2017 Industry Forecast
March update

Spotlight

Influence travelers as the **consumers** they are

While some corporate travel managers embraced traveler engagement early on, many felt they couldn't afford to divert their attention away from traditional goals like reducing costs and improving productivity. In fact, traveler engagement does not divert attention away from those goals, and if applied the right way, actually targets those goals. And, as corporate travel has become more consumerized, travelers actually expect to be engaged and most are more than willing to be influenced.

Corporate travelers are looking for consumer-grade tools and consumer-style interaction. Millennials, who typically possess a do-it-yourself attitude, will soon dominate the workforce and their behaviors are influencing other age groups too. Suppliers are responding by increasingly targeting these travelers directly and engaging with them to influence their buying decisions.

Travel managers must also respond to these trends. With the help of highly visual, smarter data analytics, it's easier to understand traveler behavior and how it relates to cost and productivity. This information forms the starting point for an appropriate, tailored engagement strategy. Today, travel managers have the technology to engage directly and instantly with their travelers. And for those needing a helping hand, professional consulting services, like Advito, can support travel managers to build the marketing and communications they need to promote traveler engagement.

A travel program provides a great platform from which to engage travelers, particularly if preferred suppliers are clearly visible in an online booking tool (OBT). Through the OBT, travel managers can demonstrate their appreciation of traveler needs by highlighting newly-negotiated service enhancements that improve traveler experience, such as lounge access, extra bags and room upgrades. Being responsive to traveler needs may convince more employees to stick with the program.

The message can be even stronger, if traveler engagement is seen to influence supplier selection. Loyalty program members will appreciate a program that includes a local airline or a preferred hotel over a lower-priced competitor. And while the decision may increase cost slightly, by prioritizing traveler satisfaction, there may be longer term benefits of wider savings from improved compliance.

Traveler engagement is more than just a strategic tool to be integrated into the travel program. Travel managers should look for engagement opportunities in all aspects of the program, from buying decisions to the day-to-day delivery of travel services.

To find out more about traveler engagement, read the BCD Travel white paper, **Get Engaged**, or if you need help **contact Advito's traveler engagement practice**.

Air

Global air travel demand continues to strengthen, with traffic growth hitting a 10-month high of 8.8% year-over-year in December 2016.[2] A pick-up in the economic cycle is supporting international air travel, although the performance of key domestic markets is mixed. The capacity growth that low oil prices encouraged has pushed down average fares in many markets. Airlines are trying to stabilize prices, and may soon resort to further capacity adjustments to get some upward movement in pricing in 2017.

North America
As airlines try to take a firmer position on fares, we raised our regional business fares forecast from 1% to 2%. We also changed our intercontinental economy projection from -1% to 0%.

Europe
We are maintaining our view that regional fares will stay flat or fall and intercontinental fares will rise.

Asia
Our forecasts for Asia remain unchanged, with capacity pushing down intercontinental fares and demand supporting regional business fare increases.

Middle East
As per our previous forecast, airline expansion will ensure that economy fares fall this year. But with demand strengthening, we've increased our regional business fares forecast from 0% to 2%.

Latin America
We made one revision to our figures, changing our intercontinental economy fares forecast from -2% to -1%.

Africa
We have made no changes to our fares forecasts for Africa. Regional fares will rise; intercontinental fares will be flat or fall a little.

Southwest Pacific
We're maintaining our forecast for flat intercontinental fares and rising regional fares.

[2]IATA, Air Passenger Market Analysis

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

Indicates change to original forecast

Hotel

We changed our forecasts for three regions. We made minor adjustments to our figures for North America and Africa, where we lowered the upper limit for our forecast range. A softening of demand that is coinciding with increasing supply has convinced us to revise our figures for the Middle East. We now expect rates to fall in Oman, Qatar, Saudi Arabia and the U.A.E. This has changed our rate outlook for the region from +2% to 4% to-3% to-1%. Adjustments we made to our forecasts for individual countries elsewhere offset the impact of these regional revisions, and so the global rate outlook is unchanged.

Indicates change to original forecast

North America +3% to 4%
Canada +2% to 4%
Mexico +1% to 3%
U.S. +3% to 4%

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

Latin America -1% to +2%
Argentina +2% to 4%
Brazil 0% to 2%
Chile 0% to 2%

Middle East -3% to -1%
Qatar -4% to -2%
Saudi Arabia -3% to -1%
U.A.E. -4% to -2%

Asia 0% to 2%
China-1% to +1%
India +1% to 3%
Japan +3% to 5%

Africa 0% to 2%
Egypt 0% to 2%
Nigeria 0% to 2%
South Africa +5% to 7%

SW Pacific +3% to 5%
Australia +2% to 4%
New Zealand +7% to 9%

Global
+1% to 3%

Economic growth assumptions

World GDP growth	2016	2017
	2.2%	**2.6%**

The outlook for the world economy is holding steady. Since the previous update, there's been a small improvement in the growth prospects for North America and Europe, as both regions ended 2016 with a better-than expected performance. But this has been offset by lower forecasts for Latin America and the Middle East, reflecting a change in sentiment towards emerging markets.

Indicates change to original forecast

Regional economic growth forecasts 2015-2017

	2015	2016	2017
North America	2.4%	**1.6%**	**2.2%**
Europe	2.2%	1.8%	**1.7%**
Asia	**4.5%**	**4.5%**	4.4%
Latin America	-1.0%	**-1.4%**	**1.3%**
Middle East	2.2%	**2.5%**	**2.5%**
Africa	3.5%	**2.8%**	3.4%
Southwest Pacific	2.5%	**2.3%**	**2.0%**
Global	**2.7%**	2.2%	2.6%

Source: Oxford Economics, January 2017

Oil price assumption
US$50 per barrel
We are maintaining our original assumption

Oil prices
OPEC's first production cut agreement in eight years had little impact on the 2017 oil price outlook of forecasters like the U.S. Energy Information Administration (EIA). Their limited response reflects uncertainty that these production cuts will stick. We see no reason to change our original oil price assumption.

Source: Advito

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