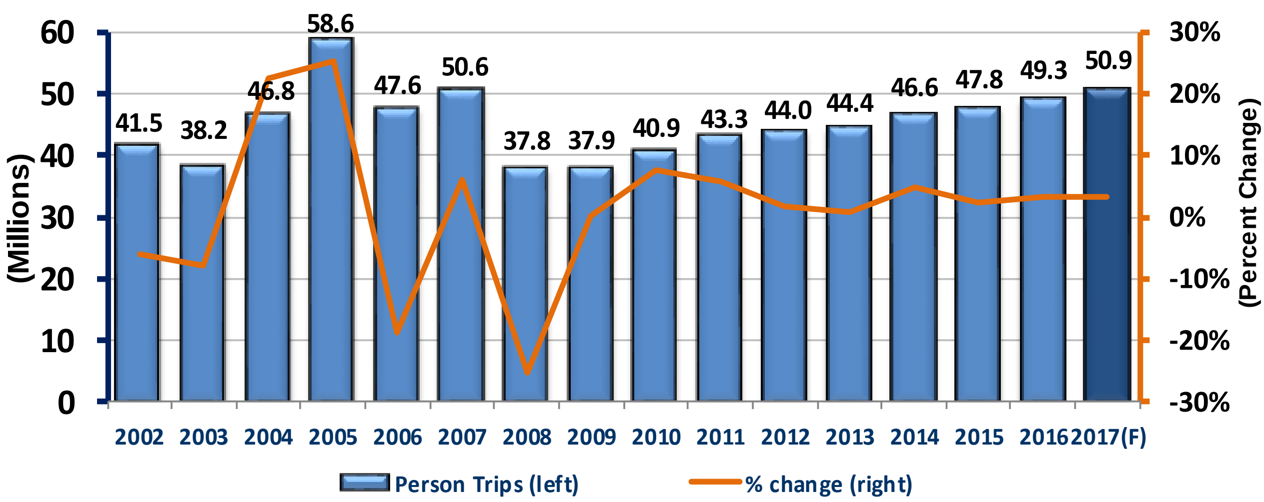
2017 Thanksgiving Holiday Travel Forecast Review

Thanksgiving holiday travel is expected to increase 3.3 percent in 2017, to 50.9 million. 2017 will see the second highest travel volume on record since 2005.

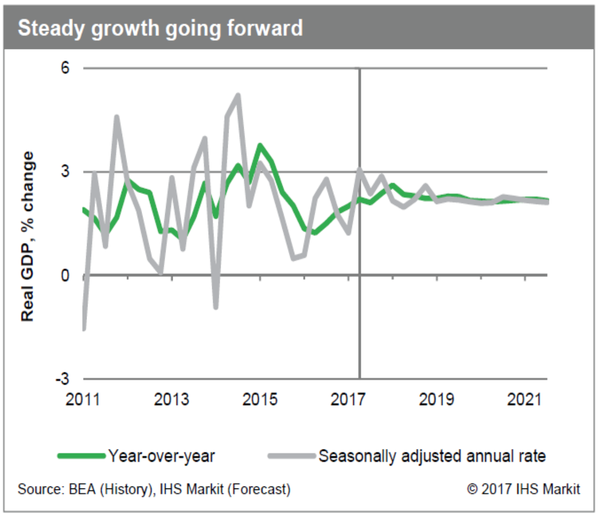
- AAA and IHS Markit forecast 50.9 million travelers for the 2017 Thanksgiving holiday travel period, an increase of 1.6 million from 49.3 million travelers in 2016.
- This will be the ninth consecutive year of rising holiday travel, with an average annual growth during this time of 3.4 percent.
- The 2017 volume is nearly 35 percent higher than the post-recession low seen in 2008, when the total travel volume was 13.1 million fewer than the 2017 forecast.
- The 2017 forecast is 15 percent higher than the average of the previous 10 years and 13.2 percent above the average since 2000.

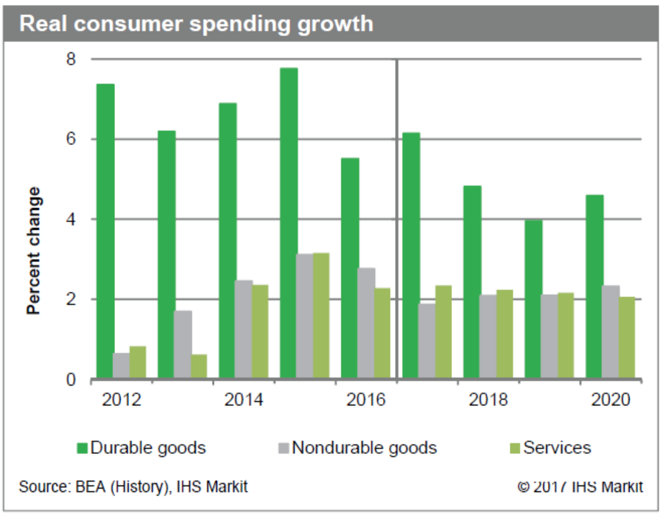
Total Thanksgiving Holiday Travelers, 2002-2017



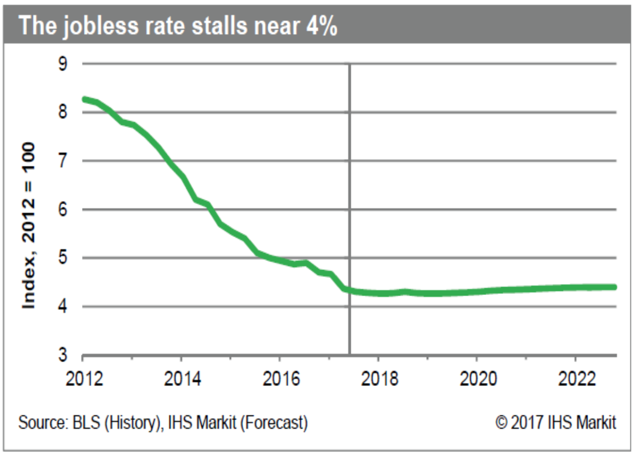
What is driving the 3.3 percent increase in Thanksgiving holiday travel this year?

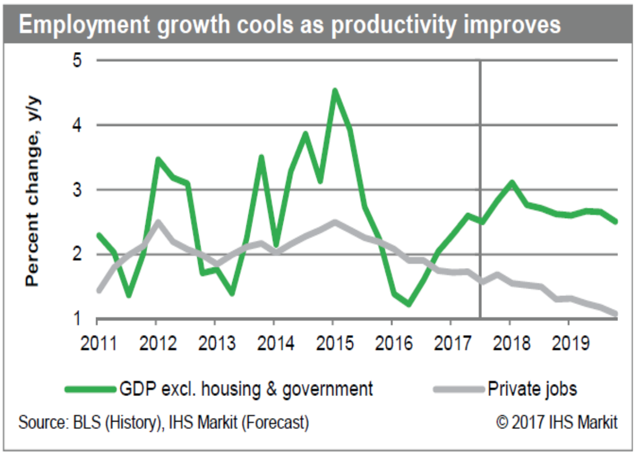
Forecast summary: Recovery from the hurricanes is well underway and the economy is experiencing robust growth that is supported by solid momentum for employment, real disposable income and household asset values. These factors are fueling a confident consumer, who is expected to maintain a high level of spending that should drive an increase in holiday travel.



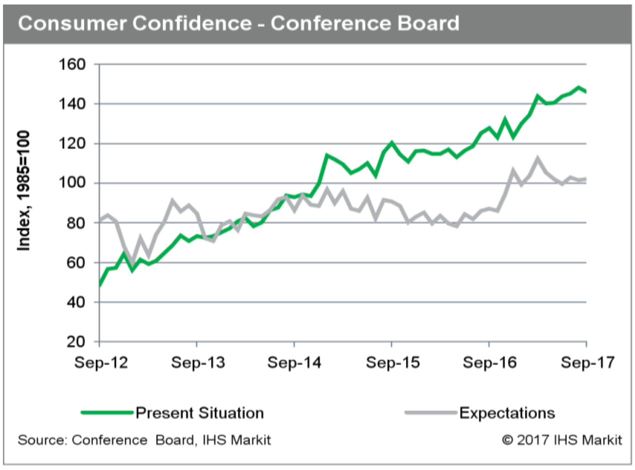


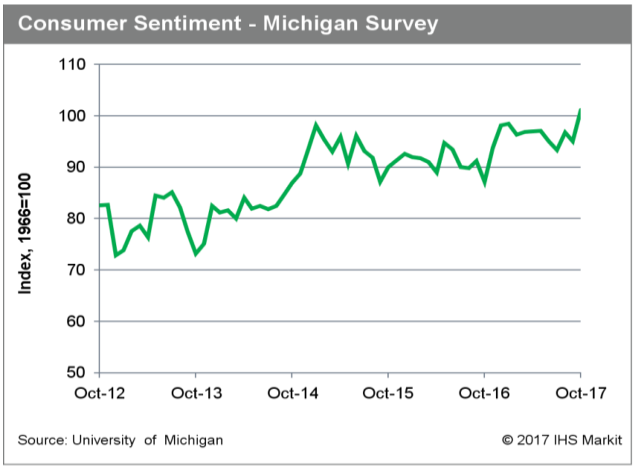
- **Economic Indicators:** Fourth quarter real GDP is expected to be 2.4 percent higher than the same period of a year ago while growth in real final sales to domestic purchasers is set to rebound to 2.6 percent in the fourth quarter, highlighting the strong underlying demand from consumers. The overall economic outlook is conducive to solid consumer spending growth to close out this year strong. Unemployment is at a 16-year low and incomes are growing across the board. Steady gains in the stock market are also helping, at least psychologically.
- **Consumer spending continues to drive economic growth:** Consumer spending growth will remain the principal driving force in the U.S. economic expansion. Household finances continue to improve, supported by gains in employment, real incomes, stock prices and home values. Hurricane impacts reduced national consumer spending in the third quarter but we expect a rebound from deferred consumption and the replacement of damaged goods. As a result, IHS Markit's forecast of fourth-quarter real consumer spending growth has been bumped up 0.2 percentage point to a 3.9 percent rate.





- **The labor market took a brief step back but remains very strong:** Payrolls took a major hit in September from hurricanes, falling by 33,000 jobs. The leisure and hospitality sector was hit the hardest, with jobs in food and beverage services plunging by 105,000. Employment would have risen by 72,000 without that effect. October and November should record a major surge in job gains, with substantial recovery in food service piling on top of more normal gains for other industries to make up for a bad September. The best news in the jobs report was that decent wage gains and an elastic labor force provide more breathing room for jobs to grow.
- **Consumers maintain their optimism:** The University of Michigan's Consumer Sentiment Index jumped 5 points in October's preliminary reading, reaching its highest mark since January 2004. The "current conditions" component of the survey has risen for three straight months and at 116.4~~,~~ is 13 points above the level from a year ago. In October, the Conference Board's Consumer Confidence Index bounced back after a hurricane-driven decline in September. An optimistic and confident consumer increases the likelihood that consumers will spend their rising incomes and not put them towards savings, which is especially helpful around discretionary spending categories such as travel.



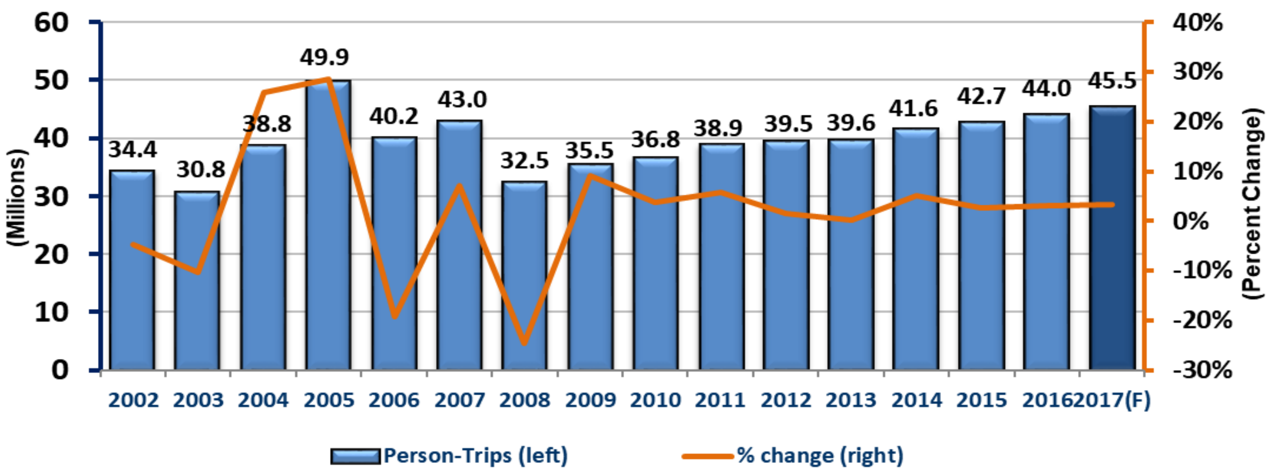


Travel by Mode

Automobile trips are expected to rise 3.2 percent to 45.5 million.

- Travel by automobile is projected to increase almost by 1.5 million travelers ~~trips~~ over 2016, to 45.5 million. This will be the most since 2005.
- Thanksgiving automobile travel remains stable at 89 percent.
- Automotive travel has increased by 13 million travelers during the nine-year run of rising travel, an increase of 40 percent.
- The 2017 automobile travel forecast is 16.6 percent above the average since 2000 and 14.2 percent above the average of the last 10 years.

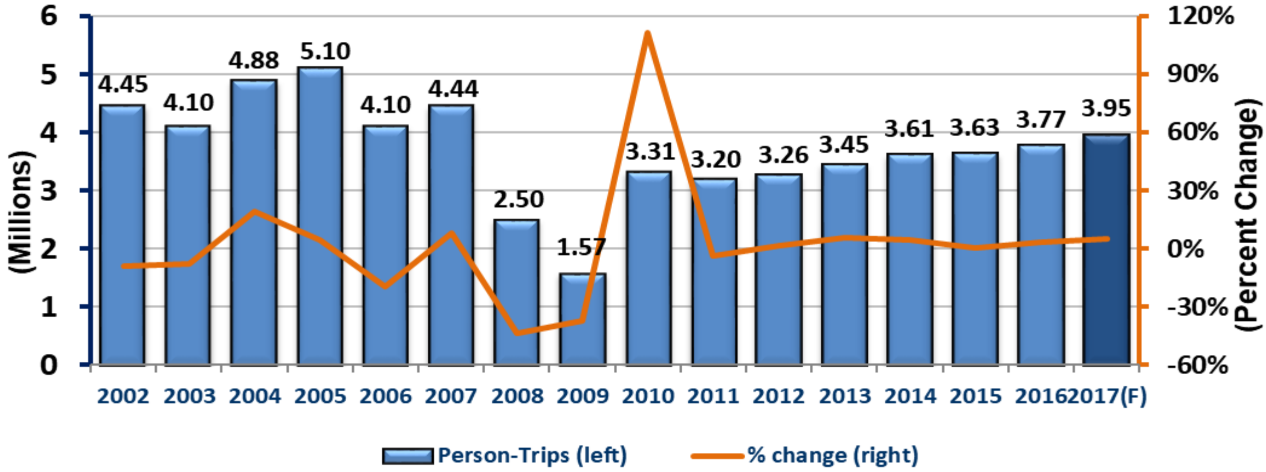
Thanksgiving Holiday Travelers by Automobile, 2002-2017



Air travel will see the biggest increase in travel volume during the Thanksgiving holiday.

- Just under 4 million travelers will fly this year, an increase of nearly 5 percent and the highest volume seen for this holiday since 2007.
- This will be the sixth consecutive year of travel volume growth for this mode, as air travel has increased by 750,000 travelers during that time frame.
- Share of travel via air will rise to 7.8 percent in 2017, which is the highest share via this mode since 2010.

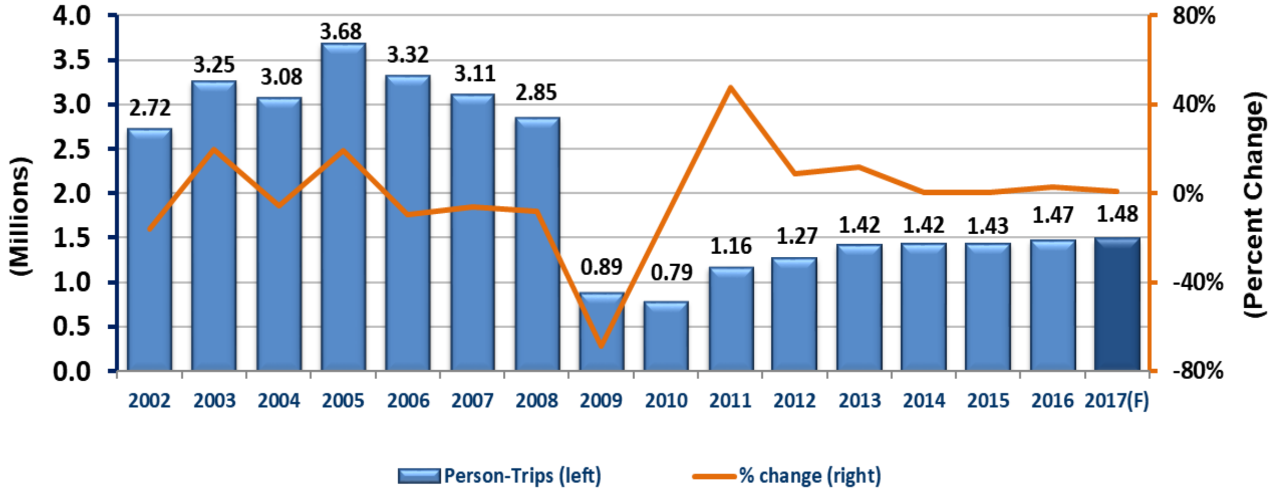
Thanksgiving Holiday Travelers by Air, 2002-2017



Travel by other modes will rise just over 1 percent.

- Travel by other modes (including bus, train and cruise) will reach 1.48 million, a slight increase of 1.1 percent from 2016.

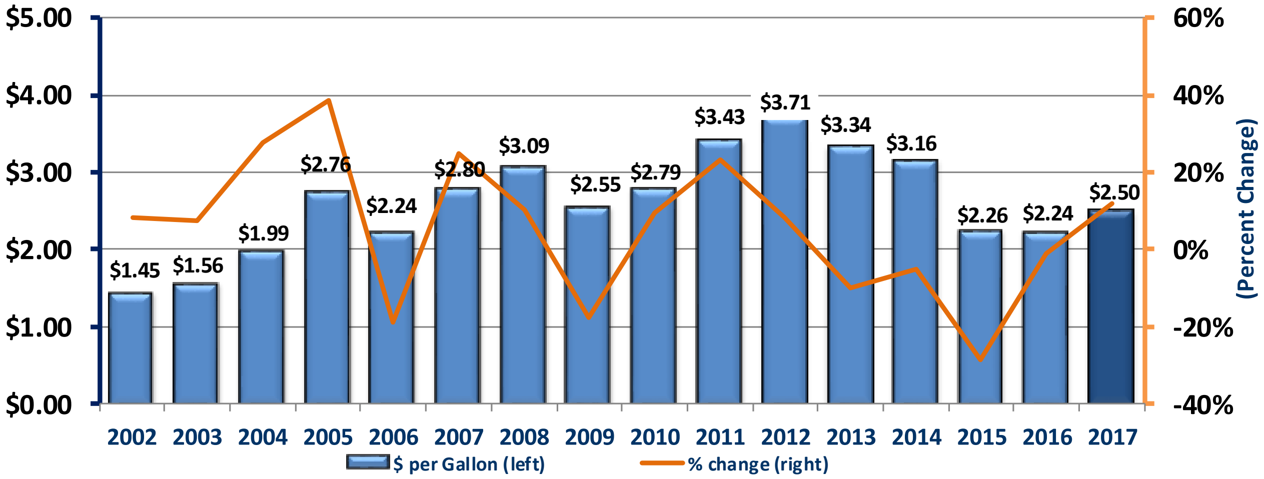
Thanksgiving Holiday Travelers by Other, 2002-2017



What is the impact of gasoline prices on the forecast?

- Gas prices jumped more than 10 percent after hurricanes Harvey and Irma, peaking on Sept. 8 at $2.67. Although prices steadily declined through most of September and October, there was considerable upward movement in recent weeks.
- The expectation is that prices will see more volatility as the holiday approaches. At their current levels, gas prices should not have a noticeable impact on travel volumes, nor will they negatively affect last minute travelers. An unexpected spike is also unlikely to influence travel volumes, as most Americans have already made plans. Instead, travelers will cut back on other expenses and allocate more money to their gasoline budget.

Average October* Gasoline Prices
National Average per Gallon Regular Unleaded
2002-2017



What was the variance of forecasted and actual travel for Thanksgiving 2016?

- Last year, IHS Markit predicted that 48.7 million Americans would travel over the Thanksgiving weekend. This forecast represented a 1.9 percent increase relative to the 47.8 million trips that occurred during the 2015 holiday period.
- In fact, Thanksgiving travel outpaced last year's estimates on the back of stronger than predicted economic growth, pushed forward by growth in personal income, household financial assets and disposable income. Overall economic growth picked up in the fourth quarter relative to forecasts, with real GDP growth exceeding 2 percent and consumer spending following a similar trend. This uptick in consumer spending growth of 3.8 percent resulted in 49.3 million Americans traveling over the Thanksgiving weekend, which was a 3.2 percent increase over the previous year.

What were the factors that contributed to the growth in Thanksgiving travel last year?

- **Strong Labor Market:** While the labor market has kept the unemployment rate around 5 percent, the current conditions began to push up wages, with personal income increasing 2 percent over the course of 2016.

* October 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.

- **Increased Consumer Spending:** While the stronger labor markets translated to higher earnings for workers, these workers continued to spend, with consumer spending growing 4.6 percent over the course of the year. This increased spending would have cut into the savings rate but was offset by strong increases in household net worth due to a surging stock market.
- **Increasing Home Prices:** The median prices for existing houses rose 5.9 percent year-over-year in the final quarter of 2016. This incredibly strong growth well outpaced the forecasted 1.7 percent growth of the existing home stock and helped push forth the 4.1 percent increase in household net worth.

Addendum 1: U.S. Economic Forecast Summary
Published October 9, 2017

Overview: Current quarter and one quarter ahead: Real GDP growth is projected to pick up from an estimated 2.4 percent annual rate in the third quarter to 2.9 percent in the fourth quarter before settling back to 2.2 percent in the first quarter of 2018. We estimate that recovery from hurricanes Harvey and Irma will boost fourth-quarter growth by 0.9 percentage point. The potential for storms to distort near-term data was seen in the September employment report, which showed establishment employment falling 33,000. We estimate that hurricane impacts reduced this number by about 250,000 and a sharp reversal of weather-related effects will push the gain in establishment employment up to nearly 400,000 in October.

Consumer spending growth will remain the principal driving force in the U.S. economic expansion. Household finances continue to improve, supported by gains in employment, real incomes, stock prices and home values. Real consumption is projected to increase at annual rates of 3.0 percent in the fourth quarter and 2.4 percent in the first quarter of 2018. Removal of income tax cuts from the baseline forecast accounts for the downward revision in the 2018 spending outlook, compared with IHS Markit's September forecast.

After declines in the second and third quarters, residential construction will stabilize in late 2017 and resume growth in early 2018. Increasing demand from young adults, limited supplies of homes for sale, and rising prices should lead to more construction activity, along with repair and reconstruction of storm-damaged homes in Texas and Florida.

After slowing in the third quarter—when commercial and manufacturing building construction retreated—real business fixed-investment growth is expected to get back on track in the fourth quarter, rising at a 5.0 percent annual rate. Expanding global markets, low financing costs, and an improving regulatory climate will sustain overall growth. Real government purchases will continue to stagnate, with modest growth in state and local spending offset by cuts in federal purchases. Both exports and imports are projected to post real growth rates around the 4–6 percent range in late 2017 and early 2018, reflecting healthy expansions in the domestic and global economies.

Consumer spending, income and confidence: The third estimate of second-quarter real consumer spending growth maintained the second estimate's 3.3 percent annual rate; consumption of services was slightly stronger, but was offset by weaker spending on durable and nondurable goods. Our forecast for third-quarter real spending growth has been marked down 0.6 percentage point to 1.9 percent, thanks in part to the effects of hurricanes Harvey and Irma. As the disrupted regions recover, we expect a rebound from deferred consumption and the replacement of damaged goods; our fourth-quarter forecast of real consumer spending growth has been bumped up 0.2 percentage point to a 3.0 percent rate.

Recent news on the consumer markets front has been mixed, with noticeable hurricane impacts on gasoline prices, light-vehicle unit sales and restaurant employment. Holiday retail sales are on track to have a good, but not great, year. Although there will be some spending payback from hurricane-related losses, it will be skewed more toward necessary home repairs. We expect overall holiday sales to grow at 3.5 percent year-over-year, slightly weaker than last year. We define holiday retail sales as not-seasonally-adjusted retail sales excluding auto dealerships, gasoline stations, and restaurants for November and December. Online sales are expected to rise 12.1 percent year-over-year, the fourth straight year of double-digit growth.

Consumer spending continues to be supported by solid pre-hurricane momentum for employment, real disposable income and household asset values. Our U.S. forecast no longer assumes federal personal income and corporate tax cuts. As a result, expected real consumer spending growth has been reduced from 2.8 percent to 2.5 percent in 2018, and from 2.6 percent to 2.3 percent in 2019; real disposable income growth has been reduced from 3.5 percent to 2.5 percent in 2018, and from 3.2 percent to 3.0 percent in 2019.

Business investment spending: Manufacturers' orders rose 1.2 percent in August, close to the consensus estimate. Growth of core orders and shipments were revised higher, on balance, through August, while manufacturers' inventories were stronger than expected. In response, we raised our estimate of third-quarter GDP growth 0.1 percentage point to 2.4 percent. The upward revisions to core orders and shipments through August moved our estimates for third- and fourth-quarter growth of equipment spending to 5.3 percent and 4.1 percent, respectively, continuing the recovery in equipment spending that began late last year. Manufacturers' inventories were revised higher for July and rose somewhat more than we expected in August. This raised our estimate of third-quarter inventory investment by $4 billion and our forecast of fourth-quarter inventory investment by $2 billion. The manufacturers' orders report supports our view that the U.S. economy was benefiting from solid momentum prior to disruptions associated with the hurricanes.

Pickups in the manufacturing sector and in GDP growth will power equipment spending over the next two quarters. Over 2017–19, we anticipate respectable 3.5–5.0 percent gains. Spending on intellectual property products, a category that is steadier year in and year out compared with spending on equipment and structures, is expected to see moderate growth in the 3.0–4.0 percent range over 2017–19. Real spending on structures will slow to a crawl in 2018 as real spending on mines and wells slows after a strong first half in 2017, and real spending on most categories of non-mining structures slows or drops after several years of solid growth.

Housing: Total construction spending rose 0.5 percent in August; core construction spending, which bears directly on the GDP number in the national income accounts, rose 0.6 percent, while revisions were minor. After reaching a peak in the spring, construction spending has been on a broadly declining trend. The recent weakness has been in private nonresidential construction and public construction, which have declined 8.1 percent and 24.0 percent over the last three months (annual rate), respectively. The trend in private residential construction remains steady, having risen 7.7 percent over the last three months at an annual rate.

Home prices continue to rise at unsustainable, but-not- yet-alarming rates—in the 5–10 percent range in most places. Through July the Federal Housing Finance Agency (FHFA) purchase-only house price index (HPI) is up 6.3 percent over 12 months, and the Case-Shiller national HPI is up 6.0 percent. Through August, the median sales price for existing homes is up 5.6 percent over 12 months. Low levels of new construction has led to low inventories nationwide, driving home prices up.

Total housing starts eased by 10,000 in August to an annual rate of 1,180,000. Previous months were revised higher. The disappointing headline number was more than accounted for by an unexpected decline in multifamily starts; single-family starts were stronger than we had expected for August. Single-family permits, the key number in the housing starts report, and possibly the best indicator of the state of the single-housing housing market, have flattened since the start of this year.

National	Population (Thousands)	Travel Volume (Thousands) Automobile	Air	Other	Total	Share of Population Automobile	Air	Other	Total
United States	326,500	45,468	3,954	1,483	50,904	13.9%	1.2%	0.5%	15.6%
Census Divisions									
New England	14,779	1,956	249	44	2,248	13.2%	1.7%	0.3%	15.2%
Middle Atlantic	41,494	5,413	529	139	6,081	13.0%	1.3%	0.3%	14.7%
South Atlantic	64,984	8,507	688	193	9,388	13.1%	1.1%	0.3%	14.4%
East North Central	46,805	7,742	672	241	8,655	16.5%	1.4%	0.5%	18.5%
East South Central	19,064	2,841	96	40	2,977	14.9%	0.5%	0.2%	15.6%
West North Central	21,329	3,760	205	191	4,156	17.6%	1.0%	0.9%	19.5%
West South Central	40,171	4,745	340	123	5,208	11.8%	0.8%	0.3%	13.0%
Mountain	24,379	3,222	251	249	3,722	13.2%	1.0%	1.0%	15.3%
Pacific	53,494	7,282	923	263	8,468	13.6%	1.7%	0.5%	15.8%

Census Region definitions:

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

Addendum 2: U.S. and Regional Population and Travel Share Data