

AAA Memorial Day 2009 Travel Forecast

Travel Bargains and Pent-Up Demand Trump
Deteriorating Economy



GLOBAL
INSIGHT



Prepared for:
American Automobile Association

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Table of Contents

Introduction: A Fresh Look at Americans' Holiday Travel Behavior.....	2
Memorial Day Holiday, 2009 vs. 2008	3
Total Travel	4
Travel by Auto	6
Travel by Air	8
Travel Distances	10
Total Spending	11
Party Composition.....	13
Activities	14
Top 20 Origin States and Washington, DC MSA.....	15
Addendum 1: US Economic Forecast Summary: Signs of Hope.....	16
Addendum 2: US Regional Forecast Summary: The Winter 2009 Forecast: Still Looking for the Bottom.....	17

Regional definitions used throughout the report:

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

Mid Atlantic (MATL): NJ, NY, PA

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

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

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

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

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

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

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

Introduction: A Fresh Look at Americans' Holiday Travel Behavior

Anticipating American holiday travel is a longstanding legacy of the AAA. Governments, business, and citizens all over the country look forward to the forecast of holiday travel to assist a variety of decisions. In fact, it is safe to say that the AAA Holiday Forecast has evolved to become an integral part of the American holiday calendar.

During the fall of 2008, AAA National entered into a new partnership with IHS Global Insight to build the official projections of holiday travel. IHS Global Insight (www.ihsglobalinsight.com) is the premier economic and market forecasting organization in the world. The partnership has resulted in a new, improved approach, more holiday travel detail, and a renewed commitment to providing the complete story behind the numbers.

While remaining true to the legacy of AAA's past holiday projections, the methodology has been improved in a number of ways:

1. A larger, more focused survey of travel intentions –a larger sample size with greater geographic coverage.
2. Explicit consideration of current economic conditions, as well as other travel decision drivers.
3. Utilization of past *actual* holiday travel results from the leading provider of ongoing travel volumetrics, D.K. Shifflet & Associates (DKSA).
4. A unique econometric model of holiday travel that will combine past holiday travel trends, current economic conditions, and the latest results of American pre-holiday travel intentions.
5. An increase in the number of states for which we have provided specific detail.
6. Greater levels of analytical support for media and AAA's travel industry partners.

These improvements to the holiday travel forecasts have brought about some noticeable changes and improvements to the numbers and analysis being used. They are:

1. The forecasts for total travel, travel by auto, travel by air and travel by other modes will all be based on a larger sample size of travel intentions before each holiday that allows for more geographical and behavioral detail. These results will be factored against historical differences between travel intentions and actual travel as measured by DKSA, and will be further refined using economic forecasting data proprietary to IHS Global Insight.
2. The resulting holiday travel forecast by IHS Global Insight and AAA of **actual expected holiday travel** will be compared and contrasted against **actual historical holiday travel** data as measured by DKSA. The resulting historical numbers differ from what AAA and its affiliated clubs have previously reported, but in our estimation create a much more revealing and precise gauge of Americans' travel behavior since 2000 – which is of critical importance in understanding the ongoing relationship between the travel intentions of Americans and their actual behavior and accurately forecasting what will occur in the future. In some cases, this will reveal wide discrepancies between previously reported holiday forecasts and what actually took place; especially during last year's Memorial Day holiday period when deteriorating economic conditions and rising gasoline prices conspired against America's travel intentions.
3. Finally, the travel intentions survey will now include a "burning issue" question with each holiday wave. For this report the question was asked, "How do you think your household spending during the upcoming Memorial Day holiday will differ from your Memorial Day spending last year (2008)? Why?"

The 2009 Memorial Day Holiday Forecast represents our first iteration of the new methodology and partnership between AAA and IHS Global Insight. We sincerely hope this research effort will assist the media, government agencies and business leaders in understanding this culturally and economically important slice of American life. Suggestions for improvement are welcome as we work toward an ever-better understanding of our society's' recreational spending and behavior.

Memorial Day Holiday, 2009 vs. 2008

After a long winter of rising unemployment, falling housing values, evaporating 401Ks, and extreme weather conditions, Americans apparently need a break. Recent developments regarding the H1N1 virus, while initially alarming, were not expected to defy this trend at the time that this report was prepared.

Moreover, falling gasoline prices and travel deals abound this Memorial Day, and many Americans plan to take advantage. After a dismal 2008 Memorial Day travel holiday, this year will see a small-but-psychologically-significant uptick. In part driven by travel bargains and dramatically cheaper gasoline and in part a reflection of not wanting to miss out two years in a row, AAA and IHS Global Insight forecast that 32.4 million Americans will take to the road, air, or rails this Memorial Day.

*"The economy is tanking.
The stock market is down.
My financial situation is the
worst it has been for as far
back as I can remember"*

ENC Respondent

The 32.4 million travelers represent growth of 1.5% over last year's 31.9 million Memorial Day travelers. While the 2009 numbers represent a slight rebound from the depressed 2008 travel holiday (down -9.6%), this does not signal a return to the robust growth experienced in 2003-2005. The economy continues to weigh heavily on leisure travel. Unemployment reached 8.5% in March, Consumer Sentiment has improved only slightly and remains at recessionary levels, and March homes sales continued to disappoint. The recent news concerning the potential for a Swine Flu pandemic has

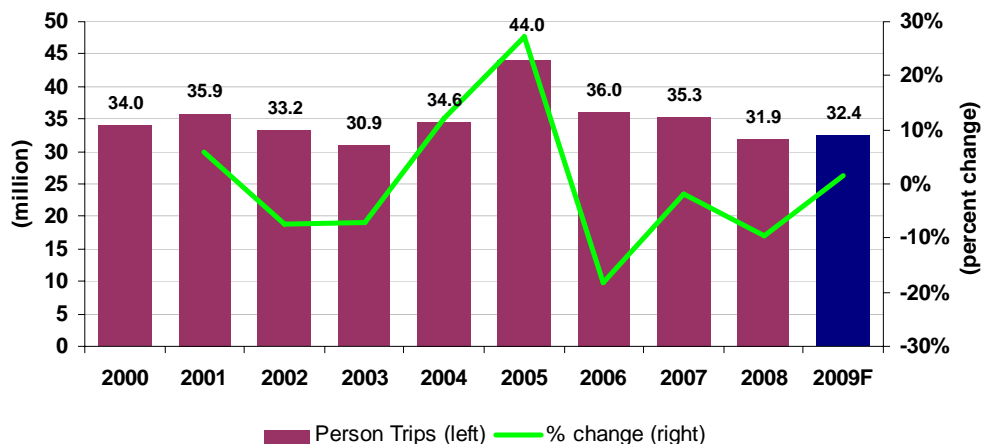
also added to consumer stress levels. Still, IHS Global Insight believes that underlying leisure travel resiliency will help to compensate, at least for this Memorial Day as would-be travelers to Mexico shift their vacation plans to other destinations.

There are three major factors influencing the Memorial Day travel forecast – the economy, gas prices and travel deals. The current recession is a drag on people's willingness and ability to travel. Job losses over the past year will reach about 5 million year-over-year and that number does not include the people who have taken pay cuts or fear that their job might be next. Moreover, household wealth has taken a severe hit from falling housing values and the global financial market meltdown. Countering these economic dark clouds are declining gasoline prices – down almost 50% from the \$4.00 gas prices seen in 2008 – and the explosion in travel deals. Travelers can readily find bargains on many destinations and more Americans are poised to take advantage.

*"At the moment there seem
to be some very good
deals."*

MTN Respondent

CHART 1
MEMORIAL DAY TRAVELERS 2000-2009
TOTAL PERSON-TRIPS*



* 2000-2008 represent actual travel results. 2009 is a forecast.

Total Travel

While the expected growth in Memorial Day travelers nationwide is modest, regional differences are quite varied. Memorial Day traveler growth is expected to range from a high of over 7% in New England to a decline of -3.4% in the Mid-Atlantic region. New England and the West South Central (AR, LA, OK, TX) regions will show the strongest growth with both areas growing in excess of 6%.

“By choosing to take advantage of a 3-day weekend, leaving the state. It seems that airfares are better, too.”
ESC Respondent

The Middle Atlantic (NJ, NY, PA) is projected to show a slight decline in travel after the perfect weather during last years Memorial Day prompted many last minute travelers. The western regions – Pacific (AK, CA, OR, WA) and Mountain (AZ, CO, ID, MT, NM, NV, UT, WY) – with their slowing regional economy and greater dependence on air travel, will show declines as well.

The 32.4 million Americans expected to travel over the 2009 Memorial Day holiday represent 10.7% of the total U.S. population. The Mountain and East North Central (IL, IN, OH, MI, WI) regions should have the highest traveler incidence among their total population – over 12%. The West South Central is expected to have the smallest percentage of travelers with only 8.7% of the population traveling over the Memorial Day holiday.

In terms of absolute numbers, Memorial Day travelers in the South Atlantic (DE, FL, GA, MD, NC, SC, VA, WV), East North Central, and Pacific regions should surpass the 5 million mark. The South Atlantic region is expected to reach 5.7 million even with the second lowest traveler percentage.

“Have the time and resources to do so.”
NENG Respondent

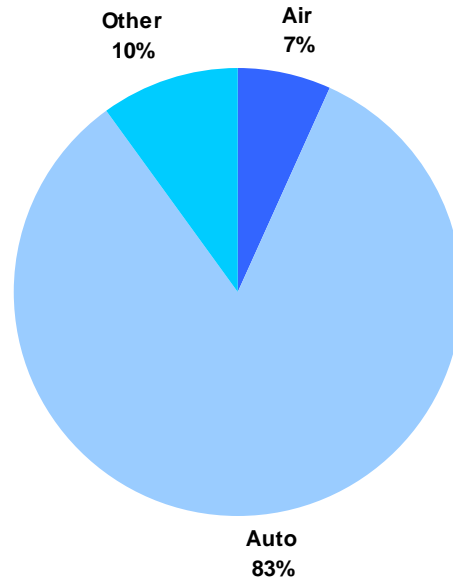
Travel by automobile is the dominant mode of transportation for Memorial Day weekend, accounting for 83% or 27.0 million travelers. Air accounts for the smallest share of travel this holiday, with only 7% of people traveling by air. Other modes of transportation (trains, buses, watercraft) account for the remaining 10% (3.3 mn) of travelers over the Memorial Day weekend.

TABLE 1
PROJECTED MEMORIAL DAY 2009 PERSON-TRIPS
ALL MODES OF TRANSPORTATION BY REGION OF RESIDENCE

	Total Population (millions)	Person-Trips (millions)	Share of Population Traveling	% Change from Last Year
Total US	304.1	32.4	10.7%	1.5%
New England	14.3	1.4	9.7%	7.2%
Middle Atlantic	40.6	4.2	10.4%	-3.4%
South Atlantic	58.4	5.7	9.7%	3.9%
East North Central	46.4	5.7	12.2%	4.5%
East South Central	18.1	2.1	11.8%	1.1%
West North Central	20.2	2.1	10.5%	0.4%
West South Central	35.2	3.1	8.7%	6.1%
Mountain	21.8	2.7	12.6%	-0.9%
Pacific	49.1	5.3	10.8%	-2.3%

Source: IHS Global Insight / D.K. Shifflet & Associates, Ltd.

CHART 2
DISTRIBUTION OF 2009 US MEMORIAL DAY TRAVELERS
BY MODE OF TRANSPORTATION



Travel by Auto

Auto trips will grow faster than the overall trip growth, benefiting from the decline in gas prices and the perception that it is more economical to travel by motor vehicle. AAA and IHS Global Insight expect 27.0 million Americans to travel by car over the Memorial Day holiday in 2009. In 2008, 26.1 million Americans traveled by auto over Memorial Day. Automobile travel will increase 2.5% over 2008. This growth comes after the \$4-per-gallon-induced 10% decline in Memorial Day car travel between 2007 and 2008.

*"Gas prices are MUCH less
this year!"*

MATL Respondent

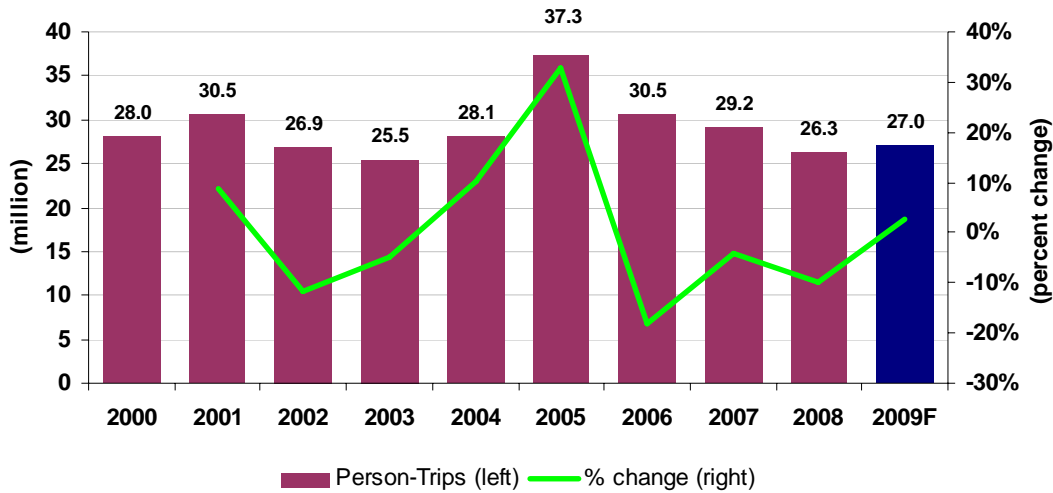
The East North Central traveler is the most auto-dependent. While, nationwide, 8.9% of the US population will travel by automobile, 10.5% of the East North Central's population will go by car. Just short of 5 million people from this region will be jumping into their car to travel over the three day period.

TABLE 2
PROJECTED MEMORIAL DAY 2009 PERSON-TRIPS
BY AUTO AND REGION OF RESIDENCE

	Total Population (millions)	Person-Trips by Auto (millions)	Share of Population Traveling	% Change from Last Year
Total US	304.1	27.0	8.9%	2.5%
New England	14.3	1.2	8.2%	8.5%
Middle Atlantic	40.6	3.6	8.8%	-2.7%
South Atlantic	58.4	4.7	8.1%	5.8%
East North Central	46.4	4.9	10.5%	5.7%
East South Central	18.1	1.8	9.9%	5.3%
West North Central	20.2	1.8	9.1%	2.2%
West South Central	35.2	2.5	7.1%	6.3%
Mountain	21.8	2.2	10.2%	-1.7%
Pacific	49.1	4.3	8.8%	-2.1%

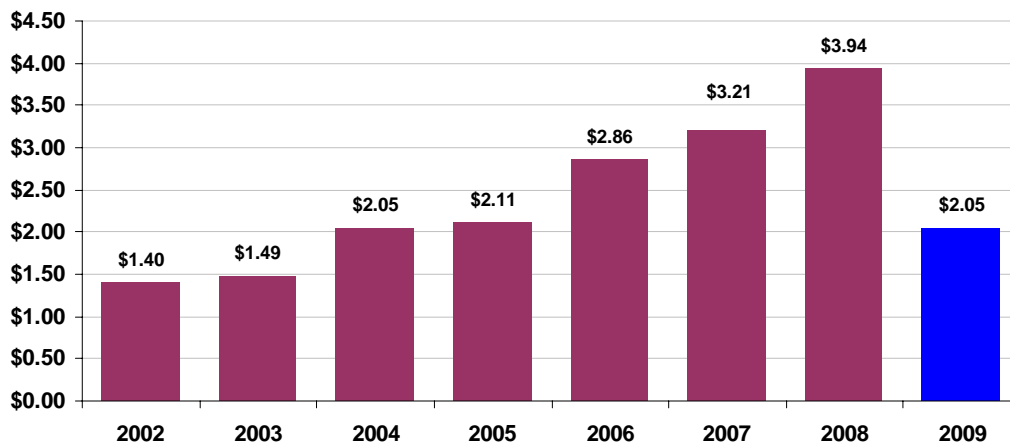
Source: IHS Global Insight / D.K. Shifflet & Associates, Ltd.

CHART 3
MEMORIAL DAY TRAVELERS 2000-2009
AUTO PERSON-TRIPS*



*2000-2008 represent actual travel results. 2009 is a forecast.

CHART 4
MEMORIAL DAY GAS PRICES
NATIONAL AVERAGE PER GALLON UNLEADED
2002-2009*



Source: AAA Fuel Gauge Report

* 2002-2008 represents actual prices; 2009 is the price as of April, 2009.

Travel by Air

Air travel is expected to continue its slide this Memorial Day. The airline industry continues to cut capacity on many routes and airfare has not experienced the dramatic declines that gasoline has. Memorial Day air travel nationwide is forecast to decline modestly (-1%) between 2008 and 2009 after falling by 21% between 2007 and 2008. AAA/IHS Global Insight forecast that Americans will take 2.1 million person-trips by air this Memorial Day.

"Last year we flew to the East Coast, this year we will drive somewhere closer."

MTN Respondent

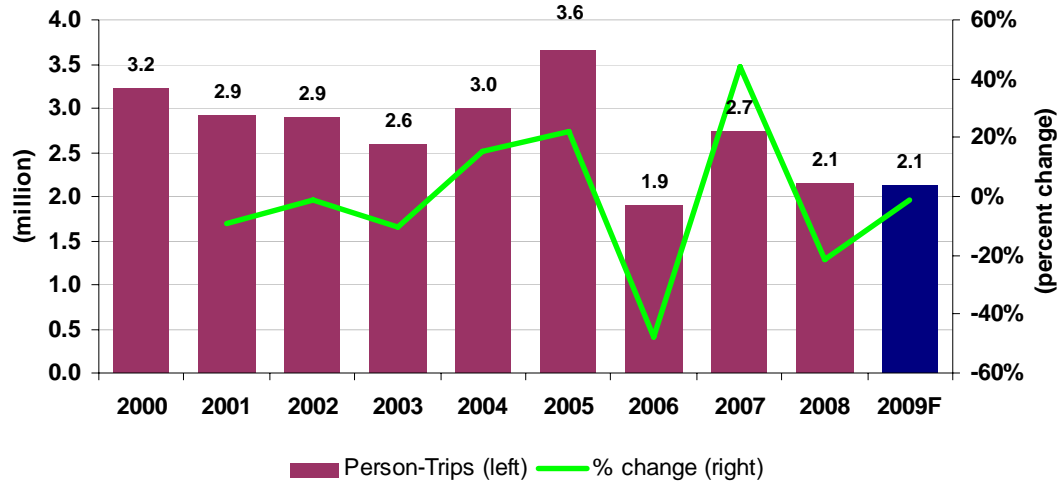
Not surprisingly, the regions with the farthest travel are the most dependent on air travel. The Mountain and Pacific regions have the highest share of the population traveling by air and both are expected to show a decline this Memorial Day. Eastern regions, with shorter travel distances, and those areas with lower air capacity (e.g. West North Central) are all below the national air travel average share of population.

TABLE 3
PROJECTED MEMORIAL DAY 2009 PERSON-TRIPS
BY AIR AND REGION OF RESIDENCE

	Total Population (millions)	Person-Trips by Air (millions)	Share of Population Traveling	% Change from Last Year
Total US	304.1	2.1	0.7%	-1.0%
New England	14.3	0.1	0.7%	-5.0%
Middle Atlantic	40.6	0.3	0.7%	-12.0%
South Atlantic	58.4	0.4	0.7%	7.0%
East North Central	46.4	0.3	0.7%	3.0%
East South Central	18.1	0.1	0.4%	42.3%
West North Central	20.2	0.1	0.5%	14.8%
West South Central	35.2	0.2	0.5%	0.8%
Mountain	21.8	0.3	1.2%	-7.5%
Pacific	49.1	0.5	0.9%	-5.8%

Source: IHS Global Insight / D.K. Shifflet & Associates, Ltd.

CHART 5
MEMORIAL DAY TRAVELERS 2000-2009
AIR PERSON-TRIPS*



*2000-2008 represent actual travel results. 2009 is a forecast.

Travel Distances

We expect travelers to log an average 620 mile round trip this coming Memorial Day weekend. Nearly one third of holiday travelers will travel over 700 miles from home and back. Another third (39%) of the people who are expecting to travel over the holiday weekend will travel less than 250 miles round trip, staying within a few hours of home. Lower gasoline prices this year compared to last year will make longer trips more affordable, with nearly two-thirds (61%) of travelers expecting to log over 250 miles over the holiday weekend.

Travel patterns differ by region, with residents of the West South Central region traveling the farthest and New Englanders staying closest to home. Distribution of travel distance varies as well, with 46% of West South Central residents traveling over 700 miles round trip compared to a 31% national average.

TABLE 4
EXPECTED ROUNDTRIP DISTANCE TRAVELED
MEMORIAL DAY 2009 HOLIDAY
TOTAL US AND BY REGION OF RESIDENCE

	50-150 miles	151-250 miles	251-400 miles	401-700 miles	Over 700 miles	Average Roundtrip Miles
	<i>(Percentage of Travelers)</i>					
Total US	19%	20%	16%	14%	31%	620
New England	19%	23%	13%	20%	25%	390
Middle Atlantic	22%	25%	15%	11%	26%	557
South Atlantic	24%	13%	20%	13%	30%	663
East North Central	22%	29%	19%	14%	16%	426
East South Central	26%	15%	8%	13%	37%	787
West North Central	20%	18%	21%	14%	27%	506
West South Central	5%	18%	15%	15%	46%	830
Mountain	20%	20%	11%	15%	34%	673
Pacific	11%	23%	15%	18%	33%	599

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

Total Spending

With gasoline prices accounting for a large portion of the IHS Global Insight travel price index, we are expecting an 11.6% decline in travel prices in 2009Q2 compared to the same quarter in 2008. Falling prices may encourage people to travel despite the dismal economic environment.

Memorial Day travelers expect to spend an average of just over \$1,000 this holiday weekend. Accommodations and transportation will account for about half of total weekend expenditures with food, shopping and entertainment accounting for the remainder. Spending distribution varies by region. Fuel costs are lower this year than last, which could lead to either longer travel, lower spending, or a redistribution

"We will be spending more prudently – less shopping and more on R&R type activities."

PAC Respondent

"Last year we rented a cabin for \$200 per night for 2 nights. This year we will spend only campground fees."

SATL Respondent

of spending to other categories. Travelers from the Mid Atlantic and West North Central regions will spend proportionately more on gasoline than travelers residing in other regions. The share of spending on non-gasoline transportation will be higher in the East South Central and Mountain regions than in other regions and lower in the Middle-Atlantic.

New Englanders expect to spend more than the national average 14% of their holiday weekend budget on shopping while those from the East South Central region will spend less. Recreation and entertainment spending is consistent with the national average, except for in the Middle Atlantic region, which is expected to spend 16.4% of holiday

spending in this category compared to a national average of 12.6%.

TABLE 5
EXPECTED TRIP SPENDING BY CATEGORY
MEMORIAL DAY 2009 HOLIDAY
TOTAL US AND BY REGION OF RESIDENCE

	Total US	New England	Mid-Atlantic	South Atlantic	East North Central	East South Central	West North Central	West South Central	Mountain	Pacific
Total Expenditures	\$1,052	\$938	\$1,204	\$1,055	\$901	\$1,121	\$749	\$1,121	\$1,127	\$1,010
Fuel Transportation	\$112	\$83	\$161	\$96	\$94	\$116	\$115	\$116	\$104	\$92
Other Transportation	\$209	\$204	\$149	\$229	\$144	\$322	\$103	\$285	\$310	\$171
Accommodations	\$211	\$183	\$243	\$205	\$194	\$264	\$152	\$164	\$236	\$238
Food & Beverages	\$195	\$215	\$218	\$181	\$194	\$158	\$147	\$184	\$207	\$221
Shopping	\$143	\$101	\$193	\$145	\$113	\$99	\$112	\$187	\$118	\$123
Entertainment/Recr	\$135	\$126	\$197	\$120	\$123	\$128	\$99	\$131	\$124	\$125
Other	\$47	\$33	\$44	\$79	\$40	\$33	\$22	\$53	\$27	\$40

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

CHART 6
US 2009 MEMORIAL DAY SPENDING
DISTRIBUTION BY CATEGORY

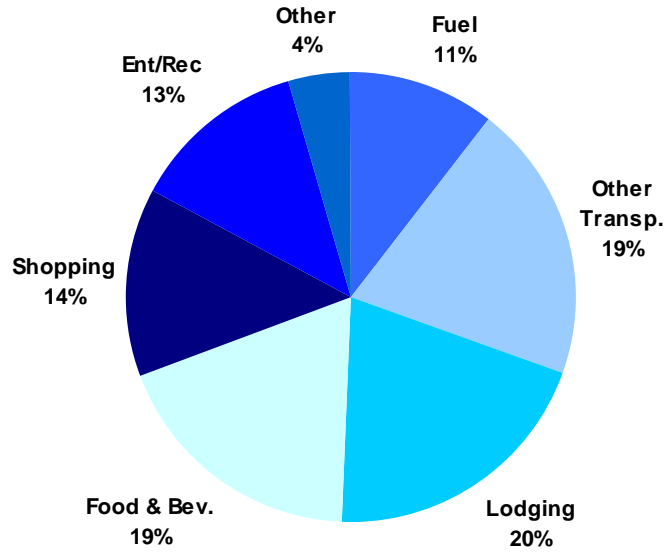
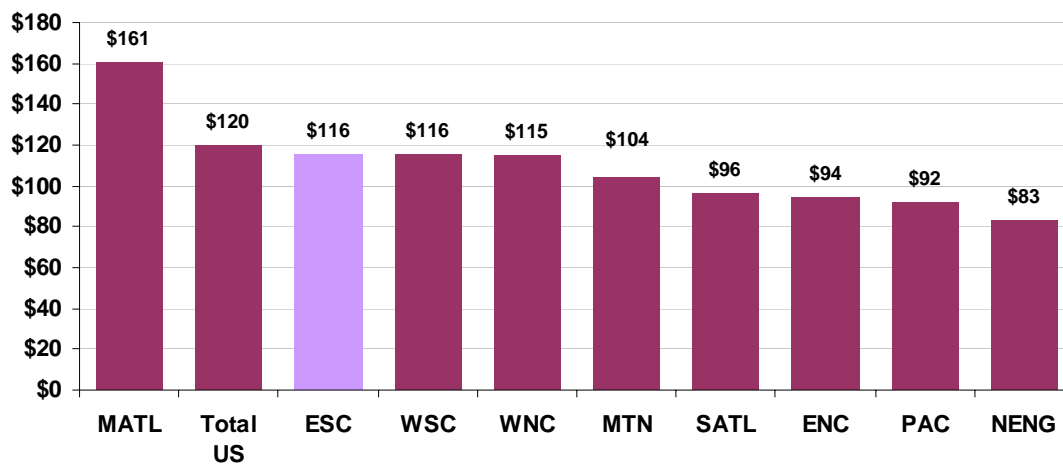


CHART 7
EXPECTED TRIP SPENDING ON GASOLINE
TOTAL US AND BY REGION OF RESIDENCE



Party Composition

Parties comprised of families will account for 34% of Memorial Day travelers on aggregate. Party composition does vary significantly across the regions. Travel parties from the West South Central region are much more likely than the average to be families than from any other region (46%), while South Atlantic travel parties are much less likely to be families (25%). Travel parties of two adults will comprise 32% of US travel parties this upcoming Memorial Day weekend. Parties from the West North Central and New England regions have higher-than-average travel parties comprised of couples. In the South Atlantic region, individual travelers (party size of one adult) account for 28% of travelers, double the national average.

"Because last year I paid for it myself, but this year I am sharing the expenses with others."

PAC Respondent

TABLE 6
PARTY COMPOSITION
MEMORIAL DAY 2009 HOLIDAY
TOTAL US AND BY REGION OF RESIDENCE

	One Adult	Two Adults	Three or More Adults	Families
Total US	14%	32%	19%	34%
New England	6%	38%	26%	29%
Middle Atlantic	12%	28%	27%	33%
South Atlantic	28%	30%	17%	25%
East North Central	11%	33%	27%	29%
East South Central	13%	29%	21%	38%
West North Central	13%	37%	12%	37%
West South Central	7%	37%	9%	46%
Mountain	17%	35%	13%	36%
Pacific	7%	30%	23%	40%

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

Activities

Memorial Day weekend has a very family-oriented theme. Just over one-third of travel parties will be families. Nearly 60% of travelers over the holiday weekend state that they will be visiting friends and family as part of their trip. Almost half (46%) of holiday travelers say that visiting friends and family is their main purpose for traveling and one-third of travelers will actually stay with friends or family. Primary activities over the holiday weekend include dining (55%), shopping (43%), touring and sightseeing (32%), beach or waterfront (29%). Other popular activities will include night life, visiting national or state parks, hiking, biking, and visiting historic sights and museums. Of course, the weather will play a major factor in determining what people actually do over the holiday weekend, but these activities will likely dominate this upcoming holiday weekend.

**TABLE 7
EXPECTED ACTIVITIES
MEMORIAL DAY 2009 HOLIDAY
TOTAL US AND BY REGION OF RESIDENCE**

	US	New England	Mid-Atlantic	South Atlantic	East North Central	East South Central	West North Central	West South Central	Mtn.	Pacific
Visit with friends/relatives	59%	55%	59%	49%	56%	57%	57%	80%	65%	56%
Dining	55%	65%	58%	64%	47%	45%	39%	60%	51%	54%
Shopping	43%	43%	44%	42%	32%	28%	48%	56%	31%	52%
Touring/sightseeing	32%	46%	38%	28%	28%	37%	19%	34%	33%	30%
Beach/waterfront	29%	45%	34%	28%	25%	26%	19%	26%	19%	33%
Night Life	23%	18%	18%	36%	23%	13%	17%	31%	22%	16%
Visit nat'l or state parks	22%	20%	26%	29%	16%	25%	9%	12%	29%	19%
Hike, bike, etc.	22%	26%	17%	19%	17%	17%	10%	28%	37%	23%
Visit historic sites	20%	22%	15%	21%	23%	18%	19%	17%	25%	23%
Visit museums, art exhibits, etc.	17%	21%	12%	22%	18%	13%	8%	32%	21%	8%
Attend festivals, craft fairs, etc.	17%	27%	32%	17%	23%	5%	11%	9%	13%	10%
Attend concerts, plays, dance, etc.	13%	13%	5%	25%	7%	2%	9%	22%	17%	6%
Hunt, fish, etc.	13%	7%	10%	9%	17%	7%	20%	23%	17%	8%
Watch sporting events	12%	5%	18%	14%	10%	10%	10%	19%	11%	3%
Gambling	12%	3%	4%	12%	7%	4%	8%	33%	15%	14%
Boat/sail	10%	14%	9%	5%	16%	12%	22%	15%	7%	8%
Play golf	9%	12%	8%	7%	14%	14%	11%	7%	4%	11%
Look at real estate	9%	17%	9%	13%	0%	0%	3%	23%	1%	2%
Visit theme/amusement parks	8%	16%	10%	8%	4%	4%	6%	12%	6%	7%
Eco-Travel	8%	16%	7%	5%	11%	16%	6%	2%	8%	8%
Spa	7%	16%	8%	8%	7%	12%	1%	3%	13%	4%
Compete in sporting events	4%	3%	4%	2%	2%	1%	3%	0%	0%	18%
Attend show: boat, car, home, etc.	2%	2%	2%	4%	3%	2%	1%	1%	3%	1%
Snow ski, snow board, other snow/ice sports	1%	2%	6%	1%	0%	0%	0%	0%	1%	0%
Other	9%	14%	7%	2%	10%	8%	19%	9%	8%	12%

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

Top 20 Origin States and Washington, DC MSA

Regional economics will impact travel by origin market with the relative economic situation impacting travel decisions in each region. However, as mentioned earlier in the report, the preponderance of travel deals as well as lower gasoline prices than last year will encourage people to travel despite the gloomy state of the economy. The top 20 origin states and the Washington, DC MSA will account for 80% of Memorial Day travel in 2009. While California will generate the most travelers this upcoming holiday weekend (4 mn), as a share of population, Washington, DC will generate the most travelers, with 16.4% of the local population expected to travel over the Memorial Day weekend. Domestic travel is dominated by automobile travel. Air travel accounts for a very small share of total, with Washington, DC and Arizona having higher-than-average shares of travel by air expected for the holiday weekend.

TABLE 8
TOP 20 ORIGIN MARKET (AND DC) PERSON-TRIPS FORECAST
TOTAL US AND BY REGION OF RESIDENCE AND BY MODE OF TRANSPORTATION

	Total Travel			Auto Travel		Air Travel	
	Population ('000)	Person-Trips ('000)	Percent of Population	Person-Trips ('000)	Percent of Population	Person-Trips ('000)	Percent of Population
Total US	304,060	32,387	10.7%	26,977	8.9%	2,128	0.7%
California	37,149	4,038	10.9%	3,271	8.8%	343	0.9%
New York	19,548	2,265	11.6%	1,902	9.7%	142	0.7%
Texas	24,806	2,253	9.1%	1,826	7.4%	138	0.6%
Illinois	12,975	1,784	13.7%	1,531	11.8%	99	0.8%
Florida	18,460	1,610	8.7%	1,342	7.3%	108	0.6%
Ohio	11,492	1,372	11.9%	1,177	10.2%	76	0.7%
Michigan	9,961	1,117	11.2%	958	9.6%	62	0.6%
Pennsylvania	12,476	1,044	8.4%	877	7.0%	65	0.5%
New Jersey	8,712	926	10.6%	778	8.9%	58	0.7%
Georgia	9,849	908	9.2%	757	7.7%	61	0.6%
North Carolina	9,399	904	9.6%	754	8.0%	60	0.6%
Washington, DC	5,411	889	16.4%	741	13.7%	59	1.1%
Virginia	7,839	861	11.0%	718	9.2%	58	0.7%
Tennessee	6,280	813	12.9%	679	10.8%	28	0.5%
Arizona	6,648	761	11.5%	615	9.3%	72	1.1%
Indiana	6,417	722	11.2%	620	9.7%	40	0.6%
Washington	6,644	697	10.5%	565	8.5%	59	0.9%
Wisconsin	5,657	689	12.2%	591	10.5%	38	0.7%
Massachusetts	6,525	670	10.3%	564	8.6%	50	0.8%
Maryland	5,655	609	10.8%	508	9.0%	41	0.7%
Missouri	5,944	556	9.4%	480	8.1%	24	0.4%
Total Top 20 (plus DC)	237,848	25,490	10.7%	21,255	8.9%	1,682	0.7%

Source: IHS Global Insight

Addendum 1: US Economic Forecast Summary: Signs of Hope

PUBLISHED 4/2/2009

Although we still expect the fourth and first quarters of 2008/9 to show back-to-back declines in real GDP of more than 6% (annual rates), signs are accumulating (especially in consumption and housing) that the worst is now behind us. This does not mean that we think the economy is now ready to grow again—we expect GDP to bottom out only in the second half of the year. Nor does it mean that the labor market is ready to turn—we still expect the unemployment rate to reach 10% before it peaks. But it does mean that there is now some solid evidence that the period of economic free-fall is now behind us, that the next step will be a slower rate of decline, to be followed by a bottoming out in the second half of the year, and a recovery gathering pace in 2010. We still expect a severe 3.5% decline for GDP this year, though, followed by a 1.4% rebound in 2010.

First Quarter Probably Worse Than the Fourth. We still think that the first-quarter GDP outcome will be worse than the fourth. We expect a 6.6% drop, compared with the fourth quarter's 6.3%, despite a swing in consumer spending from sharp decline to modest increase. A much steeper drop in nonresidential construction and a very severe inventory adjustment wipe out the consumption improvement. Inventories fell in the fourth quarter, but are still far too high relative to sales and must contract sharply, producing a one-time hit to growth in the first quarter.

Consumer Stabilization in First Quarter. Improved retail sales this year indicate that the consumer spending plunge in the second half of 2008 (average rate of decline: 4.1%) is now behind us. Spending probably rose 1.3% in the first quarter, even as consumer sentiment remained at rock-bottom levels. But given continuing steep employment declines, lower household wealth, and still-tight credit, it is hard to make a case for a robust consumer recovery. We still expect spending to be down 0.9% on average in 2009.

Housing Bottoming Out. The recent improvements in housing sales and starts have probably been exaggerated by the weather (bad in January, much better in February). But even allowing for that, it does seem that housing activity is starting to bottom out. Even though there will be a delay after housing starts hit bottom until residential construction spending starts to rise, the latter should occur by the end of the year.

Exports and Business Spending Still Negatives. The signals from the rest of the world remain mostly negative. We still expect world GDP to decline more than 2% this year, pulling down U.S. export volumes by 15.3%. And the downward momentum in business spending remains severe. We expect equipment spending to be growing again by the end of this year, but we expect the decline in business construction to extend through mid-2010. Both commercial construction (due to overcapacity and lack of financing) and drilling activity (due to low oil and natural gas prices) are turning lower.

Deflation Fears Recede. Signs of stabilization in commodity prices have eased fears of deflation. By the third quarter of 2009, we still expect headline CPI inflation to be as low as minus 3.0% year-on-year, largely on lower energy costs. But core consumer price inflation has remained stubborn, and we now see the core consumption price index rising 1.1% year-on-year as of the third quarter, near the bottom of the Federal Reserve's 1–2% comfort zone, but not below it, as we had previously anticipated.

Unfinished Business. The Treasury's public-private investment partnership, by providing generous taxpayer loans to private investors, should succeed in taking some toxic assets off bank balance sheets. But for the banks in the worst shape, it remains questionable whether the prices that investors will pay will match the prices at which the banks will be willing to sell, leaving their solvency in doubt.

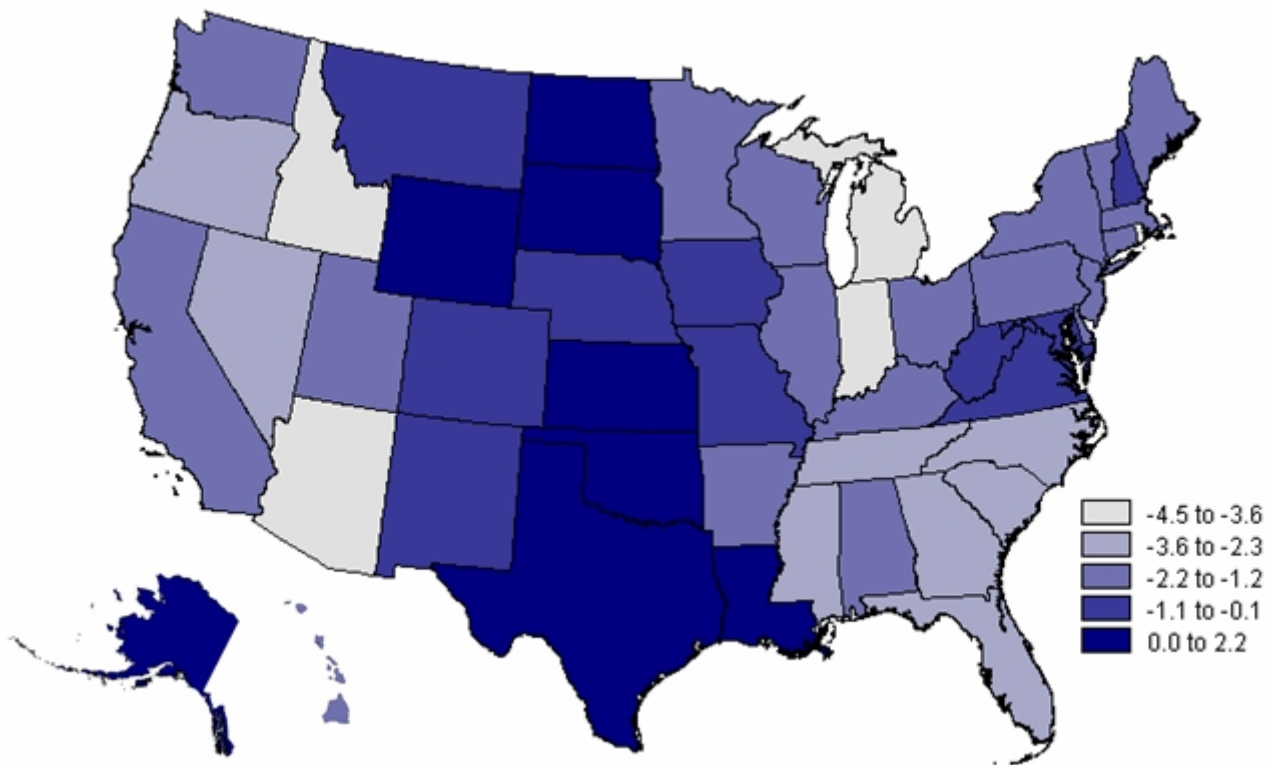
Fed Goes "All In." The Fed has now added direct purchases of long-term Treasuries to its arsenal of weapons aimed at the recession, which has helped to drive long-term fixed mortgage rates well below 5%. The Fed will eventually have to worry about how to withdraw its stimulus, but that will be a question for 2010, not today.

Addendum 2: US Regional Forecast Summary: The Winter 2009 Forecast: Still Looking for the Bottom

PUBLISHED FEBRUARY 2009

The jobs report for December added further confirmation of the grim economic situation, showing that the vast majority of local economies recorded employment declines in 2008. Forty-two states experienced job losses last year, with Rhode Island and Arizona—both hit hard by the bursting of the housing bubble—leading the way, falling 4.5% and 4.3%, respectively. Idaho and the manufacturing-heavy states of Michigan and Indiana rounded out the bottom five. Job gainers were few, with just three—Wyoming, Texas, and Oklahoma—increasing their employment bases by 1% or more for the year ended in December. And all three benefited from the boom in commodity prices, which has now ended.

FIGURE 1
JOB GROWTH, DECEMBER 2008, PERCENT CHANGE VERSUS YEAR EARLIER



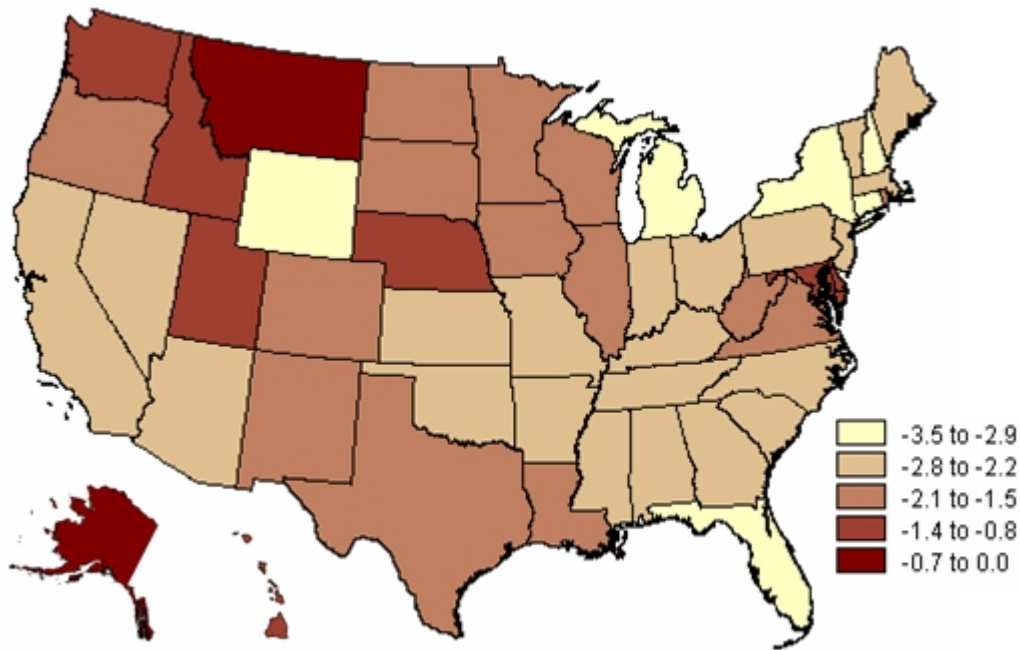
Turning to the nation's metro areas, the data further show the severe impact of the housing crisis and manufacturing cuts. Worst hit among the nation's 100 largest metros were Cape Coral (FL), down 5.2% for the year ended in December, followed by Phoenix, Detroit, Sarasota (FL), and Boise (ID), all of which dropped more than 4%. Last year's results complete a dramatic turnaround for Cape Coral, Phoenix, and Boise, all of which were among the top-five job generators just three years ago. In 2008, the top-five gainers were all in Texas, with only McAllen and Houston surpassing 2%, as the Lone Star State was a near-lone bright spot in the economy.

As bad as the year-end results were, the near-term picture is even more ominous. While 9 states and 13 of the 100 largest MSAs recorded job gains for 2008, over the final three months of the year just three states and seven metros were in the black. Furthermore, the upcoming benchmark revisions (to be released on March 11) are likely to make the numbers even worse. Currently, the state data are showing 800,000 fewer job losses during 2008 than the usually-more-accurate national figures. A quick look at state unemployment insurance data suggest that Arizona, Florida, Maryland, New Hampshire, and Nevada could suffer large downward revisions.

NEAR-TERM FORECAST

The current economic doldrums are not likely to end anytime soon. The first quarter of 2009 is expected to be even worse than the end of 2008, and while the recession will probably be over by the fall, significant real GDP and job growth is at least a year away. IHS Global Insight's winter forecast shows an ever-worsening situation in the states of the West and Southeast, further troubles in the industrial Midwest thanks to weak export demand (particularly in automotive), and the ramifications of last fall's financial collapse still plaguing the Northeast. All told, we expect peak-to-trough employment declines surpassing 5% in Florida and Arizona. The central states, most notably Texas, which have been the final holdouts, will also succumb to the mounting economic pressures of lack of credit, weak demand, and depressed energy and commodity prices. As a result, all 50 states are expected to suffer job declines in 2009.

FIGURE 2
JOB GROWTH, FOURTH-QUARTER 2009, PERCENT CHANGE VERSUS YEAR EARLIER



While employment gains will reappear in most states during 2010, it will take some time before these areas can regain the jobs lost during this downturn. For Texas, which has suffered little until now and is expected to see only a modest drop in 2009, the return to its pre-recession peak should be quick, occurring in 2010. The hard-hit housing states will take longer, but once growth returns, these areas have a proven track record of strong gains. The Midwest and Northeast will not be so fortunate. Besides suffering steep declines now, none of these states is a fast grower even in the best of times. As result, it will be 2014 or beyond before these states rebound to the job peaks attained before 2008–09. The situation is even worse in states such as Michigan and Ohio, which never fully recovered from the 2001 recession; they probably have a decade to go before they return to that level.

**FIGURE 3
YEAR THAT JOB TOTALS SURPASS PRE-2008 RECESSION PEAK**

