

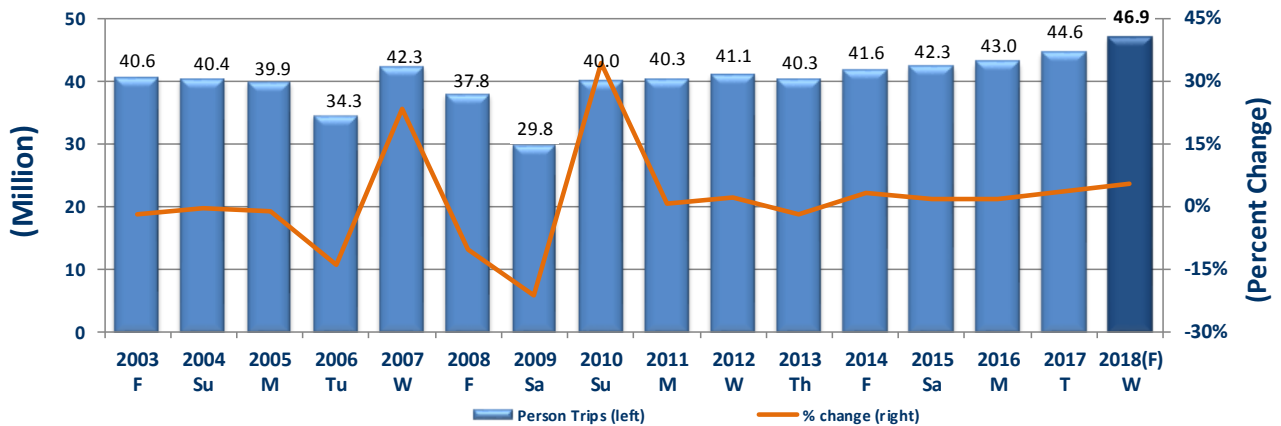


Independence Day holiday travel will increase by nearly 2.4 million to 46.9 million, the most on record

AAA and IHS Markit forecast 46.9 million travelers for the 2018 Independence Day holiday period. The additional 2.38 million travelers over 2017 is a 5.3 percent increase and the most on record since AAA began tracking 18 years ago.

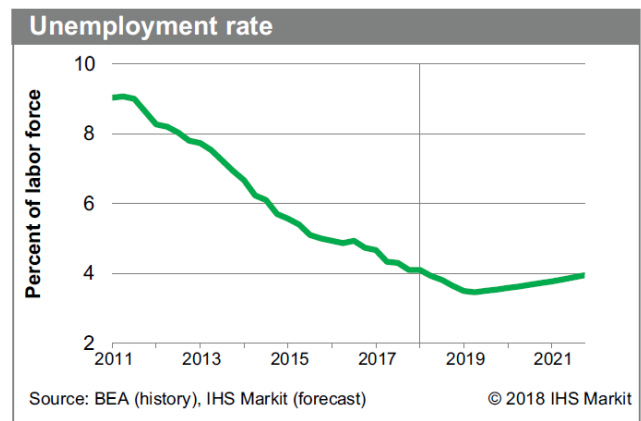
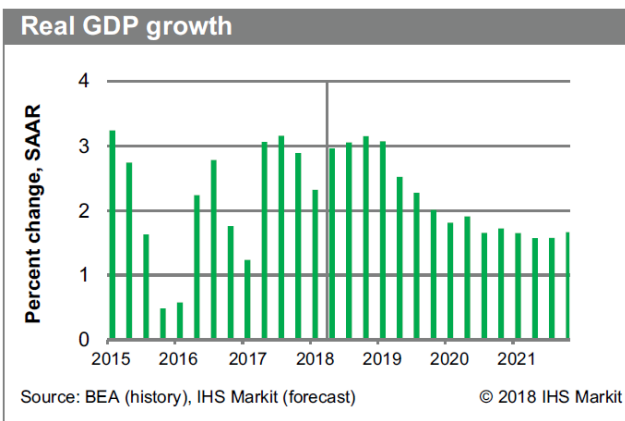
- 2018 will mark the most Independence Day travelers on record and the fifth consecutive year of overall travel volume growth. Travel volume has grown 16.5 percent during this five-year run.
- 2018 travel volume will be 57 percent higher than the 2009 recession low of 29.8 million.
- This year, Independence Day falls on a Wednesday, resulting in a six day holiday period. The last time this occurred was in 2012. By itself the extra day isn't a significant driver of holiday travel, but the holiday falling on a Wednesday is likely to create more flexibility for travelers scheduling a trip by bringing in a second weekend during which a trip can occur.

Total Independence Day Holiday Travelers, 2003-2018 (including weekday of July 4)



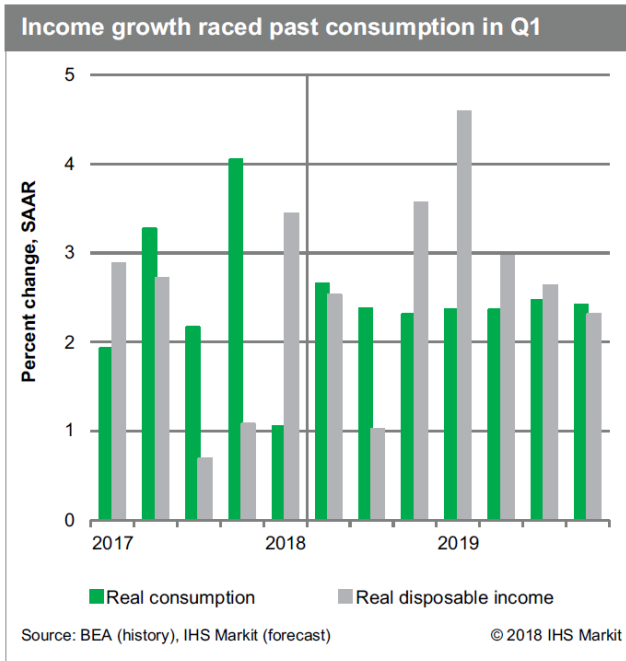
What is driving the increase in holiday travel this year?

Forecast summary: The economic environment remains conducive to strong consumer spending. The economy continues to expand and the labor market remains strong while household finances and disposable income continue to rise.

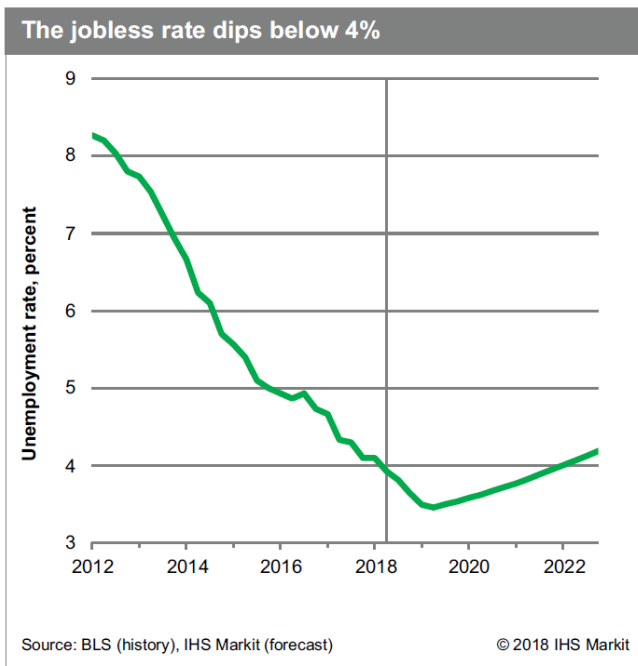
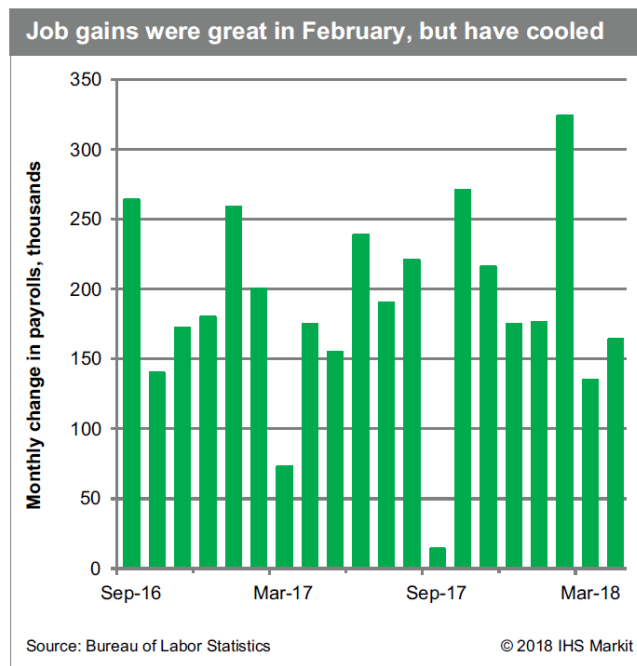




- Economic Indicators:** Third quarter real GDP is expected to be 2.8 percent above last year. The final numbers from the first quarter show stronger growth than initially assumed and after a strong second quarter, the economic outlook remains strong. The underlying fundamentals remain solid, including steady growth of employment and real disposable personal income, rapidly rising home prices and elevated consumer sentiment.

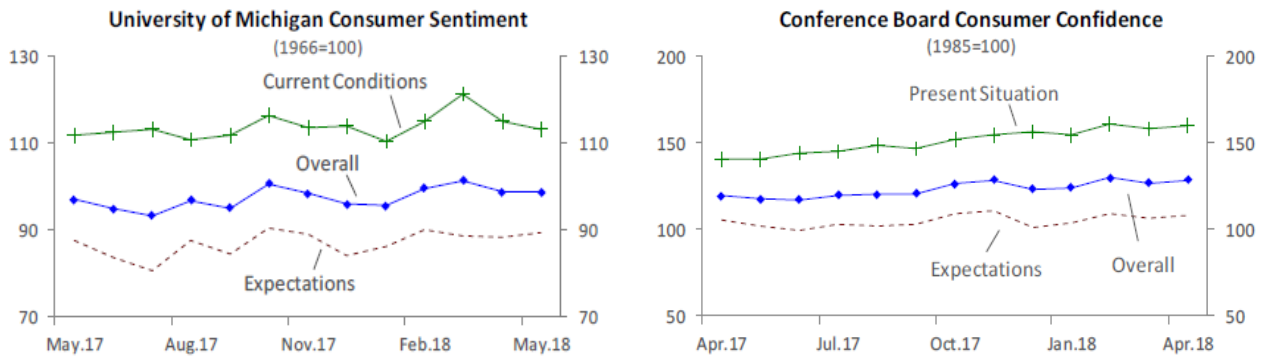


- Consumer spending is on the uptick:** While consumer spending was slow to start the year, second quarter consumption jumped up and should remain strong heading into the third quarter. Compared to a year ago, consumer spending in the third quarter should see a 4.9 percent increase. Consumer spending can remain high as it is supported by lower personal tax rates and gains in employment, real disposable incomes and home values.





- **The labor market continues to be up and down but long-term trend remains strong:** February was a great month for job growth, but March and April were anemic. The average of the three was in line with longer term trends. The unemployment rate cooled to 3.9 percent, with payrolls barely growing but the labor force contracting. This is the first time since 2000 the unemployment rate fell below 4 percent. Job gains of 164,000 in April were better than in March (135,000), but February was so remarkable with a 324,000 job gain that the three-month average remained solid at 208,000 jobs per month. Gains closer to that average are more likely to be the norm for the second and third quarters than the April performance.



- **Consumers remain optimistic about their situation:** The University of Michigan's Consumer Sentiment Index and the Conference Board's Consumer Confidence Index remain close to historical highs. Although the sentiment index slipped from its highest monthly mark since January 2004, the confidence index bounced back up somewhat in April after a similar decline in March. Consumer sentiment is 1.7 points above last year's level while the current conditions component is 1.6 points above. The confidence index shows a starker contrast, where the overall index is 9.3 points above last year with the present situation component 19.3 points higher.

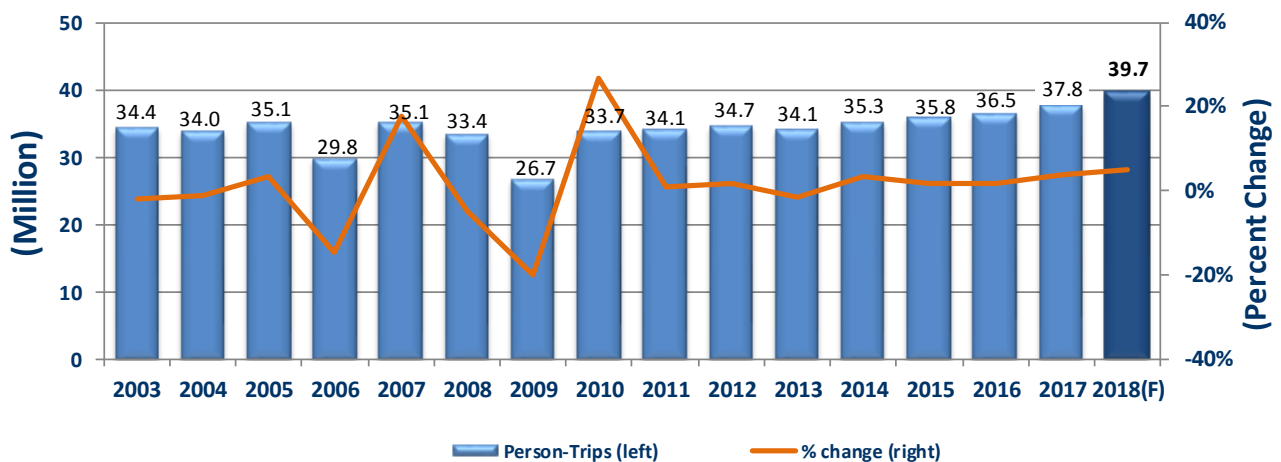


Travel by Mode

Travel by automobile will approach 47 million travelers in 2018.

- The forecast for automobile travel during the 2018 Independence Day holiday period is 5.1 percent higher than the 37.8 million seen in 2017. The result will be an additional 1.9 million travelers during the holiday.
- This will be the fifth straight year in which automobile travel increases during this holiday period, with total volume rising by 5.6 million during this time frame.
- The 2018 forecast is 16 percent above the average of the previous 10 years and 19 percent above the average since 2000.

Independence Day Holiday Travelers by Automobile, 2003-2018

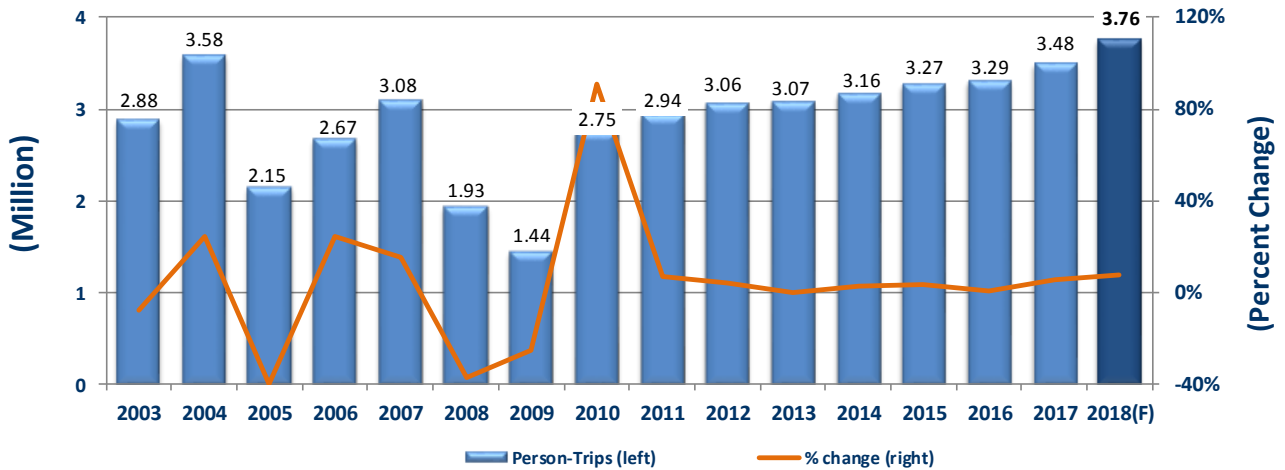


Air travel will increase by 7.9 percent in 2018, an increase of 275,000 travelers from last year.

- 3.76 million travelers are expected to fly this Independence Day, nearly 8 percent higher than the 3.48 million in 2017.
- Air travel has grown every single year since the recession-driven decline in 2009. Total volume has increased by 2.3 million since then, with the 2018 travel volume 160 percent higher than the 1.44 million in 2009.
- The share of travel by air will top 8 percent for the first time since 2004.
- The 2018 forecast will be 32 percent above the average of the past 10 years and 29 percent above the average since 2000.



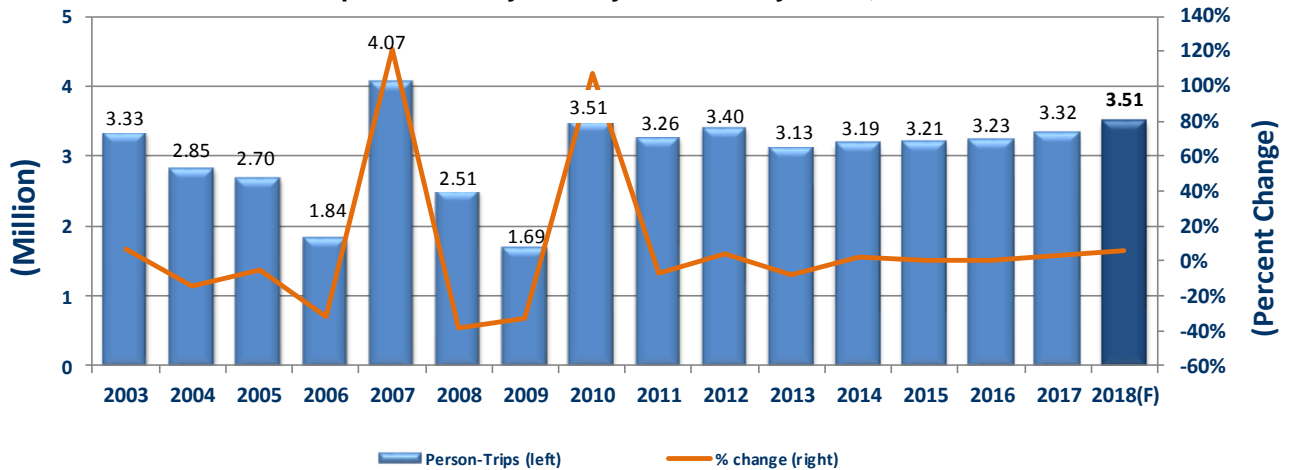
Independence Day Holiday Travelers by Air, 2003-2018



Travel by other modes will increase 5.8 percent to 3.51 million.

- More than 3.5 million will travel by other modes (including bus, train and cruise ship) this Independence Day, the most since 2007. The increase of 5.8 percent will result in an additional 190,000 travelers via these modes.

Independence Day Holiday Travelers by Other, 2003-2018

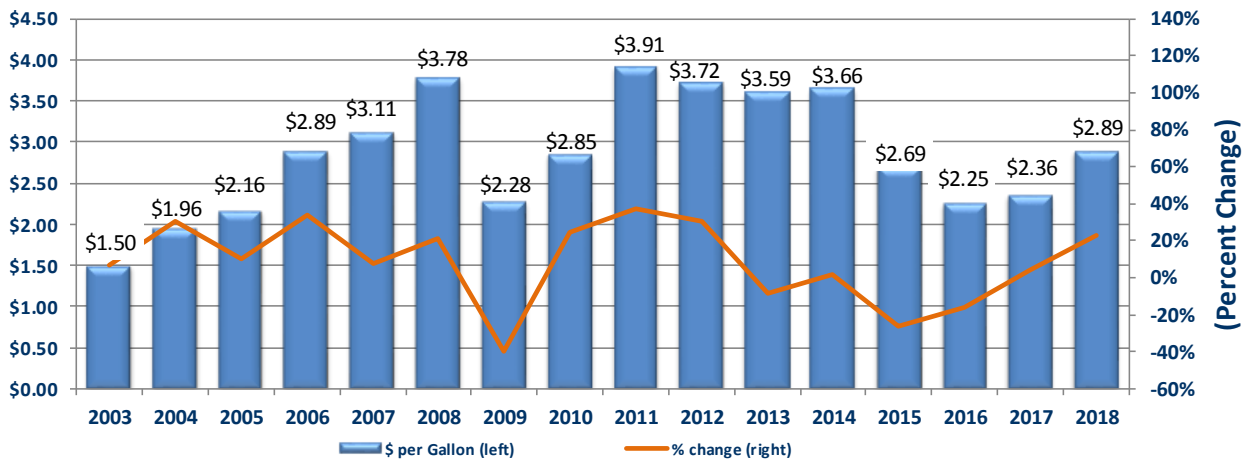




What is the impact of gasoline prices on the forecast?

- Gas prices have slowly but steadily declined since Memorial Day weekend but still average about 57 cents more than mid-June 2017 (as of June 12).

**Average May* Gasoline Prices
National Average per Gallon Regular Unleaded
2003-2018**



What was the variance of forecasted and actual travel for Independence Day 2017?

Last year, AAA and IHS Markit predicted that 44.2 million Americans would travel over the 2017 Independence Day holiday period. That forecast represented a 2.9 percent increase in travel volume. The economy perked up and consumer spending rose strongly and the final travel volume growth was 3.7 percent, resulting in 44.6 million travelers.

What were the factors that contributed to the growth in Independence Day holiday travel last year?

- Employment gains:** The labor market remained very strong, with the unemployment rate dropping 0.6 points from the prior year to 4.3 percent. The strong labor market was just starting to translate to income gains, as income grew by 2.8 percent in the quarter. Unfortunately, prices rose as well resulting in low growth in disposable income. This was offset by strong growth in household net worth, which increased by more than six percent.
- Consumers kept spending:** With real disposable income rising just 1.1 percent in the quarter, consumers had a choice to either keep spending and dip into savings or curtail spending a bit. Consumers were unequivocal in their choice to keep spending and, as incomes have steadily risen since then, the savings rate has ticked up despite that brief downturn last year. Consumer spending growth compared to the prior year was 5.1 percent compared to the expected 4.6 percent.

* May 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.



**2018 Independence Day Holiday Travel
Forecast Review**





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Forecast Review



Addendum 1: U.S. and Regional Population and Travel Share Data

	Population (Thousands)	Travel Volume (Thousands)				Share of Population			
		Automobile	Air	Other	Total	Automobile	Air	Other	Total
<i>National</i>									
United States	328,080	39,674	3,758	3,514	46,946	12.09%	1.15%	1.07%	14.31%
<i>Census Divisions</i>									
East North Central	46,970	7,288	375	617	8,280	15.52%	0.80%	1.31%	17.63%
East South Central	19,126	2,143	111	153	2,408	11.21%	0.58%	0.80%	12.59%
Mid Atlantic	41,727	5,358	528	507	6,392	12.84%	1.27%	1.21%	15.32%
Mountain	24,499	2,774	385	333	3,491	11.32%	1.57%	1.36%	14.25%
New England	14,861	2,096	177	152	2,425	14.10%	1.19%	1.02%	16.32%
Pacific	53,684	5,662	932	611	7,205	10.55%	1.74%	1.14%	13.42%
South Atlantic	65,431	7,513	654	274	8,441	11.48%	1.00%	0.42%	12.90%
West North Central	21,407	3,033	157	381	3,571	14.17%	0.73%	1.78%	16.68%
West South Central	40,374	3,806	439	487	4,732	9.43%	1.09%	1.21%	11.72%

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