2019 INDUSTRY FORECAST

Global Overview

BCD travel

Research & Intelligence team

2019 INDUSTRY FORECAST

Global Overview

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Global Overview

Welcome to the BCD Travel *2019 Industry Forecast*. This report consists of eight parts – a global overview and seven regional reports for Africa, Asia, Europe, Latin America, the Middle East, North America, and Southwest Pacific. It details supply, demand and pricing trends for air, hotel, meetings and ground transportation for the world's major regions.

Formerly produced by BCD consulting group Advito and now authored by BCD's Research & Intelligence team, it provides category-specific predictions based on an analysis of aggregated transaction data for BCD clients worldwide. Many travel and procurement managers rely on it to prepare for supplier negotiations and budgeting.

Air fares

While 2018 is proving to be another year of above-trend growth for global air travel, the pace of expansion in demand is slowing.

Traffic grew at 7.0% year-over-year during the first half of 2018, down from 8.3% one year ago.[1] The boost in demand sparked by last year's lower airfares is fading, and moderate economic activity in some markets has further slowed demand. Demand is still strong enough for airlines to respond to higher fuel and labor costs by raising average yields, without yet resorting to increases in published fares.

Globally, we expect average ticket prices (ATPs) for regional and intercontinental travel in both business and economy class to rise by 1% in 2019. The fares outlook differs by region (see below).

These aggregated figures mask regional variations in our fares forecasts for the different business travel segments.

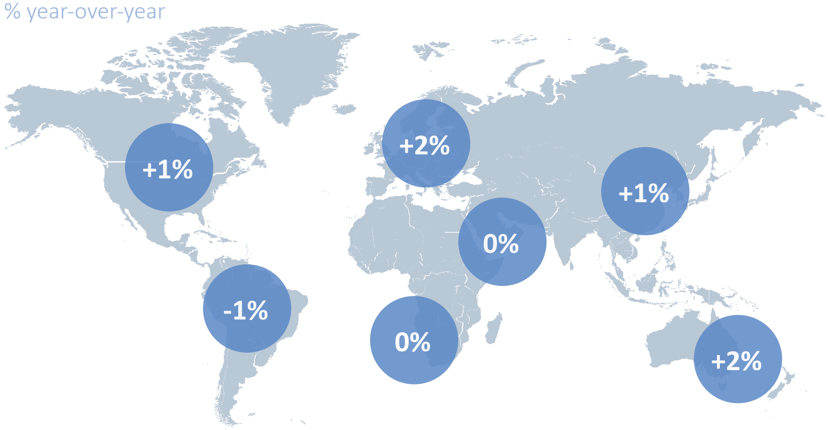
Intercontinental business fares will increase by 1% in Asia, Europe and North America, but they will be flat in all other regions. Regional business fares will be higher in all markets except Latin America, with ATP increases ranging between 1% and 3%.

Most intercontinental economy fares will stay flat. We expect them to increase only in Asia and Europe, while they will decrease for flights from Africa. The prospects for economy fares for regional travel are more mixed. They will increase by 1% or 2% in most regions; and will be flat within Africa. Growing airline competition is expected to push fares down by 2% in Latin America.

Airfare forecasts- regional highlights

Average ticket prices

% year-over-year



Airfare forecasts

Average ticket prices

% year-over-year

	Intercontinental Business	Intercontinental Economy	Regional Business	Regional Economy
Africa	0%	-1%	1%	0%
Asia	1%	1%	2%	1%
Europe	1%	1%	2%	2%
Latin America	0%	0%	0%	-2%
Middle East	0%	0%	1%	1%
North America	1%	0%	1%	1%
Southwest Pacific	0%	0%	3%	2%
Global	**1%**	**1%**	**1%**	**1%**

[1] IATA, Air Passenger Market Analysis, June 2018

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Hotel rates

Global hotel rates will increase by 1% to 3% in 2019, as demand growth remains just ahead of supply in most markets. There is little variation in our forecasts across the regions. At this level of aggregation, we expect rates to rise by either 0% to 2% or by 1% to 3%.

But some countries within these regions will still see much stronger increases, such as India, where we are forecasting a 6% to 8% rate increase. Lower rates are most likely in African markets, particularly in Ethiopia and Morocco.

Hotel forecasts

Average daily rates
% year-over-year

Africa	+1% to 3%
Asia	0% to 2%
Europe	+1% to 3%
Latin America	+1% to 3%
Middle East	0% to 2%
North America	+1% to 3%
Southwest Pacific	+1% to 3%
Global	**+1% to 3%**

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Economic outlook

Regional economic growth forecasts 2017-2019[2]

	2017	2018	2019
Africa	3.5%	3.8%	4.2%
Asia	4.9%	4.7%	4.5%
Europe	2.8%	2.2%	1.9%
Latin America	1.5%	2.0%	3.1%
Middle East	0.9%	2.4%	2.9%
North America	2.3%	2.8%	2.3%
Southwest Pacific	2.3%	2.8%	2.4%
Global	**3.0%**	**3.1%**	**2.9%**

Mounting trade tensions, higher oil prices, a weaker Chinese yuan and uncertainty over the U.K.'s exit (Brexit) from the European Union (EU) will cause global economic growth to slow in 2019. Advanced economies will be most affected, with Europe and North America losing some momentum. Emerging markets will fare better in 2019. Latin America is set for much stronger growth, while the performance of Africa and the Middle East will continue to improve.

Advanced economies[3]

U.S. economic growth will strengthen from 2.3% in 2017 to 3.0% in 2018. The combination of a healthy labor market, solid consumer spending, steady business investment and moderate housing activity is driving the economy's strongest performance in 13 years. But that growth may have reached its peak. Oxford Economics believes it will slow to 2.3% in 2019, as a disruption to trade impacts U.S. growth and fiscal stimulus pushes up inflation and interest rates.

As global export demand for manufactured goods falters, growth in the Eurozone economy will slow from 2.6% to 2.1% in 2018. It should weaken further in 2019, as U.S. tariffs on European automobile exports, stronger inflation and the prospect of rising interest rates bear down on growth. Outside of the Eurozone, delays to the U.K.'s presentation of its EU exit proposals have increased the likelihood of an economically damaging "hard" Brexit. Growth in 2019 is likely to be lower than the already weak 1.3% that Oxford Economics currently expects for 2018. The European Commission has warned that a no-deal Brexit would also impact the economies of member states.[4]

[2] Oxford Economics, July 2018

[3] IMF: based on per capita income, export diversification and integration into the global financial system.

[4] BBC, July 19, 2018

Emerging market economies

Growth in emerging market economies will remain strong and stable in 2019, coming close to the 4.6% expected for 2018. A stronger performance from three regions supports this outlook:

- Growth across **Africa** will rise from 3.8% to 4.2%, as prospects improve for the region's key economies, including Egypt, Nigeria and South Africa.
- **Latin American** growth will progress from 2.0% to 3.1%, as the recovery in the Brazilian economy accelerates. The outlook has also improved for Argentina and Colombia.
- The rebound in oil prices has benefited economies in the **Middle East**, with Saudi Arabia and the United Arab Emirates set for much stronger growth in 2019.

Asian growth will be slightly weaker in 2019, falling from 4.7% to 4.5%, as both the Chinese and Indian economies show signs of slowing.

Economic risks

A single issue dominates the economic risks: trade. Concerns about rising protectionism and a moderate slowdown in world trade growth have been around for some time. But recent efforts by the U.S. to rebalance international trade mean that the world could be headed for a full-blown trade war. The U.S. imposition of tariffs on a range of imports has already provoked retaliatory responses from key trading partners— most notably the EU and China.

The measures announced so far have been relatively modest and should have only a limited impact on the two economies most exposed – China and the U.S. But a steeper escalation of the dispute risks drawing in other countries, both directly, and indirectly through their links to the global supply chain. As the effects spread, world trade will suffer. Higher import tariffs will push up inflation, cutting the spending power of consumers, and the shock to business confidence will hit investment. The net result will be weaker economic growth. While there is no immediate need to be alarmed, a global trade war could speed up the arrival of the next economic downturn.

Main risks to the economic outlook[5]

Trade dispute develops into a full-blown trade war	HIGH
An escalation in the conflict in the Middle East, disrupting global energy markets	MODERATE
A prolonged fall in major stock markets, destabilizing the global economy	MODERATE
Hostilities breaking out in the South China Sea over disputed territory	LOW
A deterioration in relations between Russia and the West over Syria	LOW
Military confrontation on the Korean peninsula	LOW

[5] EIU Global Forecasting Service, July 2018

Oil prices

Since OPEC (Organization of the Petroleum Exporting Countries) members implemented production cuts in December 2016, oil prices have risen by approximately 40%.[6] The spot price for a barrel of Brent crude oil broke through US$70 per barrel (pb) in April 2018, and it has generally remained above this figure ever since. Supply disruptions in Libya and Venezuela, as well as an expected reduction in Iranian oil exports, have helped to keep oil prices at this elevated level.

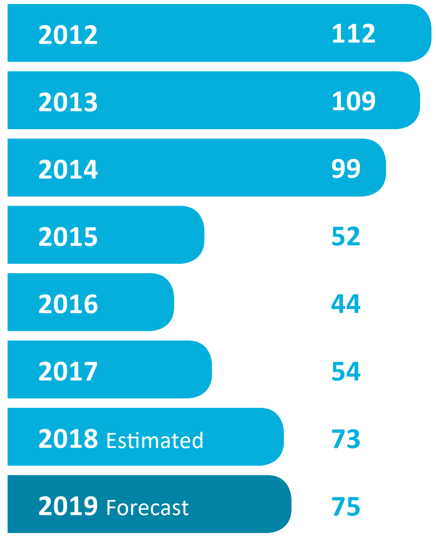
In June 2018, with oil averaging more than US$74 pb, OPEC reacted to calls from major consumers – most notably the U.S., China and India – to curb rising fuel costs amid fears that they might undermine global economic growth.[7] Saudi Arabia agreed to increase production, but this will merely make up the shortfall from Libya and Venezuela.

The supply situation improved further with the unexpected resumption of Libyan production in July 2018, potentially returning 700,000 barrels per day (bpd) to the global market. A possible softening in the U.S. position towards countries wanting to buy Iranian oil has also taken some of the heat out of oil prices.[8] Between July 2 and 17, 2018, Brent crude spot prices fell by more than 5%.[9]

As the world economy loses some of its momentum in 2019, growth in global oil demand will slow from 1.7% to 1.5%.[10] Should demand prove to be stronger than expected, Saudi Arabia can easily ramp up production to stabilize the market. Oil prices should therefore vary little from what they are today. Concerns about supply from Iran, Libya and Venezuela are likely to resurface on occasion, and may cause some short-term price hikes. For this reason, we have assumed a slight increase in the average oil price in 2019 to US$75 pb.

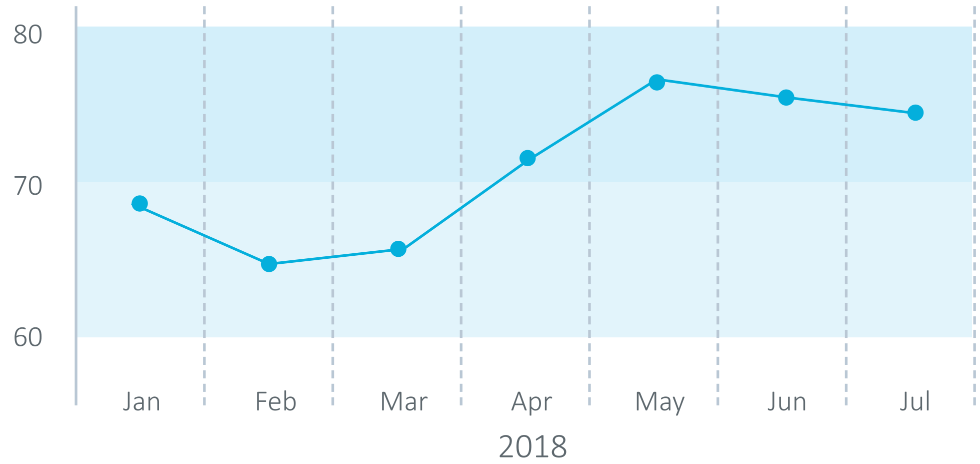
Annual oil prices

Brent crude spot price per barrel (US$)



Oil prices in 2018

Brent crude spot price per barrel (US$)



[6] Energy Information Administration
[7] Reuters, June 22, 2018
[8] Oilprice.com, July 11, 2018
[9] Business Insider, July 17, 2018
[10] Monthly Oil Report, July 2018

Travel risk and security

The terror threat

While the number of incidents and casualties declined in 2017, terrorism remains a persistent and significant threat.[11] For example, the threat level in the U.K. remains "severe," meaning an attack is "highly likely." The nature of the threat has changed: Attacks by individuals or small groups against soft targets have become more common. As these can happen anywhere, anytime, travel managers must ensure travelers remain vigilant and know how best to react in such an event. They must also put in place measures to ensure travelers are looked after if they encounter risk.

Natural disasters

Travelers must occasionally deal with disruptions caused by natural events. Most are almost impossible to predict, but travel programs should plan a response to them, where possible.

Health

Health will always be a risk issue for travelers. The recent Ebola outbreak in the Democratic Republic of Congo is a reminder of the hazards travelers can be exposed to in certain destinations.[13] But increasingly effective responses by bodies like the World Health Organization and aid agencies should prevent such outbreaks escalating into epidemics or reaching the pandemic levels capable of disrupting global travel.

Geopolitical

Key elections in countries like Italy and Mexico have provided new platforms for populist politicians, further increasing pressure on the geopolitical status quo. The U.K.'s muddled progress towards Brexit has increased the uncertainty surrounding its relations with the rest of Europe in 2019. And while the U.S. president's "America First" philosophy is changing the role the U.S. plays on the global stage, it will give China and Russia the chance to increase their influence. Tensions in the Korean Peninsula appear to have eased (for now), but they have increased in the Middle East as Iran and Saudi Arabia compete for regional leadership.

While terrorist attacks, natural disasters, disease outbreaks and geopolitical events get a lot of attention and can have a high impact, employers must not forget the daily risks faced by all travelers. Business travelers are more likely to suffer petty crime or illness while on a trip than be involved in a major incident. While travel managers must plan their response to a major event, risk programs should provide travelers access to the support they need for all trips.

BCD Travel's Global Crisis Management team helps companies assess whether their duty of care practices and policies are effective and comprehensive enough to deal will today's travel risks. Its Travel Security Program Assessment (TSPA) benchmarks core aspects of duty of care against best-in-industry practices.

Learn more about TSPA and how other BCD Travel offerings, like TripSource® risk alerts, boost duty of care.

[11] Marsh, 2018 Terrorism Risk Insurance Report
[12] MI5 Security Service, July 2018
[13] bbc.co.uk, May 14, 2018

Stronger demand and constrained capacity mean regional business class fares will increase.

Airline competition will ensure that intercontinental fares do not rise.

Hotel rate movements across Africa will average 1% to 3%.

Uber and Taxify are Africa's most popular ride-hailing services, but local start ups provide competition in many markets.

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Africa

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Africa

Air

Current situation

Getting around Africa by air remains a big challenge even as strong economic growth in major sub-Saharan economies, including Côte d'Ivoire, Ghana, Kenya and Nigeria, has helped drive steeper demand for air travel.

Addis Ababa has reinforced its position as the continent's key hub, where Ethiopian Airlines, Africa's largest carrier, now flies to 56 destinations across the region and another 44 outside it. Ethiopian has extended the reach of its intra-continental hub and spoke system with investments in Malawi Airlines and Togo-based ASKY. It's also working with African states that are trying to resurrect their national carriers, in support of its plan to develop a pan-African network. As part of this strategy Ethiopian has also invested in Zambia Airways, which will launch in 2019. It's also considering an investment in start-up carrier Nigeria Air.

Other established African carriers, such as Nigerian airline Arik Air and Kenya Airways, have found the market more challenging. Arik Air is facing increased competition from local rival Air Peace and government plans for new national airline, Nigeria Air. Kenya Airways has recently been recapitalized and is now in the middle of restructuring.

South African Airways (SAA) is in a particularly difficult situation. It is being squeezed on long-haul routes by global airlines like British Airways – flying London-Johannesburg double daily against SAA's daily service – and Emirates – with four daily uncontested Dubai-Johannesburg services. And SAA faces growing competition from low-cost carriers (LCCs) and regional players on shorter routes. South African LCC FlySafair, for example, is attracting passengers with newer aircraft and a premium fare for business travelers that includes seat selection, a checked bag and unlimited changes.

Other LCCs expanding their operations in southern and eastern Africa include Kulula (now serving 12 cities mainly in South Africa), FastJet (Zimbabwe), Jambo Jet (Kenya) and Dubai-based Flydubai. All are considered to offer good standards of service for business travelers.

While more people want to fly, flights operated by African airlines are only 70% full on average; some 11 percentage points below the global average load factor.[1] A key reason for this is the high level of regional fares, caused by the higher costs associated with heavy regulation and some of the world's steepest airport taxes.

[1] IATA, Air Passenger Market Analysis, June 2018

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Africa

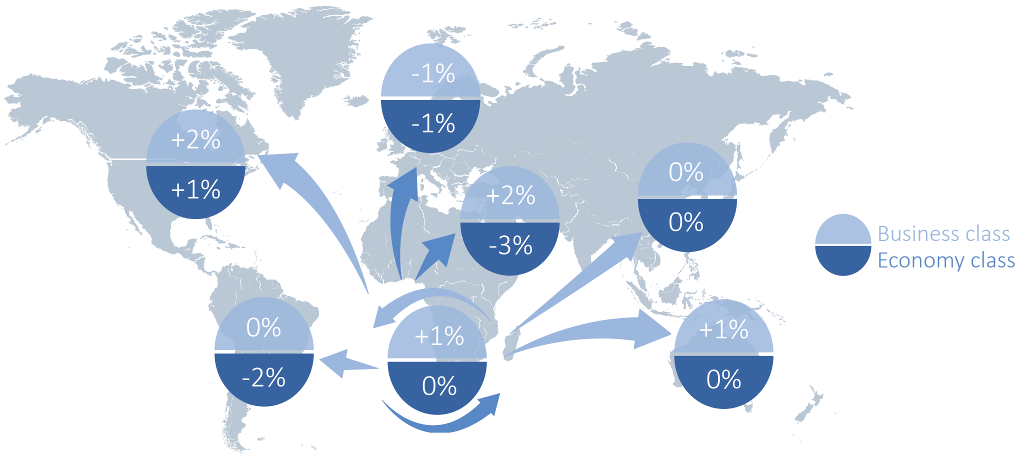
Air

Outlook for 2019

Airfare forecasts

Average ticket prices
% year-over-year

	Intercontinental		Regional	
	Business	**Economy**	**Business**	**Economy**
Africa	0%	-1%	1%	0%



The prospects for business travel demand are encouraging, as economic growth strengthens across Africa in 2019. But excessive regulation will prevent the boom in new routes and additional frequencies needed to accommodate this extra demand. There are pockets of expansion, most notably in Nigeria, but extra flights are needed across the continent. The combination of rising demand and constrained capacity means regional fares will increase, at least for business class travel.

The strength of competition, particularly from non-African airlines, will ensure that intercontinental fares do not increase in 2019: Business fares will be flat, while economy fares will fall by 1%.

Buyers will find it hard to secure network-wide deals with carriers. SAA may be the exception, because of its need to improve cashflow. Elsewhere, there will be route-by-route opportunities available in a small number of highly competitive markets.

Our air recommendations

- Focus your negotiating efforts on heavily competed routes where your buying power can make a difference. Examples include Nairobi to London, Dubai, Johannesburg and Addis Ababa; Johannesburg to Dubai; and Frankfurt to Lagos.
- Be prepared to work with the region's LCCs. Their standards can be high.

Visa problems are easing

African travelers require visas in order to visit 55% of the other countries on their continent.[2] This means they usually have to plan trips well in advance. A much-anticipated pan-African passport has yet to be widely launched, other than for heads of state and a few key business people. But the good news is that more African countries are dropping their visa requirements for African visitors, including Kenya, Ghana, Benin and Rwanda, with Ethiopia to follow.

[2] Eyewitness News, June 8, 2018

Current situation

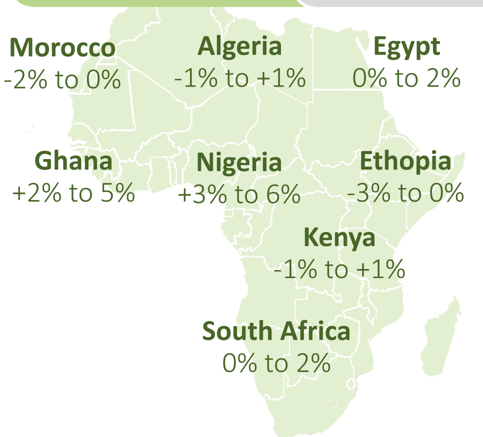
Hotels are opening fast in West Africa's largest cities, including Abuja, Lagos, and Accra, thanks to the improving fortunes of the Nigerian and Ghanaian economies. The addition of at least 800 hotel rooms in Accra has moderated rate increases in spite of booming demand.

Addis Ababa has been the continent's strongest performer, with guest numbers and prices up sharply this year due to strong demand from multinational businesses, fostered by the expansion of Ethiopian Airlines in the city.

Hotel rates in South Africa increased earlier this year after a rise in value added tax (VAT) from 14% to 15%. Overseas travelers were also hit by a strengthening of the rand, as business welcomed the presidential election of Cyril Ramaphosa. However, the rand has since retreated, as the South African economy continues to underperform.

Outlook for 2019

Africa +1% to 3%



Secure, western-standard hotel accommodation is generally in short supply across Africa. These properties will continue to charge high prices for rooms and amenities.

Most countries will see only modest year-over-year rate movements in 2019. This will limit the range of price changes across Africa to between 1% and 3%.

The strength of the Addis Ababa market has encouraged additional hotel investment. The extra room supply coming from new openings planned for the remainder of 2018 and 2019 could push Ethiopian rates down by as much as 3%.

Growing supply in Ghana will coincide with the country's preparations for elections in 2020. While this may discourage some business trips and investment, domestic demand is sufficiently strong enough for hotel rates to rise by between 2% and 5% in 2019.

Nigeria is due to hold its own elections in February 2019. The country's hotels may see demand weaken, as companies scale back travel during the first quarter in response to increased uncertainty. But demand could bounce back strongly in the rest of the year, with the shortage of high-standard accommodation supporting a 3% to 6% increase in rates.

Our hotel recommendations

- While it's always good to look for savings opportunities, remember that safety remains the priority when selecting a hotel. In some cases, that may mean travelers staying in alternative accommodation, like serviced apartments.
- Negotiate discounts on ancillary charges (like meals and laundry), which can add an average 45% on top of the room rate in Africa, compared with 30% globally.

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Africa

Ground Transportation

Ride-hailing

Uber is now established in eight African markets: Egypt, Ghana, Kenya, Morocco, Nigeria, South Africa, Tanzania and Uganda.[3] It faces competition from Taxify, which has entered the same markets, except Egypt and Morocco. A number of companies have launched disruptive ride-hailing apps to challenge the spread of these two companies. Uber and Taxify also face regulatory obstacles expanding into other African markets.

While new entrants may offer better quality or lower cost services, many travelers still prefer Uber or Taxify, as their brands are better established and are supported by much larger driver networks. But travelers may still want to consider alternative companies in specific markets (see below).

Africa's ride-hailing services

LEFA, ***Namibia***
An on-demand app available in Namibian capital, Windhoek.

Tag Your Ride, ***South Africa***
App offers standard pricing and is available in Pietermaritzburg, Durban and Harare.

Little Cabs, ***Kenya***
Backed by telecommunication company Safaricom, it allows customers to pay for rides using Safaricom's mobile money service.

Oga Taxi, ***Nigeria***
Operates Standard, Deluxe and Executive services in Lagos, Abuja and Port Harcourt.

Yookoo Rider, ***South Africa***
Launched by the South African Meter Taxi Association, the app has made taxis more accessible to consumers. Vetting and criminal checks of cab drivers ease traveler concerns about safety and security.

Smart Cab, ***Nigeria***
An online cab request service, operating in Nigerian cities Lagos, Benin, Port Harcourt, Abuja and Ibadan.

Maramoja, ***Kenya***
Company has signed contracts to bring its trust-based taxi app franchise to 24 African countries.

Source: IT News Africa, June 30, 2018

High-speed rail

By the end of 2018, Africa should have its first high-speed rail service, as Morocco opens a new line from Tangier to Kenitra. It's the first part of a new railway, which will eventually link Tangier with Casablanca. Halving the journey time from city center to city center to just over two hours, the Tangier-Casablanca rail service will provide a competitive alternative to air travel, with flight times currently of around one hour (excluding check-in and travel to/from the airports).

Under its Rail 2040 master plan, Morocco plans to build 1,500km of high-speed rail lines, offering journey times of less than two hours between key cities.

In East Africa, development of the ambitious Chinese-backed East Africa Railway continues. It will eventually connect Kenya, Uganda, Rwanda, Burundi, Democratic Republic of Congo, South Sudan and Ethiopia. The first stage, from Nairobi to Mombasa, opened in 2017.

[3] IT News Africa, June 30, 2018

BCD travel

Strong demand will support higher fares in 2019, particularly for regional business class travel.

While hotel rates will rise by 0% to 2% on average across the region, Hong Kong and India will see much bigger increases.

Meetings demand will stay strong, but the availability of new supply will ensure prices remain stable in 2019.

High-speed rail continues to expand in China and Japan, where it is drawing more passengers away from air travel.

2019 INDUSTRY FORECAST

Asia

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Current situation

China

Domestic demand for air travel remains very strong, with traffic rising by more than 13% year-over-year (YOY) during the first half of 2018.[1] Air travel has been promoted by a 50% increase in the number of domestic airport pairs since 2014.

International travel demand is also strong, especially on flights to Europe and the U.S. On European routes, passengers continue to enjoy the benefits of robust competition from the Gulf carriers and Turkish Airlines.

Travelers have more options to Asia and Eastern Europe, as Chinese airlines open new routes in response to China's One Belt, One Road policy of increasing ties with neighboring regions.

Overall, fares have risen by 3% so far this year, because supply is not keeping up with demand, and limited fuel surcharges have been introduced. However, fares are still much cheaper per kilometer than in many other countries and Chinese airlines are becoming more receptive to building relationships with corporate clients.

Maintaining airline "whitelists"

Chinese airlines ask corporate clients to provide a "whitelist" identifying their traveling employees. Only people on the list should be allowed to book discounted corporate fares. A rise in unentitled travelers booking these fares has encouraged airlines to check the lists more thoroughly. Make sure your company's list is up to date so that new employees are able to access corporate fares.

India

Air travel is growing faster in India than in any other major market. In June 2018, the domestic market recorded its 46th consecutive month of double-digit annual growth in air traffic, with demand increasing by 21% during the first six months of the year.[2] Even expanding as rapidly as 18% over the same period, supply is struggling to keep pace.

Low-cost carrier (LCC) and market leader IndiGo continues to expand, matching the market with a 22% increase in passengers during the first half of 2018.[3] But full-service airline Jet Airways is losing ground, posting growth of less than 10%, as new entrants, including full-service Vistara (+43%) and LCC AirAsia India (+84%), continue their rapid growth and slowly increase market share.

The relentless expansion by India's airlines has driven fares down by 7-10% so far this year, despite the underlying strength of demand.

The situation is somewhat different in the international market. Demand is up, but not as strongly at 8-10% YOY. Growth in supply has been weak, mainly because India's two main international gateway airports, Delhi and Mumbai, are full. Some airlines have responded by operating larger aircraft, or diverting international route expansion to other cities, including Bangalore, Chennai and Hyderabad. Even so, long-haul fares have jumped 5-6%, largely driven by higher costs.

More regional options

Air travelers are finding India much more accessible. The number of domestic routes jumped 22% YOY in May 2018, mainly due to the Indian government's Regional Connectivity Scheme (known as UDAN). It is aimed at spreading the economic boom to smaller cities like Indore, Allahabad and Nasik.[4]

While existing carriers are expanding their UDAN operations, the scheme has also encouraged new entrants like Star Air, which plans to introduce low-cost regional jet services from Bangalore from September 2018.

[1] IATA, Air Passenger Market Analysis, June 2018
[2] IATA Air Passenger Monthly Analysis, June 2018
[3] DGCA
[4] IATA

More corporate deals

As managed travel programs become more mature, stronger competition among India's airlines has opened the way for more businesses to negotiate their first airline agreements. Deals often cover not only fares but also extras like baggage allowance and seat assignment, which are bundled into the total price.

Japan

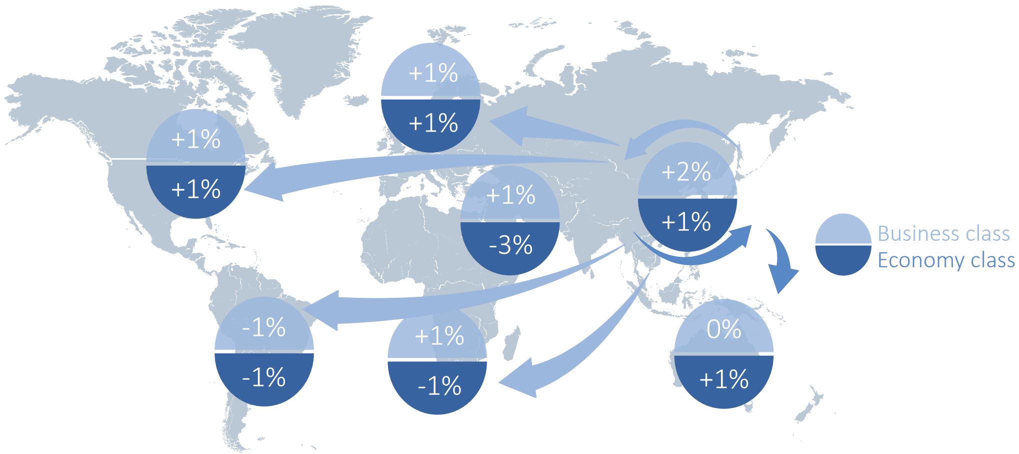
Demand for business travel both from and to Japan (and especially from China) is growing, but airlines aren't increasing capacity. As a result, fares are rising, but not as quickly as might be expected in a strong seller's market. Instead, clients are finding it harder to negotiate discounts with carriers, especially on regional routes.

Japanese business travelers remain reluctant to use LCCs. They prefer established airlines Japan Air Lines (JAL) and All Nippon Airways (ANA) because of their reputation for punctuality. However, Japanese companies are becoming more cost-conscious, for example limiting use of business class typically to flights of longer than four to five hours.

Outlook for 2019

Airfare forecasts

Average ticket prices % year-over-year	Intercontinental Business	Intercontinental Economy	Regional Business	Regional Economy
Asia	+1%	+1%	+2%	+1%



China

Demand should continue its strong growth in 2019, although international travel is vulnerable to any escalation in the trade dispute between the U.S. and China.

Growth in capacity could slow. Key routes such as Shanghai-Beijing are reaching saturation point and airlines are now facing a pilot shortage.

Deregulation in the domestic market will promote more flexible pricing, and this could push up peak-time fares by as much as 5% to 6% on popular routes. However, as other fares could fall, business travelers will see average ticket prices for domestic travel rise by just 1% overall. Robust competition among Chinese carriers should limit fare increases on international routes.

The Chinese government is relaxing its policy of allowing only one Chinese airline per long-haul route. Ironically, this could slow international expansion. The one-carrier policy had encouraged Chinese carriers to launch secondary intercontinental routes from cities like Chongqing and Xian ahead of their competitors. Now that another airline will be allowed to operate, gaining first-mover advantage will be less of a motivation for such expansion.

There are restrictions on which routes qualify for a second Chinese competitor. One of the few city pairs currently meeting all the requirements is Beijing-Paris. Expect either China Eastern or China Southern to apply to compete against incumbent Air China.

Location beats price in some Asian cities

The Chinese government is gradually loosening price controls on domestic fares. Since December 2017, it's allowed Chinese carriers to set their own fares on 1,030 routes accounting for half of domestic passengers.

For corporate travel programs, the changes will mean:

- Domestic airfares will fluctuate more in line with supply and demand.
- Advance booking will become more important, because fares are likely to increase as departure approaches. Try getting travelers to book seven to 14 days in advance.
- Fares will also vary more between peak and off-peak times of the day.

The effects of fare deregulation will strengthen the case for actively managing a travel program. Negotiations with airlines will also become much more meaningful. Deregulation could make Chinese managed travel programs start to look much more like those in the West.

Look out for direct airline refunds to travelers

China Southern, one of China's big three carriers, allows domestic passengers to claim refunds directly through its app or via WeChat. Refunds can be made direct to the customer's personal credit card even if the employer paid for the ticket in the first place. China Southern is prepared to block personal refunds on tickets booked through travel management companies (TMCs). Travel managers must check their TMC has secured this exemption.

Shenzhen challenging Hong Kong

Hong Kong is steadily losing its role as an entry point to mainland China, as direct international flights to secondary Chinese cities grow. Shenzhen, just across the border from Hong Kong, has seen some strong growth in air services. The city is home to major Chinese companies, including Tencent, ZTE and Huawei. There are now flights linking Shenzhen with 45 international destinations in 20 countries, including Australia, Germany and the U.S.

Cathay Pacific has found it difficult to compete with these direct services, especially since its high-service reputation makes cutting costs (and lower fares) difficult. With growing competition in its home market from Hong Kong Airlines and HK Express, Cathay Pacific faces challenging times.

Beijing's new airport means a supplier re-think for corporate buyers

A new Beijing airport, Daxing International, will open in 2019. All SkyTeam carriers, including both China Eastern and China Southern, will relocate from Beijing Capital International Airport to Daxing.

The new airport is farther from downtown Beijing than Beijing Capital, but a high-speed rail connection will enable travelers to make the journey in just 11 minutes. Daxing will also feature an important interchange with the rest of China's high-speed rail network, promoting it as the first choice for business travelers continuing beyond Beijing.

Daxing will also be just 20 minutes by train from the Xiongan New Area, which the Chinese government is building to relieve overcrowding and pollution in Beijing. Many government agencies and state-owned companies will relocate to the area, 100km from Beijing.

Air China and its Star Alliance partners will remain at Beijing Capital airport.

Buyers must decide which of Beijing's two airports is most convenient for their travelers' destinations. They can also expect price promotions, as the two airports compete for business.

India

Having lost some momentum over the last year or so, India's economic prospects are once again encouraging. Forward bookings are extremely positive. This trend should continue in 2019 if prime minister Modi's business-friendly government stays in power after April's general election. Expect business travel demand to slow in the run-up to the vote.

More UDAN routes will open to smaller regional airports and flights will increase to secondary cities. But the massive capacity shortage at Mumbai and Delhi will remain a major problem. Mumbai's new airport opens in 2020, and Delhi could have more capacity from 2021.

Vistara and GoAir will qualify to launch their first international routes by the end of 2018, with AirAsia India following close behind. IndiGo also plans to expand internationally. Most new flights will be to destinations elsewhere in Asia and the Middle East. These carriers aren't yet investing in the wide-bodied aircraft able to serve Europe or the Americas, as leisure and business travel demand is stronger nearer to home.

Unless airlines can push fares up sharply in 2019, rising costs mean some could fail. However, intense competition means they are unlikely to be able to raise domestic fares by more than 2% to 3%. India's airlines may seek to generate extra revenue by imposing more ancillary and cancellation fees.

Japan

Demand will accelerate on international routes as business travelers compete for seats with growing numbers of leisure travelers, especially when Japan hosts the 2019 Rugby World Cup (late September to early November). High demand will make availability an increasing problem, as well as rising fares and an even greater reluctance by carriers to negotiate corporate deals.

Capacity will remain tight, but JAL and ANA may introduce larger aircraft to relieve pressure on some routes. And although business travelers will generally continue to disregard LCCs, these will attract leisure traffic away from the legacy carriers, enabling them to expand their premium cabins.

Domestic routes, where high-speed bullet trains provide extra competition, will be different. Here, fares are unlikely to rise as JAL and ANA fight to retain market share.

Overseas visitors can expect an additional travel cost, as Japan introduces a 1,000 yen (US$9) departure tax from January 2019.

Our air recommendations

- Monitor major regulatory and planning developments affecting air travel in China.
- Promote advance booking more vigorously as pricing deregulation will widen the difference for fares booked last-minute.
- The intensity of airline competition in India makes this an ideal time to negotiate deals. Prepare your data well.
- Obtain visas well in advance so you can book fares in advance too. Indians have visa-free or visa-on-arrival access to only 59 countries, fewer than almost any other major economy.

Current situation

Demand for hotel accommodation from both business and leisure travelers is rising thanks to strong economic growth across Asia. An easing of political tension in the Korean peninsula is also improving confidence.

On the supply side, the biggest expansion is in mid-tier hotels, especially by local players. A younger generation of Asian business travelers are less interested in the status of staying in a luxury hotel. Western brands are focusing on building hotels for leisure guests, leaving the way clear for smaller Asian players to invest in urban mid-tier properties for the corporate market. Most can be booked easily online, and standards are high.

As more of these hotels open, more companies are encouraging their travelers to trade down a service category or two to grow savings, without compromising on service standards. That's welcome news because increasing demand is generally pushing up rates in Asia. But managing corporate hotel spend remains challenging. It's difficult to use a single online booking tool across the region, making it hard to create a consistent data picture for supplier negotiations.

Airfare liberalization may herald a travel management revolution

Whether it's Bangkok, Bangalore, Beijing or Jakarta, many Asian cities suffer from chronic traffic congestion problems, which show no sign of easing. And in smaller Chinese cities, where traffic isn't too bad, a lack of taxis makes it just as difficult to get around. This means choosing properties close to the office or factory travelers are visiting comes ahead of price as the priority for many Asian hotel programs.

Major cities should no longer be viewed as single markets. Buyers need different strategies for each city district.

China

Demand is strong, especially for mid-range accommodation, but many new hotels are opening, ensuring that rate rises keep in line with inflation. There are good deals to be made at higher-end Western-branded properties, particularly in Shanghai and Beijing – but there are rate hotspots in these cities, too. In Shanghai, for example, Nanjing Road and the Lujiazui financial district can be very expensive.

Chengdu - a rate hotspot

Prices are rising fast in Chengdu, capital of southwest China's Sichuan province.

Multi-national companies are flocking to the city, as the national government promotes Chengdu as a location for high tech industries.

India

Demand is surging not only for business travelers but also for leisure and the vast pilgrimage market. Hotels are opening fast to meet this burgeoning demand, especially budget brands like Lemon Tree Hotels

TripSource Hotels enhances travel programs in India

BCD Travel aggregates hotel content into its proprietary technology platform, TripSource®, from multiple sources. Companies using TripSource have discovered high volumes of independent bookings in one- and two-star hotels made by travelers visiting tier 2 and 3 cities. By bringing these hotels into the program, BCD Travel improves duty of care and data oversight.

Ensuring they have negotiated the best rates is another challenge facing travel buyers. As TripSource content includes the global distribution systems (GDSs), online travel agencies (OTAs), hotel booking aggregators (HBAs) and BCD private rates along with client-preferred rates, buyers can be confident their travelers have access to the best rates and the accommodation options to fit their travel requirements.

India's Goods & Services Tax

In July 2017, India introduced a Goods & Services Tax (GST), applied to all but the very cheapest accommodation. At the upper end, 18% GST applies to daily rates between INR 5,000 (roughly US$73) and INR 7,500, with 28% applied to rates above INR 7,500.

Coming on top of normal rate increases, GST has made Indian hotels, especially luxury ones, noticeably more expensive. Indian companies are also finding it complex to reclaim GST.

Some hotels have reduced their daily rates below INR 7,500 to avoid the top rate GST. At the same time, some Indian companies have shifted policy to include mid-range hotels, priced in a lower GST band.

Japan

A combination of sharply rising demand and few global chain hotel openings is pushing rates up steeply in Japan. Yokohama is a particular hotspot, where rates have increased by between 5% and 10%.

A seller's market means hotel chains are less inclined to offer negotiated discounts to major clients. High occupancy also makes room availability a growing problem.

Significantly cheaper rates are available at independent "business hotels," which are springing up all over Tokyo and Osaka. Rooms at these properties cost around 40% less than in Western hotels, but they are also much smaller. They are popular with Asian travelers for one-night stays.

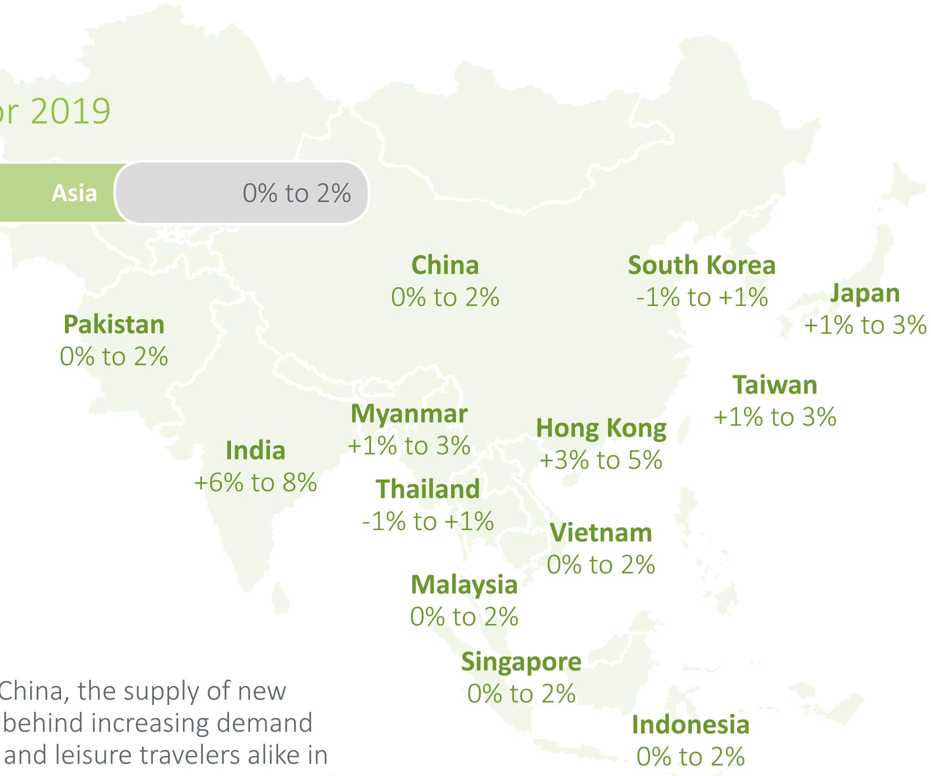
2019 INDUSTRY FORECAST

Asia

Hotel

Outlook for 2019

Asia 0% to 2%



Other than in China, the supply of new rooms will fall behind increasing demand from business and leisure travelers alike in 2019, so expect rates to move on average by between 0% and 2%.

Three Asian countries set for major hotel expansion

Myanmar | Cambodia | Philippines

China

Continuing strong demand will be matched by even more hotel openings, so rates are likely to stay flat or increase only slightly. The main exceptions will be overcrowded Hong Kong, where rates could jump by as much as 5% because of some hotel closures; and Shenzhen, although more accommodation is on its way in what is now China's most up-and-coming city.

Looking further ahead, hotel openings in China could slow over the next few years. The government is shifting to a more sustainable growth strategy and aims to reduce the credit bubble that has driven hotel investment.

India

Foreign investment in India's thriving economy means demand from both domestic and foreign travelers will continue to grow in 2019. Rates will soar by 6% to 8%, and maybe by as much as 10% in major business hubs New Delhi, Mumbai and Bangalore. Other cities with strong demand potential include Pune, Ahmedabad, Vijayawada and Hyderabad, although supvply is better matched in these locations.

Our hotel recommendations

- Improve the way you track hotel spend. Use supplier reports to capture direct bookings and change internal processes to prevent administrators booking via local offices.
- Users of BCD Travel's TripSource platform should include regularly used independent hotels for better transparency.
- Consider hotels a little farther away from the meeting location. Some hotels have started offering shuttle services or discounted transfers.
- Include breakfast in hotel rate negotiations. It's an especially important meal for Asian travelers.
- Consider using virtual conferencing, which is becoming more popular in India and China.
- Book well in advance in Japan to avoid availability challenges.

Japan

Demand, supply and price will all increase, especially during the Rugby World Cup, when rooms in Tokyo are already heavily booked.

Across the country, expect rates to rise by 1-3% during 2019.

BCD travel

2019 INDUSTRY FORECAST

Asia

Meetings

Current situation

Supply of meeting space is growing fast in Asia – even faster than the healthy rise in demand. There are some exceptions where demand is rising faster: Singapore, Hong Kong, Shanghai and most of India. But more generally, power is shifting back to buyers, allowing them to negotiate better rates and terms and some complimentary extras.

Very short lead times remain a major challenge in China and India. Suppliers are accustomed to accepting reservations at short notice, but a short lead time increases the risk of disappointment in under-supplied cities like Singapore and Hong Kong.

Changing approaches to meetings

Asian organizers are becoming much more creative in their meeting programming. They are spending less on food but more on production and getting more adventurous with their location choices. Organizers are also responding to millennials' demand for more interactive experiences.

India's booming meetings market

Meeting numbers have shot up by around 25% to 30% in India in 2018, as companies invest heavily in promoting products and bringing employees together.

Chennai, Hyderabad and Gujarat are all popular destinations.

Rates have risen by 5% to 7% and a similar increase is likely in 2019, because the market looks set to remain buoyant.

Meetings are mainly held in Western-branded hotels, as there is little capacity in Indian ones. Hosting large events is challenging because of a lack of convention centers.

In the incentives market, plentiful air capacity has increased the popularity of foreign trips. Commonly selected destinations are the Middle East, Azerbaijani capital Baku and southeast Asian options such as Vietnam, Cambodia and Bali.

Outlook for 2019

Demand will stay strong into 2019, but more meeting space will open too, so there will be little change in pricing. Look out for alternative destinations taking off, such as Mongolia.

Both Marriott and AccorHotels have grown significantly in Asia through acquisition and organic expansion, and there could be opportunities for buyers as these two companies look to fill rooms across their Asian networks. Hotels are unlikely to follow the lead taken in the U.S. of reducing agency commission for meetings.

It's worth watching closely to see how the 2019 Rugby World Cup affects Japan, as it will also host the 2020 Summer Olympics. At the moment, rates are sky-high in Japan, but if the hotels have over-estimated demand, lower prices may become available at short notice.

Our meetings recommendations

- Work with your meetings agency to enhance your events and make them memorable.
- Increase your production budget by selecting a destination closer to home and spending less on food and beverages.
- Consider multi-year deals with hotels to drive better deals.

Ride-hailing

Didi Chuxing is the dominant ride-hailing player in **China** and is increasingly being used by business travelers. They find it easier to claim back expenses for trips with Didi, as its drivers issue official tax receipts.

In **India**, market leader Ola is growing very fast, but Uber is gaining market share. Both Ola Select and Uber have direct relationships with corporate clients.

In **Japan**, Uber and Didi are partnering with the big taxi companies, which enjoy government support. The taxi companies are launching similar technology themselves, although most cabs are still booked by phone.

High-speed rail

More **Chinese** business travelers are switching to rail where they can to avoid severe air delays, especially during the rainy season.

Rail travel promises to become even more attractive for business travel. A new generation of Fuxing locomotives traveling at up to 350 km/hour have reduced the journey time from Beijing-Shanghai by 40 minutes to four hours. And travelers can stay connected while on board the trains, as Tencent helps China Rail introduce Wi-Fi coverage across its high-speed services.

China already has the world's largest high-speed rail network. It's set to expand even further from 25,000km in 2017 to 38,000km by 2025.[5]

In **Japan**, government-controlled rail fares are unlikely to change significantly in 2019. Japan Rail's Shinkansen bullet train network continues to grow and take market share from airlines. One of the newest services links Tokyo and Toyama, offering departures every five to 10 minutes.

The shift of travelers from air to rail will continue with the introduction of a new train type in 2020. Although the N700S won't be faster, it will be smoother, and all passenger seats will be fitted with power sockets.[6] Airlines may respond to growing competition by agreeing to corporate discounts on those routes.

Rail is not used by business people in **India**, where air is regarded as a much more aspirational way to travel. India is looking at introducing high-speed rail, but until then the government is upgrading rail connections from its three main business hubs to secondary cities.

[5] Forbes, February 13, 2018
[6] CNN Travel, March 16, 2018

Healthy demand will enable airlines to increase average ticket prices by 2% on regional routes, and by 1% for intercontinental travel.

Hotel rates will rise by 1% to 3%, with the strongest increases in Hungary, Ireland and Portugal.

With prices certain to increase in 2019, meetings buyers will expect more flexibility from hotels and considerable alternative types of venue.

Competition among ride-hailing companies may intensify, as India's Ola enters the European market.

2019 | INDUSTRY FORECAST

Europe

BCD travel

Research & Intelligence team

Current situation

Demand remains healthy in most European markets, and especially in France, Germany, the U.K. and Benelux. Despite the disruption caused by strike action in some markets and mixed signs about the health of the European economy, air passenger traffic increased by 6.3% during the first six months of 2018.[1] Nearly all markets are performing well, although some of the strongest growth is on long-haul routes, and to Asia in particular.

Supply is expanding, too. For the first time in many years, traditional European carriers are growing their fleets, adding new aircraft faster than they are retiring older equipment. In June 2018, aircraft deliveries to European airlines were up 27% year-over-year (YOY).[2] Even so, supply is not increasing as fast as demand: Capacity has increased by 5.0% so far this year. The Gulf airlines are no longer expanding their European services as rapidly. Low-cost carriers (LCCs) have slowed their growth from the double-digit percentages of the past to single digits.

LCCs are less inclined to launch new routes simply to secure first-mover advantage, and there are few untapped city pairs left anyway. They are also more willing to close unprofitable hubs and switch to airports that promise better returns. EasyJet, for example, was quick to start flying from Berlin Tegel following the collapse of Air Berlin, and it now operates almost 50 routes from the airport.

With demand outpacing supply, airfares are inevitably rising, especially as carriers see fuel costs and pilot salaries increase. At this stage, they have mainly offset these rising costs by increasing average yields by limiting the number of seats available in lower fare classes. But there have also been some increases in published fares over the past few months and a rise in carrier-imposed charges (fuel surcharges) on some long-haul routes.

Russia

Russia's domestic air travel market is booming. Traffic increased by 6.9% during the first half of 2018 on 4.3% extra capacity.

But the situation is quite different on international routes. As Russia's uneasy political relations with Western countries continue, weaker demand has prompted foreign airlines to reduce frequencies or withdraw from some routes.

Russian carriers have filled some of the gaps, but corporate travel spend has fallen by more than 10%, as companies make fewer trips or downgrade travelers to economy class to save money.

Fares could fall further in 2019, especially from Moscow and St. Petersburg, where there is still plenty of choice.

Corporate negotiation trends

Negotiating a good deal with European airlines is becoming harder as they reduce discounts for all but their best-performing clients, those who either:

- Spend heavily on premium cabins or full-fare economy to long-haul destinations
- Fly economy to markets where the airline wants to gain or defend market share

Clients need to be more proactive in managing their air spend; they should monitor trends, spend and prices monthly to identify when to negotiate higher discounts or lower targets. Alternatively, they can adjust travel policy to make travelers book lower-priced, less flexible fares.

Long-haul low-cost carriers

Norwegian is leading a new generation of LCCs operating long-haul.

While these services are well-received, their penetration of the corporate market remains low for now. However, the long-haul LCCs are proving indirectly influential by persuading traditional airlines to introduce lower basic fares with no pre-check-in seat assignment or free checked bags.

[1] IATA, Air Passenger Market Analysis, June 2018
[2] Flightglobal, August 6, 2018

Germany

The collapse of Air Berlin left Lufthansa even more dominant in Germany. Yet it still faces more domestic competition than Air France does in its home market. However, this is little comfort to travelers on the small number of business routes where Lufthansa enjoys a monopoly, such as Stuttgart-Munich and Hamburg-Munich.

This is unlikely to change. Germany's Federal Cartel Office (Bundeskartellamt) decided in May 2018 not to investigate Lufthansa for market abuse after its fares rose 25% to 30% on routes made monopolies by the Air Berlin collapse. The cartel believes the situation has been partly eased by the expansion of easyJet.[3]

France

Air France has been plagued by a series of industrial disputes n 2018.

To reduce the risk of disrupted journeys, business travelers have started looking at alternative travel options, including Air France's competitors, long-haul travel using hubs outside France and high-speed rail for domestic trips.

The situation at Air France is not yet sufficiently damaging to jeopardize its future or its deep long-term partnership with KLM.

Italy

Alitalia has faced an uncertain future for some years. But its problems escalated in May 2017, after a failure to agree to its latest restructuring program forced it into administration.

Efforts to sell the airline have so far proved unsuccessful. Italy's new government has committed to saving the airline, but it wants to retain its 51% shareholding.

Saving Alitalia will be difficult, as it has lost business travelers in northern Italy to competitors, including easyJet and Lufthansa. It has also been excluded from the transatlantic joint venture with Air France-KLM, Delta Air Lines and Virgin Atlantic.

If Alitalia does fail, the impact should be limited, as much of its long-haul network has already largely disappeared and Italian business travelers are used to flying via hubs in other European countries. Meridiana, recently relaunched by Qatar Airways as Air Italy, promises to bring some much-needed new capacity to the Italian market.

[3] Reuters, May 29, 2018

2019 INDUSTRY FORECAST

Europe

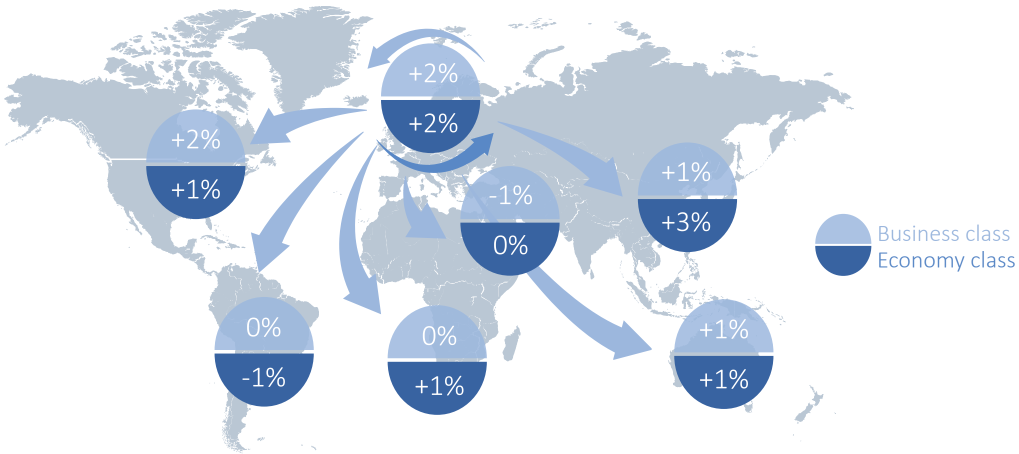
Air

Outlook for 2019

Airfare forecasts

Average ticket prices
% year-over-year

	Intercontinental		Regional	
	Business	Economy	Business	Economy
Europe	1%	1%	2%	2%



Demand should grow healthily in 2019, so long as U.S.-European Union trade relations do not deteriorate significantly and Brexit proceeds in an orderly manner. Any damage to Europe's economic prospects would impact demand.

Demand could also be affected, should airlines choose to pass on higher fuel costs through increased ticket prices. However, as many airlines have more fuel-efficient fleets, there is less reason for them to hike fares or impose heavy fuel surcharges.

Even so, rising fuel costs will affect airline profits in 2019. This may spark a new round of consolidation involving Europe's secondary or less financially secure airlines.

Tighter margins will also make airlines less inclined to open new routes. Expect far less new capacity than the 5.0% added by European airlines in the first six months of 2018.

The combination of higher fuel costs and continuing strong demand means total ticket prices will rise due to higher published fares, less availability of lower fare classes and potentially more fuel surcharges. However, airlines may need to backtrack should these increases cool demand, for example by improving corporate discounts or increasing availability in the lower fare buckets.

We expect average ticket prices for regional travel to rise by 2%, with a lower 1% increase on intercontinental flights.

Brexit – A worrying lack of clarity

The absence of consensus about Brexit within the U.K. government means nothing is certain about the country's future relationship with the European Union (EU) after March 2019. The U.K. could leave the EU without agreeing to a deal or a transition period. Such a scenario risks damaging business travel demand and could significantly disrupt air travel.

Without a deal, questions remain over the rights of airlines to continue flying into and out of the U.K., not just from the EU, but also from the U.S. and many other countries, where the U.K. relies on air service agreements negotiated by the EU. Negotiating new bilateral arrangements would take time.

Airlines have been preparing largely by creating new legal entities, which would allow them to keep flying across Europe, but only if a deal is reached. But with a no-deal Brexit looking more likely, airlines like Ryanair are now including a Brexit caveat in tickets sold for travel after March 2019, warning passengers that their flight might be grounded by "the regulatory environment."[4]

[4] The Guardian, March 9, 2018

BCD travel

On the horizon – IATA OneOrder

Big changes lie ahead as the airline industry looks to introduce IATA's One Order program. Today, an air booking creates both a passenger name record (PNR) and an electronic ticket, plus an electronic miscellaneous document for any ancillary purchases like checked bag fees. Under One Order, all these documents will be replaced with a single, retail-type digital order management process. Potential benefits include:

- More coordinated disruption management if flights are delayed.
- Better customer recognition.
- Improved management information.
- Better understanding of total trip cost.

One Order effectively moves airline administration into a normal e-commerce retail environment. It could eventually include non-air bookings such as hotels and taxis in the same digital process, bringing greater transparency to the whole trip cycle.

Our air recommendations

- Make the move from annual contract negotiations and quarterly reviews to more dynamic air program management.
- Watch out for fare and fuel surcharge changes, as airlines often don't communicate them. If prices rise sharply, renegotiate with your preferred supplier.
- Re-double efforts to encourage travelers to book in advance. This is becoming even more important as carriers restrict seats available in lower fare buckets.
- Consider buying two non-refundable tickets if unsure about travel dates. This may still work out cheaper than buying a single flexible ticket.
- Understand the price difference between flexible and restricted fares. It can vary significantly.
- Learn more about IATA's One Order as airlines prepare trials.
- Look at alternative airports if your first choice is a monopoly route.

Current situation

Strong demand will push up rates yet again in 2019, so long as the economic prospects of Europe and individual countries are not disrupted by Brexit or trade developments.

Across Europe, we expect rates to rise by 1% to 3%. But prices could rise by as much as 4% to 6% in Hungary, and by 3% to 5% in Ireland and Portugal.

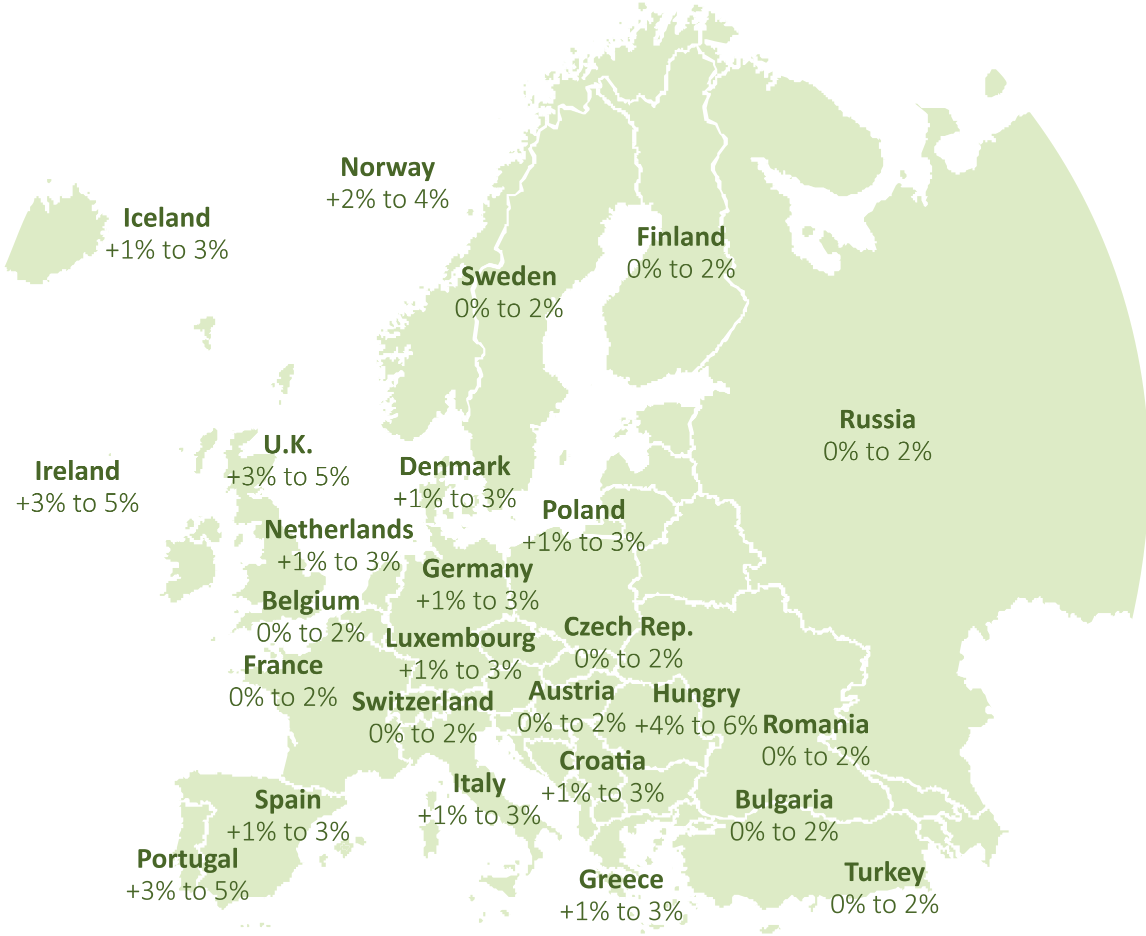
Stays in alternative accommodation are growing, with Airbnb for Work reporting employees from 700,000 companies around the world signing up for its services.[5] This includes 43,000 companies based in the U.K. London and Paris are Airbnb for Work's top two destinations.

Our hotel recommendations

- Adopt a more flexible hotel program, including dynamic pricing as well as corporate rates.
- Only agree to minimum room night commitments to secure corporate rates if the hotel guarantees last room availability in return.
- Consider booking highly discounted (and increasingly available) non-refundable rates – but only for those business travelers who are most unlikely to cancel their trip.

Outlook for 2019

Europe +1% to 3%



[5] AirBnB

2019 INDUSTRY FORECAST

Europe

Meetings

Current situation

Meetings demand is strong across Europe, especially in Germany, and prices are rising.

Lead times for bookings are getting shorter. For example, the typical lead time for larger events in the U.K. has reduced from 18 to 24 months to 12 months, while smaller meetings in France are now usually organized only four to six weeks ahead.

At the same time, customers are looking to introduce more creative meeting formats, which need additional time to plan and source. As a result, there can be challenges putting together a high-quality event at short notice.

Budget holders have become increasingly reluctant to disclose their budgets at the start of the sourcing process, because they fear the venue will simply match the budget they are given. But this means buyers often find that, once costed, their initial brief is way over budget. By the time a more realistic, scaled-back version has been finalized, the lead time has shortened even further.

Buyers also need to think about moving meetings out of hotels into stand-alone venues. Many new hotels in Europe are in lower tiers, and they offer little or no meeting space. Meetings organizers looking for something different are being attracted by a wide range of former industrial properties being converted into high-end corporate event venues.

The trend away from hotel-based meetings means more work for meetings planners, as they now have to source both the meeting venue and the accommodation. Companies do not always appreciate how much additional time is needed.

Creating more imaginative productions in alternative venues can also increase the cost of a meeting; another thing not always accounted for. Splitting the meeting venue and accommodation can also push up the final cost. However, companies are increasingly involving their procurement departments in contracting, especially for routine smaller meetings. Procurement is leading a move towards e-auctions with suppliers.

European meetings hotspots

- **Lisbon** – Accessible, good weather and well-priced.
- **Georgia** – Offers a great choice of high-quality accommodation at affordable prices.
- **Azerbaijan** – A new option worth considering.
- **Turkey** – Security fears have faded, and rates are much lower than in major European cities.
- **Barcelona** – One of Europe's favorite meetings destinations again, following political unrest over Catalan independence.

Staying on trend in London

There's increasingly stiff competition among professional services firms to be the first to stage an event in London's latest fashionable new venues.

Such venues will be highly sought after for six to 12 months before interest moves on, at which point rates might drop a little.

Trendy venues in recent months have included the Hospital Club and The Ned.

BCD travel

2019 INDUSTRY FORECAST

Europe

Meetings

Outlook for 2019

Prices are certain to increase in 2019, unless demand is derailed by Brexit, disruption to trade or some other crisis.

Increased political uncertainty will drive clients to demand more flexible cancellation and attrition (the number of booked attendees who drop out) conditions – but venues might reject buyers who insist on too much flexibility.

Clients will respond to increased rates by asking for complimentary extras.

European hotels may follow the lead of the big chains in North America by cutting commission to agents. If this happens, expect even more of a shift to the growing portfolio of non-hotel venues.

Our meetings recommendations

- Be more creative about your venue choices. There are more options every year.
- Allow more time to plan meetings so you can deliver a top-class production.
- Consider multi-year event deals where you use the same hotel chain but in a different property each year.
- Ask your meetings intermediary if it has negotiated any multi-location contracts you can participate in.
- Continue to explore new destinations, which can be excellent value. And prepare to be flexible on date and location.

2019 INDUSTRY FORECAST

Europe

Ground Transportation

Ride-hailing

In the markets where it's allowed to operate, Uber has done a good job of attracting business away from taxis. But its reputation for being cheaper is not always deserved in Europe, especially on journeys to airports. It's worth comparing rates from other operators to decide which offers better value.

Competition among ride-hailing companies looks set to intensify, with India-based Ola announcing plans to enter the European market.[6] Backed by Chinese ride-hailing giant Didi Chuxing, Ola will initially operate in South Wales and Greater Manchester.

High-speed rail

Germany's recently completed high-speed line between Berlin and Munich has doubled passenger numbers on the route.[7] From December 2018, there will be two extra frequencies per day, increasing services to five per day.

In France, SNCF's low-cost, high-speed service Ouigo launched its first departures from central Paris in December 2017, serving Bordeaux, Le Mans, Nantes and Rennes. Eurostar has launched a London-Amsterdam service.

Overall, however, high-speed rail expansion has slowed in Europe, although services remain popular with business travelers.

[6] TechCrunch, August 7, 2018
[7] International Railway Journals, June 20, 2018

Extra capacity and competition will make it hard for airlines to increase fares, even as demand recovers.

Most fares will stay flat but regional economy class fares will fall.

Hotel rate increases will average 1% to 3% across the region, but currency issues will ensure much steeper rises in Argentina.

Meetings demand is growing, but event organizers must often deal with lower budgets.

2019 INDUSTRY FORECAST

Latin America

BCD travel

Research & Intelligence team

2019 INDUSTRY FORECAST

Latin America

Air

Current situation

Demand for air travel has generally been strong in all major Latin American markets. Over the first six months of 2018, airline traffic has increased by almost 7% year-over-year (YOY).[1] Argentina is the region's weakest market, with air travel affected by the country's economic situation.

Many of the region's major airlines are launching new routes, and low-cost carriers (LCCs) are expanding fast, especially on domestic and regional routes. Their traditional competitors are fighting back by offering lower, more restrictive fares, although these are mainly attractive to leisure and small business passengers rather than to all corporate travelers.

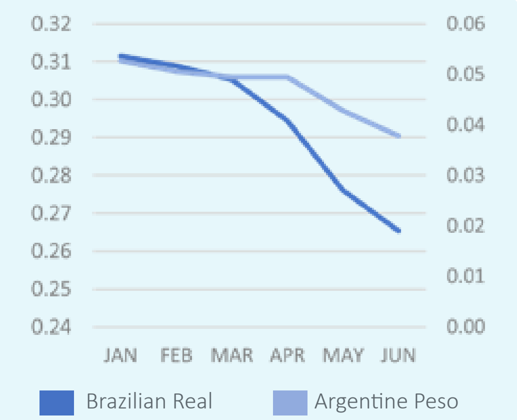
Fares, which Latin American airlines set in U.S. dollars, have been rising. But customers typically pay for airline tickets in local currencies. Many of these currencies devalued significantly against the dollar in the first half of 2018, making the true price they must pay even greater. However, high levels of national inflation are driving up the price for a wide range of goods and services; air travel is not the exception. Air passengers may soon enjoy some pricing relief, as the pace of currency devaluation slows.

Brazil

The recovery of Latin America's largest economy fueled a demand boom for business travel at the beginning of 2018. Since then, continuing political scandals and Brazil's looming presidential election have slowed growth considerably. Some companies have reduced travel to cut costs.

Airlines had responded to the earlier surge in demand by adding capacity, opening a number of new domestic routes in particular. Budget airline GOL Linhas Aéreas is working with its SkyTeam partners Air France-KLM and Delta Air Lines to build an international hub in Fortaleza, so that customers in the northeast of the country can avoid transferring via São Paulo, 3,000 km (1,864 miles) to the south. It's unclear whether this part of Brazil will generate enough traffic for the new hub to succeed.

Devaluation of Latin American currencies in 2018



Source: fx-rate.et

Brazilian and U.S. carriers partner up

The governments of Brazil and the U.S. ratified an "open skies" deal in May 2018. The agreement enables three Brazilian-U.S. airline partnerships to proceed: GOL and Delta Air Lines; Azul and United Airlines; and LATAM Airlines and American Airlines.

It opens the way for the launch of formal joint ventures, in which the partners can operate routes and agree pricing.

On balance, the joint ventures should be good news for Brazilian business travelers. They would increase access to international markets and promote robust competition between three strong partnerships.

Brazil remains a complex market for travel buyers. LATAM Airlines offers better discounts in this market than in many other countries because of the high level of competition. In contrast, regional LCC Azul offers few corporate deals, because it faces little direct competition on the routes it flies. Some travelers use alternative airlines flying from other airports to access better fares.

Avianca Brazil is a growing force in the Brazilian market, having built an 8% share, although it mainly serves leisure routes.

Weakening demand, at a time when airlines are increasing supply, has made pricing softer in recent months, especially on international routes.

[1] IATA, Air Passenger Market Analysis, June 2018

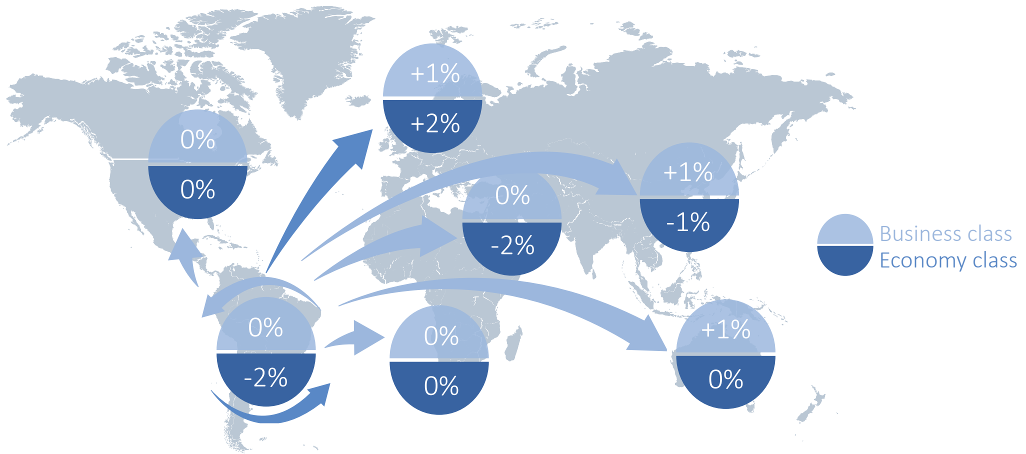
BCD travel

Outlook for 2019

Airfare forecasts

Average ticket prices
% year-over-year

	Intercontinental		Regional	
	Business	Economy	Business	Economy
Latin America	0%	0%	0%	-2%



Demand will be healthier across Latin America in 2019. But airlines will respond by increasing supply, especially on regional routes, where both full-service and LCCs are already expanding. While airlines will look to push up fares to improve profitability, increased competition will make this hard for them to achieve. As a result, fares are likely to stay flat in most cases, and should fall for economy class travel within the region.

Argentina merits separate consideration. The weakness of its economy will weigh down on air travel demand at a time when the government is liberalizing the domestic market. LCCs like Flybondi and Norwegian Air Argentina will give travelers alternatives to flying with Aerolineas Argentinas and its sister carrier Austral Lineas Aereas in the domestic market, increasing the downward pressure on fares.

Across Latin America, there are likely to be more joint ventures and other forms of consolidation, mainly with U.S. carriers, which will boost standards and intensify price competition more widely.

Our air recommendations

- Prepare before negotiating with joint ventures to ensure you get the best deal when combining existing discounts from the participating carriers.
- Take advantage of the new lower fares coming into the marketplace, but only if the restrictions don't conflict with your travelers' needs.
- Work with your travel management company to drive the best deals in an increasingly complex air travel market.
- Look for alternative airports if travelers are using airlines flying expensive monopoly routes.

Brazil

Uncertainty surrounding the outcome of the presidential election in October 2018 makes it difficult to predict what lies ahead for the Brazilian economy, and thereby demand for business travel.

If the economy remains on track, improving demand should support a 2% rise in domestic fares. But fares could still fall on international routes, as competition intensifies between the three Brazil-U.S. airline joint ventures.

2019 INDUSTRY FORECAST

Latin America

Hotel

Current situation

As Latin America's economy improves, demand is growing, but so too is supply. Global brands are investing in regional chains to grow their presence: AccorHotels has acquired Chile-based Hoteles Atton, and Wyndham has bought Fën Hoteles of Argentina. Local brands are also expanding; but the independent properties are growing the fastest, and they are working harder to attract corporate travelers.

Increased competition has prevented hotel rates from rising in Latin America during 2018. Instead, hotels are trying to grow revenue by increasingly applying no-show, cancellation and early check-out fees.

Brazil

Over supply has resulted in flat rates in this market. And prices are falling in Rio de Janeiro, which has been left with far too many hotels after the building boom to accommodate visitors to the 2014 FIFA World Cup and 2016 Summer Olympics, especially as a poor security reputation has since kept tourists away.

Hotels continue to open across the country. AccorHotels has taken over management of 26 properties from Brazil Hospitality Group.

Brazilian corporate customers typically manage their hotel spend less actively than they do for air. They negotiate individually only with the small number of properties where their spend or volumes are the highest.

TripSource® Hotels integrates independent properties

Although global chains are expanding their presence, Brazil is dominated by independent properties and small local chains. This is especially the case outside of São Paulo and Rio de Janeiro. While it's difficult to book these hotels through traditional managed travel channels, travelers find it easy enough using online travel agencies (OTAs).

BCD Travel can help bring independent hotels into the managed program. TripSource, a proprietary content hub, aggregates content from a variety of sources, including the OTAs, the global distribution systems (GDSs), hotel booking aggregators (HBAs), BCD private rates and client-preferred rates. Travelers can access all this content via the TripSource app or web experience.

They can compare options and book their selection all in a single place. Travel managers can welcome more travelers staying in-program and get the information they need to measure and manage spend.

BCD travel

Outlook for 2019

Both the chains and independent operators will open more hotels across the region. As a result, rates will grow by only 1% to 3%, even if demand continues to strengthen in most countries. Some hotels will hold or even drop their rates where competition is intense.

One clear exception is Argentina, where exchange rate fluctuation and high inflation will drive a 15% to 25% jump average daily rates priced in local currency.

Brazil

Until the outcome of the presidential elections is known, it will be very difficult to forecast demand. With little room for further development in São Paulo and Rio de Janeiro, hotel companies are concentrating on building in smaller cities.

Strong demand will most likely push rates up in Sao Paulo, but they will fall in Rio de Janeiro. Rates across the rest of the country will change by not more than 0% to 2%.

Our hotel recommendations

- Ensure your corporate online booking platform includes all the independent hotel properties your travelers need. Tech-savvy millennial travelers in particular will accept nothing less.
- Make sure that your preferred booking channels offer the best available rates from your usual hotels.

2019 INDUSTRY FORECAST

Latin America

Meetings

Current situation

Demand for meetings is increasing across Latin America. But in some cases, meeting organizers are having to manage with smaller budgets and are trading down to lower-tier accommodation.

The U.S. has become less popular as a meetings destination, with events increasingly remaining in Latin America. São Paulo has some of the best conference facilities in the region and will continue to attract more business in 2019. Also growing in popularity are all-inclusive resorts in Caribbean destinations such as the Dominican Republic, Cancun and Cartagena.

Average lead times for meetings planned in countries like Argentina are even shorter than in other parts of the world. One month’s notice or less is typical, mainly because budget-holders wait to the last minute to see whether they have enough money to fund the meeting. Meeting prices are climbing sharply in Argentina because of the devaluation of the local currency.

2019 INDUSTRY FORECAST

Latin America

Ground Transportation

Ride-hailing

Ride-hailing has every reason to thrive in Latin America, thanks to the region's inadequate public transportation options and widespread smartphone usage.

Ride-hailing is popular in Brazil, where Uber claims to have more than 500,000 drivers.[2] Local competitors 99 Taxis and Easy Taxis have secured investment from China's Didi Chuxing and Spain's Cabify respectively. Legal challenges from taxi drivers have been only partially successful. Most Brazilian companies now include ride-hailing in their travel programs, often viewing the services as safer than taxis.

Uber is also popular in Peru, but it has struggled with taxi unions in Argentina. It has been operating in Buenos Aires for more than two years despite court rulings ordering it to stop services. But it has recently taken an important step forward, after Mendoza, Argentina's fifth-largest province, introduced a law regulating ride-hailing apps. Uber could start operating there as early as September 2018.[3]

Ride-hailing has faced opposition in Chile too, with a protest by taxi drivers causing gridlock in Santiago in 2016. But this has not deterred drivers from signing up with Uber and they now outnumber licensed taxi drivers three to one.[4] Chilean authorities are now trying to defuse the tension by introducing laws to regulate ride-hailing, requiring companies such as Uber, East Taxi and Cabify to create local subsidiaries, which would be liable for local taxes.

[2] Reuters, October 30, 2017
[3] Reuters, July 31, 2018
[4] Bloomberg, July 23, 2018

BCD travel

Recovering demand within the Middle East should promote a 1% rise in regional fares.

Surplus long-haul capacity will ensure flat fares on most intercontinental routes.

New hotel openings and uncertain demand will limit average daily rate movements to 0% to 2%.

Uber's plans to merge with local company Careem will reduce competition among ride-hailing operators.

2019 INDUSTRY FORECAST

Middle East

BCD travel

Research & Intelligence team

Current situation

A rise in global oil prices has helped bookings remain surprisingly stable despite the political and security issues affecting the region. Tensions between Saudi Arabia and Iran have dampened air travel demand from outside the Middle East, but the number of passengers traveling within the region has not fallen.

Demand is also being affected by local issues. Saudi Arabia's imposition of a monthly levy on the dependents of expatriate workers has prompted an exodus of family members and of a growing number of workers.[1] This will eventually affect demand for international air travel.

On the supply side, the relentless network expansion of the big three carriers – Emirates, Etihad Airways and Qatar Airways – has finally slowed. So far this year, Middle Eastern carriers have increased their capacity by just 4.4%; some way below the 7% global figure.[2] Emirates has almost run out of new places to fly and is focusing on adding frequencies and larger aircraft on existing routes. Etihad Airways is scaling back as a part of a restructuring program aimed at reducing heavy losses caused by rising fuel prices and costs associated with investments in European airlines, including failed carrier Air Berlin. This year, Etihad Airways has been exercising "capacity discipline," concentrating on point-to-point traffic, which offers better yields.[3] Qatar Airways has had to contend with the fallout from the blockade on Qatar by neighboring states.

One bright spot in the Middle East is the Saudi Arabian domestic market. Demand is still expanding rapidly and airlines like FlyNAS and SaudiGulf are both growing capacity to support it.

Overall, a slowdown in demand growth and surplus capacity have made the Middle East a buyer's market. Carriers are responding with discount offers, which means the best deal on the day is often lower than fares negotiated at an earlier date by corporate customers. Clients are renegotiating with airlines to reflect the lower pricing environment.

Qatar Airways and the blockade

Passenger demand at Doha's Hamad International Airport (HIA) has not been hit as hard as expected by the blockade imposed by Qatar's Gulf neighbors in 2017.

Journey times are longer for certain routes – an extra 45 minutes to Singapore, for example – yet forward bookings suggest demand may increase before the end of 2018.

Qatar Airways has fought back with tactical offers worldwide, such as two-for-one deals, and has already started heavy marketing for the 2022 FIFA World Cup. While the airline has scaled back some services, it continues to grow its network, returning to London Gatwick with a new double-daily service, and starting Gothenburg flights by the end of 2018.

[1] Gulf News, March 24, 2018
[2] IATA, Air Passenger Market Analysis, June 2018
[3] Flightglobal, June 14, 2018

2019 INDUSTRY FORECAST

Middle East

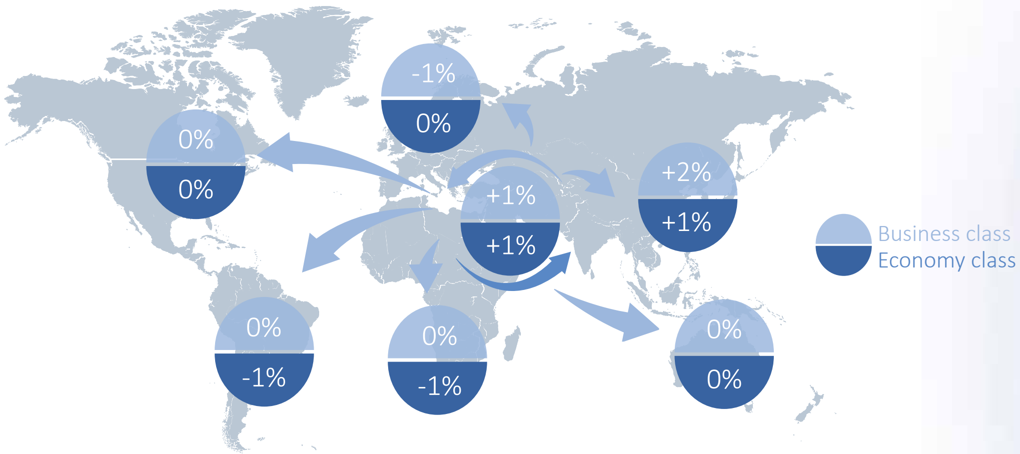
Air

Outlook for 2019

Airfare forecasts

Average ticket prices
% year-over-year

	Intercontinental		Regional	
	Business	Economy	Business	Economy
Middle East	0%	0%	1%	1%



Demand could grow further in 2019, particularly for travel within the Middle East, as the rising oil price revitalizes the region's economies. This should support a 1% rise in regional fares for both business and economy class travel. However, the sheer number of aircraft already in the Middle East, with more on order, means fares will stay flat on most intercontinental routes.

Our air recommendations

- Track and take advantage of the many tactical discounts on offer.
- Renegotiate existing deals while suppliers are in a weakened position.

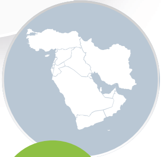
Iran

Investment in and business travel to Iran picked up significantly after 2015's Joint Plan of Action agreement led to a lifting of economic sanctions in return for a reduction in the country's nuclear program. However, the outlook for Iran has since deteriorated, after the U.S. unilaterally withdrew from the deal, reapplying sanctions and threatening retaliation against other countries which continue to trade with Iran. As a result, business travel is likely to fall rapidly.

KLM, which resumed flights to Tehran in 2016, will suspend services once again in September 2018.[4]

[4] USA Today, July 9, 2018

BCD travel



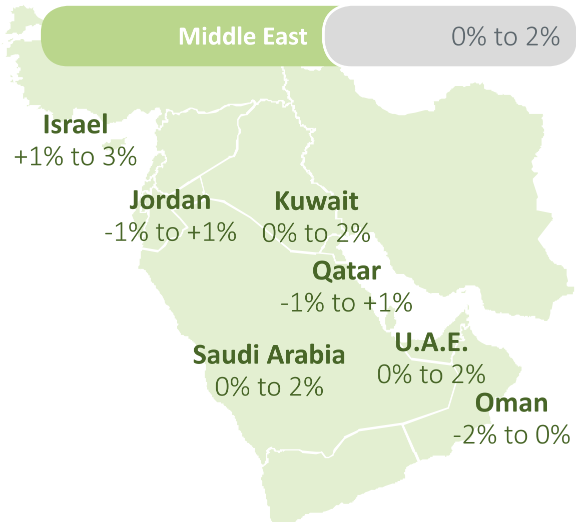
Current situation

Hotels continue to open in large numbers, especially in the United Arab Emirates (U.A.E.) as the country prepares for the Dubai Expo in 2020 and in Saudi Arabia. But development looks set to slow from 2020. Most of the new properties are Western brands. Saudi-owned Rotana is a major player, too. It's among a growing number of brands pitched just below the traditional luxury market that are growing in popularity among business travelers.

Demand is currently strong in Saudi Arabia, pushing rates up by double-digit percentages.

The introduction of value-added tax (VAT) has added 5% to the total hotel bill in the six Gulf Cooperation Council states: Saudi Arabia, U.A.E., Kuwait, Bahrain, Oman and Qatar.

Outlook for 2019



Our hotel recommendations

- Make sure you have access to whichever channel delivers the best rate for the hotel you are booking.
- Continuously review your preferred hotel options as new, better-equipped properties start to compete in the market.

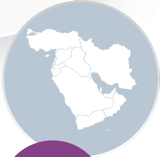
Uncertainty about demand coupled with fast-growing supply will keep rates generally flat in 2019. Hotel rate changes in Saudi Arabia, the U.A.E. and Kuwait will be in the 0% to2% range. Rates may fall in Oman and Qatar.

Israel will see some of the strongest increases in rates of 1% to 3% as the country's hotels struggle to keep up with a surge in tourist numbers caused by the expansion of low-cost carrier flights to the country.

BCD travel

2019 INDUSTRY FORECAST

Middle East



Ground Transportation

Ride-hailing

Careem is the U.A.E.'s biggest ride-hailing operator, and it's expanding elsewhere in the Middle East. It now operates in more than 70 cities across 10 countries from North Africa to Pakistan. It is the market leader in most of these countries. Its biggest market is Saudi Arabia.

Careem has tailored its services to the needs of the market. That way, it's been able to handle specific regional challenges, including dealing with local payment infrastructure and accommodating cultural attitudes towards women driving and traveling alone.[5] But Uber, which counts Saudi Arabia's sovereign wealth fund as a major investor, is adapting too, progressing plans to sign up female drivers, as Saudi Arabia overturns its ban on women behind the wheel.

Uber has now approached Careem about combining their Middle Eastern ride-hailing services, to avoid the damage caused by their rivalry.[6] Talks are in a preliminary stage, but Uber appears determined to secure a majority stake or buy Careem outright.

High-speed rail

The Haramain line, running 453 km from Madinah to Makkah (Mecca) via King Abdullah Economic City, is set to become the region's first fully operational high-speed rail line in 2019. It is expected to carry 60 million passengers per year. It will include a branch line to Jeddah's King Abdulaziz International Airport.[7]

[5] Mashabe UK, June 17, 2017
[6] Bloomberg, July 3, 2018.
[7] Arabian Business, May 29, 2018.

Strong demand will ensure regional fares rise in 2019, but the level of competition will limit the increase to 1%.

Hotel rates will rise by 1% to 3%, with the strongest increase in Canada.

With demand remaining strong across the region, limited supply will ensure meetings rates rise again in 2019.

Car rental companies may succeed in pushing through a 2% to 4% increase in corporate rates.

2019 INDUSTRY FORECAST

North America

BCD travel

Research & Intelligence team

Current situation

U.S.

Demand is rising steadily but perhaps not as fast as might be expected given the strength of the U.S. economy. So far this year, domestic air travel has increased by 5%.[1] Companies are keeping a tight rein on expenses, including travel budgets.

Seat numbers are growing, although airlines are being careful not to add more capacity than the market needs. Domestic load factors remained steady at 84.4% during the first six months of 2018. The most aggressive domestic carrier has been United Airlines, which is building services from San Francisco, CA; Chicago, IL; and Newark, NJ. Its share on transcontinental routes is lower than that of American Airlines and Delta Air Lines and is only just ahead of JetBlue.

The big three network airlines are also expanding in fast-growing secondary cities, including Raleigh-Durham, NC; Nashville, TN; Austin, TX; San Jose, CA; and Indianapolis, IN. These airports are effectively becoming mini-hubs, reducing the need for passengers to make connections via the major airports. These airlines are also becoming bolder about entering rivals' home markets to prevent them establishing unchallenged positions. Such expansion is bringing them more into direct competition with Southwest Airlines and other low-cost carriers (LCCs). Domestic fares are up, but only modestly.

On international routes, overseas carriers continue to add services, although the three main Gulf carriers – Emirates, Etihad Airways and Qatar Airways – are scaling back (see box) and the expansion of Chinese airlines has slowed. European long-haul LCCs, including Norwegian, Wow!, Level and Eurowings, have expanded their transatlantic operations, helping to keep international fares flat.

The competitive marketplace is tipping the balance slightly towards buyers. With businesses still nervous about the economic and political outlook, airlines are reluctant to stifle healthy demand by pushing fares sharply upwards when they are already making good profits. Meanwhile, buyers are enjoying some heavy discounting for corporate fares in premium cabins. However, there are still routes and hubs where competition is limited; clients may face high fares.

Pressure grows on Gulf carriers

Long-haul fares worldwide have risen very little over the past decade.

One contributing factor has been the relentless expansion of the three major Gulf carriers (Emirates, Etihad Airways and Qatar Airways), as well as Turkish Airlines.

Now the Gulf airlines appear to have reached their high watermark – at least in terms of their U.S. operations.

Etihad Airways is facing financial difficulties and has lost a valuable source of feeder traffic with the ending of a codeshare with American Airlines. Etihad has withdrawn services, as has Emirates. Qatar Airways has kept its flights going, but many operate with low passenger numbers.

Meanwhile, new regulations have capped the number of U.S. cities the Gulf carriers can fly to. **Expect minimal growth to the U.S. over the next couple of years.**

[1] IATA, Air Passenger Market Analysis, June 2018

Canada

Demand has grown a little faster in Canada than in the U.S., allowing Air Canada and its low-cost division Air Canada Rouge to expand capacity, both domestically and internationally. The two carriers have increased service to the U.S. especially. This has put some strain on Air Canada's transatlantic joint-venture with United and Lufthansa, as the Canadian flag carrier vies to attract more long-haul passengers via its Toronto hub. Friction in the partnership may lead to some routes being negotiated separately with corporate clients.

Mexico

Demand is strong in Mexico, especially for travel with LCCs, such as Interjet, VivaAerobus and Volaris. These airlines are mainly used by leisure passengers, who until very recently would have traveled by bus. Interjet is attracting some business travelers and is targeting corporate business by offering negotiated discounts.

Supply from both LCCs and full-service airlines is growing. An open skies deal has increased services from the U.S., although the new flights are mainly to leisure destinations like Cancun. But there is fierce competition among all local airlines for business travelers flying between Mexico City, Monterrey and Guadalajara. Pricing is competitive as the LCCs try to take market share from Aeromexico, whose operations are improving thanks to an investment by, and joint venture with, Delta. Even so, demand is so strong that average ticket prices are slowly rising on domestic routes and trans-border to the U.S.

A new look for joint ventures

Now well-established in the transatlantic market, airline joint ventures between alliance partners have spread into the transpacific market.

As joint ventures start to feature in a wider range of global markets, buyers are increasingly finding themselves aligned to groupings vying to be the customer's No. 1 supplier for all air travel.

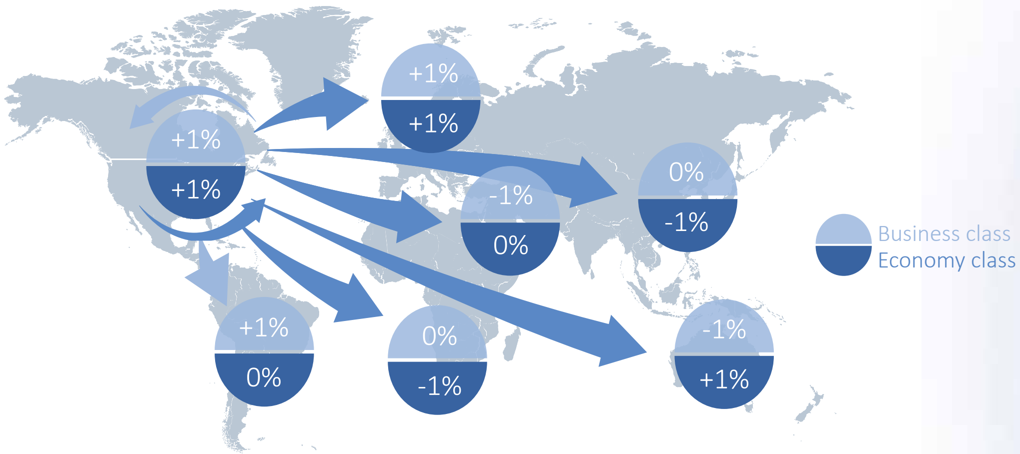
This may sometimes see travelers flying with airlines that aren't normally their first choice. However, standards among airline partners are improving and the quality gap is closing.

Outlook for 2019

Airfare forecasts

Average ticket prices
% year-over-year

	Intercontinental		Regional	
	Business	Economy	Business	Economy
North America	1%	0%	1%	1%



U.S.

It's difficult to predict how supply and demand will develop in 2019. Demand will stay strong as long as the U.S. economy is unaffected by the mid-term elections in November 2018 or by changes to its trade relationships with China, the European Union and NAFTA (North American Free Trade Agreement) members.

On the supply side, United Airlines is likely to continue adding capacity to make up ground lost to American, Delta and Southwest in recent years. United has talked about returning to New York-JFK, which it exited in 2015. The big unknown is how United's major competitors would respond to its efforts to regain market share, especially if it does re-enter JFK. They may decide that maintaining profitability is far more important; or they may feel compelled to wrest back market share by adding flights and reducing fares. Either scenario is possible, although the amount of capacity growth is likely to be constrained by limited fleet and pilot availability. The most likely outcome is that fares within North America will rise in 2019, but only by 1%.

Return of regional jets
United Airlines plans to serve more medium and small airports by bringing back regional jets. It's not clear whether this strategy will succeed, as regional jets proved unpopular with passengers in the past. And United's use of these smaller aircraft to expand into new markets may provoke a competitive response from its rivals.

Canada

Supply and demand should be well matched in 2019. Air Canada and WestJet are unlikely to risk entering a price war, even as WestJet launches ultra-low fare airline Swoop, as this could distract them from their focus on profitability. Domestic fares could increase by around 1% or more.

Mexico

Populist politician Andrés Manuel López Obrador (better known as AMLO) becomes Mexico's president on December 1, 2018. The Mexican business community originally feared a radical public spending agenda would hit economic performance and effect travel demand. But, since being elected, AMLO has committed himself to investor-friendly fiscal discipline and trying to keep NAFTA alive.

AMLO's conciliatory messages have strengthened the peso and improved Mexico's economic outlook. This is encouraging news for business travel prospects in 2019. But exactly what AMLO does when in office, and how Mexico's relationship with the U.S. develops, remains to be seen.

If U.S.-Mexico relations deteriorate markedly, business travel between the two countries will decline. Airlines may respond by reducing capacity and even cancelling routes. Companies with operations in Mexico would be affected.

On the supply side, much depends on whether Interjet can improve its financial position. Delta's joint venture with Aeromexico will drive some changes, particularly in the trans-border market, with the end of direct competition between the two partners likely to push up fares.

Fares will also be affected by currency movements. If the peso devalues, domestic fares may have to increase sharply because Mexican airlines trade in U.S. dollars. A stronger peso would leave fares as they are and help reduce the heavy dollar-denominated costs faced by Mexican carriers.

Domestic fares could rise by as much as 2% in 2019.

Our air recommendations

- Get to know the detail of your air program. Map your destination choices alongside airline networks. Knowing which parts of your program will drive the best discounts is becoming increasingly important.
- Prepare to be assertive when negotiating, as it's a buyer's market.
- Recognize your ability to meet supplier targets. They are becoming stricter in applying them (although fierce competition means there is still some flexibility).
- Do not accept too many commitments in your deals with emerging joint ventures.
- Be aware of changes to airline networks, as they may no longer offer what you contracted for.
- Exploit the strength of competition in Mexico to secure favorable deals. But avoid cannibalizing your overall program by agreeing to too many individual route deals with different airlines.
- Watch out for a possible shift in Mexican airline contracts from volume to market-share commitments.

Current situation

U.S.

Hotel occupancy is generally higher year-over-year, especially in the major cities, thanks to the continued strength of the U.S. economy. Travelers are running into severe availability problems in some locations, including San Francisco (and the rest of the Bay Area), CA; and Atlanta, GA; if they book less than two weeks before their stay.

There have been some hotel openings, but fewer than in the previous five years or so. Many of the new properties are in the midscale to upper midscale tiers, especially in New York, where growth has been fastest. Supply has also expanded in Washington, D.C., where openings are more upscale.

Stronger demand has pushed corporate rates up 3% on average in 2018. Increases have been higher in the Bay Area and Los Angeles. CA; but lower in Miami, FL; and Chicago, IL. Healthy competition has prevented rates from rising exorbitantly in most cities.

High occupancy levels and rates are making hotels bolder about offering negotiated rates only if the corporate client can pledge, and deliver, plenty of bookings in return. As a result, buyers are confining rate negotiations to locations where they have true purchasing power. Elsewhere, they are shifting more to dynamic rates (a discount off the best available rate) or simply buying best available rate on the day, as long as it's below the city rate cap they have set.

But this does not mean an end for the traditional negotiated rate. While undoubtedly becoming a smaller piece of a typical corporate hotel program, negotiated rates continue to provide the best price in clients' most frequently booked cities. Hotels don't want to completely abandon negotiated rates. Contracting a certain number or rooms at a specified rate gives them some certainty about their revenue. However, hotels want to reduce the number of deals they have so they can ensure good availability for clients, helping drive revenue and occupancy.

New York rates fall

A plentiful supply of much-needed hotel openings has helped push rates down in New York City. A greater appetite to use Airbnb here than in any other U.S. city has also contributed to lower rates.

Most of the new supply is in midtown Manhattan. However, the price benefit won't last long, because underlying demand is so strong.

Expect rates to increase again in 2019 when new supply slows once more.

2019 INDUSTRY FORECAST

North America

Hotel

Canada

Strong demand for transient business travel and for conventions, coupled with little new supply, has forced prices sharply higher. Rates are up by as much as double figures in Toronto and by 6% in Montreal and Vancouver.

Mexico

Demand is growing fast. It has been accompanied by a wave of hotel openings, especially midscale and extended stay accommodation, although many of the new properties are in coastal resorts.

Occupancy levels remain high in the key business destinations: Mexico City, Guadalajara and Monterrey. Finding a reasonably priced room can be difficult in Mexico City during the peak conference season of September to November.

The changing state of chainwide deals

Following their 2016 merger, Marriott and Starwood are starting to coordinate their corporate agreements. Starwood had been popular with the corporate market because of the large number of chainwide discounts it offered. Marriott had restricted chainwide deals to 75 customers. While many of the Starwood deals are no longer available, Marriott now offers chainwide discounts to 150 accounts, and it may add more to ensure it retains Starwood's loyal corporate base.

Meanwhile, Hilton is getting stricter about volume or market-share requirements while reducing chainwide discounts. It now only counts negotiated rate bookings towards agreement targets, rather than all bookings made with the chain.

Manage chainwide deals carefully. Chains may offset smaller discounts by ending booking commission payment to clients' travel maanagement companies (TMC), who may seek to recoup this revenue.

Update on corporate rate non-availability

The *2018 Industry Forecast*, highlighted the inability of travelers to book rooms at their negotiated rate, even if their contract promised last room availability. The problem has intensified, as hotels' yield management systems become more sophisticated, allowing them to switch corporate rates on and off depending on demand.

Negotiated rates can be unavailable for up to 35% to 40% of attempted bookings with preferred properties. When clients actively manage the situation by monitoring unavailability and challenging the hotel, they're often able to come to a satisfactory resolution. Rate availability audits are becoming a routine part of a well-managed travel program. However, not enough clients are yet acting to change hotel behavior.

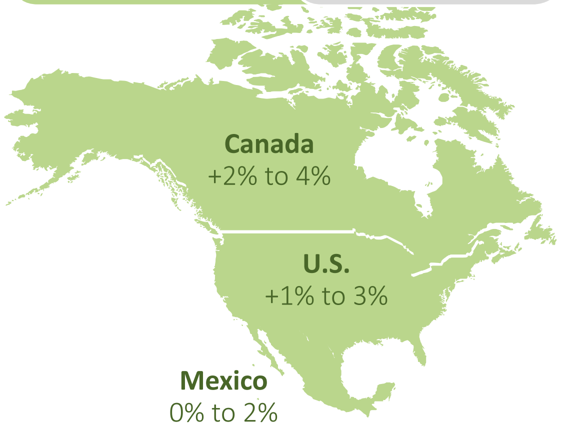
2019 INDUSTRY FORECAST

North America

Hotel

Outlook for 2019

North America +1% to 3%



U.S.

Assuming the economy is not derailed by a political crisis or tariff wars, demand will grow strongly again in 2019. Rates will rise by 1% to 3%, perhaps by a little less in a small number of cities like Chicago, where more hotels will open next year. Negotiations with preferred hotels will also be tougher.

Dynamic pricing will become even more common as corporate clients become more comfortable with the concept.

There is a risk that chains may be less accommodating towards corporate clients, partly because of the increasing consolidation of ownership across multiple hotel chains. Some of the biggest owners have 2,000 hotels spread across different chains in their portfolio and are pressuring them to take actions like cutting commission for group business.

Canada

The trend of solid demand and little new supply will continue into 2019, supporting rate increases in the 2% to 4% range.

Mexico

The new hotels, which have been opening during 2018, should finally bring supply more in line with demand. Rate increases will be a modest 0% to 2% in 2019.

Rate hotspots

The reopening of **San Francisco's** George R. Moscone Convention Center at the end of 2018, and the increased demand for meetings in an already overheated market, will send rates for ordinary business travelers up by a double-digit percentage. **Seattle** is also booming, so expect stiff increases there, too.

Renovations and rates

Meanwhile, Marriott's plans for a brand refresh for Sheraton could cut availability (and hike rates) in some cities if hotels close for upgrading. However, if hotels remain open while they are renovated, they may be prepared to offer attractive rates to maintain occupancy. Expect a similar situation if IHG proceeds with an expected upgrade of its Crowne Plaza hotels.

[2] Airbnb

Airbnb

More companies are adapting policies to allow travelers to book Airbnb.

Globally, Airbnb reports 700,000 companies using Airbnb for Work, with Los Angeles, New York, San Francisco, Boston and Washington, D.C. featuring in its top 10 destinations.[2]

Concerns remain about privacy, liability and security, and lack of relationships at a corporate level. Those business travelers who are actively encouraging their company to permit Airbnb tend to be in the minority. Most prefer a traditional hotel offering a wide range of services on demand.

That said, Airbnb is proving a useful alternative in cities where hotels are full and for extended stays.

Our hotel recommendations

- Review your hotel spend regularly. It's important to keep checking you have the right rate mix for each city.
- Consider using negotiated rates mainly for cities where your spend is heaviest.
- In markets with lower spend, adopt a mix of dynamic rates and other options, such as city caps.
- Introduce price assurance tools like TripBam or Yapta to secure the best prices in each market.
- If based in Mexico, try negotiating with local hotels in local currency, or fix the exchange rate if paying in U.S. dollars.

2019 INDUSTRY FORECAST

North America

Meetings

Current situation

U.S.

Booming meetings demand shows no sign of ending. Fewer bookings from outside the U.S. have been more than offset by an increase in domestic business. Availability has become a major challenge, especially as fewer newly built hotels include substantial meeting space.

Rising demand with little new meeting space supply is a serious structural problem that's driving changes in buyer behavior. Meetings are becoming shorter, often for one day only. Non-hotel meeting venues are more popular, while hotels are converting lobbies and other areas into alternative event spaces to capitalize on the new trends.

The availability problem can be exacerbated by ineffective communication between hoteliers and buyers, making it difficult to coordinate dates, space and value to the mutual benefit of both parties, especially for meetings required at short notice. As hotel revenue management becomes more sophisticated, buyers have also found it difficult to book larger meetings in convention cities like Las Vegas. Venues are delaying booking confirmation until they are confident the meeting will deliver satisfactory profitability.

Meeting costs have increased by 2% to 5% in 2018. Room rates have risen steadily, while food and beverage prices have climbed even faster. Hotels have also moved service charges and fees up from 20% to 23% to around 23% to 26% and are introducing more ancillary fees. Some venues also charge "resort fees," covering items like pool service, gym access and parking. Normally, buyers negotiate a waiver for these fees, but that's becoming harder.

Canada

Canada has successfully attracted overseas bookings away from the U.S. by promoting itself as a more welcoming destination. Domestic demand is also strong. There has been some new meeting supply in Toronto, Montreal and Vancouver. Rates have risen but the favorable exchange rate has ensured prices remain reasonable for international customers.

Mexico

Bookings started to improve in 2018 after slipping in 2017 because of weaker demand from the U.S., its biggest source market. However, companies have placed meeting plans on hold due to uncertainty around the Mexican presidential election and NAFTA's future.

Mexican companies have been switching their business to local or regional brands to avoid paying in U.S. dollars because of the weakness of the peso.

Marriott/Starwood merger and meetings

Following its merger with Starwood, Marriott has become the dominant hotel chain in a number of U.S. cities, significantly reducing the choice of meetings supply. But in some locations, the merged company has had to battle with other chains for market share, making pricing more favorable.

The merger has also encouraged independent hotels to become more active in the meetings market. Clients are increasingly looking for unique experiences. To get a share of this business, independents are working with larger hotel operators, such as Preferred Hotels & Resorts, to expand their distribution and raise their visibility.

Outlook for 2019

U.S.

Irrepressible domestic demand will make up for a continuing fall in bookings from outside the U.S. There won't be any great improvement in the supply of large meeting spaces, but new properties will help in a number of markets, including Atlanta, GA; Austin, Dallas and Houston, TX; Boston, MA; Cleveland, OH; Denver, CO; Kansas City and St. Louis, MO; Los Angeles, CA; Louisville, KY; Nashville, TN; and New York City.

Hotels are also reinvesting in existing properties, upgrading them to accommodate new meetings trends. Some chains are diversifying into sports and wellness, or offering unique venues, as AccorHotels is now doing after acquiring 21C Museum.

Some corporate clients may hold more meetings for shorter periods of time. Rates will rise at a similar level to 2018: 2% to 5%.

Canada

Canada will continue to see strong domestic demand, augmented by overseas bookings. This will ensure that rates keep increasing during 2019.

Mexico

What happens in 2019 will depend greatly on how business-friendly new president Andrés Manuel López Obrador proves to be. But early signs are promising, and underlying demand is strong, so bookings, and therefore rates, are likely to rise.

Our meetings recommendations

- Work with stakeholders in your organization to better understand their meeting plans in order to leverage spend.
- Don't delay your decision or contract signing, as space is often allocated on a first come, first served basis.
- If booking at short notice, be flexible on location, dates and pattern. It will enable you to take advantage of short-term opportunities.
- Book multiple events with the same hotel or chain to drive better savings.
- Keep an eye on hotels inserting extra costs and fees into contracts.

Car rental

Current situation

Demand continues to increase alongside the rest of business travel in the U.S. The car rental companies are doing well in matching supply to demand, but they can still sell out at peak periods. Business travelers also increasingly find the mid-range cars they favor are unavailable. Buyers worry the rental company might force drivers to upgrade to pricier large vehicles or SUVs.

Despite tight supply and a rise in leisure pricing, a decade-long story of zero or minimal corporate rate increases has persisted in 2018. Strong competition between the big three players – Avis, Hertz and Enterprise Holdings – means most rates have stayed flat, although some customers have accepted increases of up to 2% to lock in three-year contracts.

German car rental company Sixt is still trying to break into the U.S. Instead of offering a service in every neighborhood, it is focusing on key locations for corporate customers. So far, Sixt has opened in 17 key metropolitan areas, and plans to add another half dozen by the end of 2018, with an ultimate target of 30.

Outlook for 2019

With strong demand continuing, 2019 looks to be the year when rental companies finally raise their corporate rates. The big three suppliers have stopped trying to capture market-share through ultra-low pricing and are under financial pressure: Lower resale prices are hitting revenue, while rising repair and maintenance bills are driving up costs.

Expect rates to rise by 2% to 4%, with increases at the lower end for larger clients and at the higher end for smaller ones. However, this market has defied logic before by failing to push through rate increases that seemed inevitable.

Our car rental recommendations

- Negotiate longer contracts before rates move even higher.
- Read contracts carefully to spot unexpected terms and conditions.
- Make sure agreements cover one-day rentals as well as the rest of your business. Sometimes rental companies exclude them.
- If there are one-day surcharges, check they aren't applied to all days of the week.

Ride-hailing

Companies are still figuring out how to manage ride-hailing within their travel program. The vast majority don't tell employees to use Uber or Lyft, for liability reasons, but they don't discourage these suppliers either.

Lyft is competing aggressively with Uber for corporate business and is winning market share.

Black cars

Black car providers are consolidating through ownership or joint-ventures to offer nationwide coverage to corporate clients. Buyers need to do some research to differentiate between those suppliers offering a truly joined-up service and those which are loosely aligned collections of local providers.

Regional fares will increase as demand continues to grow faster than supply.

Airline competition in major markets will ensure no overall increase in intercontinental fares.

Major changes to trans-Tasman air services will inevitably impact fares.

Hotel rates will rise by 1% to 3% in both Australia and New Zealand.

With the arrival of Ola, Taxify and Didi Chuxing, Australian consumers now have a choice of ride-hailing alternatives to Uber.

2019 INDUSTRY FORECAST

Southwest Pacific

BCD travel

Research & Intelligence team

Current situation

Australia

Australia's thriving service economy pushed domestic air traffic up by 3.4% during the first six months of 2018, outpacing the 1.5% growth in supply.[1] Flights are close to 80% full on average, and load factors can be even higher for key business routes between Sydney, Melbourne and Brisbane. A 4% rise in passengers flying between Sydney and Melbourne has created a major availability problem; fares have increased by 8% as a result. On other routes, the average fare increase has been 6%.

Outside of the major markets, the weakness of the mining sector has hit demand and supply.

International air traffic continues to grow fast – increasing by 5% year-over-year (YOY) during the first five months of 2018 – maintaining a positive trend that has stretched back eight years.[2] Premium cabins are full on flights to Asia, Europe and the U.S. Supply has increased, but not enough to keep pace with demand. Gulf carriers Emirates and Qatar Airways are still adding more capacity into the market, but Etihad Airways has scaled back its operations, cancelling its daily Abu Dhabi-Perth service.

Fares aren't rising on all international routes. Capacity to Singapore has increased, after Qantas switched its stopover point for London-bound services from Dubai back to the Southeast Asian airport. This has helped to keep business fares flat and push down economy fares. Meanwhile, Virgin Australia's launch of services from Melbourne and Sydney to Hong Kong has helped to bring down premium fares on these routes. And Gulf carrier capacity is keeping business class fares to Europe flat – for now.

Overall, however, suppliers retain the advantage in the Australian market. Buyers can only secure favorable deals by showing they can direct travelers to select a particular airline. Domestic discounts are hard to obtain, unless buyers can commit their international travel program to the same airline. But where international trips dominate a travel program, securing a domestic discount with Qantas or Virgin Australia may not be worth sacrificing the lower international fares already negotiated with an overseas airline.

New Zealand

The situation in New Zealand's domestic and international markets is quite different. Air New Zealand has an 82% share of domestic routes and keeps a tight control of capacity. Fares per kilometer can be high, while the discounts offered on contracted fares are small.

On international routes, Air New Zealand competes with around 30 other airlines, all vying for their share of a market comprising only 4.75 million people. Intense competition means pricing can be attractive, so business travelers tend to buy the best fare on the day. This doesn't hold true for all markets, however. One major exception is travel to the U.S., where Air New Zealand holds a near-monopoly of flights and fares are high.

The strength of Air New Zealand in some markets and the high levels of competition it faces on international routes make it challenging for buyers to adopt a balanced sourcing strategy. Air New Zealand normally demands high market-share commitments from travel buyers in return for discounts. This may restrict a buyer's ability to take advantage of pricing offers from other carriers. Faced with this choice, many companies, especially foreign ones, decide not to pursue a deal. Some local companies may still try to negotiate limited market-specific deals.

Limited U.S. fare availability

New services from Virgin Australia (Melbourne-Los Angeles) and United Airlines (Sydney-Houston) should have helped push down fares in the Australia-U.S. market, but there is no evidence of this. A 9% depreciation in the value of the Australian dollar has encouraged airlines to make more seats available to U.S.-originating demand, which offers higher yields. Australian business travelers have found it difficult to access lower-end booking classes and have seen their average ticket price leap 10%, even though published fares haven't changed.

[1] IATA, Air Passenger Market Analysis, June 2018
[2] Australian Department of Infrastructure, Regional Development and Cities

2019 | INDUSTRY FORECAST

Southwest Pacific

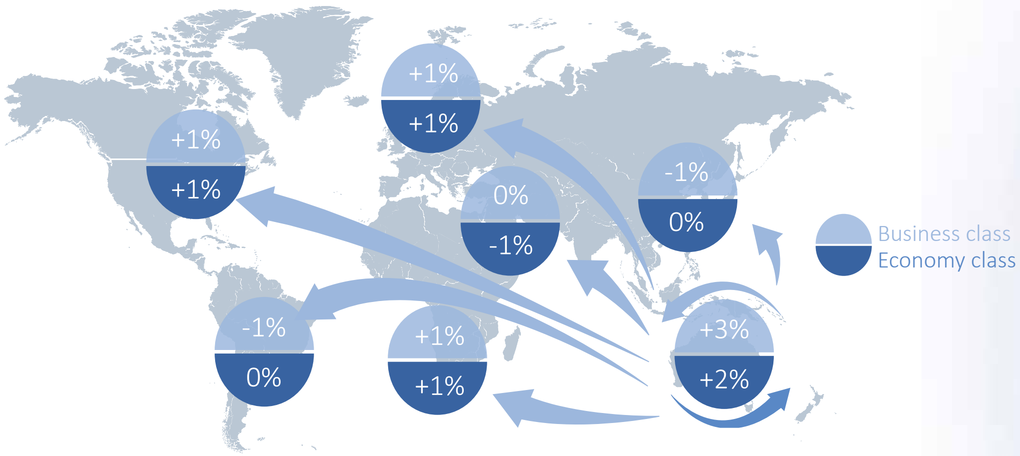
Air

Outlook for 2019

Airfare forecasts

Average ticket prices
% year-over-year

	Intercontinental		Regional	
	Business	Economy	Business	Economy
Southwest Pacific	0%	0%	3%	2%



Australia

Capacity is likely to stay flat on both domestic and international routes, while demand will keep rising. The strongest upward pressure on fares applies to regional travel, where we predict that a rise of at least 4% in domestic fares combined with changes to trans-Tasman services will translate into a 3% rise in business fares and a 2% increase for economy.

For intercontinental travel, we expect a rise in business class fares to Africa, Europe and North America, but they should be lower to Asia and Latin America, resulting in no increase overall.

New Zealand

Demand will stay strong as the New Zealand economy prospers. There will be little change in supply on domestic routes, but Air New Zealand should be content to limit fare increases to 2%. Rising fuel costs could justify additional increases.

Supply will increase again on international routes to meet voracious demand in both directions. Chinese carriers will be particularly active; no fewer than nine of them currently fly to New Zealand. Robust competition will prevent fares from rising with plenty of tactical offers available to tempt travelers.

BCD travel

All change on trans-Tasman

The trans-Tasman market has been highly competitive for some time, thanks to a joint venture between Air New Zealand and Virgin Australia, which competed fiercely with Qantas, Jetstar and Emirates. Fares were heavily discounted as a result.

But 2018 has seen major changes. Emirates has all but withdrawn from the market, and Air New Zealand has ended its venture with Virgin, choosing instead to codeshare with Qantas from October 2018. The two flag carriers will still compete trans-Tasman, but Air New Zealand will place its code on 85 domestic Qantas routes, while Qantas will market on 30 domestic Air New Zealand routes.

How this will affect trans-Tasman services isn't yet entirely clear. Virgin has announced some new services of its own, including Wellington-Brisbane and Melbourne-Queenstown. Qantas is also increasing capacity, so fares may be more competitive. But Virgin's loss of domestic feed from Air New Zealand may eventually force it to scale back its trans-Tasman operations. The new arrangement between Air New Zealand and Qantas could also further strengthen the two companies in their home markets. The Australian Airports Association has called for a review by regulators.

Our air recommendations

- Plan and book early on routes where availability is a problem, such as domestic services or flights between New Zealand and the U.S.
- Don't book too early on heavily competed routes where new tactical offers can be launched at short notice.
- Be careful about committing to deals with Qantas or Air New Zealand if it means excluding other airlines' on-the-day pricing. Analyze your data to ensure the numbers work in your favor.
- Consider a deal with Air New Zealand if most of your traffic is domestic, trans-Tasman or to North America.
- If your discounts are based on lower booking classes, make sure airlines are offering them on domestic routes.

Current situation

Australia

Sydney's popularity with travelers is becoming a major problem for buyers, with occupancy in upscale hotels above 90% despite the 2017 opening of a 500-room Sofitel. Rates continue to rise sharply, and simply finding a room at any price is a challenge. There is little sign of Airbnb emerging as an alternative for business travelers, but serviced apartments are gaining popularity, especially for stays of more than five nights.

Supply and demand are better balanced elsewhere. Several hotel openings have helped steady rates in Melbourne, where a room typically costs 20% less than in Sydney. Brisbane has also seen more properties open. Rates have fallen in Perth and Hobart because of weaker demand from the mining sector. But rates have risen by 5% in Adelaide, although prices in the city can still be much lower than in Sydney.

TripSource Hotels improving hotel attachment

Travel managers want to grow their program attachment rates (flight bookings that include a hotel booking), to support duty of care, improve data oversight and bring in external spend. But travelers continue to book outside of their programs, as they want access to greater choice. Attachment rates in Australia are typically 20% to 30% lower than in the U.S.

BCD Travel's TripSource® platform can help with this issue by providing the options travelers want all in one place. TripSource aggregates content from global distribution systems (GDSs), hotel booking agents (HBAs), online travel agencies (OTAs), BCD private rates, and client-preferred rates.

Travelers don't need to go elsewhere to search and compare options. Now they can shop and book their entire trip with a BCD travel counselor, knowing they've made the right choice. Travel managers can be confident travelers are staying in program, and they'll get the information they need to measure and manage spend.

New Zealand

New Zealand faces similar problems to Sydney across all of its major cities. Supply has failed to keep pace with rapid growth in demand. Auckland's hotels are close to sold-out most nights, and rates are very high. Some hotels will only give deals to their most important clients. In any case, the corporate rate is often unavailable when travelers try booking.

To deal with accommodation shortages and high rates, Australian business travelers are increasingly limiting their New Zealand visits to day trips. But with a three-hour flying time from Sydney to Auckland or Wellington, this is asking a lot of the employee.

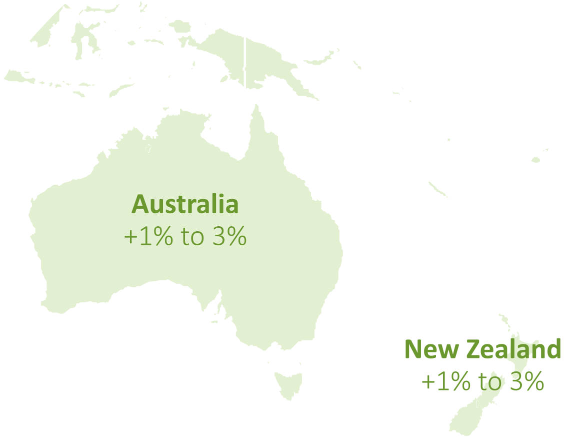
BCD travel

Southwest Pacific

Hotel

Outlook for 2019

Southwest Pacific +1% to 3%



Rates will be 1% to 3% higher across Australia, although hotels in Sydney will be able to push through steeper increases.

Consolidation among major hotel chains may lead to even bigger price rises in some markets. While the Marriott/Starwood merger has captured a lot of attention, AccorHotels, which is already Australia's biggest player, has recently acquired Mantra. The deal has added a further 130 properties to its portfolio across Australia and New Zealand. These expanding chains may be more selective about negotiating corporate deals. And rates offered through OTAs may also go up, as increasingly confident chains reduce commissions paid to them.

New Zealand

While more hotels are set to open in the big cities, there is unlikely to be any real increase in supply before 2021. By this time, demand will have grown even further. Expect rates to increase by at least another 1% to 3% in 2019.

Our hotel recommendations

- Try to minimize the number of nights your employees stay in high-cost cities like Sydney and New Zealand's major cities.
- Consider lower service tier hotels as an option in high-demand locations.
- Serviced apartments are worth considering for longer stays. They offer full safety and security standards

[2] Airbnb

2019 INDUSTRY FORECAST

Southwest Pacific

Meetings

Current situation

Insufficient hotel supply is a major problem when planning a meeting in Sydney and across New Zealand. It means already high rates will increase sharply again in 2019.

New meetings space has opened in Auckland, and more is on the way, including the New Zealand International Convention Centre, which will open in 2020. The extra visitors that the convention center attracts will put even more pressure on the city’s overstretched bed supply.

In Australia, Sydney’s sky-high rates make other destinations well worth considering. Alternatives include Melbourne or, for even bigger savings, Perth or Hobart.

BCD travel

Ride-hailing

Traditional taxi companies continue to lose business to ride-hailing services. Business travelers across the Southwest Pacific see ride-hailing as efficient, safe and cheaper, especially for airport transfers to/from city centers. To compete, Australian taxi companies have created their own apps and have started offering discounts for regular users.

Uber has dominated ride-hailing in Australia since launching in the market in 2012. Competition intensified in 2018, with Uber's local rival GoCatch joined by India's Ola and Europe's Taxify as new entrants. Now Chinese ride-hailing giant Didi Chuxing has entered the Australian market, initially launching Didi Express services in Melbourne. Uber is well established in the market, but Taxify and Ola offer lower rates outside Sydney, and consumers can now shop around for the best deal.

Methodology

Assumptions

We have assumed, as working hypotheses, that:

- The price of oil (Brent crude) per barrel will average US$75 in 2019.
- World economic growth will be 3.1% in 2018, slowing to 2.9% in 2019.

Approach to analysis

Our ongoing research and in-depth interviews with experts in corporate travel and meetings management forms the basis for our discussion of broader industry developments and trends.

We base our category-specific predictions on our analysis of aggregated transaction data for BCD Travel's corporate clients worldwide.

We analyze and forecast on dynamic baskets using actual air segments, room nights and car rental bookings for the period in question to reflect potential shifts in travel patterns and booking behavior. The level of aggregation for each measure is determined by the validity of the relevant pool of data.

We weight monthly averages by category transactions for each unit. Regional averages for hotels are calculated using total room nights to weight the forecasts for all countries in that region. Quarterly averages are weighted averages of the months in that quarter. Unless stated differently, we base price developments on local currencies; these developments are therefore subject to foreign exchange fluctuations. We normalize local currency transaction data into leading world currencies, using the daily average conversion rate on the date of travel.

Hotel market tier assignments follow our proprietary classification scheme. We designate luxury and upper upscale hotels as upper tier and all other hotels as lower tier. Air cabin classes are based on our master table of airline booking classes.

When applying economic growth in our regional forecasts, we use figures aggregated at market exchange rates rather than at Purchasing Power Parity (PPP). The PPP approach risks overstating the contribution of emerging markets.

Sources

In addition to aggregated BCD Travel client data, we use the following sources:

- International Air Transport Association (IATA) for airline capacity and traffic
- Oxford Economics for historic and forecast macroeconomic data
- Tourism Economics for room nights by region
- International Monetary Fund (IMF) for macroeconomic projections
- Economist Intelligence Unit (EIU) for macroeconomic projections and oil prices
- OANDA for foreign currency exchange rates
- Official Airline Guide (OAG) for airline capacity
- U.S. Energy Information Administration (EIA) for historic and forecasted oil prices
- Flightglobal.com for airline industry news and analysis

The estimates and projections are based on data available through March and April 2018 respectively for air and hotel transactions, and through July 2018 for macroeconomic and industry indicators.

2019 INDUSTRY FORECAST

Global Overview

Meet the team behind the Industry Forecast

Mike Eggleton
Primary author
Mike has been a member of the Research & Intelligence Team since 2013. He joined BCD Travel after a career at British Airways, bringing a wealth of experience in business strategy, network planning, competitor analysis, economics, market analysis and forecasting. At BCD, he is responsible for producing the Industry Forecast and providing insights and thought leadership on a range of trends and issues relating to the business travel industry. Mike has a Bachelor of Arts degree in Geography from the University of Southampton. He is based in Rickmansworth, U.K.

Jaume Bellaescusa
Data Analyst
Jaume is a member of the Product Planning & Development Team at BCD Travel. He works as a Data Scientist and builds Machine Learning models and statistical algorithms to enhance BCD products and decision making through the use of data. Jaume holds a Masters Degree in Engineering from UPC Barcelona. He is based in Girona, Spain.

About BCD Travel
BCD Travel helps companies make the most of what they spend on travel. For travelers, this means keeping them safe and productive, and equipping them to make good choices on the road. For travel and procurement managers, it means advising them on how to grow the value of their travel program. In short, we help our clients travel smart and achieve more. We make this happen in 109 countries with almost 13,500 creative, committed and experienced people. And it's how we maintain the industry's most consistent client retention rate (95% over the past 10 years), with 2017 sales of US$25.7 billion. For more information, visit **www.bcdtravel.com**.

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