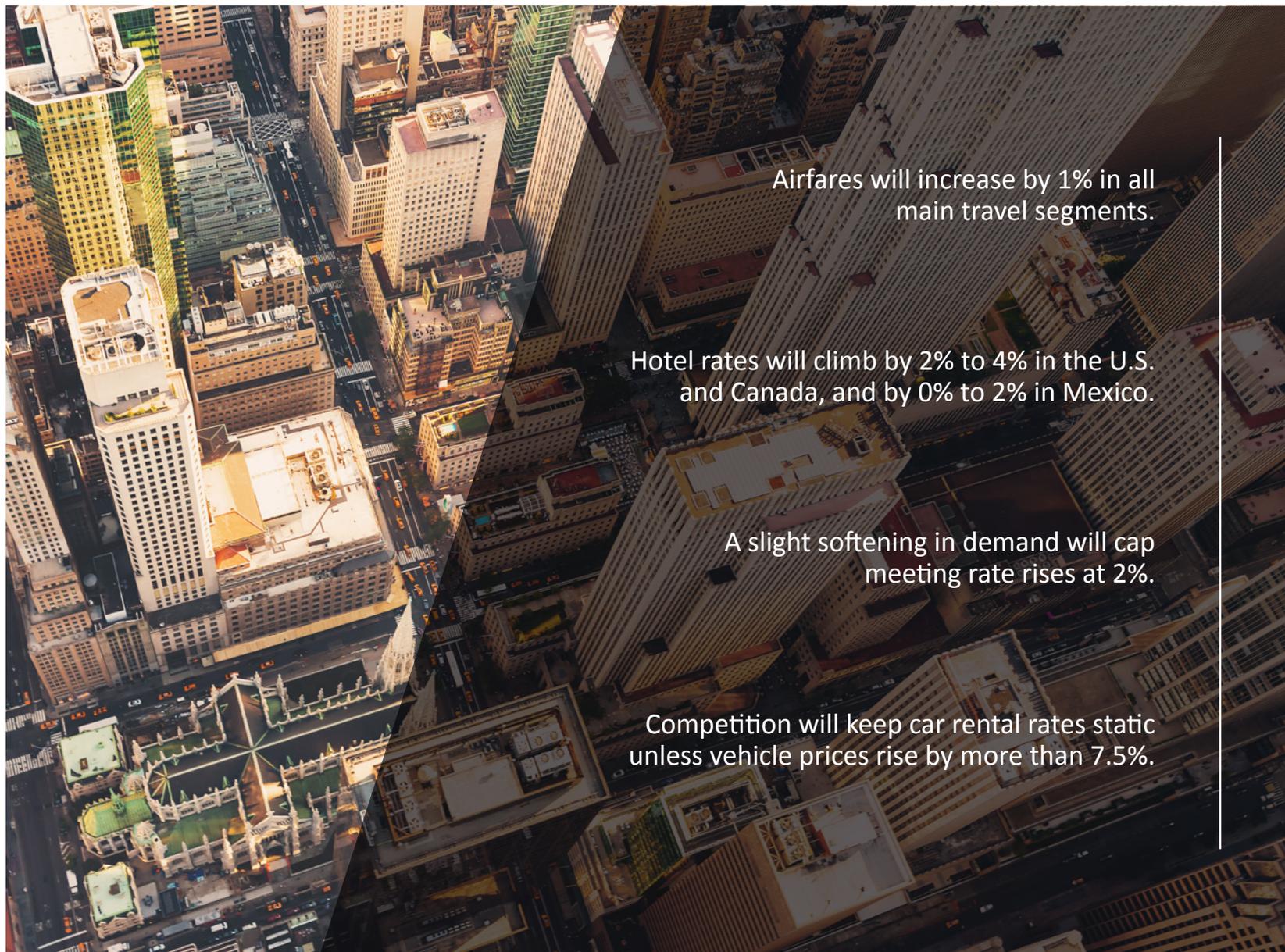


# North America 2020 Industry Forecast

from BCD Travel Research & Innovation

2020  
Industry Forecast

North  
America



Airfares will increase by 1% in all main travel segments.

Hotel rates will climb by 2% to 4% in the U.S. and Canada, and by 0% to 2% in Mexico.

A slight softening in demand will cap meeting rate rises at 2%.

Competition will keep car rental rates static unless vehicle prices rise by more than 7.5%.

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## Air

### Current situation

#### U.S.

The buoyancy of the U.S. economy has kept demand for business air travel strong throughout 2019. This has encouraged airlines to launch new routes and increase the frequency of existing routes or use larger aircraft.

Among the big three network carriers—American Airlines, Delta Air Lines and United Airlines—United expanded the most in 2018, growing systemwide capacity by 4.9% in an attempt to regain lost market share. During the first half of 2019, it expanded by a further 4.7%. Although Delta matched it with growth of 4.9%, American has not grown this year and risks losing share.

In the domestic market, the big three are developing their secondary hubs, especially in the West. United has grown short-haul services at Denver and San Francisco to feed its international routes, while Delta has expanded in Seattle, Salt Lake City and Los Angeles. American has expanded its Charlotte, North Carolina, and Philadelphia operations.

To develop secondary hubs, airlines are upgrading regional services with larger jets. In addition, United has also reentered some small markets from which it withdrew five years ago, such as Ogdensburg, New York, improving convenience for some travelers.

Legacy international carriers have also stepped up service to the U.S. The availability of more fuel-efficient long-haul aircraft like the Boeing 787 and Airbus A350 has enabled European airlines to launch direct services to a number of secondary cities: British Airways (BA) now flies from London to Austin; Nashville; San Jose, California; Charleston, South Carolina; and Pittsburgh. KLM this year added Amsterdam to Las Vegas.

But other airlines have struggled. Among the long-haul low-cost carriers (LCCs) serving North America, Wow Air went out of business and Norwegian has withdrawn services. And full-service Gulf carriers Emirates and Etihad Airways have reduced transatlantic flights.



### Boeing 737 Max grounding hits Southwest and American

The grounding of the Boeing 737 Max due to safety concerns has been a factor limiting Southwest Airlines' expansion. It has removed 34 aircraft from its schedule until January 2020 and could feel longer-term effects because it has 262 more of the Max aircraft on order.

Southwest had planned to expand by 5% in 2019 but most likely will shrink capacity by 1% to 2% compared to 2018. Its withdrawal from Newark Liberty International Airport<sup>1</sup> reduces competition to Austin, Texas; Chicago Midway; Denver; Nashville, Tennessee; Orlando, Florida; Phoenix and St. Louis, potentially leading to higher fares. The airline's costs will also rise as it delays the retirement of the older, less fuel-efficient aircraft the Boeing 737 Max was intended to replace.

American Airlines is affected, too. It has parked 24 Max aircraft, with orders delayed for 76 more. The disruption has forced it to almost halve 2019 capacity growth to 1.5%.

1 Business Travel News, July 25, 2019

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Strong demand has enabled airlines to increase average fares by around 3% on domestic routes and by a little more on international services. In addition, product differentiation is driving incremental revenue. Many corporate travel policies direct employees to the lowest-logical fare, which might be a basic economy fare. But the lack of flexibility and amenities accompanying these low fares means business passengers must trade up to a higher fare class for the comfort and convenience they expect. For some travelers, frequent flyer status is the only route to cabin upgrades or amenities that were once part of the standard service they received. This makes carrier choice increasingly important to them, limiting their options when shopping for the best deal.

### *Mexico*

Low-cost carriers continue to grow in Mexico. Interjet has financial problems but is still expanding domestically and internationally. Corporate customers favor the airline because it offers a flat, bundled price, while rival LCCs VivaAerobus and Volaris apply ancillary charges for almost everything outside the fare.

Legacy carrier Aeroméxico has focused on expanding international routes, although its transborder joint venture with Delta faces stiff competition from both American and United.

Demand has been close to flat as businesses tightly manage travel budgets while waiting to see how the policies of new Mexican President Andrés Manuel López Obrador (called “AMLO”) affect the economy. This caution, coupled with an increase in supply, pushed down fares this year.

One decision by AMLO is already affecting travel directly: the cancelation of plans for a new airport for Mexico City. An alternative airport development has been suspended. The existing airport has a 35 million passenger capacity but currently handles 48 million. Flight delays are a common problem for travelers.

### Competition intensifies for corporate agreements

With a choice of three large network airlines, travel buyers enjoy a strong negotiating position in the U.S. domestic market. There always seems to be one airline discounting to take share from its rivals or defend existing business. A prime example: Delta had offered deep discounts to secure its market leadership. But now it’s withdrawing some incentives, and United and American are discounting aggressively to win back corporate travel market share lost to Delta.

These strategies don’t always work as well on international routes where they may conflict with the approaches adopted by joint venture partners. British Airways’ reluctance to discount fares has created some friction with its JV partner American. Lufthansa and United have faced similar problems over the German carrier’s drive to limit the channels through which it offers certain fares—a path not followed by its U.S. partner.

Competition between the transatlantic joint ventures remains fierce, and these differences between partners present an opportunity to negotiate better deals. It may make sense to divide domestic and transatlantic business between different airlines.

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### Canada

The expansion of LCC WestJet has made Canada's domestic market more competitive. It is also adding international services. However, WestJet's planned acquisition by private equity firm Onex Corp. makes its future plans unclear.

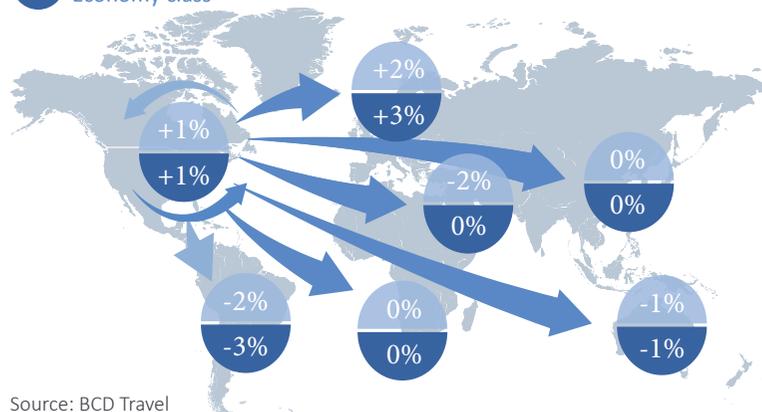
Air Canada has significantly increased its international operations in recent years. The airline has built Toronto into an international hub, drawing in connecting passengers from the U.S. But there's little chance of further expansion because current routes already connect to most viable destinations.

### Airfare forecasts

Average ticket prices  
% change YoY

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

● Business class  
● Economy class



Source: BCD Travel

### Transborder joint-venture takes flight

The joint venture between Aeroméxico and Delta is now fully-operational. An integrated salesforce is engaging with corporate clients and offering competitive discounts to defend business from American and United. The joint venture still has work to do ensuring that travelers booking with either airline receive the same support when problems occur.

### Low-cost carriers can be taxing

Unreliable invoicing by Mexican LCCs is driving up costs for corporate customers. In Mexico, invoices must be submitted electronically to comply with tax. Otherwise, airfares count as non-deductible expenses. It's also not possible to reclaim value-added tax (VAT) on paper invoices. This means companies could miss out on offsetting as much as 56% of the fare paid. Incorrect invoicing increases the total cost of travel, something to be considered before booking a low-cost carrier.

Despite competition from WestJet, the dominance of Air Canada, especially in eastern markets, makes it hard for corporate buyers to gain traction in negotiations. Buyers generally need to combine international and domestic spending to gain any concessions from the airline.

### Outlook for 2020

#### U.S.

The presidential election in late 2020 is unlikely to impact demand for air travel. However, growth could be derailed if the U.S. trade dispute harms the wider economy. Airlines would be able to respond quickly, retiring older aircraft to adjust supply in line with demand.

Airlines remain confident about growth and are investing in new products. They hope new premium cabins will persuade

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### Virgin joins transatlantic joint venture

Virgin Atlantic has replaced Alitalia in a transatlantic joint venture that includes Delta and Air France-KLM. The change will allow the joint venture to build a true hub at London Heathrow as an entry point to Europe. It also opens many more connecting points to feed transatlantic flights.

A stronger Delta joint venture opens up some new negotiation opportunities for travel buyers. Watch out, too, for JetBlue entering the transatlantic market in 2021. JetBlue won't need to win a lot of business from rivals to fill its limited number of aircraft. Many of those passengers will be leisure travelers, but the arrival of a new competitor could persuade established carriers to offer more generous discounts to corporate travelers.

customers to upgrade, but this would, of course, push up corporate air spend. The big three network airlines aim to continue expanding their networks, although American may be constrained by the availability of the Boeing 737 Max. This will also make it more difficult for Southwest Airlines to grow.

Fares will soften if a slowing economy affects demand, but an increase of 1% on both domestic and international routes seems most likely. Despite a sharp rise over the past year, oil prices are still at a level where airlines feel confident about turning a profit. Efforts to keep demand and supply in balance should keep oil prices from rising further in 2020.

Should U.S. relations with China improve, demand to Asia would recover in 2020—reversing a couple of soft years—and leading to higher fares.

### Mexico

Everything depends on the performance of AMLO's economic policies. So far, his presidency—which began in December 2018—has featured more rhetoric than substantive action.

Caution among Mexico's business community, as well as concerns about transborder relations with the U.S., will continue to stifle demand into 2020.

If the situation remains stable, the domestic price war between Aeroméxico and its three major low-cost rivals will continue to keep fares low. However, that could change quickly if struggling Interjet loses the support of its financial backers.

International fares are likely to rise if the Mexican peso devalues against the U.S. dollar.

### Canada

Strong demand should ensure fares rise faster than in the U.S.

### Our air recommendations

- Know your network so you understand where to make your buying power count.
- Use a secondary and even a tertiary preferred supplier for your U.S. domestic program if your spend is substantial.
- Closely monitor total trip cost, including both ancillary purchases and airfare. It can affect your choice of supplier.
- Use ancillary spend data in negotiations to get extras included in the contract.
- Word policy clearly so travelers know exactly what they can and can't add when buying a ticket. Issue policy alerts during the booking process.
- Follow market trends to identify which carriers are discounting most aggressively. Prepare travelers when changing preferred suppliers.
- Before booking a Mexican LCC, make sure the airline can issue electronic invoices.
- Use data-centered tools like Advito's Air Fare Predictor to make air prices more transparent.

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## Hotel

### Current situation

#### U.S.

Rates have not increased as fast as the strength of demand would suggest. With annual economic growth slowing from 3.1% in the first quarter of 2019 to 2.1% in the second quarter, concerns about the future performance of the U.S. economy have helped limit price increases.<sup>2</sup> Other contributing factors could include international trade disputes; signs that the beneficial effects of tax cuts are fading; and fears that a downward correction in the stock market is long overdue.

An injection of new supply into the market for the second consecutive year has also taken some of the inflationary heat out of high demand. New York heads the list of cities with plentiful new supply, which has helped restrict rate rises to low single figures instead of the double-digit increases of recent years. Dallas, Los Angeles, Chicago, Nashville, Miami, Boston, Detroit and Seattle are among other markets with rapid growth in supply. Many of the new properties are midscale.

Rate rises aren't moderate across the board. In San Francisco, prices are up by 4% to 5% again this year. With the exception of New York, prices keep climbing faster in most large cities.

Demand is becoming stronger, especially for stays in midscale hotels, but some business travelers are upgrading to upper upscale brands like Marriott, Radisson Blu and W Hotels. Improvements in price comparison mean companies can book these higher-grade hotels at lower rates than in the past.

Rate inconsistency across different booking channels—hotel websites, online travel agencies and the global distribution systems used by travel management companies—is creating both an opportunity and a challenge for corporate clients and their travelers. Shopping around can lead to better rates, but it's time-consuming to compare prices and terms and conditions across so many channels.

### Nashville hits the right note for business travelers

Both supply and demand are rocketing in Nashville, where 25 hotels have opened this year. While its music industry association draws leisure visitors, the city is also booming as a meetings venue and popular destination for regular business travel.

Despite a 3% rise in rates so far this year, Nashville remains less expensive than the largest U.S. cities. The recent surge in new hotels could push rates down slightly in 2020.

To reduce the risk of overpaying when faced with such a selection of accommodation choices, clients are increasingly turning to rate assurance tools such as Hotel Price Assurance, which automatically searches for lower rates and rebooks a room if a lower rate becomes available. Hotel revenue managers are wary of these tools; this may be why they are introducing stricter cancellation rules.

Corporate clients are changing the way they manage their hotel programs, slowly reducing the number of cities in which they negotiate discounted rates through the request for proposal (RFP) process. The sourcing experts behind Stay by BCD Travel™ recommend initiating an RFP with hotels likely to receive at least 200 room nights per year. In other markets, it makes more sense to rely on dynamic rates or TMC-negotiated rates.

<sup>2</sup> U.S. Bureau of Economic Analysis, July 26, 2019

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### The downside of chainwide discounts

Large hotel groups are aggressively promoting a fixed discount across their brands, which may amount to tens of thousands of hotels. A guaranteed discount across so many properties may sound attractive, but this may not necessarily be the case. Here's why.

Chainwide discounts are fairly small: usually 4% to 6%, but sometimes as low as 3%. In return, hotel groups expect corporate clients to list all their properties as preferred hotels. This places the hotels at the top of the company's online booking tool display, effectively dominating what's offered in any given destination. The hotels may not be the most conveniently located nor offer the most attractive rates, even with the discount.

To avoid this situation, we recommend either avoiding chainwide deals altogether or striking them carefully:

- Specify which properties you will accept in the deal.
- Apply the discount only to a selection of the group's brands.
- If your TMC agreement includes commission sharing, be aware that hotels often don't pay commission on chainwide deals, and this could increase the total cost of purchase.
- Avoid chainwide deals with all groups.

### Hotspot cities

Cities where rates are likely to rise fastest in 2020 include:

**Washington, D.C.**—New supply here lags behind most other major cities, yet demand remains strong and occupancy is usually higher during an election year.

**San Francisco**—The U.S. technology boom creates steady demand in a city with a chronic undersupply of hotels. Rates will rocket yet again.

**Atlanta**—Supply is growing, but not fast enough to keep pace with demand from large corporations opening major offices in the city.



### Mexico

Much-needed hotel building is continuing in Mexico. Local chains CityExpress and Posadas have been particularly active, with the latter due to open another 21 properties in 2019 after opening 17 in 2018 and 11 in 2017. Capacity has grown in the “golden triangle” of Mexico City, Monterrey and Guadalajara and also in secondary cities where branded budget accommodation is appearing for the first time.

Despite the new supply, there is still a shortage of hotel accommodation in Mexico, so rates have continued to rise.

Airbnb is trying to grow in Mexico but remains a difficult option for business travelers because of the challenge of providing the electronic invoices that companies need to comply with Mexican tax laws.

### Canada

New room supply has grown by 2% in 2019, the highest rate of hotel openings in Canada since the 2008 economic downturn. While demand has risen slightly faster at 2.2%, it's weaker than the uptick in demand in 2017 and 2018. Even so, rates have risen this year.<sup>3</sup>

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### Outlook for 2020

#### U.S.

Supply is set to grow at a strong pace for a third and final year before tapering off in 2021. Demand is unlikely to expand much as economic concerns mount. Rates will rise by 2% to 4% if the economy remains resilient; they will not change if the economy deteriorates.

#### Mexico

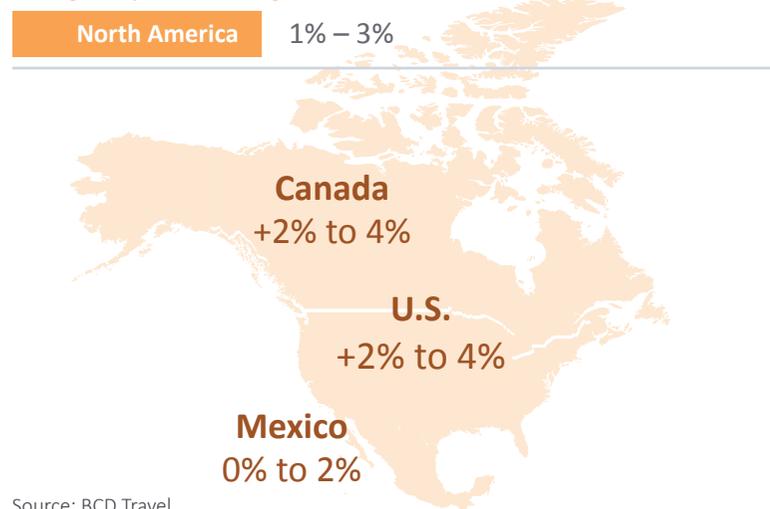
New supply will slow in 2020, as local chains Posadas and CityExpress shift much of their attention to other markets in the Americas. It is not yet clear how much AMLO's presidency will affect the economy. Rate increases will range between 0% and 2%.

#### Canada

Strong demand should push up rates once again. Expect rises of between 2% and 4%. Watch for higher increases in Montreal and Vancouver, cities with fewer hotel openings than Toronto.

### Hotel forecasts

Average daily rates % change YoY



Source: BCD Travel

### Keep up the fight for preferred rate availability

The performance of negotiated hotel programs continues to be undermined by hotels failing to make agreed-upon rates available in reservation systems, even with guaranteed last-room availability.

TMCs are getting better at auditing rate availability and alerting hotels when they spot a problem. Hotels now know they could be called out, but so far this hasn't encouraged them to proactively fix the problem.

Non availability of a negotiated rate often means travelers must book the same hotel at a public rate. Not only is this rate higher, but hotels don't recognize it as a corporate booking, so it doesn't count toward a travel program's buying commitments to that supplier.

That's why reliable TMC data is vital. TMCs can collect data recognizing all stays with a hotel, regardless of rate type. And companies can use this data when discussing rate availability with hotels. Make sure your TMC is providing this information.

### Airbnb limits hotel rate rises

The supply of alternative accommodation options from companies like Airbnb continues to grow and is another important reason hotel rates have risen more slowly than expected in 2019. This effect has been most apparent in New York City.

Although Airbnb is helping restrict rate rises, hotels are not losing large numbers of corporate travelers to alternative accommodation. Buyers are making sure Airbnb can be booked through managed programs to avoid independent bookings, which cannot be tracked. But they are not actively promoting or mandating it, and they remain cautious about liability issues when home rentals go wrong.

There are signs of supply convergence, which could make the alternative accommodation sector more interesting for managed travel in years to come. Airbnb is starting to offer hotel rooms, while groups like Accor and Marriott are building their own alternative accommodation services and opening hotels with a focus on social space to appeal to millennial travelers.

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### Will Marriott flex its pricing power?

Many buyers feared 2016's combination of Marriott and Starwood would push up hotel rates. Three years later, there's no sign of a sharp increase in rates. But it could happen.

Integration of the two businesses has taken longer than expected, and the company has had to deal with the fallout from a major customer data breach. Marriott has also focused more on reducing commission payouts to intermediaries and luring travelers to book directly than on resetting rates.

Marriott could turn its attention to corporate pricing in 2020. It has already eliminated many of the agreements Starwood used to offer to small and medium clients and is encouraging hotel owners not to discount individually with corporate customers. Signs point to the merger forcing up rates in the meetings market, where there is less choice of venue.

### Our hotel recommendations

- Switch from RFPs to dynamic pricing where you can't deliver more than 200 room nights annually.
- Be ready to adopt dynamic rates if the market weakens and hotels start reducing prices, as savings will be greater than those offered by a discounted fixed rate.
- Don't abandon the RFP completely. It's still the best route to lower prices where you have substantial spending power. Work with your TMC on whether an RFP or dynamic pricing is the best strategy.
- Apply market caps to guide travelers in cities where you have dynamic pricing—but adjust them regularly.
- In Mexico, always negotiate in the local currency. If negotiation is only possible in U.S. dollars, ensure a fixed exchange rate is applied.



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## Meetings

### Current situation

#### U.S.

The U.S. remains firmly a seller's market. Demand for meetings has stayed strong. New hotel supply is also strong, but too many of these properties have either limited or no meeting space. That said, hotels with good meetings facilities have opened in Austin, Nashville, Dallas, Boston, St. Louis, Los Angeles and Kansas City, Missouri, but this does little to redress the national imbalance between demand and supply, especially in the largest cities.

Surprisingly, a seller's market has not resulted in large rate increases. The average rise in 2019 has been 2% to 3%. Hotels are maximizing their revenue by carefully selecting which bookings they accept. They are using existing space for more events and prioritizing customers who don't occupy too many rooms.

Hotels are also evaluating which clients will provide the greatest overall spend—not just on beds, but also on food and beverages and other amenities and services. They are also being stricter with contracts and are more reluctant to hold space while prospective customers decide whether to confirm a booking. They're tightening terms and conditions, including payment schedules and cancellation periods. And they're insisting on using their own contracts, rather than customers' templates.

Companies have not lost their appetite for staging meetings, but economic and political uncertainties are keeping budgets in check. To control costs, some buyers are holding shorter meetings or booking large-scale conventions further in advance. They're also looking at multiyear contracts to lock in space and rates.

The pressure on space is making non-hotel meeting venues more attractive. Online marketplaces selling non-hotel venues are promoting rooftop areas, golf clubs, museums and restaurants for events.

### Small(er) is beautiful

Rising rates and lower availability are persuading buyers to look at smaller destinations. Selecting second-tier cities like Nashville and Austin has been a trend for a while. Now even third-tier cities offering attractive new spaces are being considered, including Kansas City, Oklahoma City and Louisville, Kentucky.

Rising demand means rates are moving up in smaller cities but are still much lower than in the largest destinations.

### Mexico

Budgets are tightening as businesses cautiously watch for which direction the new government will take. Companies are booking as many events as before but are reducing attendee numbers in some cases. They are also generating savings by holding several smaller events around the country, instead of flying everyone to one large event. Although new hotels are opening fast in Mexico, most don't offer significant meeting space. However, a new convention center in Mérida is attracting plenty of business.

### Outlook for 2020

#### U.S.

The U.S. meetings market may finally soften a little in 2020. Politics and trade are making companies nervous. If tariffs hit corporations' sales and increase costs, budgets for meetings could be among the early cost-cutting casualties. At best, companies would delay meetings decisions until the last minute. Financial services firms are already holding off for this reason. The presidential election is another pressure point: Meetings bookings normally dip in the runup to the vote, so even without effects of the tariffs, demand could be weaker in the second half of 2020.

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Despite these concerns and some new meeting space opening next year, demand is still likely to outstrip supply. That makes rate rises likely—but probably by no more than 2%.

### *Mexico*

Travel warnings have reduced demand from international conference organizers. But the domestic market is holding up, so expect modest rate rises in 2020.

### **Our meetings recommendations**

- Closely analyze spend data to show how you can make your business more attractive to hotels. Look at program history and average spend, including on food and beverage, ancillaries and activities.
- Be flexible on how much space you need for an event.
- Look at multiple event deals with the same hotel or chain.
- Negotiate a cap on rate increases for deals longer than one year.
- Consider reducing air travel costs by holding a series of smaller meetings around the country or region instead of one mega event.



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## Ground transportation

## Car rental

*Current situation*

A strong economy means car rental demand has stayed robust, even though business travelers are increasingly using ride-hailing services for some city journeys.

Rental companies continue to excel at matching supply to demand to ensure they don't have unnecessarily full parking lots. Despite this careful balance, a decade-long trend of flat corporate rates has continued because of intense competition between the big three: Avis, Hertz and National. At any one time, at least one of these companies has priced aggressively to gain market share. Currently, Hertz is leading the way.

Static rates are even more surprising given rising costs. The proliferation of electronic features in cars has led to significantly higher repair and maintenance costs.

To maintain profitability, rental companies are raising rates for leisure customers and also increasing bills to corporate customers without raising the headline rate. For example, they are pushing up weekly rental rates from typically 5-5.5 times the daily rate to 6 times. Likewise, monthly rates are being pushed up above 4 times the weekly rental.

*Outlook for 2020*

Demand will continue to grow modestly if the U.S. economy stays strong, while supply will remain about the same. A rise in corporate rates seems overdue, but as long as one major supplier fights for market share, rates will not rise.

However, suppliers may feel able to justify higher rental rates if U.S. tariffs on steel and automotive imports force up vehicle purchase prices by 7.5% or more. If that happens, car rental companies will seek to renegotiate agreements with corporate clients.

**Beware of intermediate cars**

Intermediate-sized vehicles are a common rental category in corporate contracts in North America. Typical examples include the Honda Civic, Nissan Sentra and Toyota Corolla. However, rental companies are reducing in their intermediate-sized fleets in favor of small sports utility vehicles, which are popular with leisure customers and rent at a higher rate.

With a shortage of intermediate cars, suppliers are trying to persuade corporate buyers to move their contracts up to higher categories. Where travelers succeed in booking an intermediate car, the supplier will honor the rate while providing a larger car. But more often, suppliers close out the intermediate category at time of booking, forcing travelers to choose a larger or smaller vehicle.

The solution to this problem is to address it in contract negotiations. Get a commitment from the supplier not to close out the intermediate category, even if it is sold out. One major supplier does this automatically. The other two will agree if asked.

*Our car rental recommendations*

- When renegotiating with an existing preferred supplier, check every line of the proposed new contract against the previous one to see what changes were introduced.
- Negotiate changes out of the contract. You stand a good chance of succeeding.
- Look out, especially, for new surcharges, such as fees imposed in specified cities or for one-day rentals.
- Create a global rental program even if you don't have all the data you need.
- Choose primary and secondary global suppliers, and fill any gaps with local vendors.

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## Ground transportation

### Ride-hailing

Uber and Lyft dominate the U.S. market and are used by many business travelers. But they're still not mentioned in many travel policies.

Uber leads the market in Mexico but has been losing share to Chinese ride-hailing app Didi Chuxing, which launched in April 2018.<sup>4</sup> The Mexican government has asked ride-hailing companies to collect income tax and VAT from its drivers and remit the money directly to the tax authorities.<sup>5</sup> This could push up fares, although Didi Chuxing is refusing to participate.

### Black cars

The market continues to consolidate with some suppliers now claiming to offer a national or even global service.



4 Technode, May 8, 2019

5 Reuters, May 20, 2019

## 2020 Industry Forecast

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## Methodology

### Assumptions

We have assumed, as working hypotheses, that:

- The price of oil (Brent crude) per barrel will average US\$67 in 2020.
- World economic growth will be 2.7% in 2019, holding steady at 2.8% in 2020.

### Approach to analysis

Our ongoing research and in-depth interviews with experts in corporate travel and meetings management form 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 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 Currency Converter 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 2019, respectively, for air and hotel transactions, and through July 2019 for macroeconomic and industry indicators.

## Meet the team behind the Industry Forecast



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