2016 Industry Forecast
March Update

Global travel climate

Should I stay or should I go?

That's the question travelers and travel managers are increasingly asking. And not just for financial reasons. Concerns about risk, quality-of-life and the environment mean travel is not always the right choice. Virtual collaboration is a useful travel alternative. The technology is now well-developed and widely-used, and it's cheaper than you'd expect. Travel managers can lead the way in marrying virtual and face-to-face meetings to create total collaboration management. Look out for our new white paper.

Travel services on-demand

Technology-led companies are creating an on-demand economy by supplying goods and services on short notice. They're particularly useful for buying ancillary services, which are often over-priced when added to a hotel bill. Providers like Washio, Open Table, Uber and Regus offer convenient, quality and yet affordable choices for on-demand extras like laundry, dining, taxis and meetings. Traditional suppliers are responding with their own on-demand options. Companies must adapt their travel and expense systems to accommodate a growing trend that's reshaping the travel experience.

Changing the way we pay

Security and convenience are changing the way we pay. Already, 20% of U.S. businesses pay for travel with card-less, single-use, "virtual" accounts.[1] Now digital wallets work with some corporate cards, offering a more secure and even simpler one-click payment solution; useful for hotel check-out or buying ancillaries. Travel payment platform UATP already connects online payment brands like PayPal, Giropay and Alipay with airlines and hotels. Its plans for a consistent customer experience across all payment options may speed up digital wallet adoption and other providers will quickly follow suit.

[1] GBTA Foundation, Buyer and Supplier Outlook on Virtual Payment Solutions

Air

With no change to the outlook for growth in demand and capacity, low oil prices make it difficult for airlines to increase prices. We expect most airfares will be flat or lower in 2016.

North America
As low-cost carriers continue to add capacity, we lowered our regional economy fares forecast from 0% to -2%.

Europe
We continue to forecast flat business fares and a 1% fall in economy fares.

Latin America
We're maintaining our forecast of lower intercontinental fares and rising regional fares.

Middle East
Gulf carrier expansion will continue to drive down most fares.

Asia
Continuing low-cost carrier expansion and new long-haul capacity mean fares should fall in most segments.

Africa
We're keeping our forecast unchanged with fares set to fall in all segments.

SW Pacific
Our forecast for lower intercontinental fares and increased regional business fares holds steady.

Intercontinental fares will be flat or lower in all regions. However, there's more variation within the regional fares outlook. Business fares will be generally flat, but we expect them to increase in Latin America and Southwest Pacific, and fall in Africa. Regional economy fares will be flat or lower in all markets except Latin America. Globally, this all adds up to lower fares in all segments except regional business.

Indicates revision to previous forecast

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

Hotel

We have changed our forecasts for two regions. We reduced our Europe forecast from 2-4% to 1-3%, after lowering our U.K. forecast in response to weaker than expected demand. But we increased our forecast for Latin America from 2-4% to 3-5%, after lifting our predictions for hotel rates in Argentina and Chile to reflect the impact of currency devaluation in these markets.

Indicates revision to previous forecast

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

Europe +1% to 3%
France +1% to 3%
Germany +0% to 2%
U.K. +2% to 4%

Latin America +3% to 5%
Argentina +13% to 15%
Brazil +2% to 4%
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 +2% to 4%
Nigeria +2% to 4%
South Africa +2% to 4%

SW Pacific +2% to 4%
Australia +0% to 2%
New Zealand +4% to 6%

Economic growth assumptions

World economic GDP growth

2015 → 2016

2.5% → 2.6%

The world economy will not grow much faster in 2016 than it did in 2015. As economic headwinds mount, recovery in advanced economies is losing some of its momentum. Growth in many emerging markets will also be weaker than we originally expected, with Latin America facing a second year of contraction.

Indicates revision to previous assumption

	2014	2015	2016
North America	2.4%	2.3%	2.4%
Europe	1.5%	1.9%	2.0%
Asia	4.4%	4.4%	4.5%
Latin America	1.0%	-0.9%	-0.1%
Middle East	2.8%	2.1%	2.7%
Africa	4.0%	3.4%	3.4%
Southwest Pacific	2.7%	2.4%	2.7%
World	2.7%	2.5%	2.6%

Source: Oxford Economics, January 2016

Downward pressure on oil prices has increased amid growing concerns about demand in a market that's already over-supplied. Forecasts for Brent crude oil predict spot prices in 2016 to range between US$40 per barrel (pb) and US$50 pb. We acknowledge these concerns, but expect some recovery in demand in the second half of 2016. So, we've lowered our assumption to US$50 pb from US$60 pb.

Oil price assumption

US$ 50 per barrel

We lowered our assumption

Source: Advito

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