2016 Industry Forecast
June Update

Global travel climate

Active tracking not the only answer

Active GPS-based tracking isn't the best way to locate travelers. It's been largely confined to riskier destinations or high-value travelers due to cost, privacy and battery drain challenges. But demand for an accurate way to find employees has grown significantly. Consider on-demand location finding, limiting tracking to employees inside a defined area (geofence). Concerns around active tracking shouldn't be an issue, as companies only track employees that are in the area you define. During the Paris attacks you would track only travelers in the city or areas within it. Beyond geo-location, travel itinerary and card swipe data are still valuable to mitigate travel risk. You may want to know where a traveler plans to go, but don't always need active or on-demand tracking. Save active tracking for times you really need it. Duty of care is best served by a comprehensive travel risk management program, including risk assessment, prevention and communication.

Say "good-bye" to sourcing season

Buyers face tougher negotiations as suppliers make the most of strong demand and analytical improvements. Treat the rest of the year as a sourcing "off season" and you'll leave money on the table. Use some of the same data that suppliers use to yield manage. Constantly monitor and adjust your program just like they constantly monitor and change their prices. Consider benchmarking prices against other suppliers, holding your preferred properties accountable for their own market rates when consistently better than yours, monitoring preferred rate availability to find gaps in compliance-to-contract terms, and add/remove hotels as your travel patterns change. Work with your data all year long to get the savings you deserve.

The rise of "conversational commerce" in travel[1]

There's now a tremendous focus on interacting with travelers before, during and after their trips for many travel brands. Travel companies are investing significantly in messaging tech to enable what consumers increasingly want – combined live and automated support via digital interactions. Airlines, OTAs and agencies are investing. Imagine the benefits to corporate travel. Through these interactions, agents can direct travelers toward smart booking choices, reducing time spent on shopping and booking. TMCs can more effectively support travelers when they need them most – during a disruption. Better traveler support improves traveler confidence in the program, supports safe travel, and drives better buying decisions. Corporate travel apps (like BCD Travel's TripSource) allow travel managers and TMCs to engage directly and instantly with travelers delivering relevant and contextual messages to individual travelers, empowering them to make the right choices on behalf of the company.

[1] *Skift*, April 2016

Air

We expect intercontinental airfares will be lower in all market segments in 2016. The outlook is more varied for regional fares: Economy fares will fall in most cases, but some markets will see business fares rise.

North America
Signs of softening demand encouraged us to lower our fares forecast for all segments except regional business.

Europe
We lowered our intercontinental fares forecast, because of growing competition. But we now expect regional business fares to rise.

Latin America
Our forecast for lower intercontinental fares and rising regional fares holds steady.

Middle East
We're maintaining our view that Gulf carrier expansion will continue to drive down most fares.

Asia
Intercontinental fares will fall 3% due to weakening demand and increasing competition.

Africa
We still expect fares to fall in all segments, but adjusted our regional economy forecast in response to weaker-than-expected low-cost carrier growth.

SW Pacific
We now expect lower fares in all segments except regional business.

Book early and you'd normally expect a lower airfare. But that is not always the case, particularly in North America. Lower oil prices encouraged airlines to add capacity, but in some markets demand has not kept pace. That's meant softer than normal advance purchase bookings. To stimulate demand and increase load factors, airlines may offer lower fares closer to departure. Thanks to higher change fees, they can do this without the risk of travelers claiming refunds on earlier bookings and then re-booking lower fares.

	Intercontinental		Regional	
	Business	Economy	Business	Economy
North America	**-1%**	**-3%**	0%	**-3%**
Europe	**-1%**	**-2%**	**1%**	-1%
Asia	-3%	**-3%**	0%	-2%
Latin America	-2%	-1%	3%	1%
Middle East	-3%	-5%	0%	-1%
Africa	-2%	-3%	-2%	**-2%**
Southwest Pacific	-3%	-1%	2%	**-2%**
Global	**-2%**	**-3%**	0%	-2%

Indicates revision to previous forecast

Hotel

We revised our forecasts for four regions. We raised our prediction for rates in Europe from 1-3% to 2-4%, after increasing our forecasts for Germany and the U.K. due to strengthening demand. We increased our forecast for Latin America from 3-5% to 5-7%, as currency devaluation prompted a higher forecast for Brazil. With stronger demand in South Africa, we raised our African forecast from 2-4% to 4-6%. We lowered our Southwest Pacific outlook due a weaker performance than expected in New Zealand.

Indicates revision to previous forecast

North America +4% to 6%
Canada +1% to 3%
Mexico +13% to 15%
U.S. +4% to 6%

Europe +2% to 4%
France +1% to 3%
Germany +1% to 3%
U.K. +3% to 6%

Latin America +5% to 7%
Argentina +13% to 15%
Brazil +4% to 6%
Chile +4% to 6%

Middle East -1% to +1%
Qatar +0% to 2%
Saudi Arabia +0% to 2%
U.A.E. -2% to 0%

Asia -1% to 0%
China -3% to -1%
India -3% to -1%
Japan +8% to 10%

Africa +4% to 6%
Nigeria +2% to 4%
South Africa +4% to 6%

SW Pacific +1% to 3%
Australia +0% to 2%
New Zealand +2% to 4%

Economic growth assumptions

World economic GDP growth

2015 → 2016
2.4% → 2.3%

The world economy will grow slightly slower in 2016 than it did in 2015. Weak global demand means advanced economies are losing momentum, as their exports struggle to find customers. Lower commodity prices mean many emerging markets face a year of weaker growth in 2016, with Latin America most affected.

Indicates revision to previous assumption

	2014	2015	2016
North America	2.4%	2.3%	**2.1%**
Europe	1.5%	1.9%	**1.8%**
Asia	4.4%	4.4%	**4.3%**
Latin America	**1.1%**	**-1.0%**	**-1.2%**
Middle East	2.8%	**1.9%**	**2.5%**
Africa	**4.1%**	**3.3%**	**3.1%**
Southwest Pacific	2.7%	**2.6%**	**2.8%**
World	**2.5%**	**2.4%**	**2.3%**

Source: Oxford Economics, April 2016

Downward pressure on oil prices remains, reflecting growing concerns about the level of demand in a market that's already over-supplied. Forecasts for Brent crude oil prices in 2016 range between US$34 per barrel (pb) and US$40 pb. We've lowered our assumption to US$40 pb from US$50 pb, as we believe continued over-supply will delay any recovery in prices.

Oil price assumption
US$ 40 per barrel

We've lowered our assumption

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