than for the nation as a whole (0.8 percent), and the percentage of travelers from the Mountain region expected to travel (13.5 percent) is higher than the projected national frequency (12.9 percent).

**TABLE 4A**  
**2013 INDEPENDENCE DAY TRAVEL FORECAST – MOUNTAIN REGION AND UNITED STATES**

Mountain				United States		
	YOY % Change	Level	% of Population	YOY % Change	Level	% of Population
<b>Independence Day Travel</b>						
Total (millions of person trips)	-0.5%	3.10	13.5%	-0.8%	40.79	12.9%
Automobile (millions of person trips)	-0.3%	2.48	10.8%	-0.7%	34.43	10.8%
Air (millions of person trips)	0.6%	0.32	1.4%	0.2%	3.07	1.0%
<b>Economy (2013Q3)</b>						
	YOY % Change	Level		YOY % Change	Level	
Unemployment Rate (YOY Change)	-0.8%	7.1%		-0.4%	7.6%	
Real Gross Product (\$, bn)*	2.0%	907		1.5%	13,861	
Median Price, New Single Family Home (\$, thn)	0.0%	201		-1.7%	243	

The Mountain region's exceptional economic growth is being fueled by several factors. Population growth is certainly a major one, with several Mountain states among the top 15 in the country over the past few years. Having more people adds to potential demand, especially for service-related jobs. The energy sector is also boosting growth in the region, as the deployment of hydraulic fracturing opens up oil and gas deposits previously locked up in shale and tight sands. This is adding to the region's already prolific mining industry. With most of the Mountain states recording strong employment gains, the unemployment rate in the Mountain region is expected to reach 7.1 percent in third quarter, 0.8 percentage points lower than at this time last year, and below the national figure of 7.6 percent.

The housing market recovery is underway in the Mountain region. Some of the Mountain states, especially Arizona and Nevada, suffered some of the steepest decline in housing values during the recession. The burgeoning national housing recovery is helping to bring jobs back to those states. Like a rubber band, these states will appear to "snap back" more during the recovery simply because they were pulled down more during the recession. In the fourth quarter of



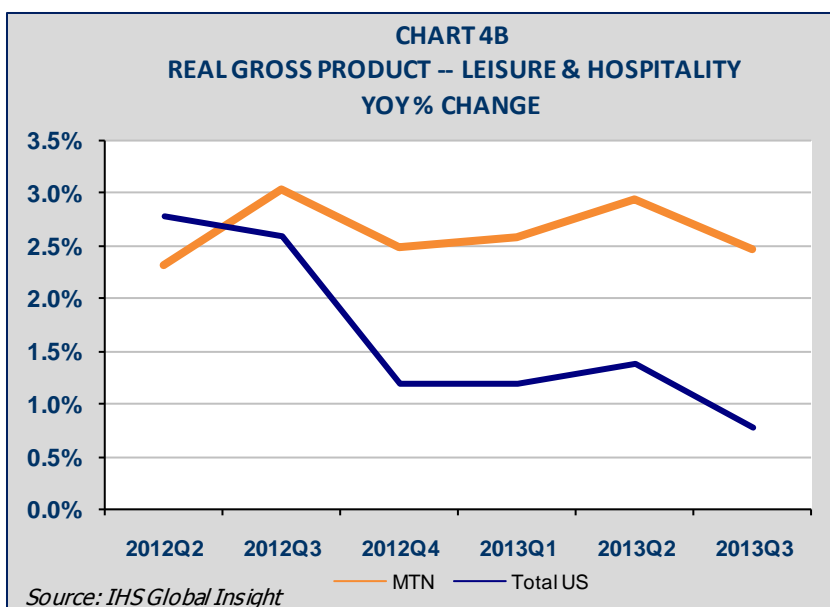
2012, Arizona home values saw an annualized increase of 21.7 percent, followed by Nevada at 19.7 percent. Overall, the Mountain region is expected to see a rapid increase in housing supply. The median price of single-family homes is expected to remain unchanged in the third quarter, as compared to last year, but improving labor market conditions will put upward pressure on prices that originate from an extremely low level of for-sale inventory.

While the underlying fundamentals of the private economy remain solid, the national economy faces a continued headwind in the form of the federal spending sequester. With the sequester now firmly in place and the statutory debt limit fast approaching, the economy is stuck in a familiar phase marred by caution and uncertainty. The temporary nature of current fiscal policy creates an unpredictable framework for businesses to make the hiring decisions that would accelerate the recovery. As a result, we expect employment growth to continue at a measured pace, leading to a 1.8 percent

annualized increase in real disposable income within the Mountain region. With modest real income growth and a shorter holiday travel period compared to last year, the number of total-person trips from the MTN region is expected to fall modestly, relative to Independence Day 2012.

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

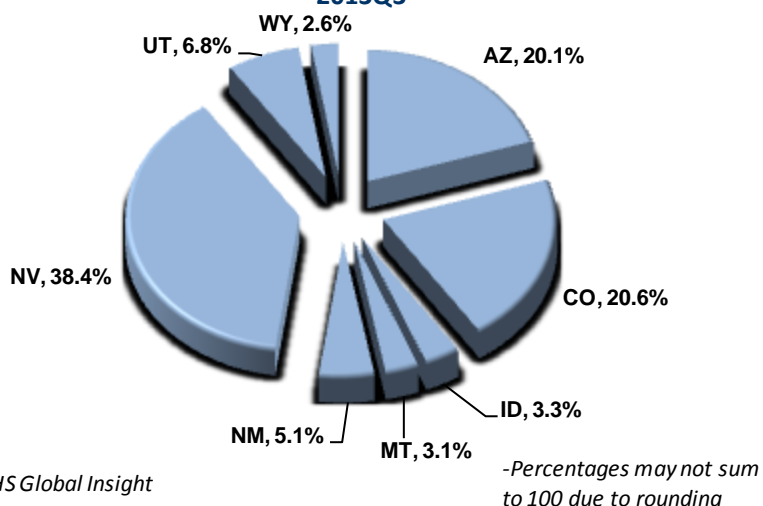
The tourism industry in the Mountain region, as measured by leisure and hospitality industry



output (the value of goods and services produced by the leisure and hospitality industry), has been growing since the second quarter of 2012. Moreover, the Mountain region's tourism industry has been mostly outperforming the national tourism industry over that same time span.

The Mountain region consists of states such as Nevada, Colorado, and Arizona, which contribute large amounts of tourism output to the regional total. Nevada, which includes the major tourist city of Las Vegas, contributes 38.4 percent of the Mountain region's tourism output, followed by Colorado (20.6 percent) and Arizona (20.1 percent). The remaining five states in the region account for much smaller shares of the Mountain region's tourism output.

**CHART 4C**  
**REAL GROSS PRODUCT -- LEISURE & HOSPITALITY**  
**MOUNTAIN REGION MAKEUP BY STATE,**  
**2013Q3**





## Travel by Region: New England

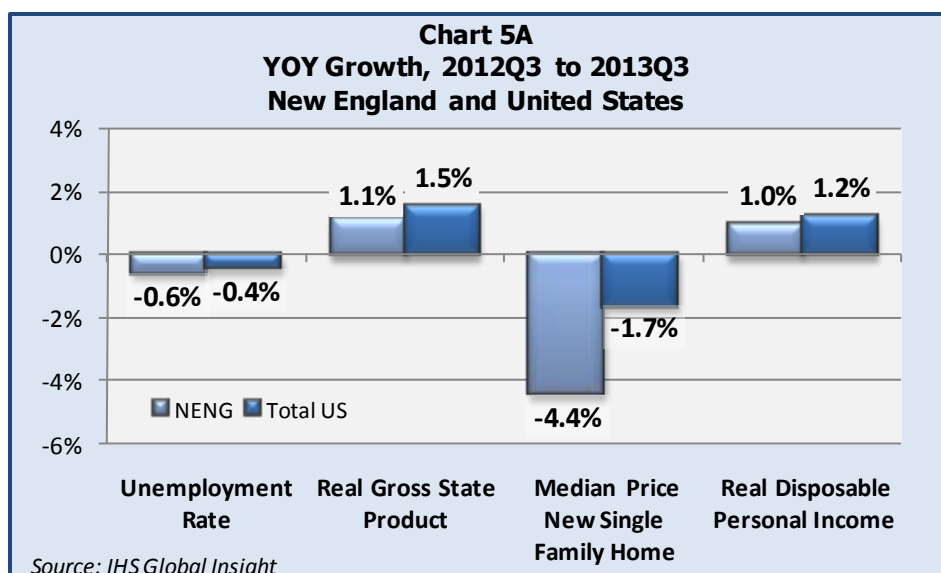
Travel originating from the New England region is expected to decline one percent over the Independence Day holiday relative to 2012. Automobile travel is projected to fall 0.9 percent, compared to the holiday last year, while air travel is expected to remain flat. The forecast indicates that 14.1 percent of New England residents will travel this upcoming Independence Day holiday period, which is higher than the national frequency (12.9 percent).

**TABLE 5A**  
**2013 INDEPENDENCE DAY TRAVEL FORECAST – NEW ENGLAND REGION AND UNITED STATES**

	New England			United States		
	YOY % Change	Level	% of Population	YOY % Change	Level	% of Population
<b>Independence Day Travel</b>						
Total (millions of person trips)	-1.0%	2.06	14.1%	-0.8%	40.79	12.9%
Automobile (millions of person trips)	-0.9%	1.76	12.0%	-0.7%	34.43	10.8%
Air (millions of person trips)	0.0%	0.14	1.0%	0.2%	3.07	1.0%
<b>Economy (2013Q3)</b>	<b>YOY % Change</b>	<b>Level</b>		<b>YOY % Change</b>	<b>Level</b>	
Unemployment Rate (YOY Change)	-0.6%	6.7%		-0.4%	7.6%	
Real Gross Product (\$, bn)*	1.1%	742		1.5%	13,861	
Median Price, New Single Family Home (\$, thn)	-4.4%	398		-1.7%	243	

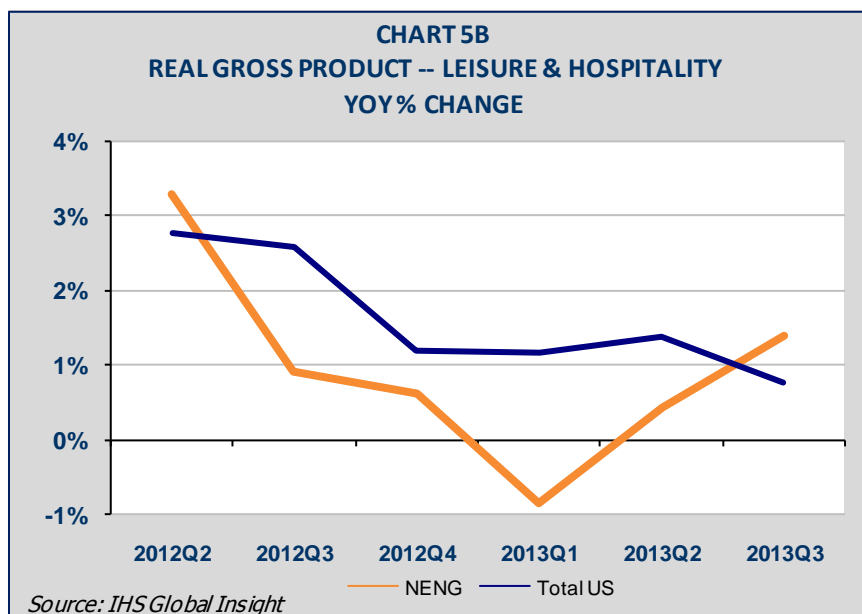
The recovery in New England continues to move forward at a moderate pace, in step with the national recovery. Total payrolls grew a modest one percent in the second quarter of 2013, as regional employment levels remain below their pre-recession peak. Among participating states, Massachusetts and Vermont are leading the pack, with second-quarter job growth of 1.7 and 1.5 percent, respectively. Maine is the region's weakest performer, as contractions in manufacturing, government, finance, and educational and health services are offsetting gains in the information and leisure and hospitality sectors. The unemployment rate in New England is expected to reach 6.7 percent in the third quarter, which is 0.6 percentage points lower than at this time last year and well below the national average. While the jobless rate is improving, the data depict a regional economy that is recovering at a sluggish pace.

The real estate market in New England continues to struggle, but housing indicators have shown clear signs of strengthening. As household formation continues to revive, the recovery in demand is spreading from rental units to the owner-occupied sector. Housing starts rose 21.5 percent in the fourth-quarter, followed by a 27.7 percent increase in the first quarter of this year, compared to year-earlier levels. As homebuilders continue to break ground on new homes, they will become a more attractive alternative to homebuyers (versus existing units) than they were just a couple years ago. However, the region suffers from a significant inventory of foreclosed homes that will need to be absorbed before new home price appreciation takes hold. The



median price of new single-family homes is expected to fall 4.4 percent compared to Independence Day 2012, as foreclosure inventory remains elevated.

Real gross state product in New England is expected to grow 1.1 percent in the third quarter compared to year-earlier levels, after expanding 1.4 percent in the second quarter. The projected slowdown in regional output is consistent with the forecast for real gross domestic product. While the underlying fundamentals of the private economy remain solid, the national economy continues to face headwinds, this time brought on by the federal government's spending sequester. The magnitude of the federal spending cuts is negligible, but the uncertainty caused by the transient nature of existing fiscal policy constitutes a drag on economic growth. With the ending of the payroll tax cut, and a shorter holiday travel period compared to last year, we expect slightly fewer trips originating from the New England region this Independence Day holiday compared to last.



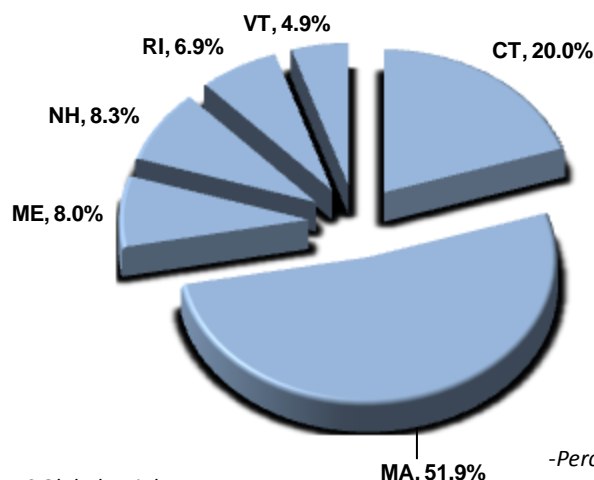
In addition to the originating travel forecast of person-trips from the New England region, the following information provides a look into the state of the local tourism industry in the region. In general, because the majority of travel occurs by automobile and remains within regional borders, regional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

The New England region has been trailing the greater nation in terms of tourism growth since the second quarter of 2012. Regional tourism output declined 0.9 percent in the first quarter of this year, but rebounded in the second quarter, growing 0.4 percent compared to year-earlier levels. In the third quarter, tourism output in the combined New England states is expected to grow 1.4

percent, surpassing the growth that is expected nationwide (0.8 percent)

Massachusetts is the largest contributor of tourism output to the New England economy, accounting for 51.9 percent of tourism output. Maine and Massachusetts are expected to see the largest growth in tourism output since the third quarter of 2012, expanding 2.2 and 3.0 percent, respectively. Connecticut will see a modest decline in tourism output of 2.3 percent.

**CHART 5C**  
**REAL GROSS PRODUCT -- LEISURE & HOSPITALITY**  
**NEW ENGLAND REGION MAKEUP BY STATE,**  
**2013Q3**



Source: IHS Global Insight

## Travel by Region: Pacific

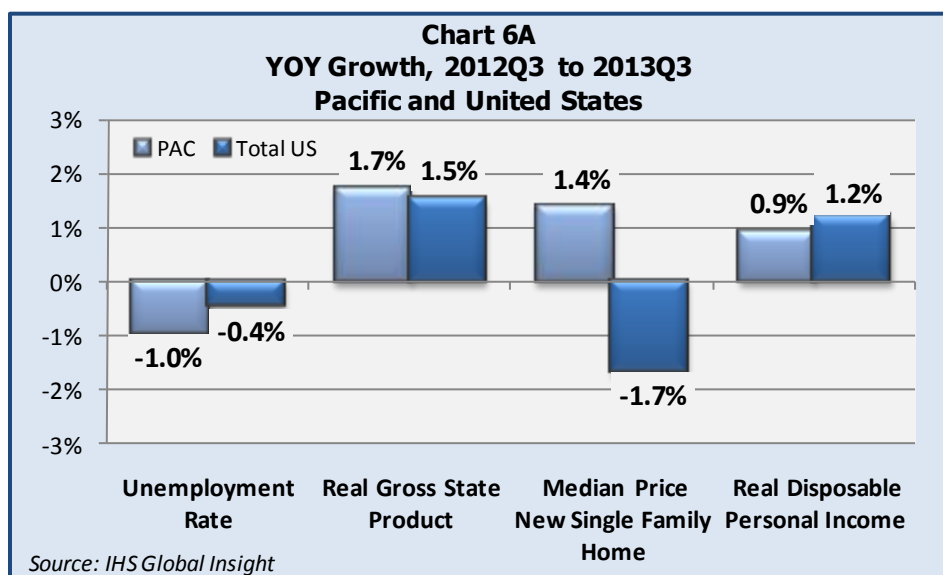
The Pacific region is projected to see Independence Day holiday travel fall slightly from last year. The regional economy is realizing positive growth in some economic indicators, but the holiday travel period is shorter than last year's due to the Fourth of July falling on a Thursday. The forecast calls for air travel to increase 0.3 percent and automobile travel to decrease 0.6 percent compared to last year; total person trips are expected to fall 0.7 percent from 2012 levels. The forecast projects 12.3 percent of Pacific residents to travel this holiday, which is just below the percentage of the national population expected to travel (12.9 percent). The Pacific region typically sees a higher than average share of its population expected to travel by air, and this is indeed the case for Independence Day (1.4 percent compared to the national figure of one percent).

**TABLE 6A**  
**2013 INDEPENDENCE DAY TRAVEL FORECAST – PACIFIC REGION AND UNITED STATES**

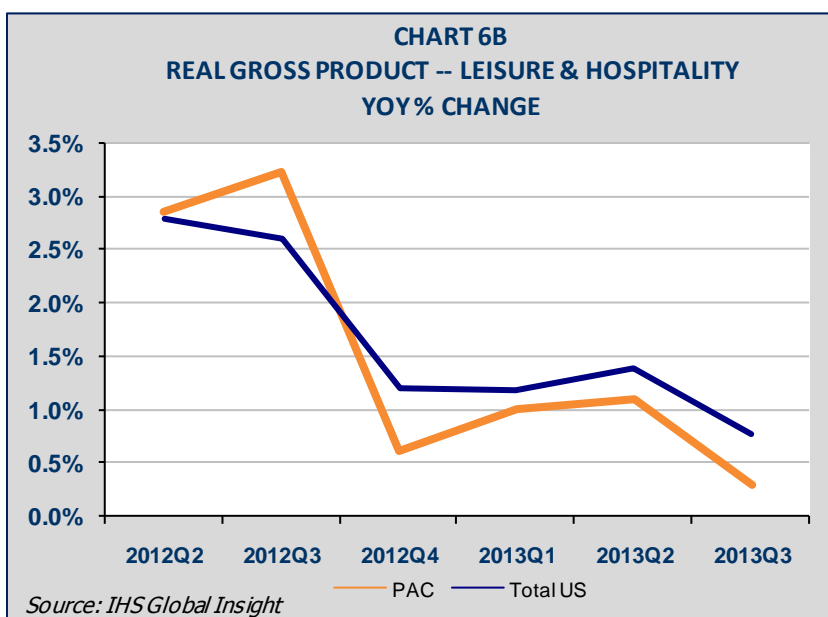
	Pacific			United States		
	YOY % Change	Level	% of Population	YOY % Change	Level	% of Population
<b>Independence Day Travel</b>						
Total (millions of person trips)	-0.7%	6.33	12.3%	-0.8%	40.79	12.9%
Automobile (millions of person trips)	-0.6%	5.02	9.7%	-0.7%	34.43	10.8%
Air (millions of person trips)	0.3%	0.74	1.4%	0.2%	3.07	1.0%
<b>Economy (2013Q3)</b>						
	YOY % Change	Level		YOY % Change	Level	
Unemployment Rate (YOY Change)	-1.0%	8.8%		-0.4%	7.6%	
Real Gross Product (\$, bn)*	1.7%	2,449		1.5%	13,861	
Median Price, New Single Family Home (\$, thn)	1.4%	334		-1.7%	243	

The Pacific region continues to make steady progress towards undoing the damage from the Great Recession. Key economic indicators for employment, output, and housing all point to persistent recovery. The labor market made significant headway in 2012, with a 1.9 percent annual increase in employment. This trend continued into the first half of 2013, with total payroll gains of 1.9 percent and 1.7 percent in the first and second quarter, respectively, compared to year-earlier levels. The unemployment rate in the Pacific region is still the highest among all census regions at 8.8 percent, but rising employment levels have helped drive down the jobless rate, which is now a percentage point lower than at this time last year.

Positive growth in other key indicators speak to the Pacific region's economic resurgence. Real gross state product in the combined Pacific states is expected to rise 1.7 percent relative to the third quarter of 2012, which is higher than the projected increase in real gross domestic product (1.5 percent). Real disposable personal income, an important driver of travel decisions, is projected to be 0.9 percent higher this Independence Day compared to last, which is slightly below the national figure for comparison (1.2 percent).



The Pacific housing market is also exhibiting a strong recovery, reversing steep declines in prices and sales. Much of the rise in recent home values is being driven by investor activity, particularly in the states hit hardest by the housing bust. California's housing market was hit particularly hard during the recession; now the Golden State is driving the recovery. The median price of new single-family homes in California is projected to rise two percent relative to last Independence Day, leading to a 1.4 percent expected increase in new single-family home prices within the region. Limited inventory will continue to prevent a more rapid recovery; however, continued price gains will encourage more homeowners to place their homes on the market and will lift others out from negative equity.



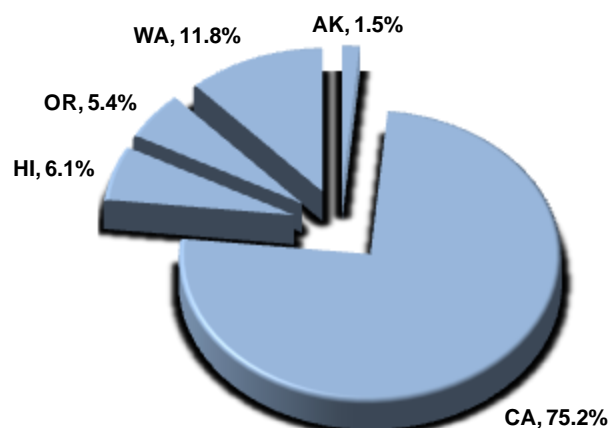
While the underlying fundamentals of the economy are improving, holiday travel from the Pacific region is expected to come in slightly below year-earlier levels. The slim decrease in projected travel is driven by the shorter holiday travel window (five days rather than six) rather than a worsening economic environment. The demand for travel in the region remains strong.

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

In terms of total leisure and hospitality output (the value of goods and services produced by the leisure and hospitality industry), growth in the Pacific region has fluctuated over the past year, but has remained positive. The Pacific region's leisure and hospitality output grew faster than that of the United States as a whole in the third quarter of 2012, but both saw growth fall off sharply at the end of the year. Growth in regional tourism output remained slower than growth in US output through the first half of 2013—a trend that is expected to continue into the third quarter. The Pacific region's leisure and hospitality output is projected to rise 0.3 percent in the third quarter of 2013 relative to the same quarter in 2012, which is less than the national growth rate of 0.8 percent.

Source: IHS Global Insight

**CHART 6C**  
**REAL GROSS PRODUCT -- LEISURE & HOSPITALITY**  
**PACIFIC REGION MAKEUP BY STATE,**  
**2013Q3**



-Percentages may not sum to 100 due to rounding

## Travel by Region: South Atlantic

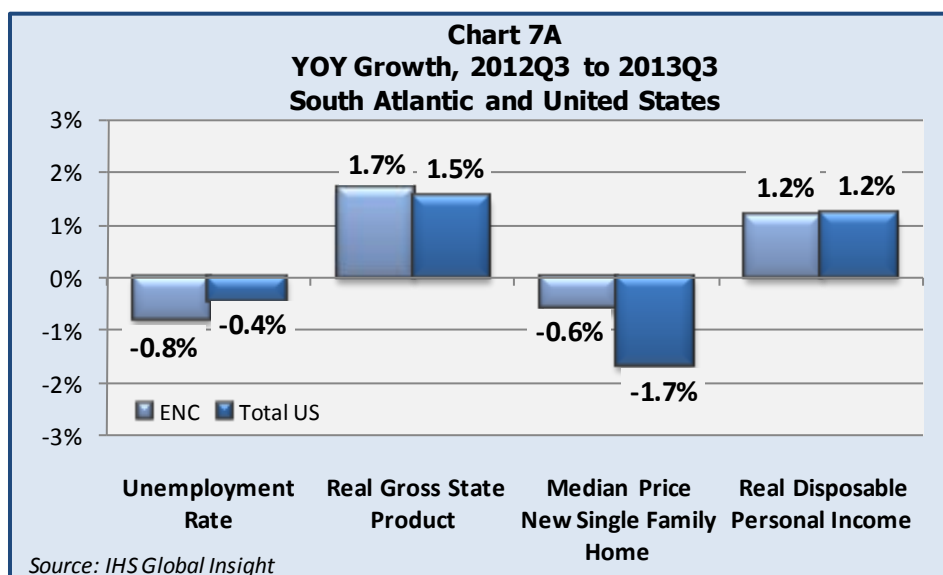
Independence Day holiday travel from the South Atlantic (SATL) region is forecast to decline slightly this holiday period as compared to 2012. The South Atlantic regional economy continues to rebound, and travel demand is expected to be stimulated by economic improvement, but the shorter travel window this year will cause total person-trips to fall by 0.7 percent. Air travel is projected to rise by 0.3 percent, while automobile travel is expected to decrease by 0.6 percent. The forecast calls for 11.7 percent of South Atlantic residents to travel this Independence Day holiday period, which is below the percentage of the national population expected to travel (12.9 percent).

**TABLE 7A**  
**2013 INDEPENDENCE DAY TRAVEL FORECAST – SOUTH ATLANTIC REGION AND UNITED STATES**

	South Atlantic			United States		
	YOY % Change	Level	% of Population	YOY % Change	Level	% of Population
<b>Independence Day Travel</b>						
Total (millions of person trips)	-0.7%	7.28	11.7%	-0.8%	40.79	12.9%
Automobile (millions of person trips)	-0.6%	6.29	10.1%	-0.7%	34.43	10.8%
Air (millions of person trips)	0.3%	0.54	0.9%	0.2%	3.07	1.0%
<b>Economy (2013Q3)</b>	<b>YOY % Change</b>	<b>Level</b>		<b>YOY % Change</b>	<b>Level</b>	
Unemployment Rate (YOY Change)	-0.8%	7.5%		-0.4%	7.6%	
Real Gross Product (\$, bn)*	1.7%	2,488		1.5%	13,861	
Median Price, New Single Family Home (\$, thn)	-0.6%	255		-1.7%	243	

Improvements to the South Atlantic economy are evident, particularly from recent developments in the labor market. Regional payrolls expanded 1.5 percent in 2012, and continued to grow throughout the first half of 2013. North Carolina and Georgia, while seeing gains in manufacturing, have benefited from increased growth rates in leisure and hospitality services, thanks in large part to the tourism-related segments. Moreover, the recent turnaround in Delaware can be attributed primarily to accelerated growth in the professional and business services sector. Federal employment continues to fall, which has a disproportionate impact on the South Atlantic region, but the losses have not outweighed the private sector gains. The unemployment rate in the SATL is expected to fall 0.8 percentage points relative to the third quarter of 2012.

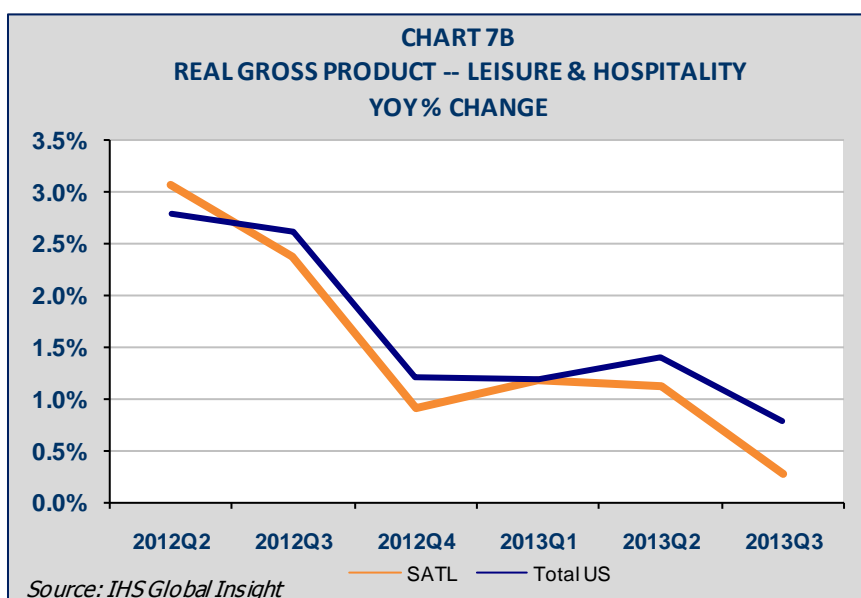
In addition to the improving labor market, other key indicators suggest that the South Atlantic economy is making progress. Real gross state product is forecast to grow 1.7 percent above year-earlier levels in the third quarter of this year, which is higher than the expected increase in real gross domestic product (1.5 percent). Real disposable personal income, which has a key influence on travel decisions, is projected to be 1.2 percent higher this Independence Day compared to last, and is on a par with the national average. Households still face too many negatives to allow a





robust consumer spending recovery, including the ending of the payroll tax cut, high debt burdens, and lack of confidence in the government's ability to make things better. However, we expect consumer spending to rise at a slightly better clip in 2013 than the year previous.

The South Atlantic housing market, which was badly damaged during the recession, has continued to struggle even as other aspects of the regional economy have improved. Although the median price of a new single-family home is expected to be down 0.6 percent relative to the third quarter of last year, there are some positive signs that indicate the market is beginning to turn around. First, the expected rate of decline in new home prices is lower in the SATL region than the greater nation (1.7 percent). Demand from investors and foreign purchasers, particularly in places like Miami, have contributed to rapid price gains in certain parts of the region, thereby lessening the degree of regional price depreciation.



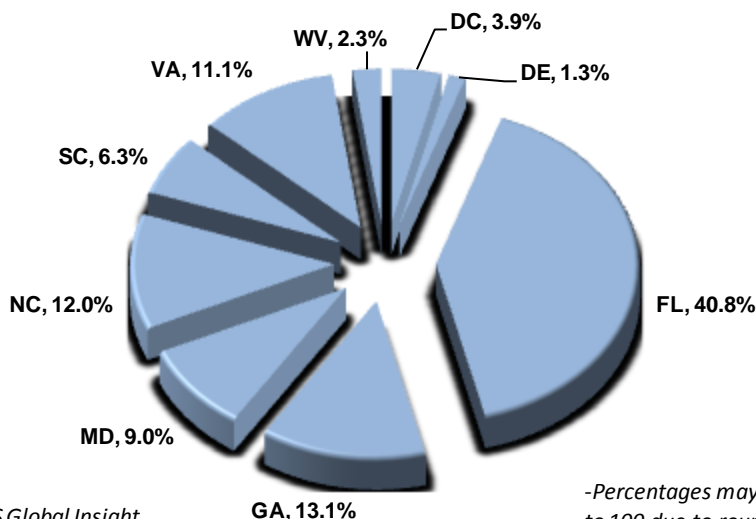
Second, the median price of existing single-family homes is expected to see a two percent annual increase in the third quarter of 2013. Tight inventory and rising prices in the existing home market will make new homes a more attractive alternative to homebuyers and put upward pressure on new home prices going forward.

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. The tourism industry in the SATL region, as measured by leisure and hospitality industry output (the value of goods and services produced by the leisure and hospitality industry), has generally been in

line with the national tourism recovery. In the third quarter of 2013, total output from the leisure and hospitality industry in the SATL region is expected to grow 0.3 percent from the year prior (compared to 0.8 percent nationwide).

As would be expected, Florida makes up the largest share of the region's Leisure and Hospitality market, at just over 40 percent. Georgia, North Carolina and Virginia each make up over 10 percent of the total share. The remaining four states in the region and the District of Columbia make up the remaining share.

**CHART 7C**  
**REAL GROSS PRODUCT -- LEISURE & HOSPITALITY**  
**SOUTH ATLANTIC REGION MAKEUP BY STATE,**  
**2013Q3**



-Percentages may not sum to 100 due to rounding

## Travel by Region: West North Central

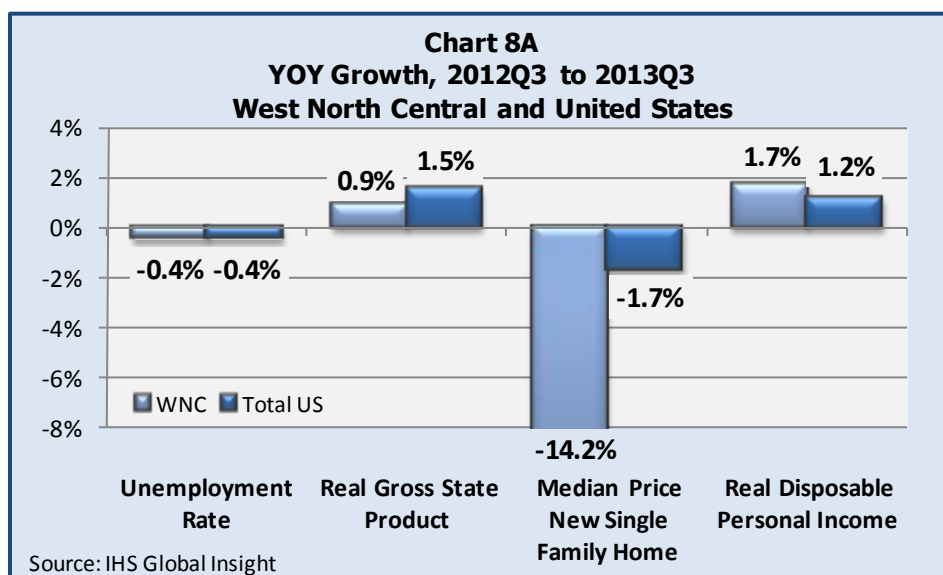
The West North Central (WNC) region is projected to see a 0.9 percent decrease in Independence Day holiday travel this year, compared to 2012. The regional economy is recovering gradually, mirroring the national trend, but a decrease in the length of the holiday travel period relative to last year is expected to suppress travel demand in the region. Air travel is expected to grow 0.2 percent, while automobile travel is expected to fall 0.7 percent, compared to year-earlier levels. A much higher-than-average share of the West North Central population is expected to travel this holiday (15.3 percent), which is typical of the West North Central region based on its widespread geography, which makes exceeding the 50-mile threshold easy to achieve.

**TABLE 8A**  
**2013 INDEPENDENCE DAY TRAVEL FORECAST – WEST NORTH CENTRAL REGION AND UNITED STATES**

West North Central				United States		
Independence Day Travel	YOY % Change	Level	% of Population	YOY % Change	Level	% of Population
Total (millions of person trips)	-0.9%	3.19	15.3%	-0.8%	40.79	12.9%
Automobile (millions of person trips)	-0.7%	2.76	13.2%	-0.7%	34.43	10.8%
Air (millions of person trips)	0.2%	0.13	0.6%	0.2%	3.07	1.0%
Economy (2013Q3)	YOY % Change	Level		YOY % Change	Level	
Unemployment Rate (YOY Change)	-0.4%	5.3%		-0.4%	7.6%	
Real Gross Product (\$, bn)*	0.9%	880		1.5%	13,861	
Median Price, New Single Family Home (\$, thn)	-14.2%	204		-1.7%	243	

The West North Central region escaped the worst of the economic downturn, fueled by the continued rapid expansion of its energy sector. As a result, the regional economy has less ground to make up compared to elsewhere in the country, and the recovery is progressing at a slightly slower pace than the greater nation. In 2013, total nonfarm payrolls are expected to grow 1.4 percent in the WNC, compared to 1.5 percent nationwide. The region also enjoys the lowest unemployment rate among the nine census regions at 5.3 percent, compared to 7.6 percent nationally. With the exception of the information sector, all segments of the regional labor market saw improvement over January 2012, with the trade, transportation, and utilities sector leading the way in terms of raw numbers. With continued growth in the regional service sector, the unemployment rate is expected to decline 0.4 percent this Independence Day compared to last.

Economic output in the combined WNC states is expected to grow 0.9 percent, relative to the third quarter of last year, which is slightly below the projected increase in real gross domestic product (1.5 percent). North Dakota has the fastest growing job market and the lowest unemployment rate in the country, thanks to a growing energy sector centered on activity in the Bakken shale. Employment growth in the Peace Garden State has been decelerating, however, with the first quarter representing the fourth straight

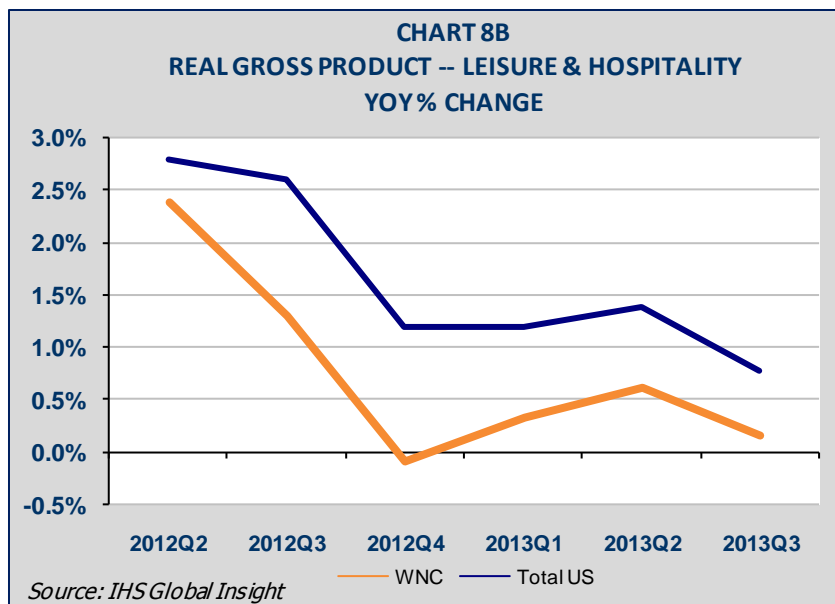


quarter in which growth was lower than the previous year. Although certainly not cause for alarm, this may represent the difficulty employers are having in finding workers, as well as a slowdown in exploration and drilling activity due to the falling price of crude oil since early 2012. Even so, we expect real gross state product in the WNC region to be 0.9 percent higher than it was during the last Independence Day holiday.

The residential real estate market in the West North Central region remained fairly resilient throughout the housing bust. Home prices peaked at \$150,212 in the second quarter of 2007, and lost only 9.4 percent of their value by the time they bottomed out in early 2011. Much of the recent rise in home values is being driven by investor activity, particularly in the states that were hit hardest by the housing bust and have the most room for upward growth. Having weathered the storm

better than most, home price appreciation in the WNC region has been kept in check. In the third quarter, the median price of new single-family homes is expected to fall 14.2 percent below year-earlier prices but remain above the pre-recession peak. At the national level, new home prices are expected to fall by a lesser degree (1.7 percent).

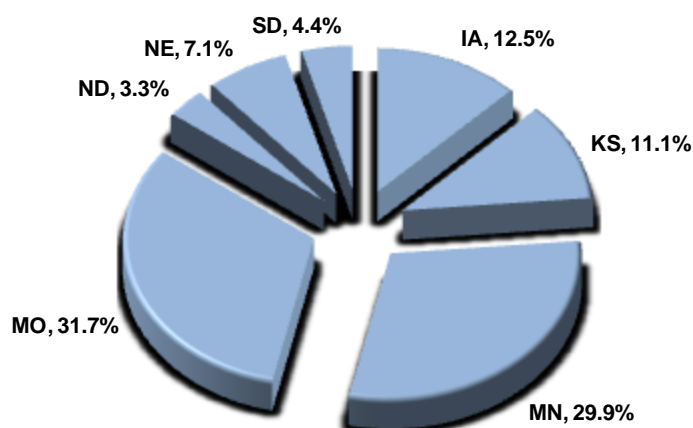
Having escaped the worst of the economic downturn, the WNC region is furthest along in the path to recovery. Yet, despite continued progress in the regional economy, holiday travel is projected to fall slightly relative to Independence Day 2012. The shorter holiday travel window (five days rather than six) means there will be one less day for WNC residents to venture more than 50 miles away from home to celebrate July Fourth. As such, the forecast



calls for a 0.9 percent decline in WNC total person-trips.

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. Growth in the WNC tourism industry, as measured by leisure and hospitality industry output (the value of goods and services produced by the leisure and hospitality industry), decelerated throughout most of 2012 and has been underperforming the national recovery. In the third quarter of 2013, regional tourism output is expected to grow 0.2 percent compared to year-earlier levels, again falling short of the growth expected nationwide (0.8 percent).

**CHART 8C**  
**REAL GROSS PRODUCT -- LEISURE & HOSPITALITY**  
**WEST NORTH CENTRAL REGION MAKEUP BY STATE,**  
**2013Q3**



-Percentages may not sum to 100 due to rounding

Source: IHS Global Insight



## Travel by Region: West South Central

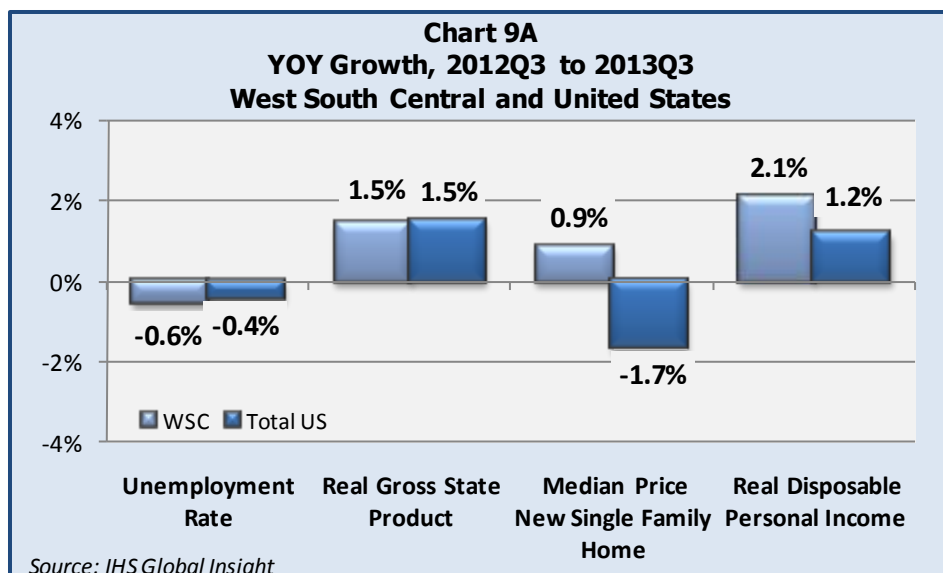
The Independence Day holiday travel forecast calls for a decline of 0.9 percent in West South Central (WSC) regional holiday travel relative to last year. Travel is expected to fall, despite economic improvements in the region, because of a shorter holiday period than last year. Air travel is expected to rise just 0.1 percent, while automobile travel is expected to decrease 0.8 percent relative to Independence Day 2012. About 10.3 percent of the WSC population is predicted to travel this holiday period, which is less than the estimated national frequency of 12.9 percent.

**TABLE 9A**  
**2013 INDEPENDENCE DAY TRAVEL FORECAST – WEST SOUTH CENTRAL REGION AND UNITED STATES**

	West South Central			United States		
	YOY % Change	Level	% of Population	YOY % Change	Level	% of Population
<b>Independence Day Travel</b>						
Total (millions of person trips)	-0.9%	3.94	10.3%	-0.8%	40.79	12.9%
Automobile (millions of person trips)	-0.8%	3.30	8.7%	-0.7%	34.43	10.8%
Air (millions of person trips)	0.1%	0.35	0.9%	0.2%	3.07	1.0%
<b>Economy (2013Q3)</b>						
Unemployment Rate (YOY Change)	-0.6%	6.0%		-0.4%	7.6%	
Real Gross Product (\$, bn)*	1.5%	1,657		1.5%	13,861	
Median Price, New Single Family Home (\$, thn)	0.9%	192		-1.7%	243	

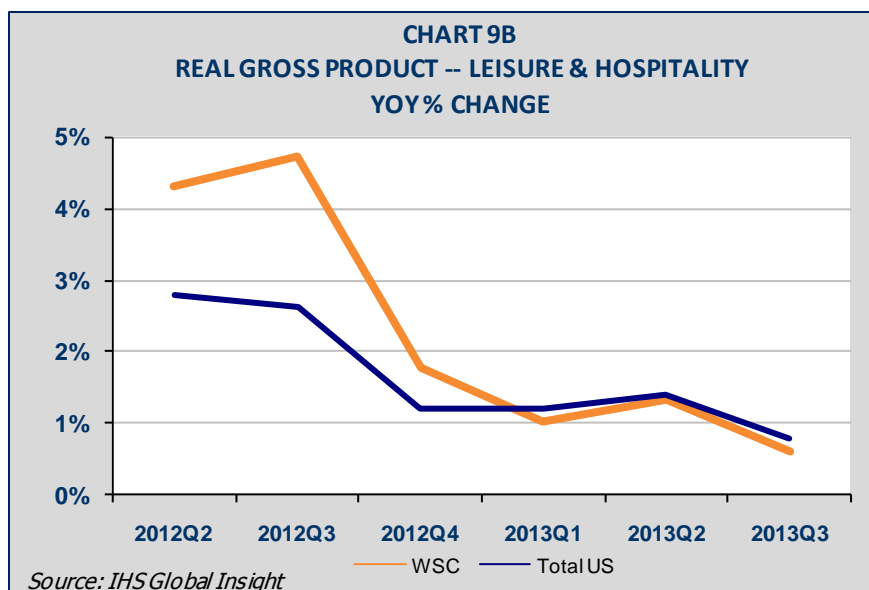
The West South Central region has led the country in recovery, expanding faster and adding more jobs than any other region. In January 2012, payrolls exceeded their pre-recession peak, making the WSC the only region to have moved from recovery to expansion. Employment has continued to increase throughout the first half of this year, and payrolls are expected to expand 2.3 percent in 2013, compared to 1.5 percent nationally. Government payrolls will continue to fall, but gains in other sectors, including professional/business services, construction, and education/healthcare services, are expected to more than compensate for the public sector declines. The unemployment rate has been falling, and is expected to drop 0.6 percentage point in the third quarter of 2013 (compared to the third quarter of 2012) to reach 6.0 percent.

Compared to the third quarter of last year, economic growth in the WSC region is on a par with the projected increase in real gross domestic product (1.5 percent). On the consumer side, real disposable incomes are expected to increase by 2.1 percent in the WSC, which is significantly higher than the national average (1.2 percent). Changes in disposable income have a direct effect on travel decisions, and a higher-than-average increase constitutes an upside risk for trips originating from the WSC.



The median price of a new single-family home is expected to be 0.9 percent higher than in the third quarter of last year; the WSC is one of only three regions in the nation that is forecast to see positive year-to-year growth in new home prices. The region's median price growth is driven by improvements in Oklahoma and Texas; Arkansas is expected to see a 1.7 percent year-to-year decline, while Louisiana's median price is expected to remain effectively unchanged. Existing home prices are also expected to rise, with the median price increasing 1.8 percent since last year.

Despite employment trending upward and both real disposable income and real gross state output showing marked improvement in 2013, holiday travel is projected to decrease slightly relative to last year. The slight dip in total person-trips is driven by the shorter holiday travel window rather than economic performance.



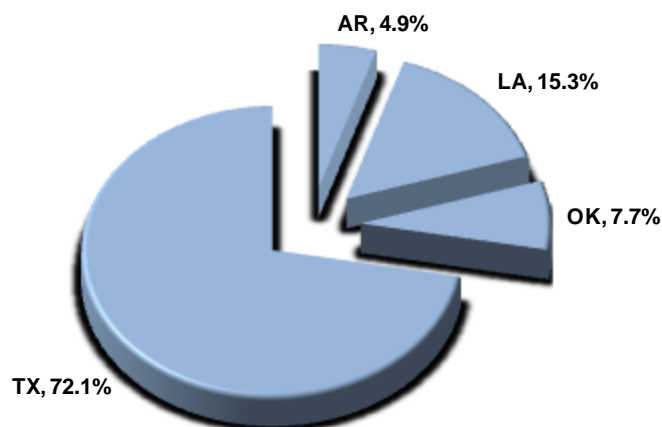
In addition to the originating travel forecast of person-trips from the West South Central region, the following information provides a look into the state of the local tourism industry in the region. In general, because the majority of travel occurs by automobile and remains within regional borders,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

The recovery in the WSC tourism industry, as captured by real gross state product in leisure and hospitality (the value of goods and services produced by the leisure and hospitality industry), began in the second quarter of 2011 but has since slowed considerably. The pace of regional tourism

expansion fell just below that of the greater nation in early 2013—a trend which is expected to continue through the third quarter of this year. The region is expected to see annual tourism growth of 0.6 percent in the third quarter of 2013, compared to 0.8 percent nationally.

Texas accounts for nearly three-quarters of tourism output in the WSC region. Arkansas accounts for the smallest share, with just 4.9 percent of the regional total. Louisiana is expected to see the highest growth in tourism output, with a 3.2 percent increase over the third quarter of 2012.

**CHART 9D**  
**REAL GROSS PRODUCT -- LEISURE & HOSPITALITY**  
**WEST SOUTH CENTRAL REGION MAKEUP BY STATE, 2013Q3**



Source: IHS Global Insight

-Percentages may not sum to 100 due to rounding

## Independence Day 2013 Holiday Traveler Profile Survey Methodology

The *Holiday Traveler Profile* study, conducted by D.K. Shifflet and Associates, surveys holiday travelers regarding their planned holiday travel including planned party composition, travel distances, trip expenditures, and activity participation. For the Independence Day 2013 holiday, the survey was in the field during May 28–30, 2013, and 382 respondents were interviewed in detail about their holiday plans. This panel was designed to yield survey responses that are statistically significant at the national level.<sup>1</sup> Although we report detail for individual census regions, the reader should be aware that the census region-level results are not generally statistically significant and margins of error are generally large.

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

**Party Composition Memorial Day 2010 (example)**

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

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

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

Numbers may not add due to rounding.

Note that the percent of New England respondents planning to travel as a party of "Two Adults" is listed as "10 percent\*". As the footnote below the table states, the asterisk indicates that the New England estimate differs from the Total US estimate with 99 percent confidence or greater. In other words, if the actual proportion of New England residents traveling in a party of two adults were the same as the actual proportion of US residents traveling in a party of two adults, there would be a 1 percent or lower chance of seeing a difference as large as the difference observed in this survey (10 percent for New England versus 33 percent for Total US). Therefore, it is unlikely—though not impossible—that this difference is reflective of random sampling error.

Although we will focus primarily on national responses, our commentary on the *Holiday Traveler Profile* tables may call out certain regional responses of interest. When we discuss a regional response, we will generally avoid highlighting responses with large margins of error. For example, the margin of error for the share of New England residents travelling in parties with two adults is +/-14 percent, meaning that the share could be as high as 24 percent. As such, we would either avoid highlighting that result or provide the margin of error to the reader for appropriate statistical context.<sup>2</sup>

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

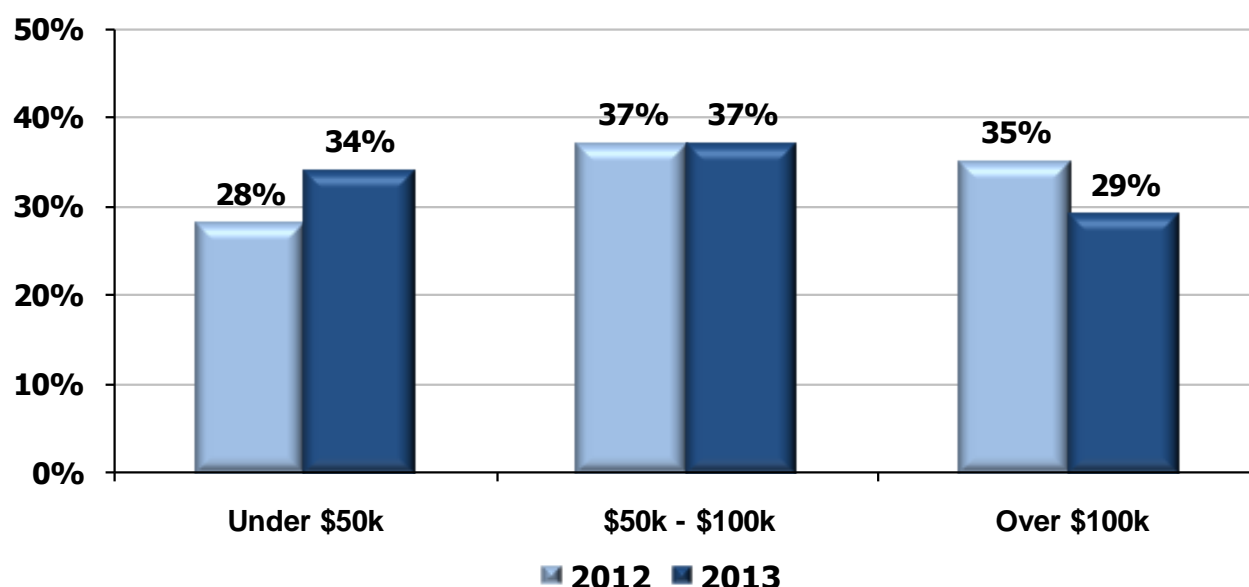
<sup>2</sup> This +/-14% margin of error reflects a 99% confidence interval based on a t-distribution.

## Change in the Average Independence Day Traveler

The economic outlook, as described previously in the report, shows some signs of growth but only minor improvements in the critical travel-related areas of consumer spending and disposable income. The calendar incidence of the Fourth of July shortens the holiday period by one day relative to last year, which also serves as a headwind to total travel volumes. The chart below illustrates the distribution of intending travelers by income, as taken from the *Holiday Traveler Profile* survey. Households making between \$50,000 and \$100,000 will again account for 37 percent of all travelers, while the share of intending travelers making less than \$50,000 will increase from 28 to 34 percent, at the expense of high-income households, which will account for the remaining 29 percent.

While the economic fundamentals remain steady but unspectacular, improving consumer sentiment is likely driving a rebound in travel share within the lowest income demographic, as the 2012 share (28 percent) was by far the lowest seen in the five years of the *Holiday Traveler Profile* survey.

**CHART 10**  
**HOUSEHOLD INCOME DISTRIBUTION OF INTENDING TRAVELERS**  
**INDEPENDENCE DAY 2012 AND 2013 HOLIDAYS**  
**TOTAL US**





## Travel Distances

*Holiday Traveler Profile* respondents plan to travel an average of 613 miles round-trip this upcoming Independence Day holiday weekend. This is down from last year when the expected travel distance was 723 miles. The decline is likely reflective of the shorter holiday season relative to last year. Due to the calendar occurrence of July Fourth (Thursday rather than Wednesday), the holiday travel period is a day shorter than it was last Independence Day.

With fewer days to spend traveling, long-distance automobile travel (251–400 miles) will be replaced with shorter distance auto person-trips (50–250 miles), while air travel will shift from the highest mileage category (1,500-plus miles) to a lower distance traveled (401–1,500 miles).

At the regional level, there is significant variance for expected trip length, with travelers based in the Middle Atlantic expected to take the shortest average trips at just 413 miles, as only seven percent of travelers from the region expect their trips to be more than 1,500 miles. Those in the West South Central region are expected to take trips more than twice as long, averaging 966 miles. Not surprisingly, just 12 percent of travelers from this region expect their trips to be less than 250 miles.

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*"Last year, we went to Florida for our anniversary and we flew. This year, we are driving to Tahoe from Vegas."*

*Mountain Respondent*

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**TABLE 11**  
**EXPECTED ROUND-TRIP DISTANCE TRAVELED**  
**INDEPENDENCE DAY 2013 HOLIDAY**  
**TOTAL US AND BY REGION OF RESIDENCE**

	50-150 miles	151-250 miles	251-400 miles	401-700 miles	701-1500 miles	Over 1500 miles	Average Miles
<i>(Percentage of Travelers)</i>							
<b>Total US</b>	23%	17%	16%	14%	15%	14%	613
<b>New England</b>	36%	28%	3%	8%	9%	15%	546
<b>Middle Atlantic</b>	27%	22%	24%	12%	9%	7%	413
<b>South Atlantic</b>	34%	13%	25%	9%	6%	13%	506
<b>East North Central</b>	16%	20%	12%	24%	18%	10%	618
<b>East South Central</b>	18%	27%	14%	11%	28%	4%	539
<b>West North Central</b>	30%	4%	19%	11%	17%	20%	748
<b>West South Central</b>	12%	14%	17%	9%	21%	28%	966
<b>Mountain</b>	8%	19%	18%	22%	20%	13%	701
<b>Pacific</b>	32%	14%	8%	14%	16%	15%	584

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

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

*Numbers may not sum due to rounding*



## Total Spending

Intending travelers expect to spend \$747 this upcoming holiday period, which is a negligible decrease compared to last year (0.3 percent decline from \$749). The spending distribution among budget categories is also relatively the same, with a slightly higher share going towards accommodations.

*“Will spend more due to better accommodations”*

*South Atlantic Respondent*

Total spending can be roughly grouped into the following categories: transportation spending and spending occurring at the travel destination including lodging, food and beverages, shopping, and entertainment. The share of spending on fuel is expected to be 14 percent, down slightly from 15 percent last year. Spending on other transportation, which includes the cost of other modes of travel (such as air), is also expected to decline by only 1.6 percent to 15 percent. On-site spending categories are expected to make up the remaining 71 cents of the holiday dollar, which is almost unchanged from last year (70 cents in 2012).

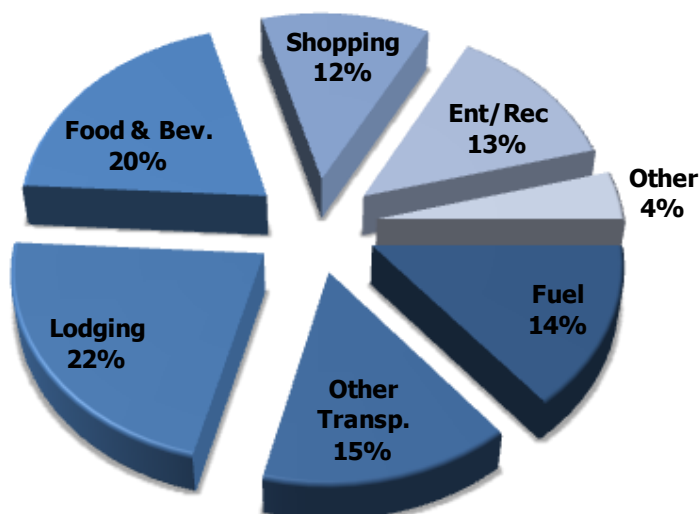
**TABLE 12**  
**MEDIAN EXPECTED TOTAL TRIP SPENDING AND AVERAGE EXPECTED SHARES OF BUDGET BY CATEGORY**  
**INDEPENDENCE DAY 2013 HOLIDAY**  
**TOTAL US AND BY REGION OF RESIDENCE**

	Total US	New England	Middle Atlantic	East North Central	West North Central	South Atlantic	East South Central	West South Central	Mountain	Pacific
<b>Median Total Expenditures</b>	<b>\$747</b>	<b>\$773</b>	<b>\$695</b>	<b>\$658</b>	<b>\$622</b>	<b>\$718</b>	<b>\$648</b>	<b>\$908</b>	<b>\$591</b>	<b>\$894</b>
<b>Fuel Transportation</b>	14%	14%	13%	15%	14%	11%	14%	17%	17%	11%
<b>Other Transportation Spending</b>	15%	16%	10%	9%	19%	20%	9%	14%	11%	22%
<b>Accommodations</b>	22%	21%	26%	19%	21%	23%	25%	21%	20%	23%
<b>Food &amp; Beverages</b>	20%	23%	23%	15%	17%	21%	19%	23%	23%	17%
<b>Shopping</b>	12%	12%	13%	13%	13%	12%	15%	10%	10%	12%
<b>Entertainment/Recreation</b>	13%	11%	13%	23%	13%	9%	14%	10%	13%	10%
<b>Other</b>	4%	3%	2%	6%	3%	4%	3%	3%	5%	5%

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

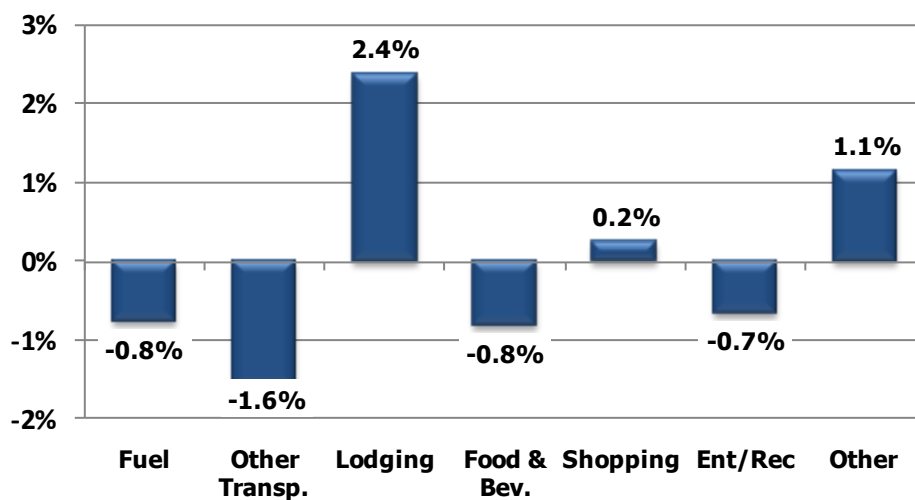
Chart 12 illustrates the average expected shares of budget by category for 2013. Chart 13 shows the change in expected budget distribution from Independence Day 2012 to Independence Day 2013.

**CHART 12**  
**US INDEPENDENCE DAY 2013 HOLIDAY SPENDING**  
**DISTRIBUTION BY CATEGORY**



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

**CHART 13**  
**TOTAL US INDEPENDENCE DAY HOLIDAY SPENDING**  
**CHANGE IN BUDGET SHARE FROM 2012 TO 2013**



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

## Party Composition

Most of the travel during the upcoming Independence Day holiday season is expected to be undertaken by families. The share of families intending to travel is expected to increase from 34 percent to 37 percent, relative to last year. Those traveling in parties of two adults are expected to make up 32 percent of all travelers this holiday, followed by parties of three or more adults (19 percent) and travel by one adult (11 percent).

**TABLE 13**  
**PARTY COMPOSITION**  
**INDEPENDENCE DAY 2013 HOLIDAY**  
**TOTAL US AND BY REGION OF RESIDENCE**

	<b>One Adult</b>	<b>Two Adults</b>	<b>Three or more Adults</b>	<b>Families</b>
<b>Total US</b>	<b>11%</b>	<b>32%</b>	<b>19%</b>	<b>37%</b>
<b>New England</b>	17%	30%	29%	24%
<b>Middle Atlantic</b>	11%	28%	14%	47%
<b>South Atlantic</b>	7%	44%	13%	36%
<b>East North Central</b>	19%	21%	23%	36%
<b>East South Central</b>	8%	30%	19%	42%
<b>West North Central</b>	12%	25%	16%	46%
<b>West South Central</b>	7%	36%	21%	36%
<b>Mountain</b>	12%	37%	20%	31%
<b>Pacific</b>	11%	34%	23%	32%

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

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

Numbers may not add due to rounding.





## Activities

The Independence Day holiday involves spending time with friends and family as well as enjoying the outdoors. Independence Day, similar to Memorial Day, is marked by a show of patriotism that is highlighted by fireworks and parades and other celebrations. Visiting with friends and family, going to the beach, and sightseeing are all among the top five activities travelers intend to pursue during the holiday. Other top activities include dining (49 percent) and shopping (44 percent), while 21 percent will celebrate the nation's birthday by visiting historic sites.

*"Plan to visit wineries and farmer's markets this year"*

*Middle Atlantic Respondent*

**TABLE 14**  
**MAIN PURPOSE OF TRIP**  
**INDEPENDENCE DAY 2013 HOLIDAY**  
**TOTAL US AND BY REGION OF RESIDENCE**

	Total US	New England	Middle Atlantic	East North Central	West North Central	South Atlantic	East South Central	West South Central	Mountain	Pacific
<b>Visit with friends/relatives</b>	57%	78%	62%	70%	77%	43%	65%	55%	56%	38%
<b>Dining</b>	49%	65%*	49%	57%	60%	39%	48%	48%	53%	44%
<b>Shopping</b>	44%	41%	38%	60%	47%	38%	43%	37%	22%	55%
<b>Go to beach/waterfront</b>	36%	38%	33%	44%	47%*	29%	25%	44%	30%	36%
<b>Touring/sightseeing</b>	36%	32%	31%	45%	23%	20%	41%	46%	36%	43%
<b>Visit national or state parks</b>	28%	27%	36%	20%	35%	24%	24%	26%	29%	34%
<b>Hike, bike, etc.</b>	23%	19%	29%	25%	36%	17%	22%	11%	47%	23%
<b>Attend festivals, craft fairs, etc.</b>	22%	46%	20%	27%	12%	24%	22%	10%	20%	22%
<b>Visit historic sites</b>	21%	28%	26%	23%	24%	12%	23%	28%	13%	17%
<b>Night Life</b>	20%	25%	18%	24%	22%	13%	25%	24%	5%	23%
<b>Visit museums, art exhibits, etc.</b>	18%	24%	24%	19%	16%	8%	25%	16%	25%	18%
<b>Boat/sail</b>	15%	10%	13%	24%	25%	11%	14%	12%	20%	15%
<b>Hunt, fish, etc.</b>	15%	7%	12%	21%	36%	7%	14%	18%	18%	8%
<b>Visit theme/amusement parks</b>	13%	12%	11%	18%	3%	19%	16%	9%	7%	15%
<b>Gambling</b>	12%	15%	13%	5%	12%	6%	2%	26%	10%	16%
<b>Attend concerts, plays, dance, etc.</b>	11%	11%	8%	12%	9%	5%	13%	17%	8%	13%
<b>Play golf</b>	10%	8%	5%	15%	23%	10%	6%	9%	15%	7%
<b>Observe &amp; conserve nature/culture - Eco-Travel</b>	8%	23%	8%	14%	12%	0%	3%	2%	14%	10%
<b>Watch sporting events</b>	8%	15%	9%	15%	0%	5%	12%	3%	8%	5%
<b>Spa</b>	5%	2%	8%	6%	6%	0%	4%	7%	6%	6%
<b>Look at real estate</b>	4%	14%	2%	10%	7%	3%	0%	4%	3%	0%
<b>Attend show: boat, car, home, etc.</b>	3%	5%	5%	0%	1%	1%	7%	3%	3%	5%
<b>Compete in sporting events</b>	2%	2%	0%	3%	3%	1%	8%	1%	0%	0%
<b>Snow ski, snow board, other snow/ice sports</b>	0%	0%	0%	0%	0%	0%	0%	0%	1%	0%
<b>Other</b>	9%	7%	14%	1%	5%	4%	20%	16%	7%	6%

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

Numbers may not add due to rounding.



As described previously, travelers are expecting to spend almost as much this year as they did last year. However, as the table below illustrates, there are some differences in expected activities between now and 2012. The most significant change since last year is the declining participation in relatively more expensive activities such as dining and sporting events. Shopping will see a slight increase in participation, but the increase is almost negligible. On the other hand, relatively cheaper activities such as visiting parks and museum attendance will all see positive gains.

**TABLE 15**  
**VARIANCE IN MAIN PURPOSE OF TRIP**  
**INDEPENDENCE DAY 2013 AND 2012 HOLIDAY**

<b>Expected Primary Activities</b>	<b>2013</b>	<b>2012</b>	<b>Variance</b>
Visit with friends/relatives	57%	59%	-2%
Dining	49%	62%	-13%
Shopping	44%	43%	1%
Touring/sightseeing	36%	40%	-4%
Go to beach/waterfront	36%	37%	-1%
Visit national or state parks	28%	15%	13%
Hike, bike, etc.	23%	20%	3%
Attend festivals, craft fairs, etc.	22%	19%	3%
Visit historic sites	21%	21%	0%
Night Life	20%	21%	-1%
Visit museums, art exhibits, etc.	18%	12%	6%
Hunt, fish, etc.	15%	12%	3%
Boat/sail	15%	19%	-4%
Visit theme/amusement parks	13%	13%	0%
Gambling	12%	12%	0%
Attend concerts, plays, dance, etc.	11%	12%	-1%
Play golf	10%	9%	1%
Other	9%	10%	-1%
Watch sporting events	8%	13%	-5%
Observe & conserve nature/culture	8%	9%	-1%
Spa	5%	5%	0%
Look at real estate	4%	3%	1%
Attend show: boat, car, home, etc.	3%	5%	-2%
Compete in sporting events	2%	2%	0%
Snow ski, snow board, other snow	0%	1%	-1%

## Date of Departure and Return From Holiday Trips

As described previously, total travel is expected to decrease by 0.8 percent this holiday, compared to last year. One of the factors contributing to the decrease in travel expectations is the way in which the calendar sets up in 2013. This year Independence Day falls on a Thursday, compared to a Wednesday in 2012, and intending travelers were asked which day they plan to leave for their holiday trip.

The holiday travel period is defined as trips that include travel of 50 miles or more from Wednesday, July 3 through Sunday, July 7. Of those who answered, only 46 percent stated they planned to leave prior to the start of the holiday travel period (July 3), compared to 65 percent the year previous. For their return date, 34 percent of respondents intend to stretch their holiday weekend into the following week, extending the trip past the weekend after the holiday.

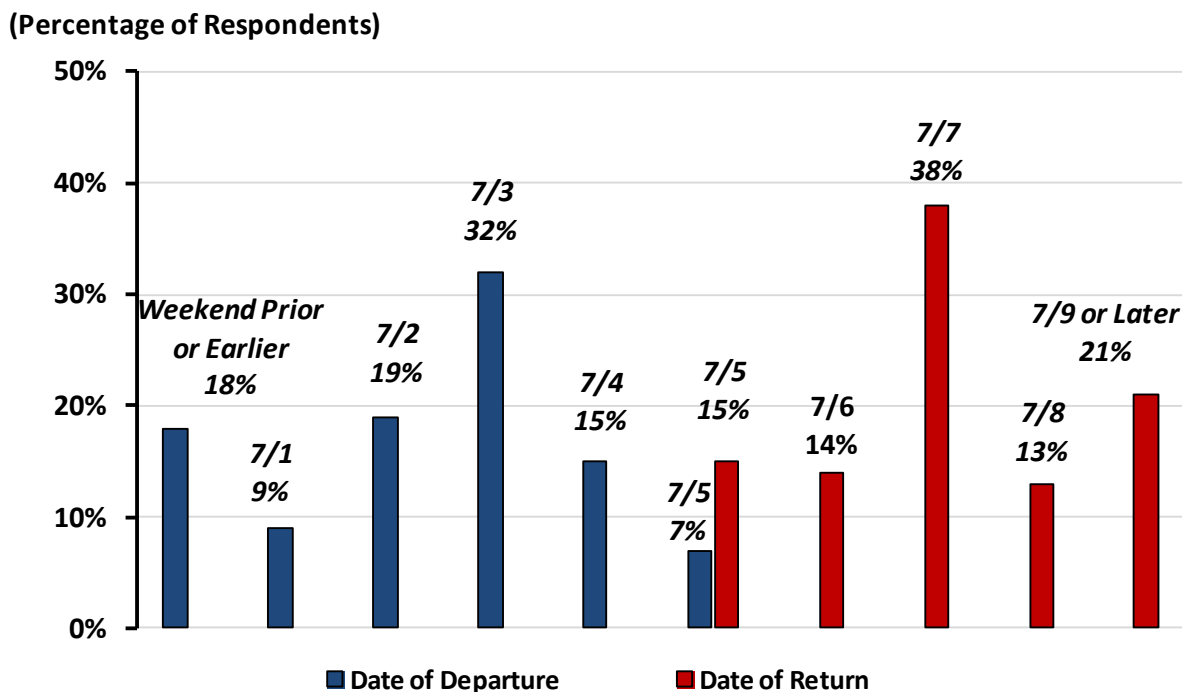
**THIS YEAR, JULY 4 FALLS ON A THURSDAY. WHAT DAY DO YOU PLAN TO LEAVE FOR YOUR INDEPENDENCE DAY HOLIDAY TRIP?:**

- WEEKEND PRIOR, JUNE 29-30
- MONDAY, JULY 1<sup>ST</sup>
- TUESDAY, JULY 2<sup>ND</sup>
- WEDNESDAY, JULY 3<sup>RD</sup>
- THURSDAY, JULY FOURTH
- FRIDAY, JULY 5<sup>TH</sup>

**WHAT DAY DO YOU PLAN TO RETURN?:**

- FRIDAY, JULY 5<sup>TH</sup>
- SATURDAY, JULY 6<sup>TH</sup>
- SUNDAY, JULY 7<sup>TH</sup>
- MONDAY, JULY 8<sup>TH</sup>
- TUESDAY, JULY 9<sup>TH</sup> OR LATER

**CHART 14**  
**2013 INDEPENDENCE DAY HOLIDAY**  
**DATE OF DEPARTURE AND RETURN**



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



## Addendum 1: US Economic Forecast Summary: It Is Looking Worse, Globally

PUBLISHED 05/06/2013

**The US economy is headed for another “spring swoon,”** this time brought on by the federal government’s spending sequester. IHS continues to expect the biggest impact of the spending cuts to be felt in the second quarter of this year. Meanwhile, the Federal Reserve is giving itself maximum room to maneuver—to ease monetary policy further if the growth slowdown is worse than expected, or scale back stimulus if growth recovers quickly.

**Weaker-than-expected first quarter will probably be followed by stronger-than-expected second quarter.** As we expected, the pace of the US recovery picked up in the first quarter (though somewhat slower than in our April forecast). After increasing only 0.4 percent in the fourth quarter of last year, real GDP rose 2.5 percent in the first three months of 2013. Consumer spending grew at a very strong 3.2 percent rate—the sharpest gain since the fourth quarter of 2010. This occurred despite an increase in the payroll tax and the disappearance of a special dividend payout, both of which resulted in a drop of disposable personal income. The strong first-quarter gains in consumer spending are unsustainable, given the drawdown of personal savings. IHS predicts consumer purchases to increase at around 2 percent for the rest of the year. One of the big contributors to first-quarter growth was a surge in inventory accumulation. Normally, this would mean that a reversal in the subsequent quarter could hurt growth. However, a very substantial part of the additional inventories were a post-drought restocking of farm inventories. The nonfarm inventory swing was quite small, suggesting that there may not be a drag in the second quarter. The biggest first-quarter drag was an 11.5 percent drop in defense spending, following a 22.1 percent plunge in the fourth quarter. These cuts are occurring earlier than anticipated. Consequently, the expected downshift in second-quarter growth may be less pronounced partly because of the smaller-than-anticipated swing in nonfarm inventories and partly because of the possible front-loading of the defense spending cuts. IHS now expects second-quarter growth to reach 1.4 percent (compared with 0.4 percent in the April forecast) and accelerate to 3.0 percent by year-end. Given the slower start to 2013, we now anticipate real output growth of 1.8 percent (versus 2.0 percent last month) for the year.

**The employment picture brightens.** The April payroll jobs gain of 165,000 was better than expected. Perhaps the best news in the April report was an upward revision of 114,000 to the February and March estimates. Suffice it to say, that these were substantial upward revisions. It is now clear that the initial March estimate of only 88,000 new payroll jobs was an anomaly and not a good measure of labor market conditions. The average monthly increase in payroll jobs from February to April was 212,000, compared with 205,000 for the prior three months. That said, the full impact of the sequester cuts is yet to be felt and some weakness in government employment in the coming months should not come as a surprise. Nevertheless, the April number provides a good starting point for the second quarter.

**The Federal Reserve has given itself lots of room to maneuver.** The new sentence in the May 1 policy statement was: *“The Committee is prepared to increase or reduce the pace of its purchases to maintain appropriate policy accommodation as the outlook for the labor market or inflation changes.”* But the Fed statement is just ratifying what Federal Open Market Committee (FOMC) members have been saying all along. What’s harder to discern is where the Fed actually goes from here. A number of FOMC members are concerned about excessive risk taking, and would like to taper the program this year. At the same time, inflation is expected to run well below the Fed’s 2 percent target this year as unemployment remains stubbornly high. For now, IHS does not expect the Fed to expand its bond buying program beyond the current \$85-billion/month pace, but predicts that this pace should continue through 2013 and into early 2014.

The long-awaited **housing** recovery is upon us. Household formation is reviving, and the recovery in demand is spreading from rental units to the owner-occupied sector. We expect starts to improve another 26 percent in 2013, to 987,000, and then by 25 percent in 2014, to 1.23 million. House prices are also reviving. We expect a 7.3 percent (fourth quarter to fourth quarter) house-price increase in 2013, as measured by the FHFA purchase-only index, following a 5.5 percent increase in 2012.



The housing recovery is supporting **consumer spending** (through its effect on wealth and on housing-related purchases), and is probably one of the reasons why consumer spending grew 3.2 percent in the first quarter despite the drag from the loss of the payroll tax cut. We doubt that this pace can be maintained, though, since it would be far ahead of the 1.0 percent growth rate that we expect for real disposable incomes this year. Households still face too many headwinds to allow a robust consumer spending recovery—a loss of about 1 percent of disposable income due to the ending of the payroll tax but, high (though falling) debt burdens, modest employment growth, and a lack of confidence in the government's ability to make things better. Overall, we expect consumer spending to rise 2.1 percent in 2013, slightly better than in 2012 (1.9 percent), and to strengthen to 2.5 percent growth in 2014. Light-vehicle sales are a bright spot thanks to pent-up demand and favorable credit conditions. We expect sales of 15.3 million units for 2013, up from 14.4 million in 2012.

**Eurozone unemployment hit a record high, but Germany resists the trend.** Eurozone unemployment rose by 62,000 in March, raising the unemployment rate to a record 12.1 percent. The employment situation varies widely between countries. While Spain and Portugal are suffering, German employment is holding steady. Overall, labor-market conditions continue to be much healthier in Germany than in most other countries of Europe; the adjusted unemployment rate has stayed at 6.9 percent. German economic growth is expected to strengthen anew from the second quarter onward, supported by the reduction of crisis-related uncertainty following various measures by European policymakers during the latter months of 2012.

**China's economic recovery remains quite mixed, but leadership has ruled out additional stimulus over inflation fears.** After a sharp downshift in March, China's industrial output growth stabilized in April, registering 9.3 percent year on year (y/y), back to the 9 percent-plus threshold. The price data released last week warrants some concern, especially the producer price index (PPI), which dropped by 2.6 percent. Meanwhile, consumer price inflation has come in above expectations, refreshing long-standing concerns about stagflation—with PPI distress pointing to growth stagnation and the pickup in the consumer price index (CPI) signaling potential inflationary pressures. Chinese leadership, in a high-level political meeting at the end of April, singled out financial stability as the top risk to be dealt with and downplayed the likelihood of additional stimulus in coming months.



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Last year the United States saw its third year of post-recession payroll gains. According to the Bureau of Labor Statistics' recently revised payroll numbers, all but two states—Wyoming and Maine—gained jobs in 2012, although in most states year-over-year gains in December amounted to less than 2 percent. North Dakota was the fastest growing state for the second year, with payrolls in December up 6.5 percent over the end of 2011. It was followed by Utah and Texas, the two only other states to see gains of more than 3 percent. By the end of year, five more states—New York, Louisiana, Utah, South Dakota, and West Virginia—joined the four states that had already returned to their prerecession employment levels in 2011: North Dakota, Alaska, the District of Columbia, and Texas.

**Percent**

(Lightest Blue)	0.9 to 1.2
(Light Blue)	1.2 to 1.4
(Medium Blue)	1.5 to 1.7
(Darkest Blue)	1.8 to 2.6

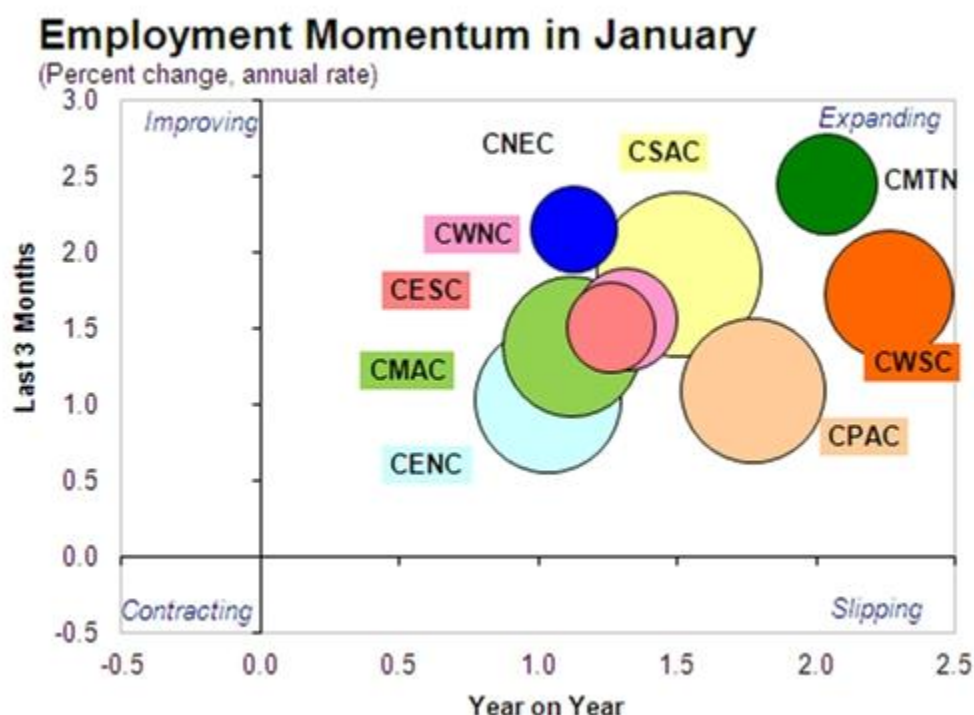
On the external front, the main impediment to growth comes from the ongoing European recession and its dampening effect on US exports. Export growth slowed considerably last year on the back of sluggish global growth, and in 2013 we do not expect the international trade environment will see much improvement. The Northeast, which was the only region to see exports contract last year, will struggle again in 2013 because of its outsized exposure to Europe.

It is not all bad news, however. Thanks to pent-up demand, improved affordability, and low interest rates, the housing sector has finally embarked on a sustainable path towards recovery, and is spurring robust growth in the construction sector. The pace of recovery across the regions varies significantly, however. Although real estate markets in the Northeast were not hit as hard as other markets by



the bursting of the housing bubble, the region's recovery has been falling behind the rest of the nation. While the foreclosure rate has been falling in all other regions, in the Northeast it continues to rise and is now well above the national average. As a result, while many markets, especially in the West and the South, began to see home price increases last year, prices in the Northeast continue to fall. Although states in the West and South suffered the most during the crisis, they are also expected to experience the largest rebound.

Thanks in part to strong construction sector gains, we expect the Mountain and West South Central regions will be the top performers in 2013. However, the Mountain region fell the most during the recession, losing more than 8.5 percent of payrolls, so its strong growth rates will be from a very low base. By the last quarter of 2013, payrolls in the Mountain region will still be off 2.9 percent from their prerecession peak. On the other hand, the West South Central, which has benefited from the strength of its energy sector, surpassed its peak employment level in early 2012. The Northeast, meanwhile, will be the weakest region, and the only one to see payrolls rise less than 1 percent.



### Metropolitan area population growth in 2012

According to the US Census Bureau's annual population release, 89 of the 100 largest metropolitan statistical areas experienced an increase in population from July 2011 to July 2012. The majority of the high-growth metros are located in the South and West.

The revival of the energy sector played a significant role in metropolitan area growth over the past year. The booming oil and gas industry in metros such as Houston, Midland, and Odessa in Texas and Fargo and Bismarck in North Dakota helped to develop a robust, expanding economy, which in turn resulted in an influx of migrants seeking employment and other economic opportunities. Indeed, the energy-rich Texas and North Dakota metros experienced some of the highest population growth rates in the country last year. That these metros also have relatively low cost of living, an ample supply of land, and affordable housing prices provided a further boost to their population gains.

#### Highest Population Growth Among 100 Largest Metros

Austin-Round Rock-San Marcos, TX	3.0
Charleston-North Charleston-Summerville, SC	2.3
Orlando-Kissimmee-Sanford, FL	2.2
Raleigh-Cary, NC	2.2
Cape Coral-Fort Myers, FL	2.2
Houston-Sugar Land-Baytown, TX	2.1
Dallas-Fort Worth-Arlington, TX	2.0
Charlotte-Gastonia-Rock Hill, NC-SC	2.0
San Antonio-New Braunfels, TX	1.9
Provo-Orem, UT	1.9

The slower-growing metros tended to be in the Northeast and eastern part of the Midwest, primarily Ohio. Relatively sluggish economic growth and limited employment opportunities in these metros encouraged people to move out and seek their fortunes elsewhere.

#### State personal income growth in 2012

According to the latest figures published by the Bureau of Economic Analysis (BEA), state personal income accelerated significantly in the last quarter of 2012, rising by an annualized 7.9 percent quarter on quarter, after expanding by a revised 2.3 percent in the third quarter. Personal income rose in all states during the last three months of the year, with annualized growth rates ranging from 5.1 percent in West Virginia to 20.7 percent in South Dakota. A number of special factors affected state personal income in the fourth quarter: accelerated dividends and bonuses due to anticipated changes to federal tax laws; Hurricane Sandy, which temporarily disrupted production and earnings in New York and New Jersey; and the ongoing drought in the Midwest.

#### Highest and Lowest Personal Income Growth Rates, 2012

Rank	State	Growth rate (Percent)	Rank	State	Growth rate (Percent)
1	North Dakota	12.4	47	Nevada	2.4
2	Texas	4.8	48	Nebraska	2.3
3	Utah	4.7	49	Delaware	2.3
4	Washington	4.5	50	Connecticut	2.0
5	Montana	4.5	51	South Dakota	-0.2

Despite the strong fourth quarter, state personal income growth slowed to 3.4 percent in 2012, down from 5.2 percent in 2011. While South Dakota was the worst performer, North Dakota, with personal income growth of 12.4 percent, was the fastest growing state, far outpacing any other state. North Dakota continues to benefit from booming exploration at the Bakken Shale, which has not only led to rapid earnings growth in the mining sector, but has also spilled over to other sectors, such as construction, wholesale trade, and transportation.





We expect personal income to contract in the first quarter of 2013, as dividends fall from the inflated level of the last quarter of 2012. Growth will then pick up, averaging 4.7 percent over the last three quarters of the year. All states are expected to see personal income gains this year. Although North Dakota will continue to lead, the Sunbelt states will generally perform the best.