

AAA July 4th 2009 Travel Forecast

July 4th Travel: A Little Less Spectacular



GLOBAL
INSIGHT



Prepared for:
American Automobile Association

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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, MT, 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 July 4th 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 July 4th holiday will differ from your July 4th spending last year (2008)? Why?"

The 2009 July 4th Holiday Forecast represents our second 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' travel spending and behavior.

Holiday Forecast Approach: A Brief Overview

In cooperation with AAA, IHS Global Insight has developed a unique approach to forecasting actual travel that explicitly considers current economic conditions, past July 4th holiday travel trends and behavior, and the recent assessment of pre-holiday American travel intentions derived from a survey of 2,700 American households.

The intentions figures act as a leading indicator, but do not constitute the forecast itself. Instead, we overlay other key travel drivers along with past trends in an effort to project what Americans will actually do this coming July 4th. The approach recognizes Americans do not always behave as they say they will.

The actual travel figures come from the ongoing travel panel database of D.K. Shifflet & Associates, the premier source of American travel volume and behavior. DKSA interviews over 50,000 American households per month in an effort to track trip incidence, composition, behavior, and spending...all *after* the trips have been taken.

Regional holiday trip forecasts are strongly influenced by the economic conditions that exist in each market. The pain associated with current economic conditions is of course not evenly distributed throughout the country. Relative strength in the Mountain Region (ID, MT, WY, NV, UT, CO, AZ and NM), for example, is reflected in our expectations for higher than average Independence Day weekend travel. It will be quite the opposite for the New England and East South Central regions.

July 4th Holiday, 2009 vs. 2008

After a weak 2008, Independence Day weekend travel is forecasted to decline again in 2009, under the weight of rising unemployment and sagging household incomes. However, we expect this decline to be moderated significantly, as a result of modest recovery in equity and housing prices and a slowing pace of economic contraction. Other moderating influences include falling airline prices, and pent up demand associated with the decline in travel in 2008. While gasoline prices remain much lower than at this time last year, the rise in gasoline prices experienced since Memorial Day is not boosting confidence as the holiday weekend approaches.

"Money, money and money. There is just not enough to go around."

WSC Respondent

In this environment, AAA and IHS Global Insight forecast that we will see 37.1 million domestic travelers this Independence Day holiday travel period, a decline of 1.9 percent from the 37.8 million Americans travelling over the Independence Day holiday period in 2008.

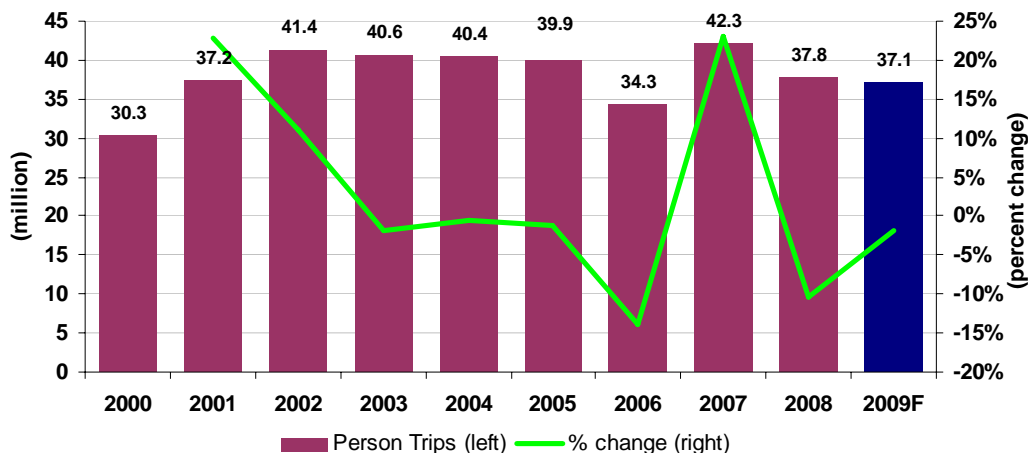
Although still an important decline, 2009's 1.9 percent rate of decline is considerably less dramatic than the 10.5 percent decline observed in 2008. The weakness in July 4th 2008 holiday period travel actually tends to bolster this year's forecast, as individuals who did not travel the previous year tend to return to normal spending and travel patterns. In addition, average gasoline prices remain near \$2.60/gallon, considerably below the \$4.00/gallon gasoline prices seen in 2008, and airfares continue to fall. The CPI for airfares declined 4.1 percent year over year in 2009Q1, and further declines are anticipated throughout 2009. In spite of these mitigating factors, the negative impact of unemployment, real disposable household income and household net worth tend to dominate our forecast.

Unemployment recently increased to over 9 percent and should persist at high levels for several quarters, as recovery in the labor markets tends to lag overall economic performance. In addition, real household income remains significantly below peak levels observed in 2008Q2, and real household net worth remains about 20 percent below peak levels in 2007Q2. As a result, many potential 4th of July holiday period travelers will continue to stay at home rather than venture out in 2009.

"We didn't go on a February vacation this year."

MATL Respondent, giving reason for spending more than previous July 4th.

CHART 1
JULY 4TH TRAVELERS 2000-2009
TOTAL PERSON-TRIPS*



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

Total Travel

While a moderate deterioration in the number of travelers is expected nationwide, differences are observed across US regions. Independence Day travel period growth is expected to range from a high of over 1.2 percent, for residents of the Mountain states (ID, MT, WY, NV, UT, CO, AZ and NM), to a decline of 4.1 percent in New England (ME, NH, VT, MA, CT and RI). The Mountain States, which benefit from a relatively low unemployment rate (7.6 percent versus a national average of 9.3 percent in 2009Q2), is the only region where growth is forecast, with all eight remaining regions expected to show declines in Independence Day domestic holiday travel period volume.

“Economy / Fearful of losing job.”

SATL Respondent

The New England, East South Central (KY, TN, MI, AL), West North Central (ND, SD, NE, KS, MN, IA, MO), West South Central (OK, TX, AR, LA) and Pacific (AK, WA, OR, CA, HI) regions are expected to show the largest declines, ranging from 2.5 percent to 4.1 percent. More moderate declines ranging from .5 percent to 1.8 percent are anticipated in the Middle Atlantic (NJ, PA, NY), South Atlantic (DE, FL, GA, MD, NC, SC, VA, WV), and East North Central (IL, IN, OH, MI, WI) regions.

The 37.1 million Americans expected to travel over the 2009 Independence Day holiday period represent 12.2 percent of the total U.S. population. The New England region should have the highest traveler incidence – 17 percent of its total population. The Middle Atlantic, South Atlantic, East North Central and Mountain states are expected to have the lowest incidences, with roughly 11.5 percent of persons travelling in all of these states.

“Splurging.”

MTN Respondent

In terms of absolute numbers, July 4th holiday period 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 6.7 million travelers, leading all states even with the lowest traveler percentage.

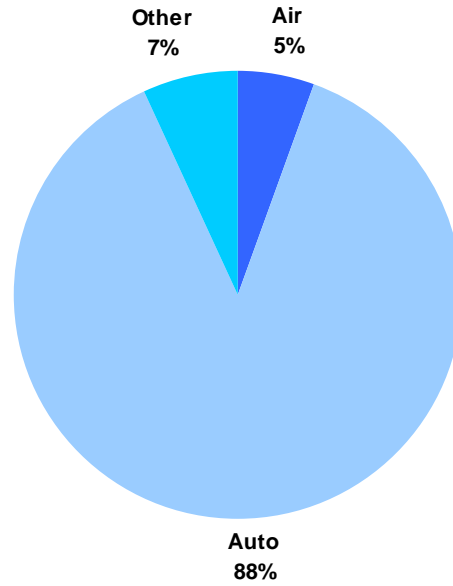
Travel by automobile is the dominant mode of transportation for the July 4th weekend, accounting for 88 percent or 32.6 million travelers. Air accounts for the smallest share of travel this holiday, with only 5 percent of people traveling by air. Other modes of transportation (trains, buses, watercraft) account for the remaining 7 percent of travelers over the Independence Day weekend.

TABLE 1
PROJECTED JULY 4TH 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	304.8	37.1	12.2%	-1.9%
New England	14.3	2.4	17.0%	-4.1%
Middle Atlantic	40.7	4.7	11.5%	-0.5%
South Atlantic	58.6	6.7	11.4%	-1.8%
East North Central	46.4	5.4	11.6%	-0.6%
East South Central	18.1	2.3	12.4%	-3.7%
West North Central	20.2	2.8	13.7%	-3.1%
West South Central	35.4	4.4	12.5%	-3.1%
Mountain	21.9	2.6	11.8%	1.2%
Pacific	49.2	5.9	12.1%	-2.5%

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

CHART 2
DISTRIBUTION OF 2009 US JULY 4TH TRAVELERS
BY MODE OF TRANSPORTATION



Travel by Auto

Auto trips will decline at about the same pace as overall travel, with the benefit of the decline in gasoline prices roughly offset by the impact of recent declines in airfare, which will tend to entice travelers away from automobiles. AAA and IHS Global Insight expect 32.6 million Americans to travel by car over the July 4th holiday travel period in 2009. In 2008, 33.4 million Americans traveled by auto during the July 4th holiday. Automobile travel will decline 2.6 percent over 2008, slightly faster than the 1.9 percent rate of decline of travel overall. Although the price of gasoline is substantially lower than last 4th of July (\$2.64 versus \$4.09), the price has also increased since Memorial Day, when gasoline was only \$2.42 per gallon.

"Taking one big trip versus many shorter ones."

MTN Respondent

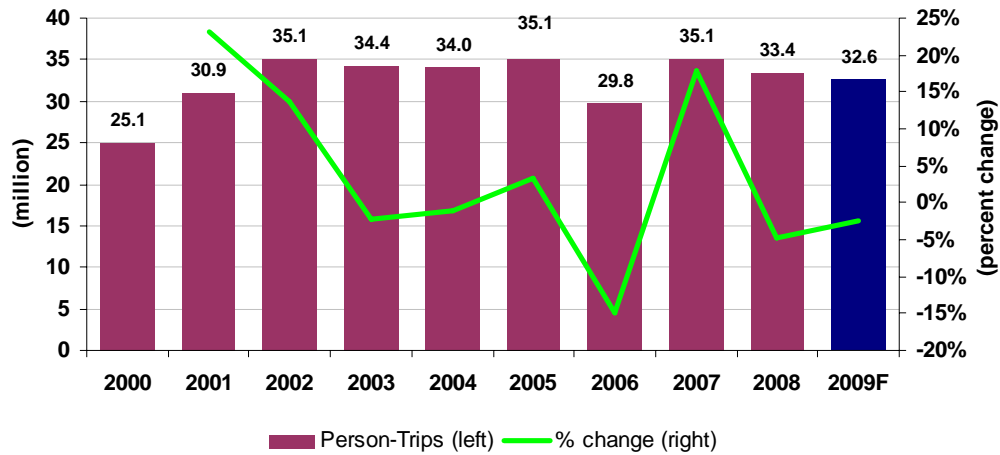
The distribution of growth rates across regions is similar to that for overall travel, with only the Mountain States showing positive growth. New England is home to largest share of residents travelling by car, with 14.7 percent of population taking to the open road this Independence Day weekend.

TABLE 2
PROJECTED JULY 4TH 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	304.8	32.6	10.7%	-2.6%
New England	14.3	2.1	14.7%	-4.3%
Middle Atlantic	40.7	4.2	10.4%	-1.3%
South Atlantic	58.6	5.9	10.1%	-2.4%
East North Central	46.4	4.8	10.3%	-0.9%
East South Central	18.1	2.0	11.3%	-4.0%
West North Central	20.2	2.6	12.9%	-4.0%
West South Central	35.4	3.9	10.9%	-4.4%
Mountain	21.9	2.1	9.6%	0.8%
Pacific	49.2	4.9	9.9%	-3.1%

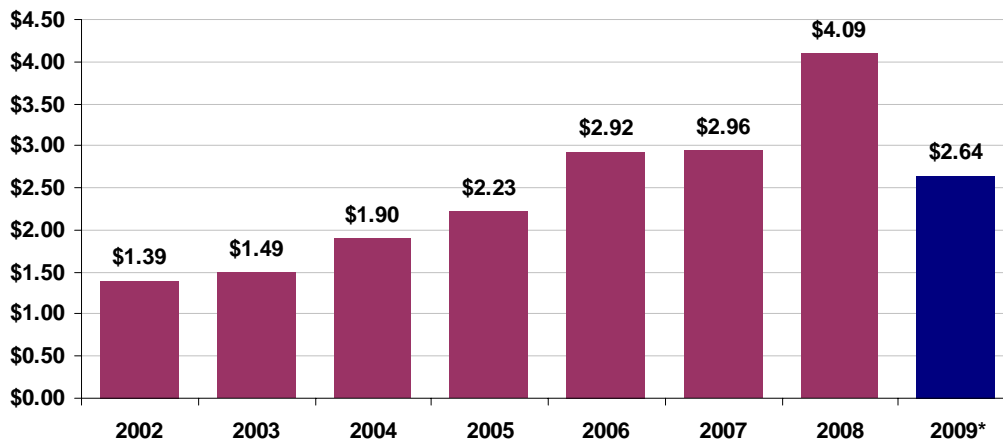
Source: IHS Global Insight / D.K. Shifflet & Associates, Ltd.

CHART 3
JULY 4TH TRAVELERS 2000-2009
AUTO PERSON-TRIPS*



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

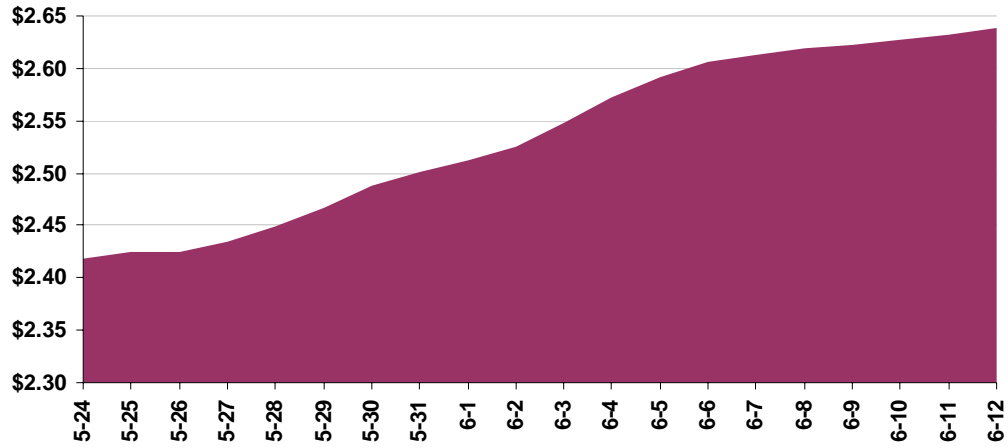
CHART 4
JULY 4TH GASOLINE PRICES
NATIONAL AVERAGE PER GALLON REGULAR UNLEADED
2002-2009*



Source: AAA Fuel Gauge Report

* 2002-2008 represents average prices from July 1-4 each year; 2009 is the price as of June 12th

CHART 5
GASOLINE PRICES HAVE INCREASED 9% SINCE MEMORIAL DAY
NATIONAL AVERAGE PER GALLON REGULAR UNLEADED



Source: AAA Fuel Gauge Report

Travel by Air

Air travel is expected to continue to post a modest recovery this Independence Day holiday travel period. Declining airfares and pent up demand will result in a 4.9 percent increase over last year's July 4th holiday period total. This modest recovery follows a dramatic decline of 37.4 percent in 2008. AAA/IHS Global Insight forecast that Americans will take 2.0 million person-trips by air this July 4th weekend, and air travel will increase in all nine regions.

"Major trip planned in 2009 versus minor trip in 2008."

WSC 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. Eastern regions, except New England, which has the highest proportion of travelers

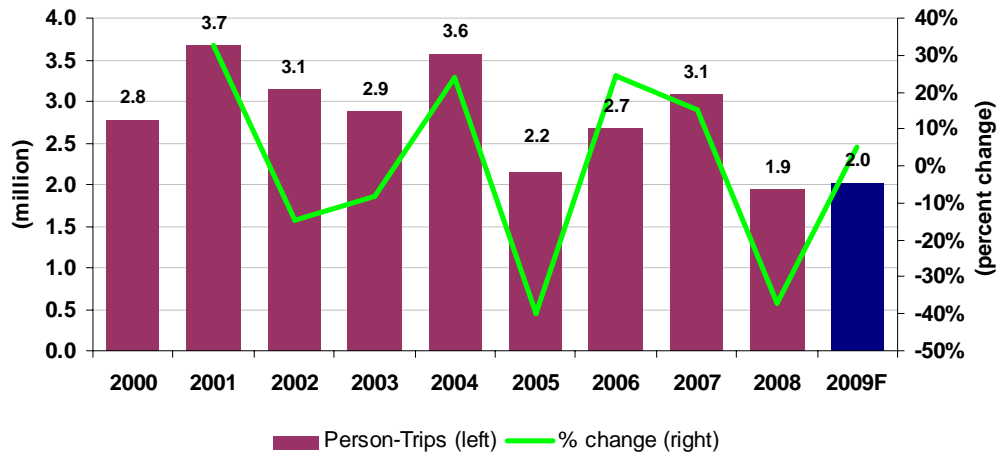
overall, tend to have lower incidences of air travel, with shorter travel distances. In addition, those areas with lower air capacity (e.g. West North Central) are also below the national air travel average share of population.

TABLE 3
PROJECTED JULY 4TH 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	304.8	2.0	0.7%	4.9%
New England	14.3	0.1	0.9%	2.1%
Middle Atlantic	40.7	0.2	0.5%	5.7%
South Atlantic	58.6	0.4	0.6%	6.4%
East North Central	46.4	0.2	0.4%	10.3%
East South Central	18.1	0.1	0.4%	5.1%
West North Central	20.2	0.1	0.4%	5.9%
West South Central	35.4	0.3	0.9%	1.7%
Mountain	21.9	0.2	1.0%	9.7%
Pacific	49.2	0.5	1.0%	2.1%

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

CHART 6
JULY 4TH TRAVELERS 2000-2009
AIR PERSON-TRIPS*



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

Travel by Other Modes

TABLE 4
PROJECTED JULY 4TH 2009 PERSON-TRIPS
BY OTHER MODES AND REGION OF RESIDENCE

	Total Population (millions)	Person-Trips by Other Modes (millions)	Share of Population Traveling	% Change from Last Year
Total US	304.8	2.5	0.8%	1.6%
New England	14.3	0.2	1.4%	-4.6%
Middle Atlantic	40.7	0.3	0.8%	6.4%
South Atlantic	58.6	0.4	0.6%	0.2%
East North Central	46.4	0.4	0.9%	-0.9%
East South Central	18.1	0.2	0.9%	-3.4%
West North Central	20.2	0.1	0.7%	5.8%
West South Central	35.4	0.3	0.7%	12.4%
Mountain	21.9	0.2	1.0%	0.5%
Pacific	49.2	0.5	1.0%	1.0%

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

Travel Distances

Gasoline prices are creeping up but are still lower than they were at this time last year. This should encourage travelers over the holiday weekend, particularly since July 4th is dominated by drive vacations. Fourth of July holiday period travelers will log an average of 614 miles roundtrip this upcoming holiday weekend. Over one third (38 percent) of travelers will stay relatively close to home, with expected round trips of under 250 miles. One third of weekend travelers will log between 250 and 700 miles. And 28 percent will travel over 700 miles round trip. New Englanders will stay closest to home, with an average roundtrip distance of only 414 miles. Travelers from the East and West South Central regions will top the charts, logging over 800 miles roundtrip.

A whopping 64 percent of travelers from the East South Central region will travel over 400 miles over the July 4th weekend. That's 22 percentage points higher than the national average of only 42 percent. Travelers from the Middle Atlantic region are at the other end of the spectrum, with a mere 21 percent of trips over 400 miles, the lowest in the nation.

TABLE 5
EXPECTED ROUNDTRIP DISTANCE TRAVELED
JULY 4TH 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%	19%	20%	14%	28%	614
New England	18%	21%	24%	18%	19%	414
Middle Atlantic	22%	31%	27%	10%	11%	426
South Atlantic	16%	12%	23%	17%	33%	715
East North Central	22%	24%	19%	12%	24%	527
East South Central	9%	19%	8%	18%	46%	810
West North Central	15%	24%	29%	9%	23%	578
West South Central	21%	11%	13%	19%	37%	811
Mountain	17%	14%	19%	15%	35%	662
Pacific	23%	15%	13%	15%	33%	611

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 11.7 percent decline in travel prices in 2009Q3 compared to the same quarter in 2008.

Despite the continued weakness in the domestic economy, many survey respondents indicated that they would be spending more this year than last year. Some of the increase is due to higher prices, some due to longer vacations and some due to the fact that the household is traveling this year but did not travel last year. A full 60 percent of respondents indicated that they would spend at least as much as they did last year over the holiday weekend.

Fourth of July holiday period travelers expect to spend \$1,160 per household this upcoming holiday weekend. Transportation and accommodations will account for about half of trip spending, while food and beverage will absorb another 20 percent of the holiday budget. Shopping, entertainment and recreation will account for the remaining 30 percent of spending on average. Travelers from the West North Central region will spend the least on their July 4th holiday travel period excursions, with just shy of \$750 per household. Visitors from West South Central top the charts with over \$1,500 expected expenditures over the holiday weekend.

"[Taking a] longer trip, out of town, going to a major city as opposed to a rural area. Opportunity to do more and see more."

ESC Respondent

"Going twice as far, staying twice as long."

WNC Respondent

Middle Atlantic travelers, who will generally be staying closer to home, will spend proportionately less on fuel, but will spend more on accommodations. West North Central holiday travelers will spend more on fuel and less on accommodations than the national average. Travelers from this region will also spend more of their budget on shopping and food. New Englanders, however, will spend less on entertainment and recreation and more on food and beverage.

TABLE 6
EXPECTED TRIP SPENDING BY CATEGORY
JULY 4TH 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	\$1,160	\$822	\$1,233	\$1,293	\$992	\$1,022	\$748	\$1,538	\$1,226	\$1,163
Fuel Transportation	\$120	\$86	\$107	\$117	\$100	\$147	\$118	\$155	\$169	\$117
Other Transportation	\$183	\$104	\$176	\$142	\$162	\$110	\$83	\$346	\$191	\$249
Accommodations	\$265	\$196	\$301	\$365	\$202	\$209	\$120	\$330	\$279	\$224
Food & Beverages	\$234	\$194	\$241	\$278	\$196	\$231	\$168	\$304	\$244	\$202
Shopping	\$154	\$117	\$160	\$164	\$138	\$158	\$135	\$197	\$136	\$153
Entertainment/Recr	\$149	\$80	\$185	\$155	\$155	\$131	\$95	\$169	\$167	\$134
Other	\$55	\$42	\$64	\$73	\$40	\$36	\$30	\$37	\$39	\$82

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

CHART 7
US 2009 JULY 4TH SPENDING
DISTRIBUTION BY CATEGORY

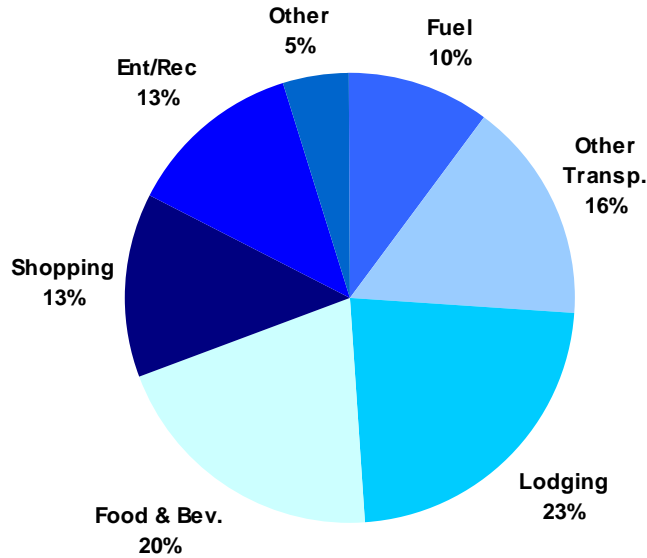
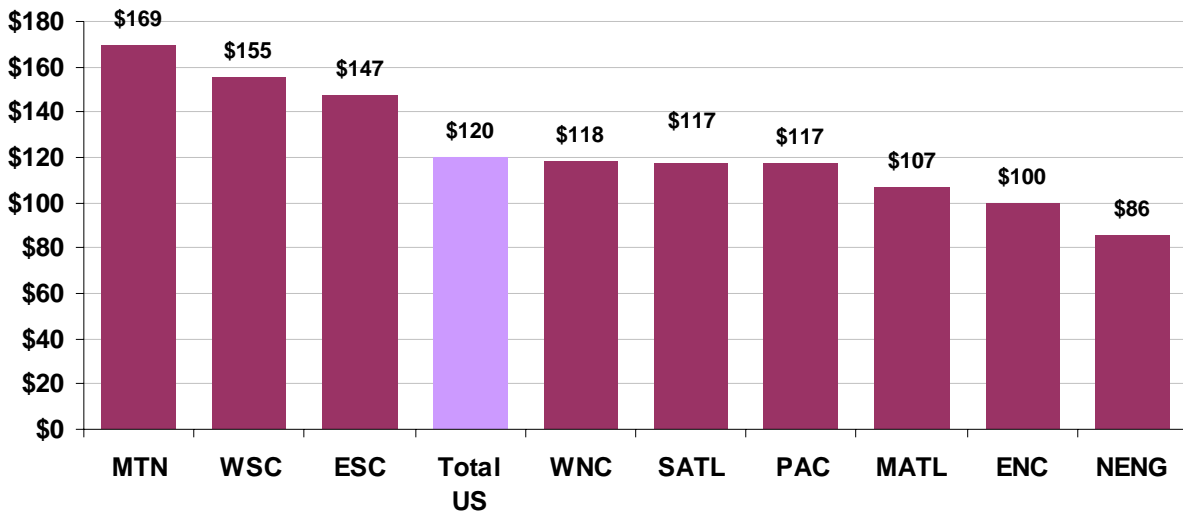


CHART 8
EXPECTED TRIP SPENDING ON GASOLINE
TOTAL US AND BY REGION OF RESIDENCE



Party Composition

Families will be the dominant travel party this Fourth of July holiday travel period. Over one third (38 percent) of holiday travel parties will be families. Another third will be comprised of two adults. The Mountain region stands out with 52 percent of parties traveling being families while the Pacific region holds down the other end of the spectrum with only 28 percent of parties being families. The West North Central region has the smallest share of single travelers and the Pacific has the highest. New England and the Middle Atlantic travel parties will be predominantly (just over 40 percent) comprised of two adults. Larger groups of three or more adults are most likely to be seen coming from the West North Central Region.

"Meeting and going out with more people than last year."

MATL Respondent

TABLE 7
PARTY COMPOSITION
JULY 4TH 2009 HOLIDAY
TOTAL US AND BY REGION OF RESIDENCE

	One Adult	Two Adults	Three or More Adults	Families
Total US	14%	32%	16%	38%
New England	12%	42%	15%	30%
Middle Atlantic	14%	41%	16%	30%
South Atlantic	12%	27%	15%	46%
East North Central	16%	30%	15%	38%
East South Central	16%	36%	13%	35%
West North Central	7%	31%	28%	33%
West South Central	9%	35%	11%	45%
Mountain	11%	27%	11%	52%
Pacific	24%	31%	17%	28%

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

Activities

Like many holidays, the Fourth of July is a very family-oriented occasion. Nearly two-thirds of travelers mention visiting with friends and relatives as one of their expected activities for the holiday weekend. Dining and shopping come in at a close second and third in terms of popular activities with 56 percent and 49 percent of respondents indicating that they would participate in these activities during their holiday. Destinations, party composition and demographics among other things will impact the importance of some activities relative to others, but this summer holiday is dominated by eating, shopping and outdoor activities.

TABLE 8
EXPECTED ACTIVITIES
JULY 4TH 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	60%	67%	72%	54%	57%	75%	64%	52%	57%	57%
Dining	56%	52%	57%	55%	50%	68%	55%	61%	54%	60%
Shopping	49%	46%	39%	63%	45%	40%	46%	51%	40%	53%
Go to beach/waterfront	44%	48%	52%	53%	43%	27%	36%	34%	33%	48%
Touring/sightseeing	37%	32%	38%	42%	34%	34%	23%	40%	40%	40%
Attend festivals, craft fairs, etc.	24%	24%	22%	24%	27%	17%	18%	30%	25%	26%
Night Life	24%	16%	23%	24%	33%	17%	15%	27%	28%	21%
Visit historic sites	24%	27%	28%	21%	30%	16%	18%	23%	23%	21%
Visit museums, art exhibits, etc.	21%	20%	21%	23%	17%	20%	8%	23%	23%	28%
Visit nat'l or state parks	21%	14%	28%	20%	22%	9%	13%	21%	25%	22%
Hike, bike, etc.	20%	24%	23%	15%	29%	8%	14%	13%	32%	18%
Boat/sail	16%	15%	18%	21%	19%	10%	31%	14%	9%	7%
Visit theme/amusement parks	14%	9%	13%	16%	21%	16%	11%	17%	12%	6%
Attend concerts, plays, dance, etc.	12%	16%	12%	15%	13%	12%	5%	7%	15%	11%
Hunt, fish, etc.	12%	8%	4%	9%	19%	11%	22%	15%	16%	10%
Play golf	12%	6%	11%	19%	16%	15%	15%	5%	7%	5%
Watch sporting events	10%	8%	14%	8%	19%	6%	7%	6%	10%	9%
Gambling	9%	5%	7%	4%	12%	6%	4%	11%	11%	16%
Eco-Travel	8%	8%	10%	10%	8%	2%	6%	3%	10%	9%
Spa	7%	5%	6%	6%	9%	4%	2%	11%	8%	10%
Compete in sporting events	4%	1%	0%	5%	7%	0%	1%	4%	4%	7%
Look at real estate	4%	6%	5%	3%	6%	7%	4%	2%	2%	1%
Attend show: boat, car, home, etc.	3%	1%	3%	2%	5%	1%	1%	5%	2%	1%
Snow ski, snow board, other snow/ice sports	1%	0%	0%	0%	3%	0%	0%	1%	0%	0%
Other	8%	20%	6%	6%	10%	5%	9%	4%	6%	10%

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, cheaper airfare and pent up demand will tend to moderate the impact of the slumping economy. The top 20 origin states and the Washington, DC MSA will account for 77 percent of Independence Day travel in 2009. While California will generate the most travelers this upcoming holiday weekend (4.5 mn), as a share of population, Massachusetts will generate the most travelers, with 18.0 percent of the local population expected to travel over the July 4th weekend. Domestic travel is dominated by automobile travel. Air travel accounts for a very small share of total, with California having the highest share of travel by air expected for the holiday weekend.

TABLE 9
TOP 20 ORIGIN MARKET (AND DC) PERSON-TRIPS FORECAST
TOTAL US AND BY STATE 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	304,755	37,126	12.2%	32,551	10.7%	2,025	0.7%
California	37,246	4,511	12.1%	3,714	10.0%	363	1.0%
Texas	24,927	3,243	13.0%	2,834	11.4%	222	0.9%
New York	19,567	2,512	12.8%	2,254	11.5%	108	0.6%
Florida	18,478	1,871	10.1%	1,669	9.0%	105	0.6%
Illinois	12,995	1,693	13.0%	1,512	11.6%	60	0.5%
Pennsylvania	12,487	1,155	9.2%	1,036	8.3%	50	0.4%
Ohio	11,497	1,291	11.2%	1,152	10.0%	46	0.4%
Michigan	9,954	1,042	10.5%	931	9.4%	37	0.4%
Georgia	9,890	1,067	10.8%	952	9.6%	60	0.6%
North Carolina	9,444	1,059	11.2%	945	10.0%	59	0.6%
New Jersey	8,722	1,026	11.8%	920	10.5%	44	0.5%
Virginia	7,858	1,010	12.8%	901	11.5%	57	0.7%
Arizona	6,674	718	10.8%	585	8.8%	59	0.9%
Washington	6,661	784	11.8%	645	9.7%	63	0.9%
Massachusetts	6,533	1,175	18.0%	1,013	15.5%	60	0.9%
Indiana	6,427	685	10.7%	611	9.5%	24	0.4%
Tennessee	6,298	857	13.6%	776	12.3%	25	0.4%
Missouri	5,954	720	12.1%	677	11.4%	20	0.3%
Wisconsin	5,665	660	11.7%	590	10.4%	23	0.4%
Maryland	5,661	709	12.5%	633	11.2%	40	0.7%
Washington, DC	5,431	859	15.8%	766	14.1%	48	0.9%
Total Top 20 (plus DC)	238,372	28,646	12.0%	25,117	10.5%	1,573	0.7%

Source: IHS Global Insight

TABLE 10
TOP 20 ORIGIN MARKET (AND DC) PERSON-TRIPS FORECAST – GROWTH RATES

	Total	Auto	Air
<i>Percent Change From Year Ago</i>			
Arizona	-0.4%	-0.8%	8.1%
California	-2.7%	-3.2%	1.9%
Florida	-2.4%	-3.0%	5.8%
Georgia	-1.9%	-2.5%	6.3%
Illinois	-0.1%	-0.4%	10.9%
Indiana	-0.5%	-0.8%	10.4%
Maryland	-0.6%	-1.2%	7.7%
Massachusetts	-4.3%	-4.5%	1.9%
Michigan	-3.1%	-3.5%	7.5%
Missouri	-3.3%	-4.2%	5.7%
New Jersey	0.1%	-0.8%	6.3%
New York	-1.1%	-1.9%	5.1%
North Carolina	-2.1%	-2.7%	6.1%
Ohio	-0.1%	-0.5%	10.8%
Pennsylvania	0.4%	-0.4%	6.6%
Tennessee	-3.6%	-3.9%	5.1%
Texas	-3.0%	-4.3%	1.8%
Virginia	-1.8%	-2.4%	6.4%
Washington	-1.9%	-2.4%	2.7%
Washington, DC	-2.2%	-2.8%	6.0%
Wisconsin	1.6%	1.2%	12.7%

Addendum 1: US Economic Forecast Summary: The Bottom is Near – For Output, Not Employment

PUBLISHED 6/8/2009

The economy remains on track to bottom out soon—at least in output terms. We expect the rate of contraction in GDP to slow in the current quarter (to minus 2.8 percent), before GDP edges higher in the second half of the year. But a rapid recovery is not in prospect, after so extreme a financial shock. Economists may be able to declare the recession technically "over" some time in the third quarter, but it won't feel that way for the unemployed, with the unemployment rate peaking at 10.3 percent in the first half of 2010.

May Employment Report Shows Contraction Slowing. The May employment report offered perhaps the most solid sign yet that the downturn is slowing. It showed a much less severe rate of job loss in private services, suggesting that firms were very quick to react to the downturn at the turn of the year, so no longer need to keep slashing jobs. We do expect to see jobs declining for the rest of the year, but progressively less rapidly. The continuing sharp loss of jobs in manufacturing, though, suggests that the inventory adjustment in the goods sector is continuing.

Inventory Adjustment Not Yet Complete. The inventory cycle will be the key to the growth profile in 2009. Inventories took more than 2 percentage points out of first-quarter GDP growth, but inventory-sales ratios have barely begun to adjust, so we expect inventories to be a drag on growth again in the second quarter. Only in the second half of the year, as the rate of inventory decline slows, will the inventory cycle become a plus for growth.

Consumer Still Under Stress. Consumer sentiment has improved, although that mainly reflects hopes for the future rather than better current conditions. The evidence for the second quarter suggests a mild setback for spending, despite help from reduced tax withholding and one-time payments to Social Security recipients. Given continuing steep employment declines, reduced household wealth, debt overhangs, and still-tight credit, it is hard to make a case for a robust consumer recovery. We expect spending to drop 0.9 percent in the current quarter, then only gradually improve over the second half of the year—and to be down 0.8 percent on average for 2009.

Housing Bottoming Out. Most key indicators of housing activity (home sales, housing starts and permits) are showing signs of stabilization, based upon dramatically improved affordability—for those who can qualify for credit. Even though there will be a delay after housing starts hit bottom until residential construction spending starts to rise, the latter should occur by year-end.

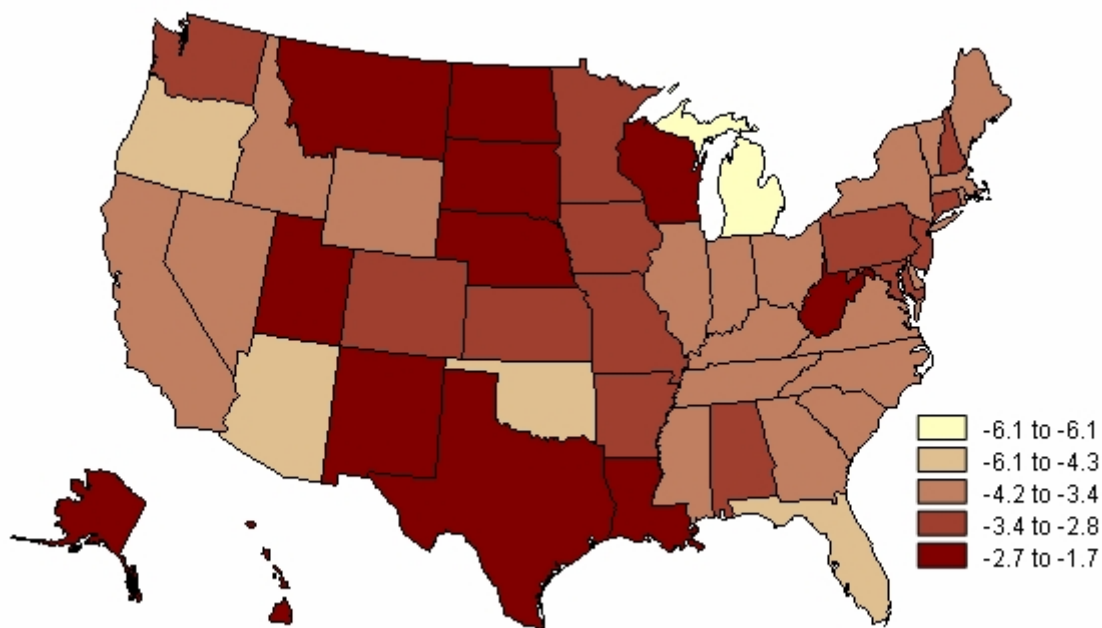
Business Investment Is Still Falling, But Less Steeply. We expect equipment spending to drop at less than half the 33.5 percent rate of the first quarter. Business structures spending—aside from drilling activity—will probably increase in the current quarter, but the gains will be narrowly based in oil refining and power generation. The trend for commercial construction such as retail developments, offices, and hotels remains downwards. Equipment spending should begin to come back in the second half of the year, but structures probably have much further yet to fall.

Inflation Threat? Not Yet. There is now plenty of talk about inflation risks as commodity prices have moved off the floor, and investors are viewing the magnitude of monetary and fiscal stimuli with some alarm. We think that some commodity prices—notably oil—have moved in advance of the fundamentals, and see some correction as likely. But even without such a correction, we see too much excess capacity in product markets and, especially, in the labor market for an inflation spiral to take hold any time soon.

Both the Fed and the Federal Government Need an "Exit Strategy." The Federal Reserve is not yet ready to take its foot off the accelerator, but it is thinking about how and when to withdraw its unprecedented stimulus. We do not doubt the Fed's resolve. The more difficult problem will be for the federal government, where tough choices on spending and taxes will be needed to bring the deficit down. Failure to act does not necessarily mean that inflation would surge—but would guarantee that interest rates go much higher.

Near-Term Forecast. Real GSP will fall in all states in 2009, as the financial crisis and worldwide recession spread their pains across all sectors and regions. Michigan, reeling now from plant shutdowns and bankruptcies, will fare the worst. Alaska and the District of Columbia, buoyed by federal government spending, will contract the least. The sand states, those whose housing markets crashed first, look relatively better in 2009 only because they had already suffered losses in 2008.

REAL GROSS STATE PRODUCT GROWTH, 2009



Real Estate Markets May Be Hitting Bottom, But Will Stay There Awhile. Home sales in the first quarter of 2009 are up year-over-year (y/y) in markets where there is an abundance of foreclosure properties for sale. Nevada led the gains, followed by California, Arizona, and Florida. Price declines across the country have made housing more affordable, and buyers, including investors, have begun to re-enter the market. Most of the sales are from first-time buyers, as they benefit from an \$8,000 tax credit, and are unencumbered by the inability to sell an existing home. Meanwhile, housing starts remained weak in all regions through March, down 48.4 percent y/y.

Looking forward, home prices will continue to decline into 2010, with prices then beginning to climb again in 2011. Home sales will also see declines again in 2009, with a turnaround beginning in 2010 across most of the country. Foreclosures will continue to drag down the housing market in 2009, but the pace of loans entering foreclosure will begin to slow in the latter part of 2009.

Recovery cannot occur until the excess inventory of new and existing homes is absorbed. Once this happens, sales, starts, and prices should then see a return to positive growth, and then we can truly enter a period of recovery in the real estate market.