

2019 Global Travel Forecast: Global Air, Hotel and Ground Prices

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For the 5th year



- 28 countries and 10 US cities
- Airlines, Hotel, Rental Car
- Forecast in USD, guidelines on currency exchange forecast
- Forecast projections provided by CWT Solutions Group
- Data analysis provided by Rockport Analytics

2019 Global Travel Forecast

Jon Gray, GBTA and Rockport Analytics

Katie Raddatz, CWT Solutions Group

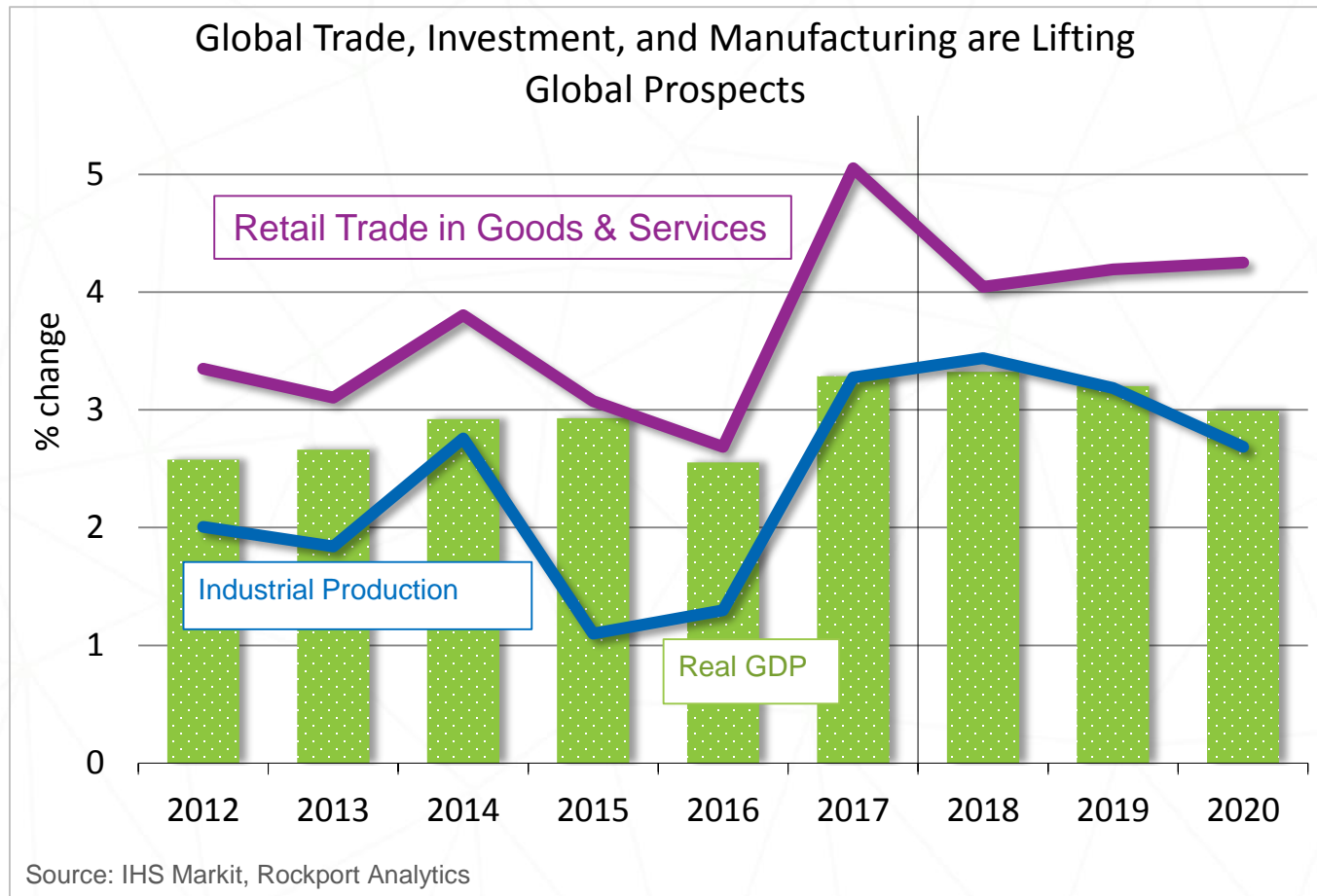
Session Agenda

- Global Themes and Trends
- Regional Insights
- Recommendations
- Q&A

Macroeconomic Overview

2019 Outlook on the Key Economic Drivers of Global Travel Prices

Global Growth Is Solid But It's Late in the Cycle...

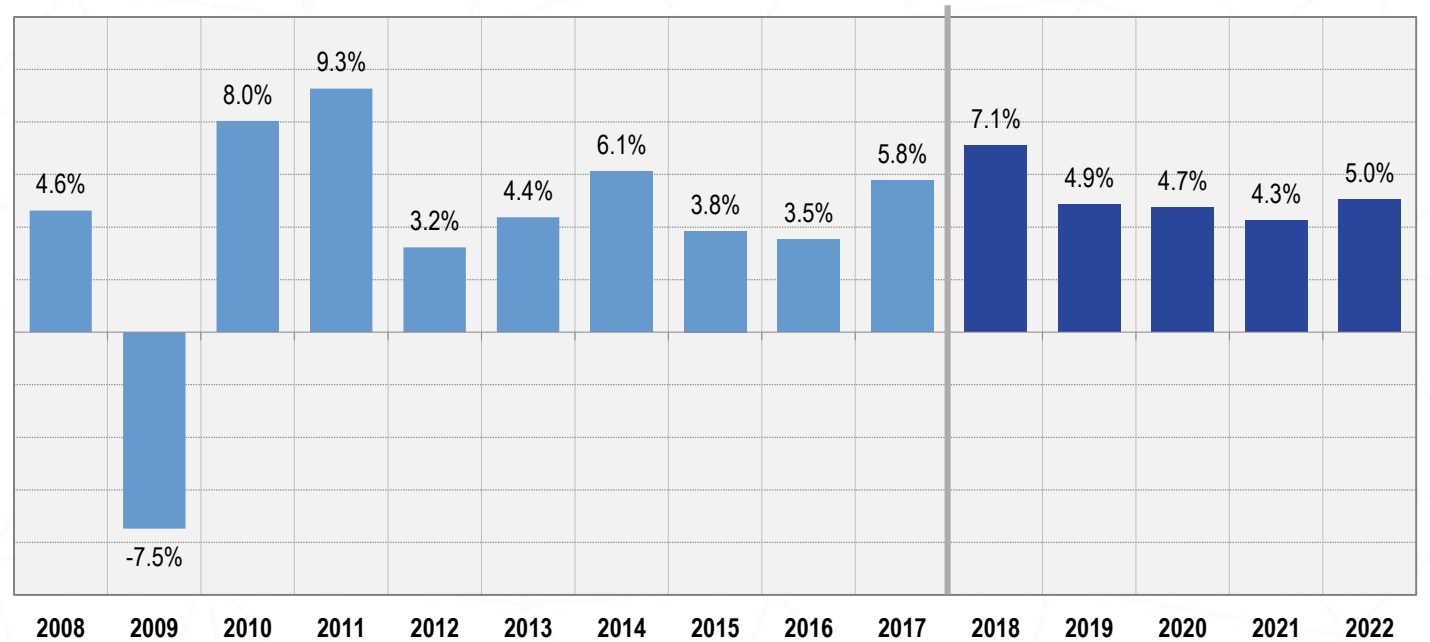


- Trade, investment, and production lift 2017, 2018
- All three drivers currently under pressure, however...
- Trade conflicts, indebtedness, elevated oil prices, and political instability are distinct headwinds

Business Travel Demand Tracks Global Economy



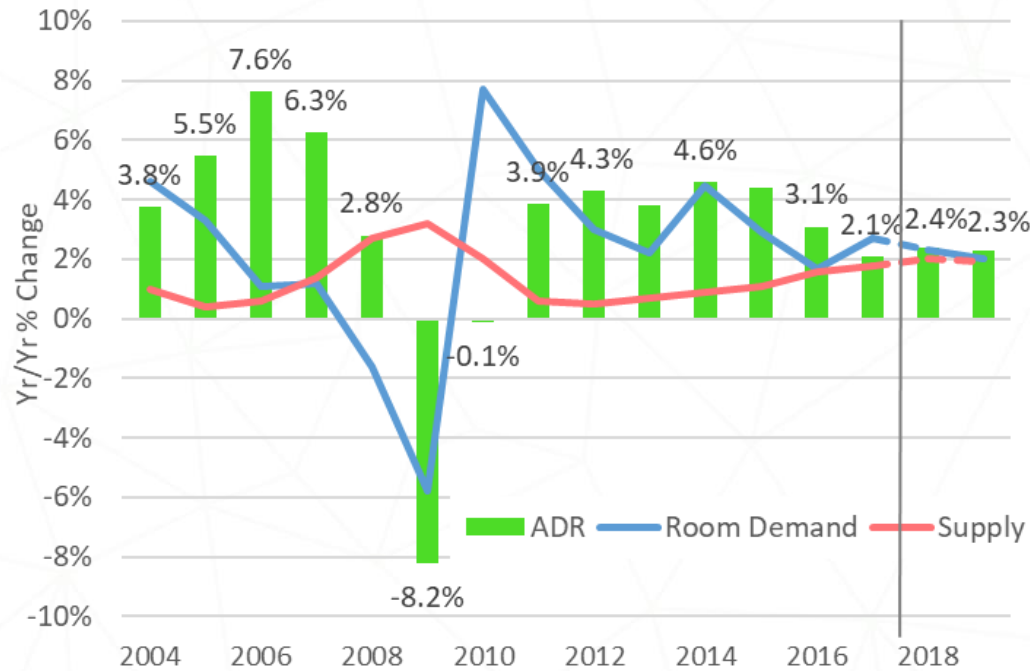
Global Business Travel Spending:
Strong in 2018 Then Typical Cyclical Moderation



Source: GBTA, Rockport Analytics

Travel Supply & Demand

U.S. Hotel Supply, Demand & Price



Source: STR

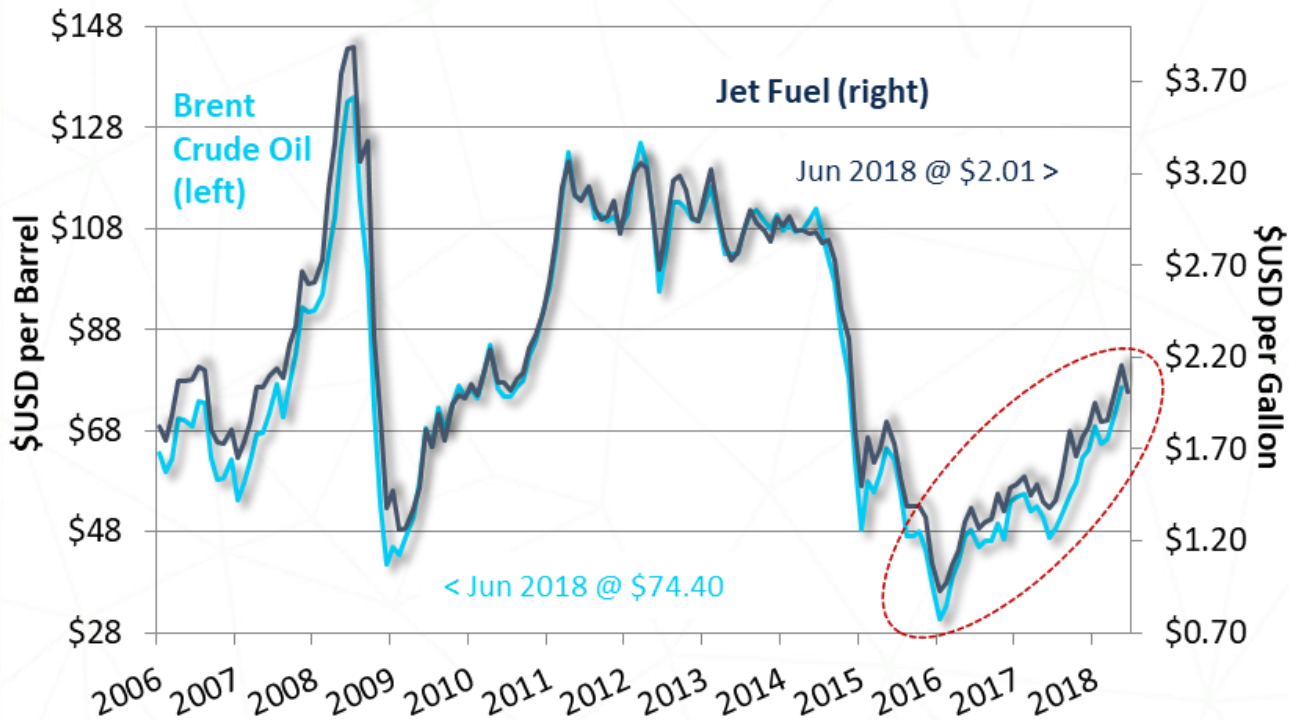
Global Airline Industry Forecast - June 2018

In billions \$ unless otherwise noted	2014	2015	2016	2017	2018	%
Passenger Revenue	\$538	\$509	\$498	\$534	\$590	10.5%
Passengers (millions)	3,326	3,565	3,815	4,093	4,358	6.5%
Average Fare	\$162	\$143	\$131	\$130	\$135	3.8%
Fuel Expenses	\$224	\$174	\$135	\$149	\$188	26.2%
Other Costs	\$507	\$485	\$514	\$548	\$590	7.7%
# Flights (millions)	33.0	34.0	35.4	36.8	39.0	6.0%
Load Factor %	80.0%	80.6%	80.5%	81.5%	81.7%	0.2%
Operating Profit	\$35.5	\$62.0	\$60.1	\$56.3	\$56.3	0.0%

Source: IATA

Rebounding Oil Prices

Oil Prices: Demand Currently Outpacing Supply

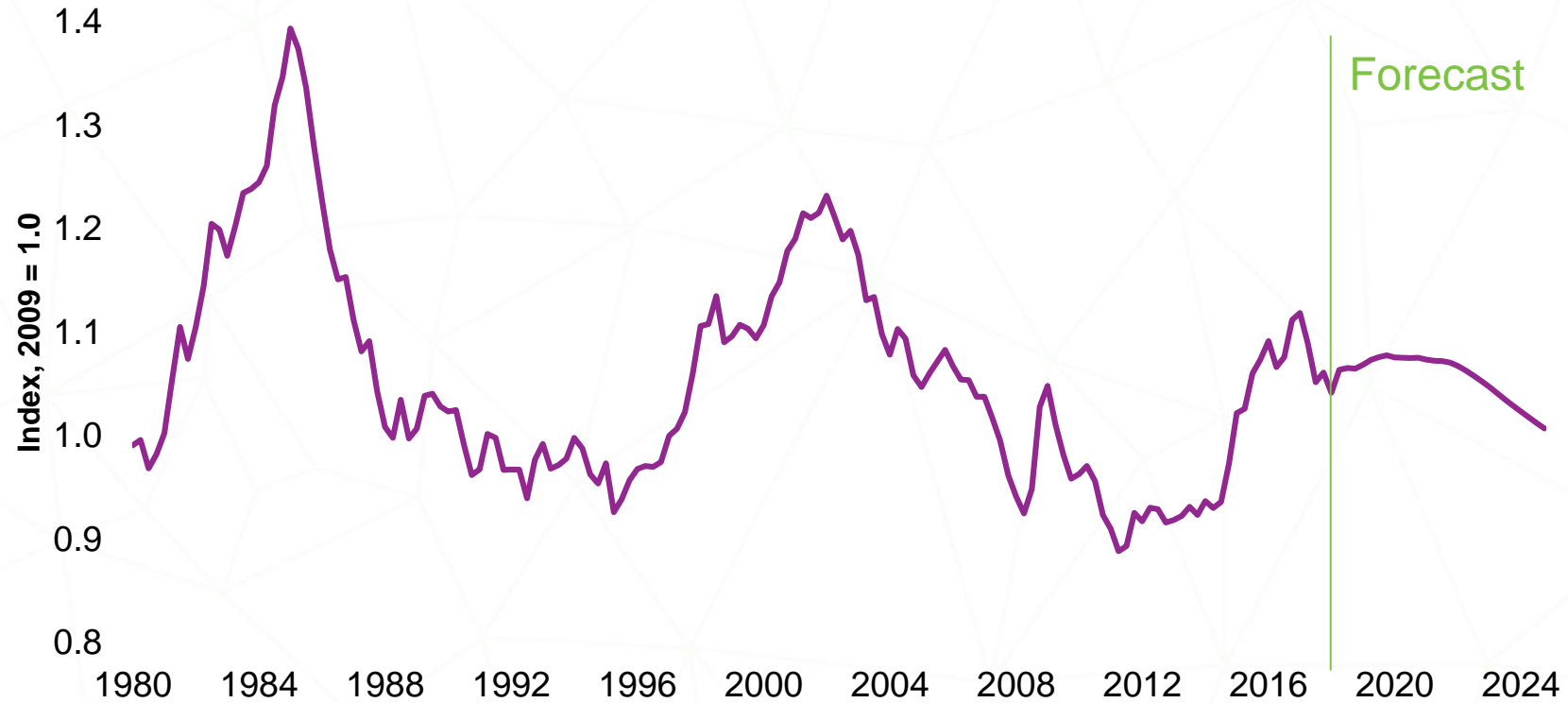


Source: Energy Information Administration

- Oil up 60% vs. year ago!
- Good for oil exporting countries (e.g. ME, Russia, Brazil)
- Increased U.S., OPEC, & non-OPEC supply expected to help relieve pressure
- Prices expected to moderate and remain below \$75/bbl over forecast horizon

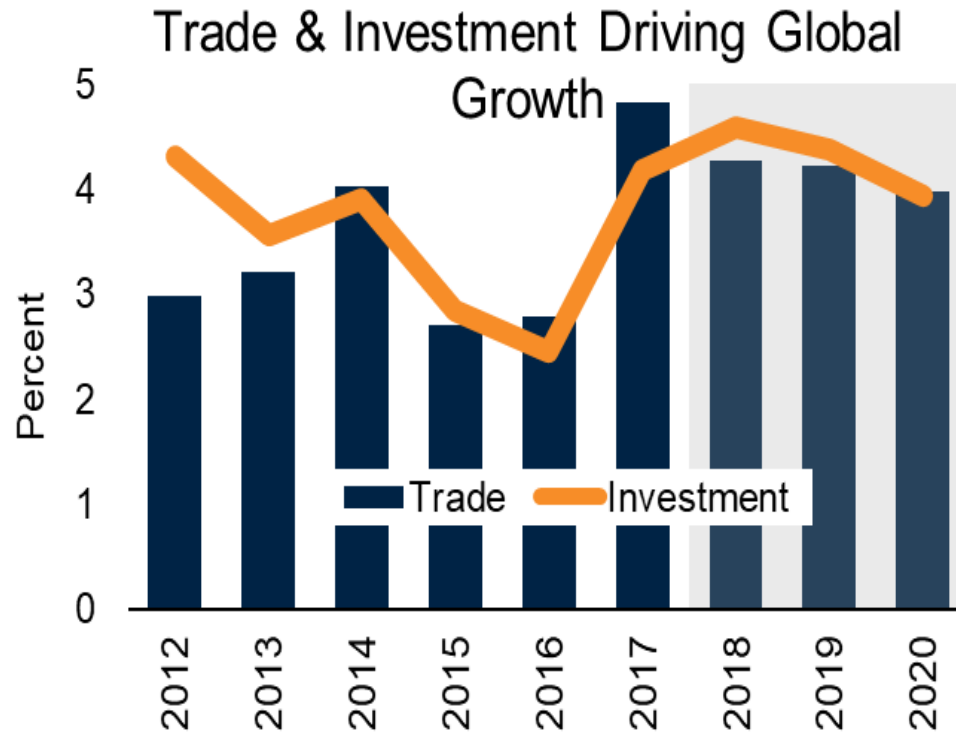
Pressure on US Dollar After Six Years of Appreciation

Real trade-weighted dollar index



Source: IHS Markit

Expanding Trade Is Driving Global Growth



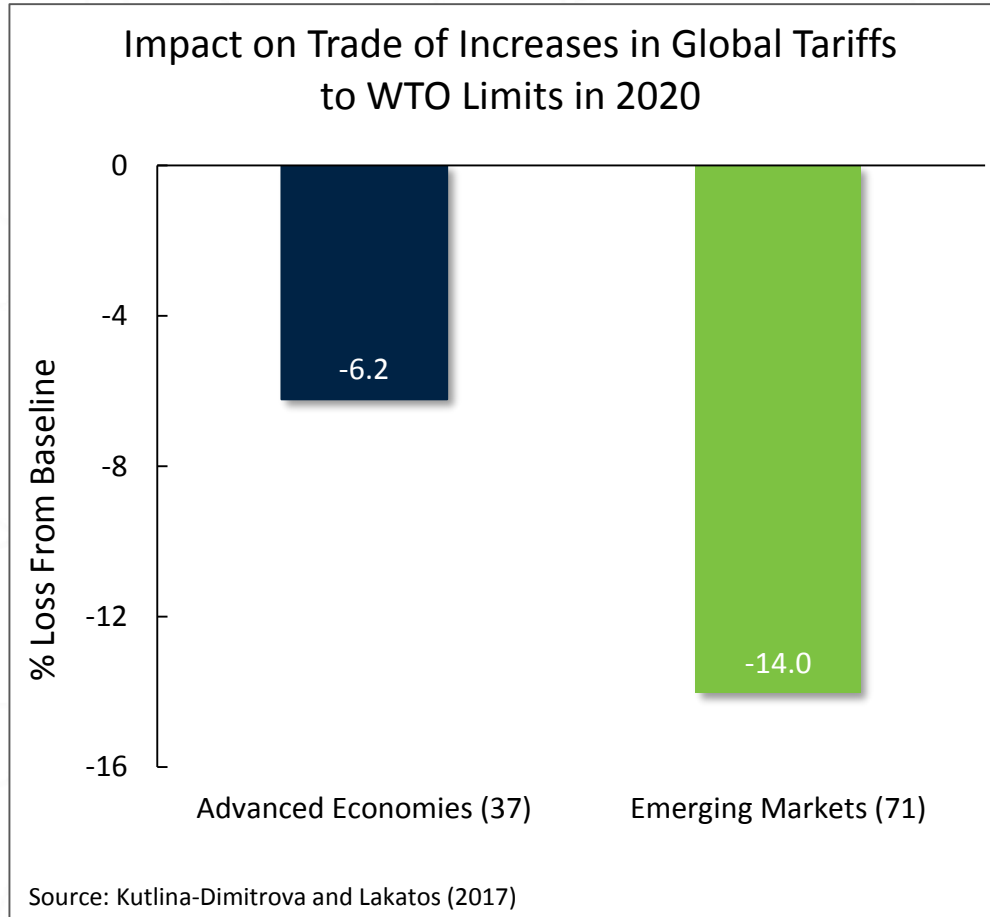
- Export & imports fueling growth in 2017, 2018
- Good for international business travel

Correlation Between Global Trade and Global Business Travel Demand

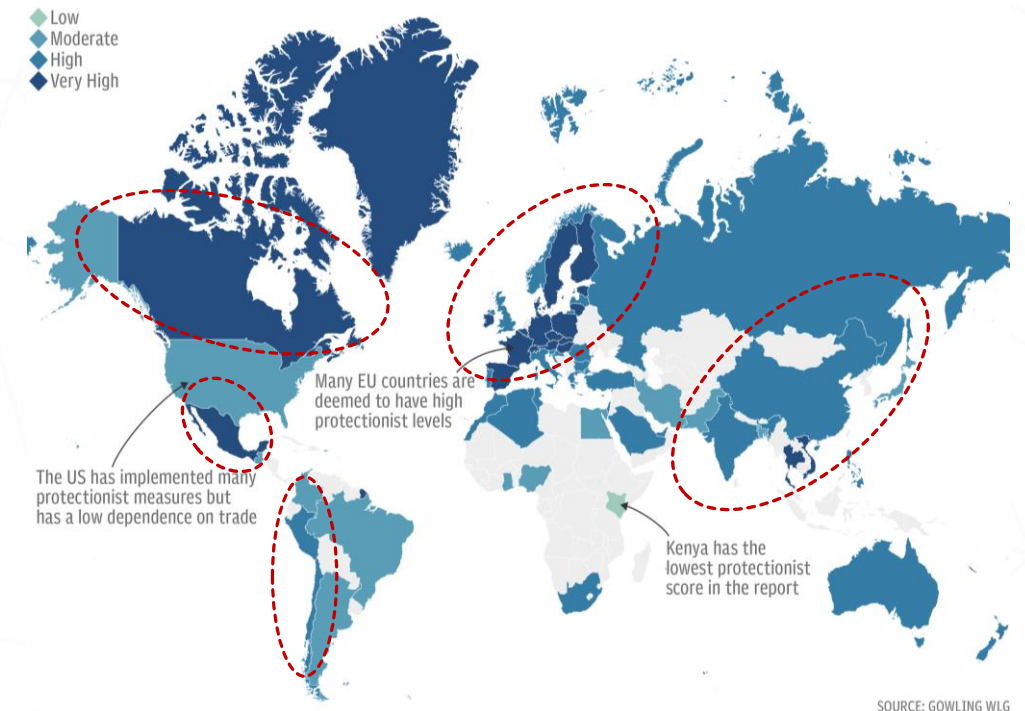


- High degree of correlation between business travel & trade
- Danger on the horizon??

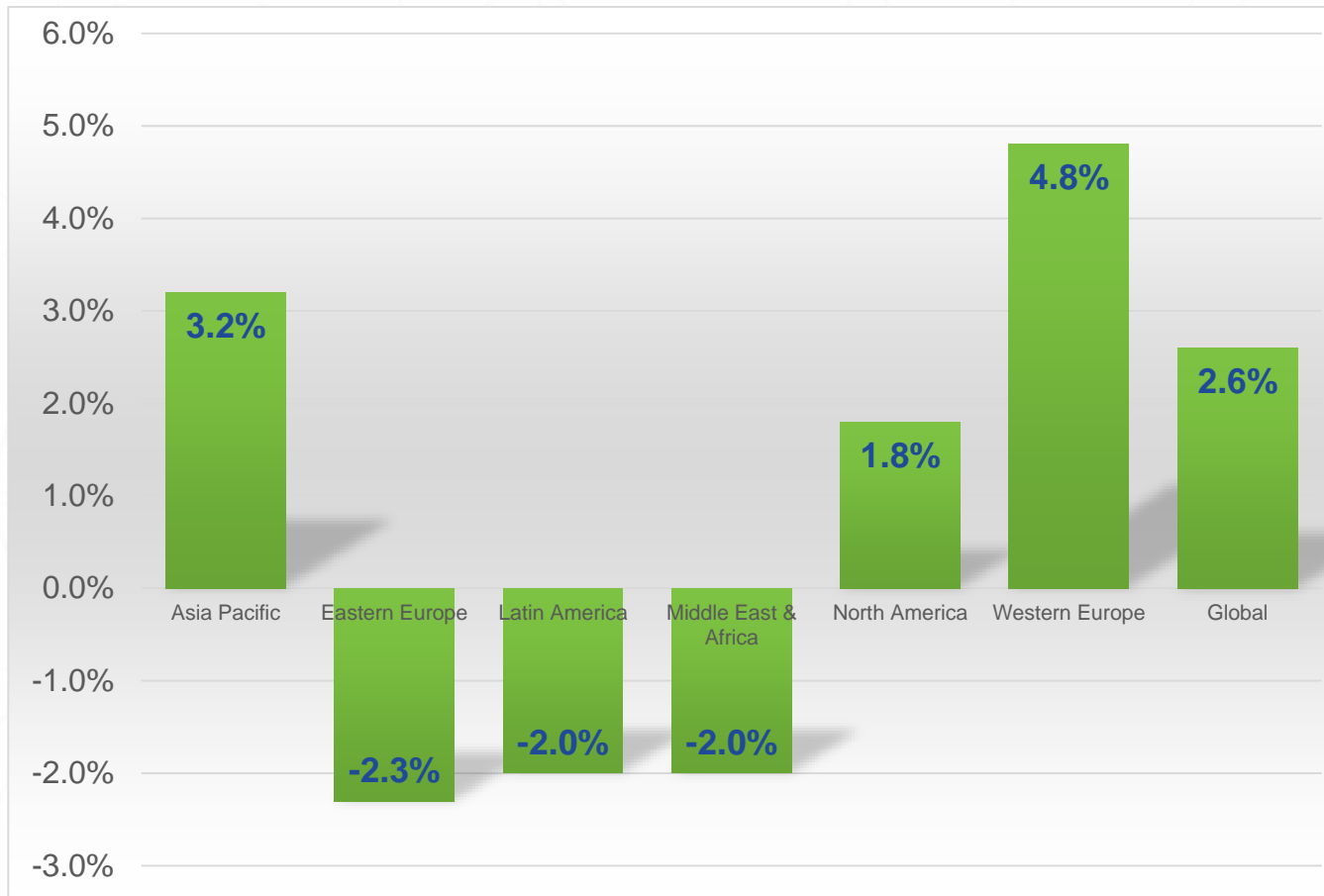
Tariffs & Protectionist Trade Policy Threaten to Derail Momentum



Which Economies Will Be Most Heavily Impacted?

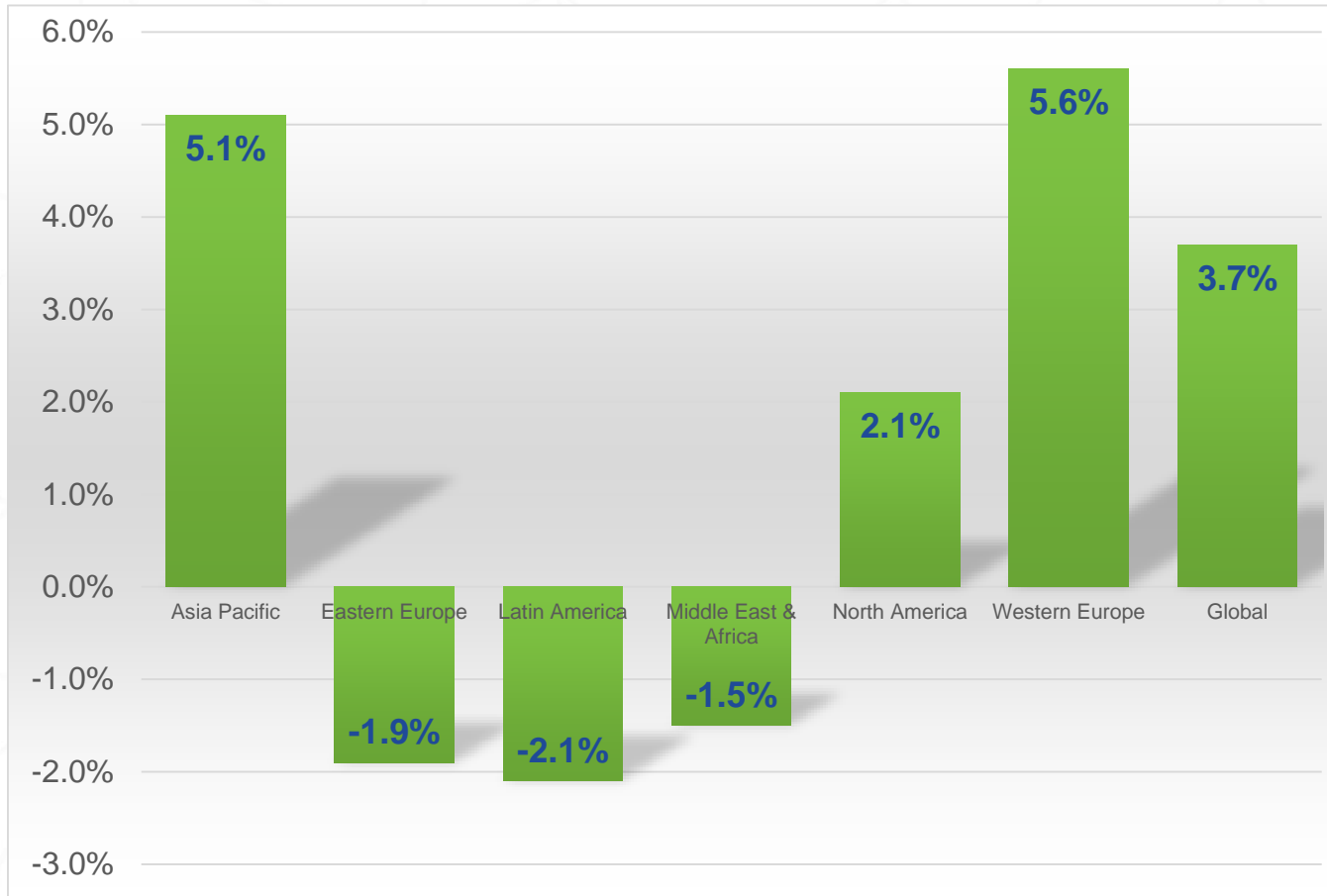


2019 Global Air Forecast



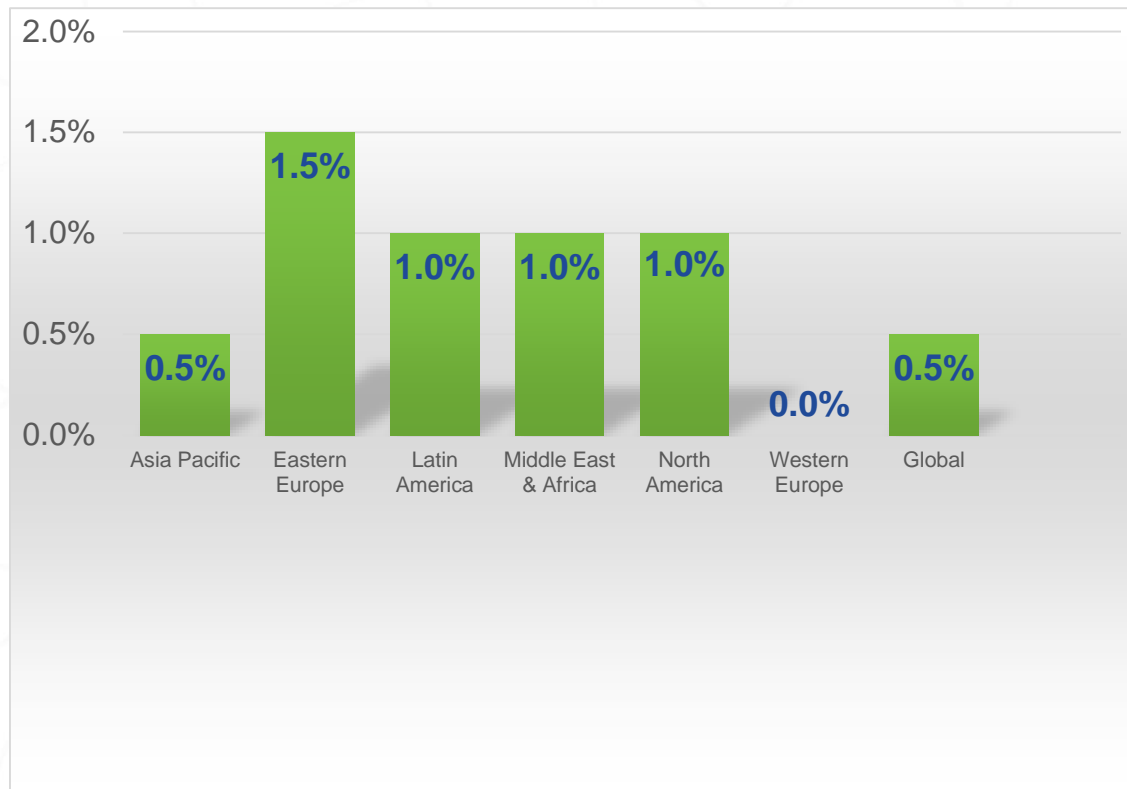
- Oil prices climb
- NDC
- Fare segmentation
- Capacity compression
- Pilot shortage
- Ultra long haul flights return
 - A380 and Dreamliner
 - Low-cost entrants

2019 Global Hotel Forecast



- Air increases fuel demand
- Mobile first strategy
- Non-compliance or program leakage grows
- Brexit uncertainty
- Consolidation continues
- Dynamic pricing adoption
- Personalization

2019 Global Ground Forecast



- United States prices increasing
- Ride-hailing apps partner with rental car companies
- App providers to work with regulators
- Rail impact on category
- Digital evolution

North America Projections

Air

- Expected **+1.8%**
- US corporate tax cuts aid demand
- Energy sector rebounding
- Trade disputes threaten demand
- Premium economy reducing seats as carriers target margin
- Canada inflationary pressures
- Domestic economy strong increases in **ATL** (2.8%) and **SFO** (2.3%)
- Intercontinental business highest in **SEA** (2.9%) and **BOS** (2.5%)

Hotel

- Increase of **+2.1%**
- 5 year ADR increase trend to continue
- Upscale hotels competing with midscale where supply is rising
- West coast cities highest again in 2019
 - SFO 4.9%
 - SEA 4.8%
 - LAX 4.6%

EMEA Projections

Air

- Western Europe **+4.8%**
- Eastern Europe **-2.3%**
- Middle East **-2.0%**
- Kenya helping push demand in Africa as oil/gas activity increases
- France most to lose from U.S. pulled support of Iran deal
- Russia air traffic growing fast, demand increasing driven by oil recovery
- Western Europe intercontinental economy up 5.5%
- Turkey
 - 2nd phase of new IST airport opens October as world's largest terminal
 - Continued competition for Gulf carriers

Hotel

- Western Europe **+5.6%**
- Eastern Europe **-1.9%**
- Middle East **-1.5%**
- UAE- supply growth impact strong for Dubai ahead of Expo 2020
- Western Europe pricing higher due to strong economies in key cities and expected growth of Euro vs. USD
- France
 - Recovery continues following terror attacks
 - New luxury openings in Paris will impact ADR

Asia Pacific Projections

Air

- Increase of **+3.2%**
- China demand increasing
 - Open skies unlikely
 - More competition on long haul
- India
 - Airport constraints
 - International business class up 6.7%
- New South Korean regulations to spur competition, demand will keep prices from rising too quickly
- Japan
 - Hosting Rugby World Cup and 2020 Olympics
 - Haneda expansion
 - More supply, choice and reduced fares

Hotel

- Expect **+5.1%**
- Strong growth of Australian properties (+3.4%) in 2019-2020
- Rise of smart hotels in Singapore
- Thailand economy recovering and hotels scaling up

Latin America Projections

Air

- Decrease of **-2.0%**
- Brazil emerging from recession
 - General election late '18
 - Open skies with U.S. with new competition will benefit travelers
- Mexico
 - NAFTA and new President
 - Strong LCC competition and marginal economic growth

Hotel

- Expect decline of **-2.1%**
- Peru recovery supported by rise in copper prices and large infrastructure projects in mining industry; rates have increased slightly as a result
- Occupancy
 - Improved +10% YoY in Brazil
 - High occupancy expected in Colombia as economy benefits from rise in oil prices

Recommendations for Buyers

1. Consolidate for full visibility
2. Monitor to optimize
3. Provide a mix of rate offerings
4. Negotiate
5. Reward good behavior



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GBTA Announcements

Lost in Translation: 5 counter-intuitive realities in business travel management
September 11 | 2pm ET

Zero Fees...How Can This Be?
September 13 | 2pm ET