

2018

Industry
Forecast

UPDATE

Spotlights

Disrupting airline distribution

Airlines are keen to lower distribution costs and develop better ways of marketing their offerings across their own sales channels. Some major European airlines are levying surcharges for tickets bought through an intermediary. To find out more and what this could mean for you, [click here](#).

Travel and expense: Go further with an end-to-end approach

Many companies use online booking tools and many have introduced expense management systems. But there's so much more they can do to implement an end-to-end system, which reduces the stress of business travel, while improving travel program effectiveness. We explore the options they have [here](#).

Air

Improving economic conditions supported strong global air travel demand throughout 2017. Traffic grew by 7.6% year-over-year.¹ Stronger demand growth and rising business confidence towards the end of the year point to a solid start for air traffic in 2018. High load factors may encourage airlines to pursue the fare increases they need to offset rising fuel and labor costs. Prices are climbing slowly in the markets with the strongest demand.

[Click on our commentary for each region to see more detail*](#)

North America

Growing demand persuaded us to increase our forecast for intercontinental economy fares from 0% to 1%.

Europe

We lowered our intercontinental business fares forecast from 2% to 1%, but increased it for intercontinental economy from 0% to 1%.

Asia

Because of stronger demand, our intercontinental fares forecasts increased to 1% for both business and economy travel, up from 0% and -1% respectively.

Middle East

The forecasts for intercontinental and regional economy fares increased from 0% to 2%.

Africa

We revised up our outlook for intercontinental economy fares from -2% to -1%. But we lowered it for regional economy fares from 0% to -1%.

Southwest Pacific

We raised our intercontinental economy forecast from -2% to 0%, to reflect stronger than expected demand.

Latin America

As we revised up our forecasts for intercontinental economy and regional business fares, most fares will be flat. But they will decrease for regional economy travel.

¹ IATA, Air Passenger Market Analysis, December 2017

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

Bold numbers indicate change to original forecast

Hotel

Our global rate outlook for 2018 remains unchanged at 2-4%. We adjusted our forecasts for the Middle East, as concerns about demand persuaded us to lower our figures for Oman and Saudi Arabia. We also revised our outlook for Africa to 6-8%, after lowering our forecasts for Egypt, Kenya and Nigeria. Asia's forecast changed from 1-3% to 2-4%, as we increased our forecast for China from 2-4% to 3-5% because of stronger-than-expected demand. We maintained our forecasts for the other regions.

[Click on our commentary for each region to see more detail*](#)

North America

+2% to 4%

Europe

+1% to 3%

Asia

+2% to 4%

Middle East

-1% to +1%

Africa

+5% to 7%

Latin America

+2% to 4%

Southwest Pacific

+3% to 5%

Global +2% to 4%

Bold numbers indicate change to original forecast

Economic growth assumptions

Regional economic growth forecasts 2016-2018

World GDP growth	2017		2018			
	2017	2018	2016	2017	2018	
The outlook for the global economy has improved. In 2018, it will grow by 3.2%, delivering its strongest performance since 2011. Emerging markets are largely responsible for this improvement, with growth forecasts upgraded for both Asia and Latin America. Among advanced economies, the improvement in European growth continues, and will be faster than previously thought. While there has been no change to the outlook for North America, the prospect of a U.S. government stimulus program could result in stronger-than-currently forecasted growth.	2.9%	3.2%	Africa	2.6%	3.3%	3.7%
			Asia	4.6%	4.9%	4.8%
			Europe	1.9%	2.6%	2.3%
			Latin America	-1.4%	1.6%	2.8%
			Middle East	5.0%	1.2%	3.0%
			North America	1.5%	2.3%	2.6%
			Southwest Pacific	2.7%	2.3%	2.5%
			Global	2.4%	2.9%	3.2%

Source: Oxford Economics, January 2018

Bold numbers indicate change to original forecast

Oil price assumption
US\$ 60
per barrel



Oil prices

The continuation of OPEC's production cuts will preserve the gains oil prices made during the second half of 2017. U.S. producers are unlikely to increase supply enough to lower prices. Demand should also increase, as the global economy strengthens, and this will provide further support to prices. We have raised our oil price assumption from US\$50 to US\$60 per barrel.

Source: BCD Travel

*Please open using Adobe Acrobat Reader to view detail.