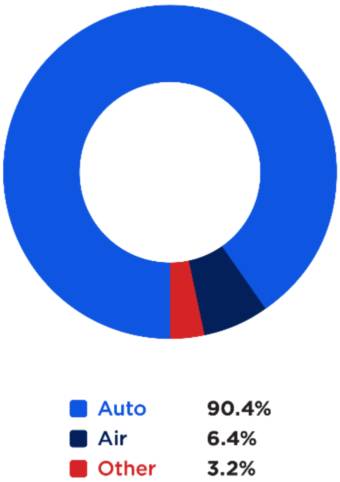
2022 Year-End Holiday Travel Forecast

Share of Travelers by Mode



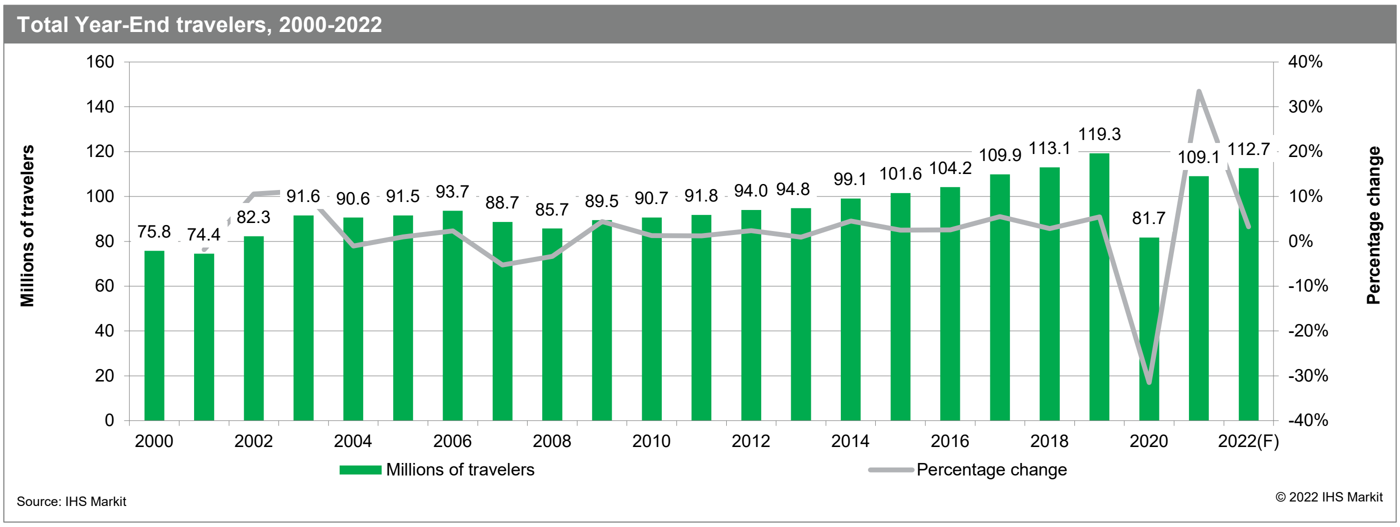
Number of Travelers by Mode

	Auto	Air	Other	Total
2022 (forecast)	101.8M	7.17M	3.66M	112.7M
2021	99.8M	6.29M	2.97M	109.1M
2019	108.0M	7.33M	3.89M	119.3M
Growth* (2021 to 2022)	2.0%	14.0%	23.3%	3.3%
Growth* (2019 to 2022)	-5.7%	-2.2%	-6.0%	-5.5%

*Percentages may differ due to rounding.

Nearly 113 million travelers are forecasted to travel during the 2022 year-end holiday period, a 3.3% increase from last year. The projected number is close to 95% of 2019's volume.

- AAA and IHS Markit forecast 112.7 million travelers for the 2022 year-end holiday period, an increase of 3.3% from last year and 38% from 2020.
- The number of travelers in 2022 will be only 0.3% below the volume in 2018, making this the third busiest holiday travel period since 2000.
- Higher gas prices for much of the year and elevated inflation are holding down consumer sentiment and creating a drag on consumer spending, causing the travel volume to not exceed the pre-pandemic level.



A note about the calendar:

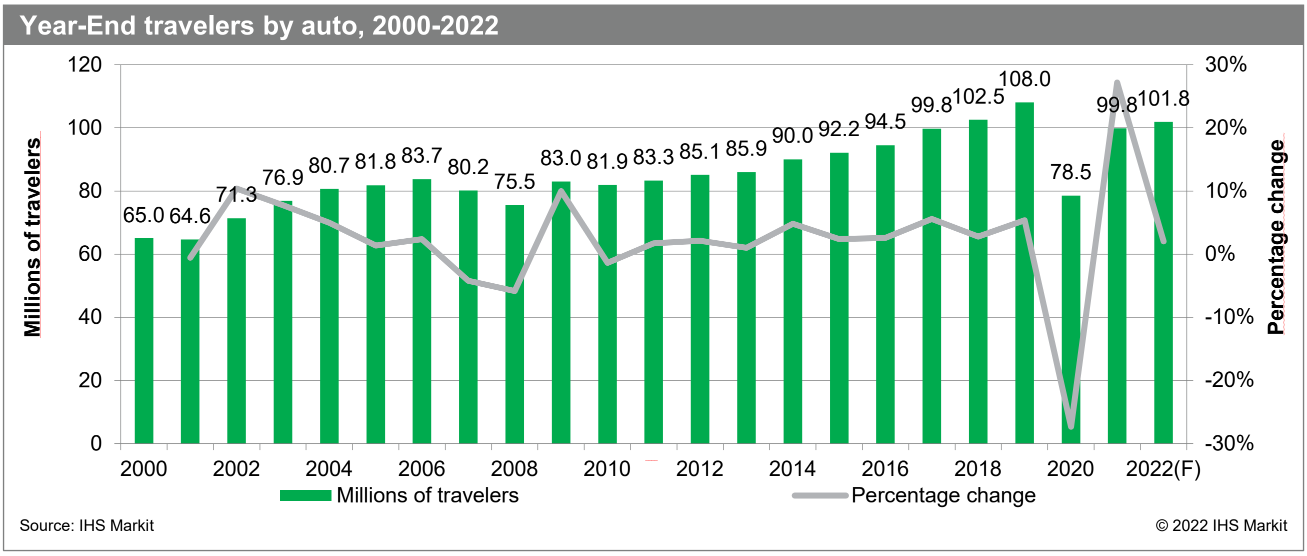
- The year-end holiday travel period can range from 10 to 13 days, depending on which day of the week Christmas and New Year's Day fall. This year's holiday travel period (which begins Friday, Dec. 23, and ends Monday, Jan. 2, 2023) will last 11 days, which is the same length as in the previous year. While a longer holiday travel period can offer more options for departures and return trips, all the year-end holiday periods contain two weekends. Therefore, in a normal year, the travel impact is not going to scale directly to the length of the holiday.

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022(F)
Length of Holiday	11	12	13	11	10	10	11	13	12	11	11	11	12	13	12	11	10	11	12	12	11	11
Total Person Trips (millions)	74.4	82.3	91.6	90.6	91.5	93.7	88.7	85.7	89.5	90.7	91.8	94.0	94.8	99.1	101.6	104.2	107.8	113.1	119.3	81.7	109.1	112.7
Average Travelers Per Day (millions)	6.8	6.9	7.0	8.2	9.2	9.4	8.1	6.6	7.5	8.2	8.3	8.5	7.9	7.6	8.5	9.5	10.8	10.3	9.9	6.8	9.9	10.2

Travel by Mode

Travel by car is expected to increase by 2% to 101.8 million.

- Despite high gasoline prices, 101.8 million travelers will drive this year-end holiday, an increase of 2 million from last year. The 2022 volume will be the third highest since 2000, trailing behind 2018 and 2019.
- 2022 car travel will reach 94% of 2019 volume.
- The 2022 total will be 8.8% above the average volume of the prior ten years and 10.3% above the average of 2010 to 2019.
- As COVID-19 travel restrictions remain lifted the share of travel by car returns closer to 2019 levels.
- Share of travel by car will fall from 91.5% to 90.4% returning to pre-pandemic levels.

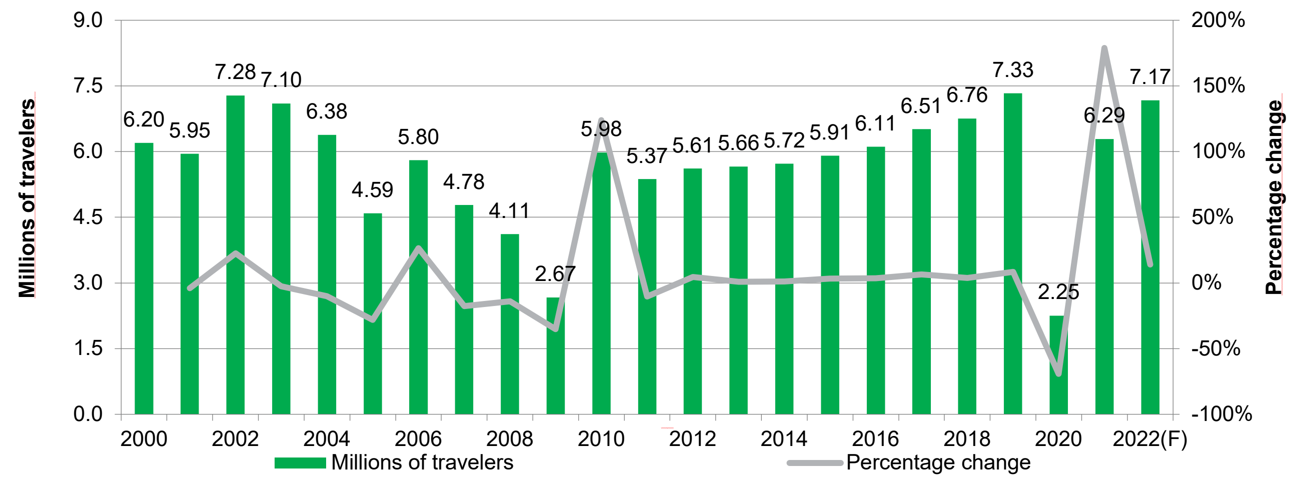


Air travel will approach 2019 levels.

- 7.17 million travelers are expected to fly during the year-end holiday, an increase of 14% from the 6.29 million seen last year.
- As travelers get more comfortable using other modes of transport other than a car, share of travel by air increases from 5.8% in 2021 to 6.4% this year, exceeding 2019 levels.

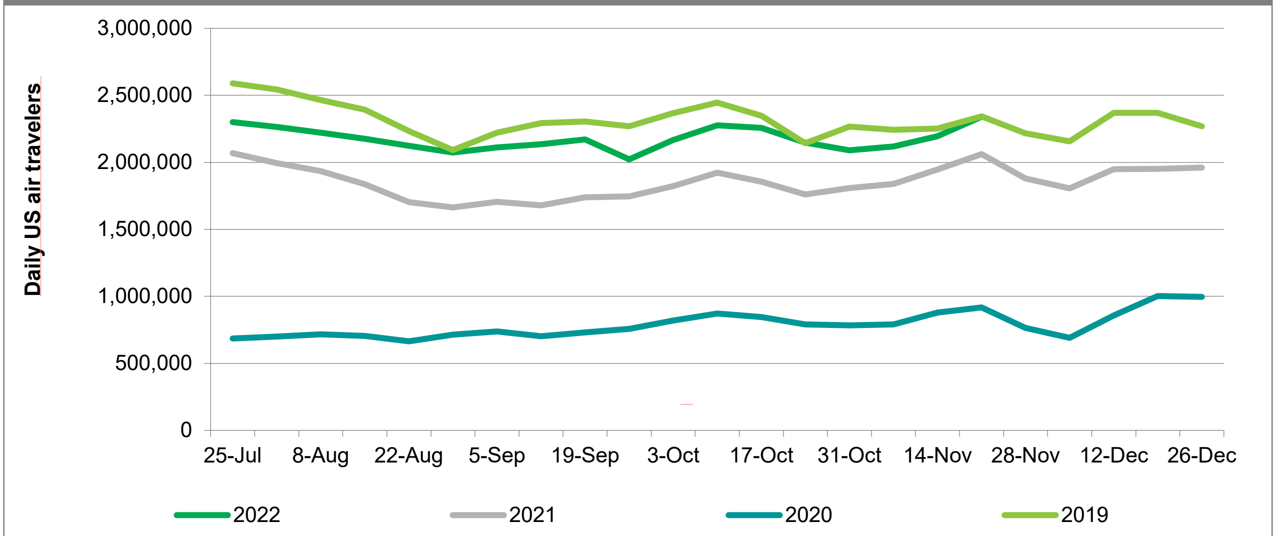
- The number of travelers flying in 2022 will be just 160k below 2019 volume and will be the third highest on record since 2000.
- Air travel in 2022 will be 24% higher than the 10-year average pre-pandemic.

Year-End travelers by air, 2000-2022



Source: IHS Markit

Seven-day average of TSA throughput - July to December



Source: IHS Markit

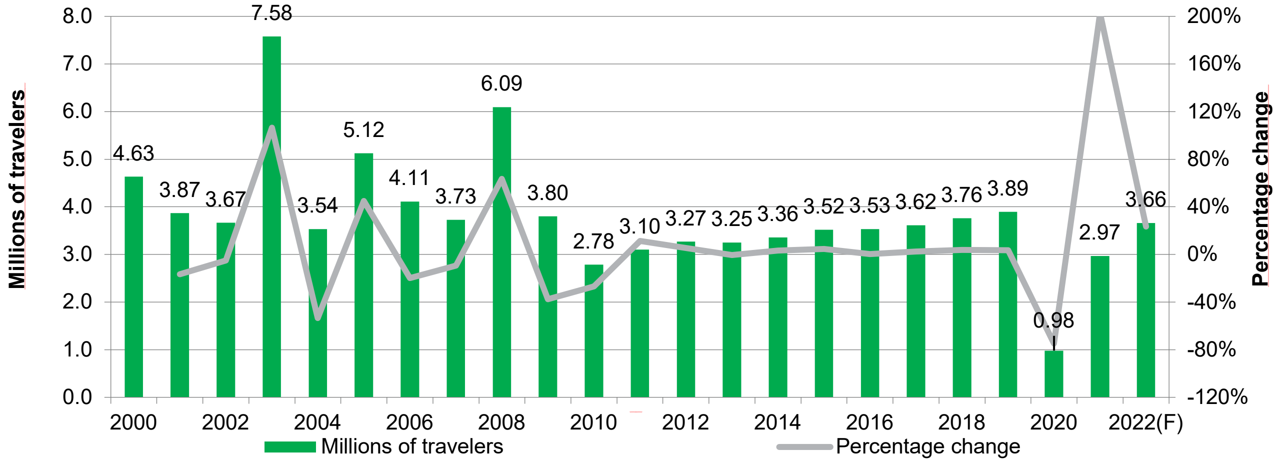
For clarification, TSA passenger checkpoint data would include all passengers traveling on both domestic and international routes, whereas the AAA forecast focuses on domestic leisure travel. Additionally, TSA is screening passengers each time they enter the secured areas of the airport, which means that each one-way trip is counted as a passenger tally. For comparison, the AAA report focuses on a person-trip, which includes the full round-trip travel itinerary. As a result, direct comparisons of the AAA forecast volumes and daily screenings would represent different factors.

Travel by other modes will reach 3.66 million, approaching pre-pandemic levels.

- Travel by other modes (including bus, rail and cruise ship) will rise to 3.66 million, a 23% increase from last year.

- Other modes travel volume will reach nearly 94% of 2019 volume.
- Travel by other modes in 2022 will be 6.3% higher than the 10-year average pre-pandemic.

Year-End travelers by other, 2000-2022

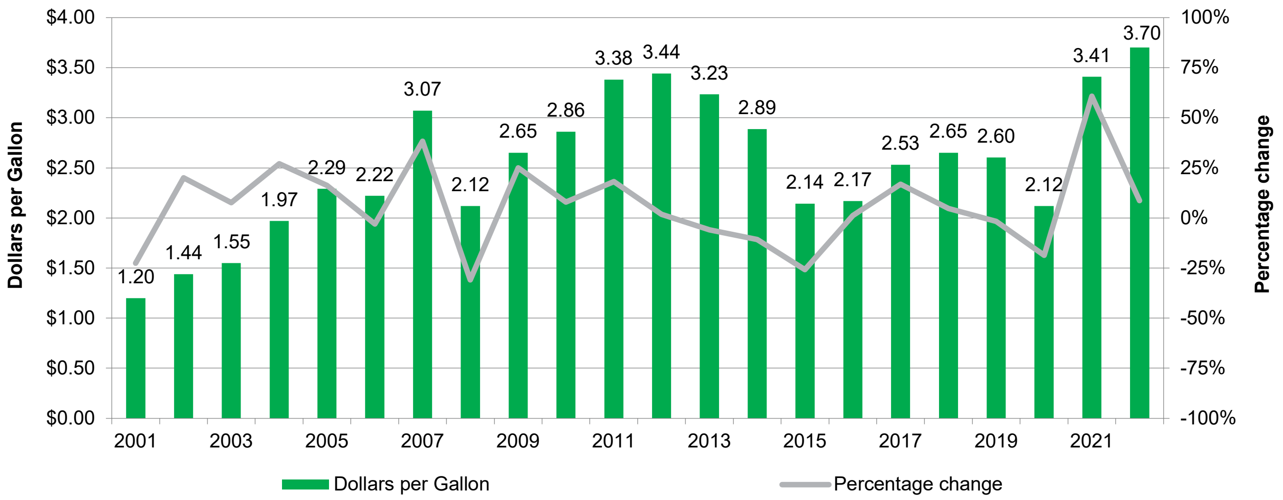


Source: IHS Markit © 2022 IHS Markit

What is the impact of gasoline prices on the forecast?

- Gas prices reach the most expensive November price point in the last 21 years, averaging $3.70/gallon. The November average was $0.29 above the average monthly price of a year ago and the highest ever in our forecast.

Average November gas prices, 2001-2022

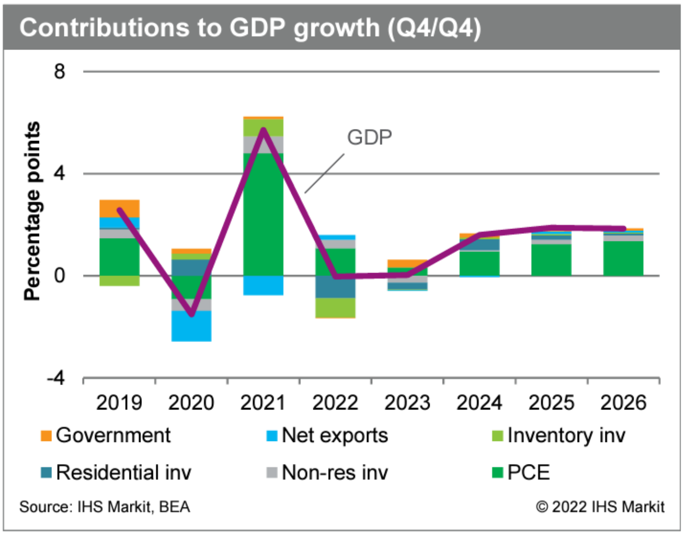


Source: IHS Markit © 2022 IHS Markit

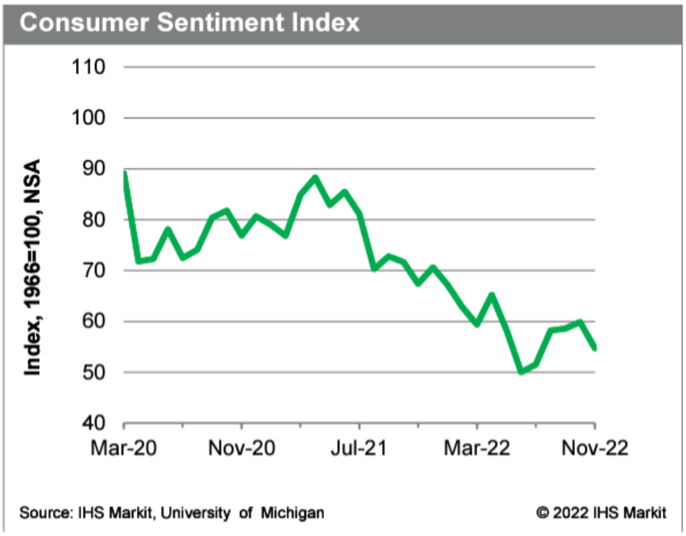
What is the macroeconomic environment travelers are facing leading into the Year-End Holiday Period?

Economic summary: Real GDP growth seen last quarter was boosted by unsustainable Q3 surge in net exports that conceals slowing domestic demand. Our projection of real GDP growth in 2023 was revised from -0.5% to -0.2%. The base forecast still includes a mild recession starting late in the fourth quarter of this year, with an anemic recovery taking hold in third quarter of next year. Over the last several months Treasury yields have jumped, spreads to private yields and the mortgage rate have widened, stock prices have slumped, house prices abruptly have begun declining, the dollar has appreciated further, and financial market volatility has increased notably. Against the backdrop of waning pandemic-era fiscal support, it is this recent sharp and broad tightening of financial conditions that we expect to tip the economy into recession.

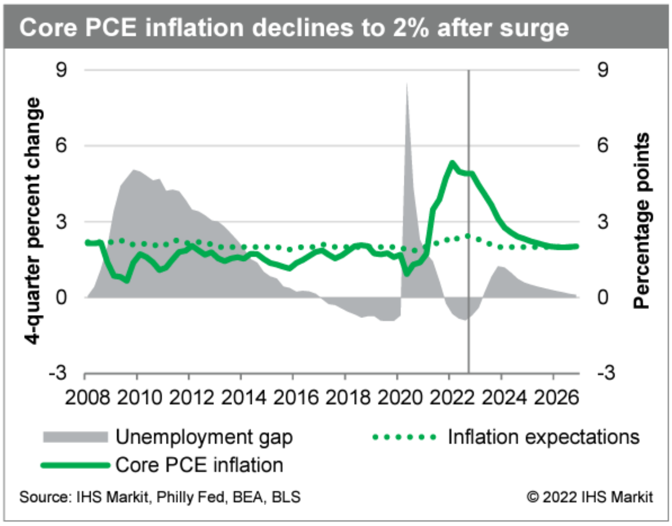
Economic indicators: Driven by a large but unsustainable surge in net exports, real GDP grew 2.6% in Q3, matching our final tracking estimate but modestly above October's forecast of 2.3%. In addition, final sales to private domestic purchasers, while decelerating, posted a small increase in Q3 rather than the small decline we anticipated, strengthening the profile of monthly GDP heading into the fourth quarter. In response, we revised up our forecast of Q4 growth from -1.2% to -0.4%. With GDP declining in 2023 and growing below trend in 2024, the unemployment rate rises to 5.7% by late 2023. Given the upward revision to projected near-term GDP growth, this month we project the peak unemployment rate will be 0.3 percentage point lower than in October's forecast.



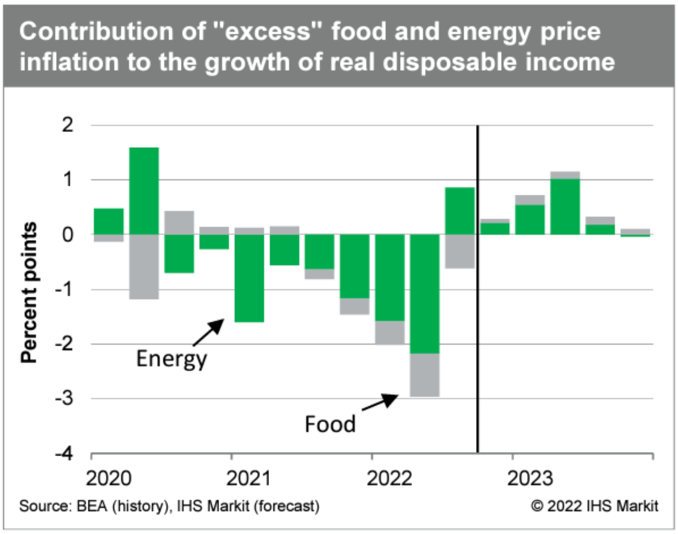
Consumer spending to post modest gains this year and next: We project consumer spending to post modest gains in 2022 and 2023 but expect investment spending to decline in both years. Within investment, the sharpest and earliest declines are in the residential component. Housing has been hit especially hard by the recent tightening of financial conditions, which has seen not only a sharp rise in Treasury yields, but also a widening of the spread from Treasury yields to the conventional mortgage rate. Real personal consumption expenditures (PCE) rose a solid 0.3% in September, exceeding expectations, and August was revised higher. Real PCE for services rose 0.3% and spending on goods increased 0.4%, led by spending on nondurable goods. The 3-month annualized change in real PCE in September was 2.0%. Since peaking in March of last year, real PCE for goods has declined 4.8% while services have risen 7.7%, as the slow normalization of spending has consumers rotating away from spending on goods and towards services



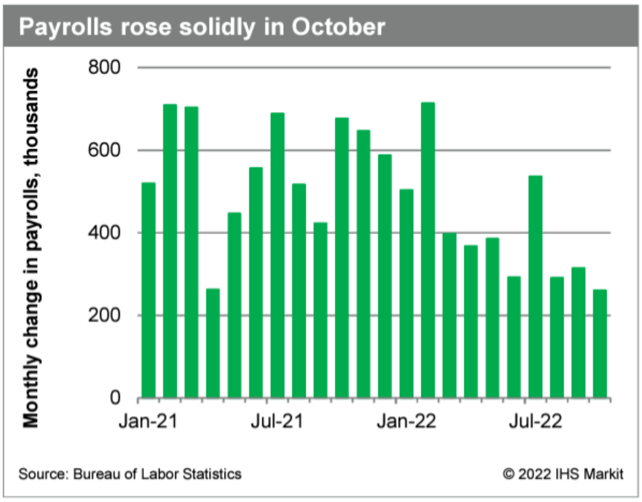
Inflation remains elevated, but will ease sequentially:
We expect core PCE inflation to drop sharply, from 4.8% in Q4 of this year to 2.6% by Q4 2023 as supplies of commodities improve, then decline more slowly to 2.0% by 2025 in response to softening labor markets conditions. The forecast of core PCE inflation has been revised up 0.1 - 0.2 percentage point over 2023–2025, reflecting the lower peak unemployment rate and the upward revisions in our forecast of rents. We project the CPI to rise 8.1% this year and 4.3% next year.



Real disposable income:
According to BEA's advance estimate, real disposable personal income (DPI) rose at a 1.7% annual rate in the third quarter of 2022, breaking a streak of five consecutive quarterly declines. Personal income rose 0.4% in September, supported by a 0.6% increase in wages and salaries, which have risen 8.2% over the last 12 months. Real DPI was flat in September. The personal saving rate fell to 3.1% in September from 3.4% in August. In our forecast, the roughly $2.4 trillion of "excess savings" added to household wealth during the pandemic allows consumers to maintain a moderately higher level of spending in the face of rising prices. Real household net worth surged 8.2% in 2021 (q4 to q4), thanks to large gains in home prices and surging equity markets. Sharply higher consumer prices and weak stock prices will result in a 9.4% (q4 to q4) decline in real household net worth in 2022. Real DPI rose 1.9% in 2021 after a 6.2% stimulus-boosted jump in 2020. As fiscal stimulus (direct payments and emergency unemployment aid) has ended and inflation has taken off, our forecast shows a 6.2% decline in real DPI in 2022.



Labor market remained solid through October, but a weakening is around the corner:
Labor markets have been holding up well, although the trend in payroll gains is weakening. Over the three months ending in October, payroll gains averaged 289 thousand per month, below the average over the prior three months (ending in July) of 405 thousand per month. The unemployment rate has been trending sideways since last spring. Over the next several months, we assume that payroll employment peaks (in December) and then begins declining in the first quarter. We also assume that the unemployment rate begins trending up within the next couple of months. Over the balance of this year, we expect payroll gains to slow an average of roughly 89 thousand. Monthly payroll gains turn negative over 2023 as payrolls lose an average of 226 thousand jobs per month. We project the unemployment rate will rise 2.0 percentage points to a peak of 5.7% by late 2023, as labor markets soften in response to tightening monetary policy. Labor-force participation rate declined 0.1 percentage point to 62.2% in October— weighed down by an aging working-age population.


Payrolls rose solidly in October
Monthly change in payrolls, thousands
800
600
400
200
0
Jan-21
Jul-21
Jan-22
Jul-22
Source: Bureau of Labor Statistics
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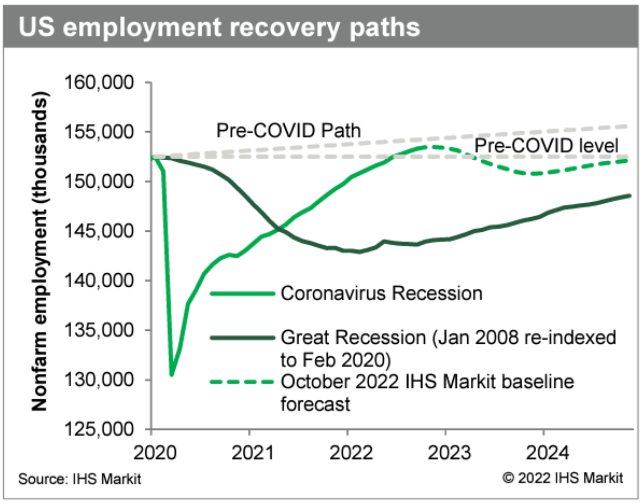
US employment recovery paths
Nonfarm employment (thousands)
160,000
155,000
150,000
145,000
140,000
135,000
130,000
125,000
2020
2021
2022
2023
2024
Pre-COVID Path
Pre-COVID level
Coronavirus Recession
Great Recession (Jan 2008 re-indexed to Feb 2020)
October 2022 IHS Markit baseline forecast
Source: IHS Markit
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Addendum: U.S. and Regional Population and Travel Share Data

	Population (Thousands)		Travel Volume (Thousands)					Share of Population			
National			Automobile	Air	Other	Total		Automobile	Air	Other	Total
United States	333,105		101,841	7,170	3,660	112,671		30.6%	2.2%	1.1%	33.8%
Census Divisions											
East North Central	47,105		17,162	1,051	610	18,823		36.4%	2.2%	1.3%	40.0%
East South Central	19,554		6,046	193	245	6,484		30.9%	1.0%	1.3%	33.2%
Middle Atlantic	41,827		11,533	868	365	12,765		27.6%	2.1%	0.9%	30.5%
Mountain	25,566		7,490	650	264	8,403		29.3%	2.5%	1.0%	32.9%
New England	15,102		3,702	449	119	4,270		24.5%	3.0%	0.8%	28.3%
Pacific	53,288		17,518	1,866	565	19,949		32.9%	3.5%	1.1%	37.4%
South Atlantic	67,143		19,614	1,202	917	21,733		29.2%	1.8%	1.4%	32.4%
West North Central	21,685		8,166	374	292	8,831		37.7%	1.7%	1.3%	40.7%
West South Central	41,579		10,612	517	284	11,413		25.5%	1.2%	0.7%	27.4%

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