2020 global travel forecast

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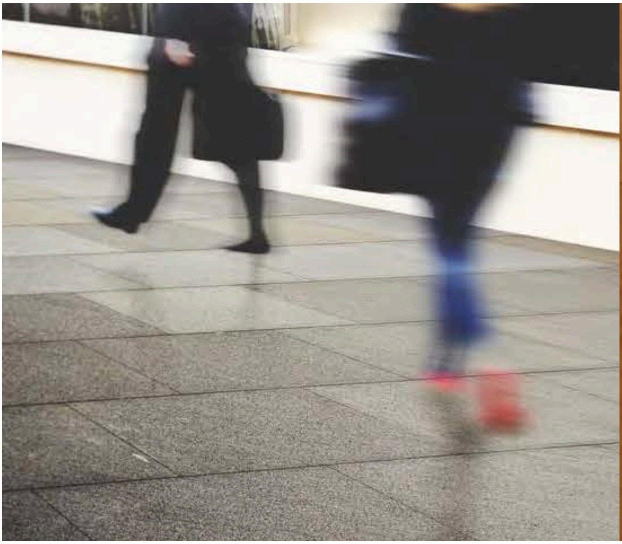
Welcome message



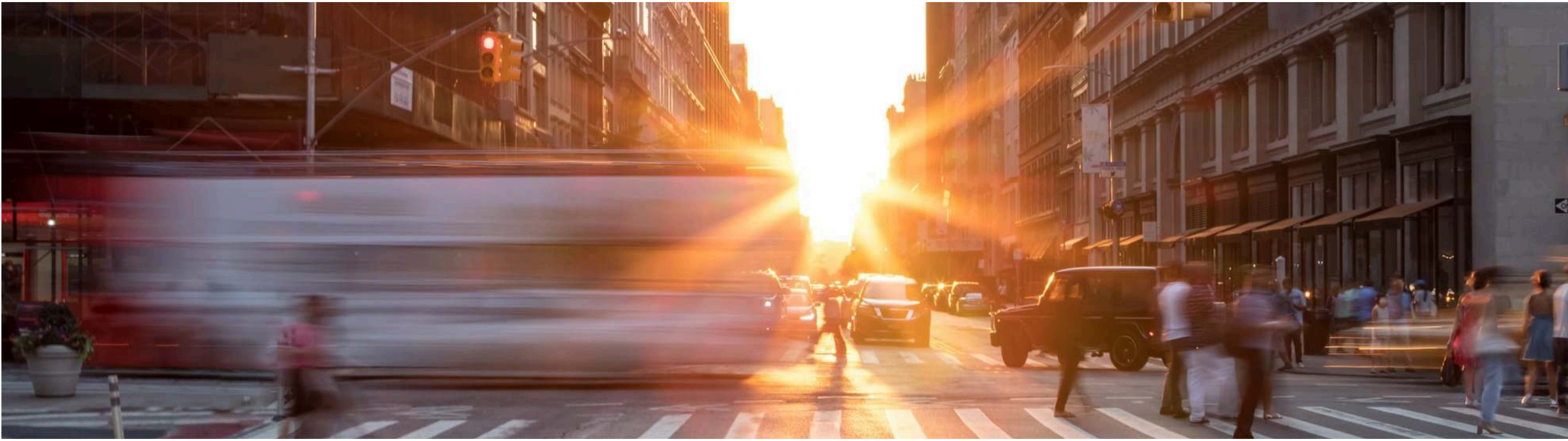
2020 - a year of potential

As we look ahead to a new decade, there are many economic, political and technological influences driving changes in the world of corporate travel.

Our Global Travel Forecast aims to help businesses and travelers around the world to identify and navigate these shifts. It highlights new and developing trends across the air, ground and accommodation sectors – all with a view to making the corporate travel experience as seamless as possible.

This report is made possible thanks to a collaboration between CWT and the Global Business Travel Association (GBTA), based on data and expertise of Rockport Analytics, with additional analysis from CWT Solutions Group.

Macroeconomic overview

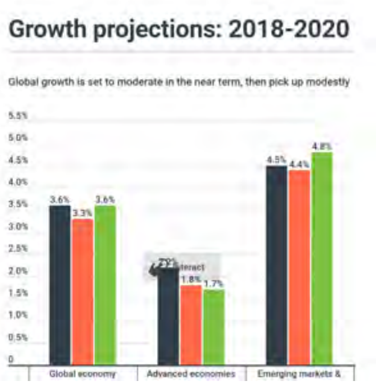


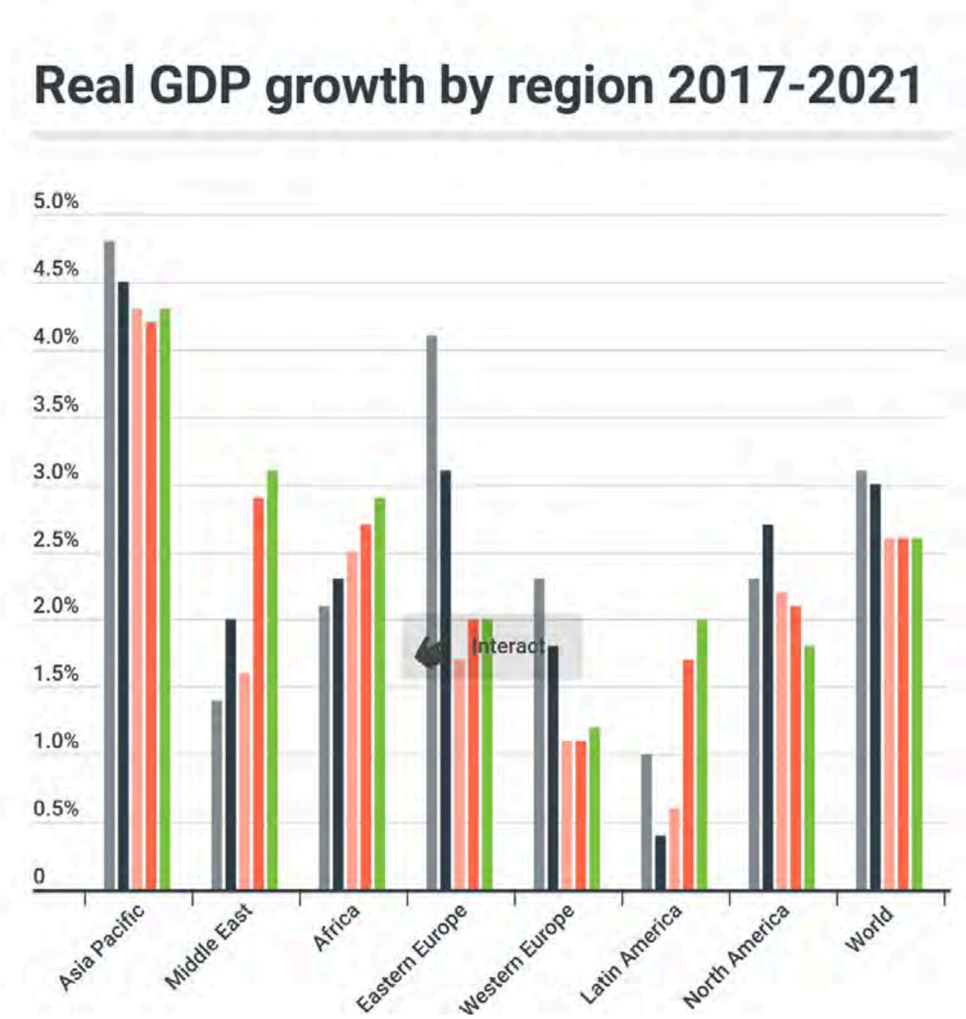
The Big Picture

Oil prices, trade wars and inflation – we look at the factors set to impact the global economy

Losing its luster

The global economy grew by 3.6% in 2018, which helped to spur demand for travel goods and services and generally support travel price increases by global suppliers. Through 2017 and early 2018 the world benefited from a brief return to synchronous global growth – emerging markets performed significantly better than in preceding years with both Brazil and Russia recovering from recession; India and Indonesia's economies continued to grow at near double-digit rates and China's economy has continued to moderate without any significant downside surprises to growth. Advanced economies also performed much better through the middle of 2018 as both fiscal and monetary stimulus fueled economic growth, healthier labor markets, rising business and consumer confidence and growing corporate profits.





As we moved into late 2018 the global economy began to show some cracks, however. The US Federal Reserve began tightening which put pressure not only on US GDP growth but also on emerging markets, as the dollar-denominated debt held by much of the developing world took a hit and the rising dollar put pressure on commodity prices. At the same time, we saw economic risks on the fiscal side begin to rise as the Trump administration started the ignition on global trade wars which have escalated with tit-for-tat actions with China. The European economy also faced economic challenges, most notably a slowdown driven by significant challenges in Germany, a shallow recession in Italy and prolonged uncertainty in the UK around Brexit. In APAC, the Australian economy faced significant challenges in the back half of the year driven by volatility in real estate prices in Melbourne and Sydney and while economic growth in Japan improved, inflation has remained stubbornly low. Most of these economic challenges have crept into 2019 and we are eyeing a number of key risks to our travel price forecast for 2020. Many of these risks have tilted towards the downside in recent months:

1. **Trade war escalation:** Far and away the biggest downside risk to our global travel price forecast is the further escalation of trade wars. Global business travel is tightly tied to

the health of global trade and any barriers to trade create an immediate headwind to global business travel demand. Moreover, the spillover effect on consumer and business confidence could further erode economic and corporate performance in key global business travel markets, leading to additional downward pressure on business travel demand and more benign travel price increases in 2020. US-China trade discussions are set to resume at the beginning of August in Shanghai. While this is a step in the right direction most experts are expecting prolonged negotiation, perhaps extending out to the 2020 US presidential election.

2. **Recession looming in major economies?**
   The risk of a recession in the U.S. has increased significantly in recent months, fueled by the aforementioned risk of trade wars, along with volatile equity markets and slowing impact from 2017 tax legislation. Likewise, Western Europe is facing significant challenges including economic headwinds and tumbling business confidence in its largest economy, Germany, and remaining uncertainty around Brexit and trade deals between the UK and EU member countries.

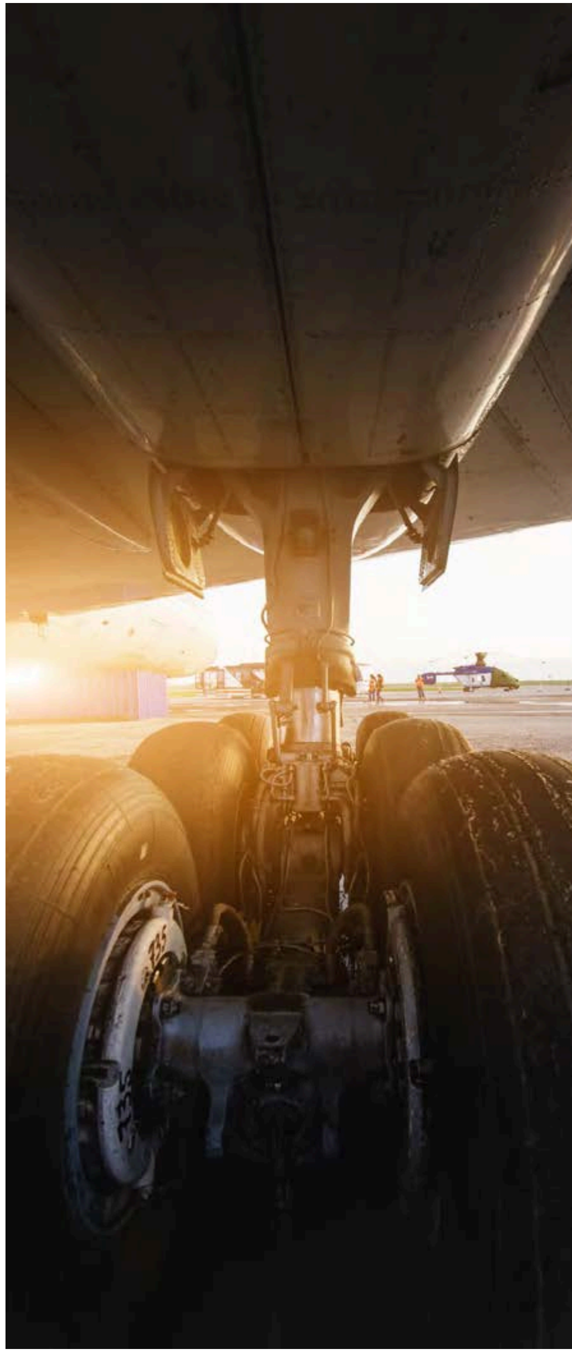
3. **Oil prices and Middle East disturbances:**
   Oil prices are always key to the outlook for both the global economy and global travel prices. The price of crude has an impact on global production and changes in oil prices find their way into the prices of virtually every good and service consumed globally. This is particularly true for airfares for which the price of oil is a direct input. As oil prices spike, we tend to see an almost immediate rise in the cost of airfare. The supply-demand dynamics moving into 2020 portend relatively flat price growth in oil next year, however, oil prices are notoriously sensitive to supply shocks. We are watching rising tension between the US and Iran very closely as a possible catalyst to drive oil prices, and airfares, higher.

4. **Inflation:**
   Global inflation continues to run below trend although we have seen spikes in specific markets. Prolonged expansionary monetary policy in major global economies has yet to spur inflation globally. In fact, we have seen a breakdown in the so-called Phillips curve in many of these markets. This curve is used by economists to illustrate the inverse relationship exists (in more typical times) between levels of unemployment and rates of inflation. Despite unemployment levels dipping in most major economies, inflation has not kicked into a higher gear and thus far shows no signs of doing so. Nevertheless, it is a risk to watch as pent-up inflation fueled by easy monetary policy could lead to unexpected and sudden increases in prices if economies heat up quicker than anticipated.

5. **Volatility in the dollar:**
   We expect the recent US dollar strength to begin to weaken in late 2019 and into 2020 as the Federal Reserve is expected to reverse course on monetary tightening and again begin to cut

rates which should put downward pressure on the greenback. Central bankers in other major economies are also expected to remain mostly accommodative into the foreseeable future which should lead to relatively stable exchange rates in 2020. This is something we will continue to monitor throughout the year since any fluctuation has a significant impact on global travel managers.

We will continue to see growth in the global economy with the IMF expecting global GDP to advance 3.6% next year. The heightened levels of uncertainty, however, are likely to act as a governor on corporate spending and the demand for business travel in many major markets. We expect global airfares to rise by 1.5% as load factors are likely to retreat somewhat from current levels and competition among low cost carriers will continue to put downward pressure on fares. Global hotel prices will also be much more modest than what we have witnessed over the last five years as supply growth is likely to continue to outpace demand growth in 2020. This will lead to an increase of only 1.3% in hotel rates, globally. Ground transportation will continue to see the most modest price growth of the three segments with prices picking up only 1% over 2019 levels.



Global travel outlook

The Future of Corporate

The business of business travel is the first to feel the hit from changes to national and global economies. Global uncertainty and the resulting decline in consumer confidence are slowing the pace of global growth and bringing with it, price increases in air, hotel and ground travel.

2020 Vision?

As far as forecasts go, this calendar year lends itself to a phrase that will likely be over-used: “2020 vision.” That’s not, however, how most global companies would describe their outlook.

Political, economic and environmental uncertainty is leading to a slowing growth trajectory. The Global Uncertainty Index, a barometer of unpredictability in 20 countries, reached a record level in 2019, based on the frequency that news outlets cite "uncertain" or "uncertainty" in relation to economic policy.

US–China trade tensions, macroeconomic stress in Argentina and Turkey, and financial tightening have all contributed to a weakened global expansion.
A broader trade war could reduce worldwide passenger movements by an estimated 68 million, according to IATA.

Brexit remains a key issue and with that the potential for companies and executives to move location, causing a knock-on effect on the traffic mix and traffic pattern in and out of the UK.

As global climate change worsens, hurricanes, earthquakes, floods and typhoons can cause disruption and health and safety concerns for travelers. According to a report by the U.N Office for Disaster Risk Reduction, since 1998 direct losses from natural disasters have totaled over $2.9 trillion, and 77% of these disasters are a result of extreme weather that continues to intensify as the world warms.

On the plus side, advances in technology and data science mean that businesses can take tangible action to mitigate the potential impact of environmental, political and economic uncertainty, and keep their travelers satisfied, safe and productive.

Circling the Globe

- Russia, Indonesia, India and China are projected to have the greatest gains in GDP per capita, among major countries.
- The US Dollar is projected to weaken against the currencies of most developed economies.
- An intensification of the current trend towards trade protectionism, as exemplified by the actions of US President Donald Trump, could have repercussions on passenger transport. Demand for premium tickets would be disproportionately affected by a trade war.

People First

Saving money is usually a top priority amidst economic and political uncertainty. For some businesses that means, “compliance,” a term as motivating to an employee as “commute.”

But while some travel policies prioritize cost-cutting over employee choice and convenience, modern travel buying is undergoing a seismic shift. Some countries have obtained an almost zero unemployment rate alongside an expected increase in hiring executives. The combination creates tension in the market and makes attracting and retaining talent critical.

Travel policies that focus on upfront savings could affect staffing and financial performance. Delayed flights, unhealthy food, and grueling schedules cost companies in absenteeism, medical costs and decreased productivity.

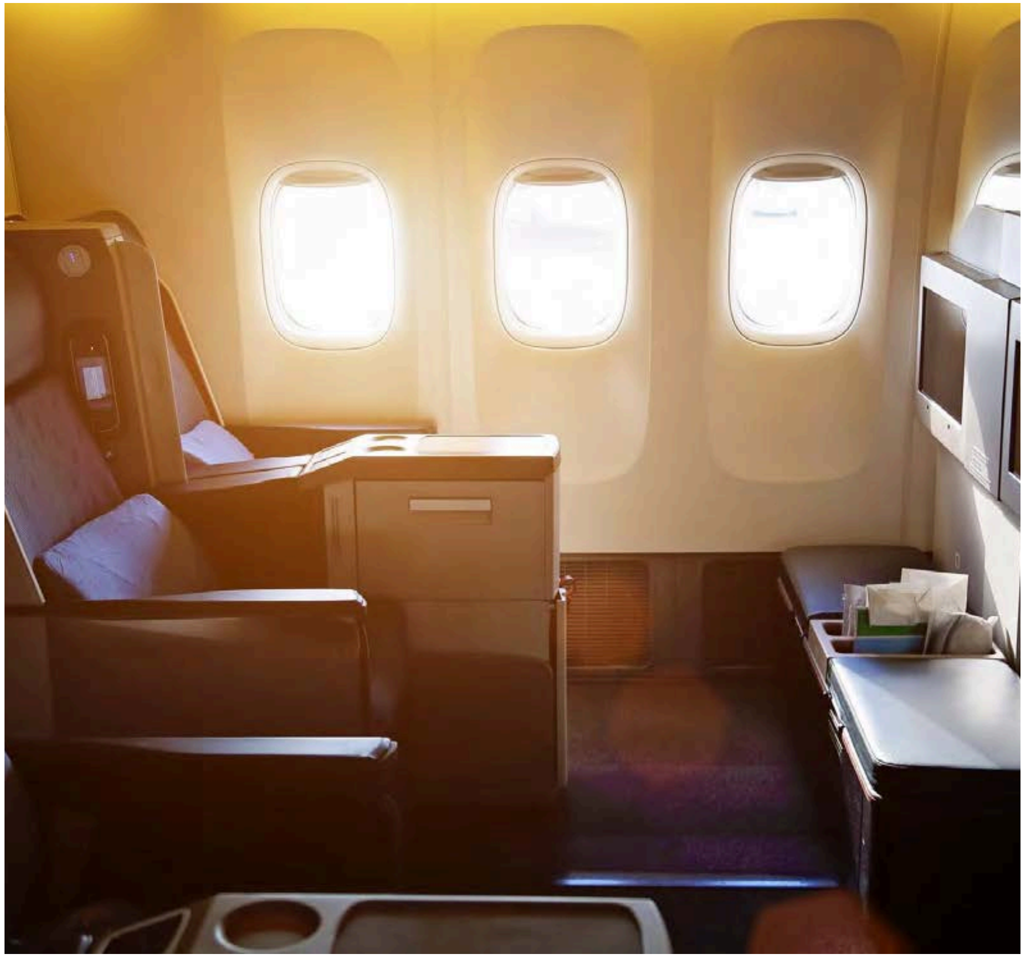
There’s a growing trend towards putting traveler experience and the employee at the core of the travel program and away from outdated policies and tools that focus on compliance.

Research shows that travelers are generally happy to share their travel preferences with both apps and travel industry staff – globally nine out of ten (89%) of travelers are “extremely or “somewhat” willing to do so. Building a picture based on that data can help businesses navigate potentially choppy waters in the year ahead.

Air

Fair Trade?

Given the solid link between business travel and trade, any negative impact on trade flows would bear upon business travel. It is expected that demand for premium tickets (business and first class) will be most effected. Premium capacity makes up a small proportion of total seats flown in the industry (around 5% of the total, according to IATA) but it generates 25% of total airline industry revenues. Thus, the impact of increased protectionism on business travelers is likely to be more immediately visible in airline financial results than in the passenger totals.

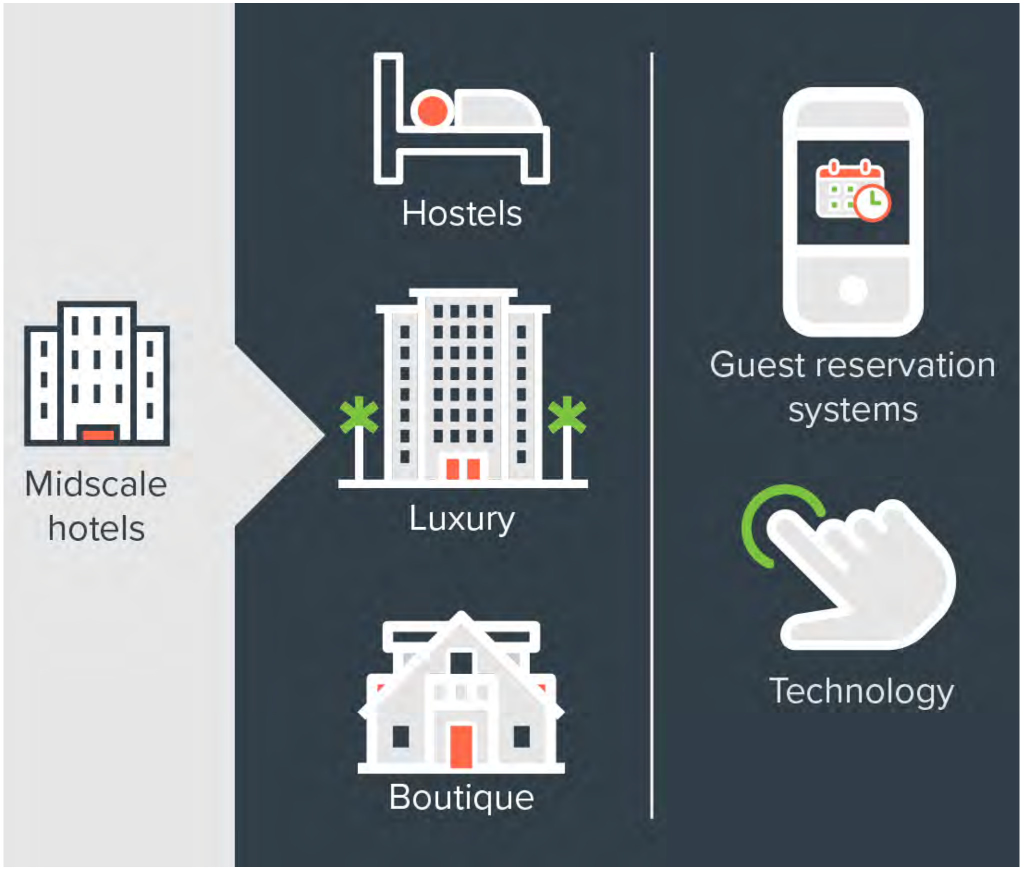


Blurred Lines

Traditional demarcations of accommodation will continue to blur. Midscale hotels are looking to hostels, luxury hotels to boutique accommodation. AirBnB for Work announced plans to expand in Asia while traditional chain Marriott International launched a home rental offering in 2019 serving over 100 markets.

New features, guest reservation systems and technology will also change the face of hospitality. Offering choice is therefore critical to embrace the changing face of business travel.

An abundance of choice compels travelers to book within corporate channels.



Ground

Wheels on fire

Rental car rates are set to rise by 1% globally, due primarily to a boom in international tourism which supports demand for car rental services. Rising disposable income in emerging economies coupled with healthy economic growth in developing countries is expected to have a positive impact on the car rental market.

Equally, there's a growing sentiment towards environmentally-conscious decision making. More consumers prefer ride-sharing and car rental to owning a vehicle.

electric and autonomous vehicles and disruptive business models such as Drivy – a European car rental service that offers car owners the opportunity to rent cars out when not in use –

There are significant changes underfoot in ground transportation. Technological progress in areas like

make it an area of business travel to keep a keen eye on.

Asia Pacific

Global uncertainty has slowed once stratospheric growth, but Asia Pacific will remain the fastest growing region.

Growing Pains?

Asia Pacific is the fastest growing region but keep an eye on potential dampeners like rising oil prices and U.S-China trade relations.

Still in the lead

The roar of Asia's expansion has quietened slightly due to factors like U.S - China trade relations, tighter global financial conditions, and natural disasters. But the region remains the most dynamic with steady GDP growth of 4.5% in 2018 and benign inflation. Asia still accounts for nearly two-thirds of global growth.

Since China holds disproportionate influence, it will be integral to keep an eye on trade relations with the U.S. Though the impact has been minimal, companies are preparing for potentially rocky times ahead. Some companies - particularly in the banking sector - are putting measures in place to drive down costs.
Asia's second largest economy, India, will see a spike in investment and demand for business travel. The 2019 election gave the current government a boost. Rapid progress will continue throughout 2020 and beyond.

Air

Looking down the barrel

With China buying Iranian oil in defiance of U.S sanctions, we could face a crude dispute that requires travel buyers to keep a keen eye on developments. The relationship between Iran and the U.S may disrupt the flow of oil. Over the last two years the price of oil has fluctuated, however it has increased by approximately 26% since June 2017.

Strong connections and dynamic competition in Asia helps airlines maintain reasonable pricing despite increases in oil prices.

Can ‘no frills’ pay the bills?

If there’s a change in the cost of fuel, low-margin airlines will be the first to be impacted, first and foremost those with ground to make in terms of how they operate.

The shutdown of Jet Airways operations in April created a significant vacuum in the market and has impacted key routes. While the vacated slots have been taken up by various airlines, the reduced competition has caused airfares to increase. The market was already facing a reduction in available seats following the grounding of the Boeing 737 Max and several Airbus 320 Neo aircraft in March. We may see other airlines undergo restructuring or be repurchased.

On the plus side, airlines are constantly monitoring the market, adjusting their contracting discounts and looking for hedging opportunities on a more regular basis. They’re increasingly able to anticipate changes that might impact the cost of travel.

Eastern **Promise**

A wave of activity and investment is underway to boost connections between Asia and global hubs, with regional hubs competing for the same connections.

Following the recent inauguration of Changi Airport Singapore's terminal four, the Airport Authority of Hong Kong is implementing a bold plan to enhance their 20-year-old facility that's expected to cost more than HK$140 billion (US$18 billion).

According to the Vision 2040 report released by India's Ministry of Civil Aviation, the country will aim to open nearly 100 more airports over the next two decades, and have 190-200 operational airports by 2040. India's commercial airline fleet is also likely to grow from 622 in March 2018 to around 2359 in March 2040.

Beijing's new Daxing International Airport is scheduled to open in September. Beijing Capital International Airport has been operating at full capacity for several years with flight delays being a regular occurrence. The new airport will help relieve some of this pressure. The airport's four runways, and its location away from the main city area, should also help reduce delays and cancellations.

Hotel

Rooms with a View

Asia's hospitality industry is booming with hotel investment volumes predicted to grow by 15% year-on-year. China and India will see significant expansion, along with smaller hubs such as Malaysia, which will see 13 new hotels scheduled to open in 2020.

Japan is hosting several upcoming high-profile events, including the Rugby World Cup, Olympic Games and Paralympic Games. Commercial real estate firm CBRE projects that around 80,000 new hotel rooms will open in nine major cities between 2019 and 2021, a 24% increase over the rooms available at the end of 2018. Still, there's a minimal risk of oversupply as the country experiences high demand and inbound tourists could reach 40 million in the coming years.

Meanwhile, Japan is also implementing emergency service procedures in the event of a major earthquake occurring during these periods of high visitor arrivals. According to the government's earthquake forecast, there's a 48% chance that a magnitude 6 earthquake, or above, occurs in Tokyo in the next 30 years.

Clause for concern

Corporate travel buyers are reducing the number of contracts they have with hotels in cities like Singapore, Sydney and Melbourne. A similar trend has been observed in high-occupancy cities in Europe and North America. Less contracted hotels equates to creative sourcing and working with suppliers on a scale larger than previously possible.

An appetite for chainwide discounts and dynamic pricing - or the ability to adjust prices based on current market demands - will continue. Corporate travel buyers see less benefit from traditional advance purchasing and last room availability (LRA).

Sticking Point

When your travelers get the right content and competitive price points through your corporate channels, you can create additional savings, improve your reporting and locate travelers more easily in an emergency. The key is to offer your travelers more choice.

Ground

Driving competition in China

Declining revenue for car suppliers is attributed to steady demand and increased competition.

State-owned automaker SAIC Motor announced in 2019 that its car rental brand Xiang Dao will provide a business car rental service to companies replacing the existing venture it currently has operating under the AVIS Budget Group branding. Major players in the car rental service in China include Car Inc, eHai, Shouqi car rental and Yongda. We expect SAIC Motor to be a competitive service provider because it has car capacity and business car rental operation experience from AVIS. SAIC Motor's entry will further intensify competition in the business car rental market.

Share of the ride

China's largest ride-hailing company, Didi Chuxing, has been growing its footprint across the globe. Outside of China, Didi already has operations in Japan, Australia, Brazil and Mexico, and it has now set its sights on other Latin American countries including Chile, Peru and Colombia. Other players from the region such as Singapore's Grab, Indonesia's Go-Jek and India-based Ola have also been pursuing aggressive expansion plans into overseas markets.

While a recent CWT survey of travel managers found that the overwhelming majority of travel programs in Asia Pacific permit the use of ride-sharing services, traveler safety still remains a key concern. But the widespread publicity surrounding various accidents and attacks involving ride-sharing providers have prompted these companies to put more stringent safety measures in place. Uber, Grab, Ola and Didi have all added emergency buttons in their apps, as well as ride-tracking which allows passengers to share their trip and location in real-time. In September last year, Didi introduced in-trip audio recording. A month later Grab announced it would double its investment in safety by the end of 2019, introducing new initiatives and features such as using data from the app to measure driver fatigue.

Europe, Middle East & Africa

A look at key developments in air, hotels and ground transport across Europe, the Middle East and Africa.

Clouds on the horizon?

Despite political uncertainty, the economy in Europe, Middle East and Africa (EMEA) has been relatively constant.

Steady growth

According to the IMF, the region will see steady GDP growth, ranging from 0.3% in the Middle East to 1.6% in Europe (2.4% in Eastern Europe) and up to 3.6% in Africa.

A stable price progression year over year across Europe, Middle East and Africa aligned with this GDP growth, inflation and a steady increase in demand look to continue into 2020. With political changes on the horizon, however, we may see this slow in the coming years.

To some degree, we need to take a wait and see approach before we can understand the supply and demand implications of Brexit as well as issues in the wider EMEA region, including labor strikes, climate change protests, global trade wars, rising oil prices and regional terrorism. All of these factors have the potential to cause a slowdown and slow demand recovery. However, much like in North America, the consolidation of travel data can help travel managers to keep tabs on their travel programs and costs, preparing them to weather upcoming political storms.

Deal or no deal?

The UK is still facing the uncertainty of what will happen with Brexit. Set to leave on October 31, 2019, it remains to be seen if Parliament will finally agree to exit terms in line with the European Union's proposed deal, or leave on World Trade Organization terms without one. Operating costs for consumer outbound UK holiday travel companies are projected to rise up to 58% after Brexit and if 'no deal' triumphs, it is likely to cause disruption to business and impact corporate travel - at least in the near future. Companies are likely to cancel trips to the UK due to uncertainty regarding immigration for international travelers, which will have a knock-on effect for travel to/from the UK and Western Europe.

Air

Flying steady

We do not expect to see any surprises in prices across EMEA in the coming year. The projected price changes average 2.2% for the Middle East and Africa, -0.2% for Eastern Europe and 0.5% for Western Europe, which is in line with last year's predictions.

Any larger increases are linked to specific destinations, for example, the Middle East and emerging economies in Africa will see the largest changes.

Opening up the Middle East & Africa

Oil and gas-related business travel between Western Europe and the Middle East continues to be one of high traffic, and Turkish Airlines has even added a new player to the mix to compete with the more established, financially struggling UAE-based airlines. The increased competition is due to Turkish Airlines creating new routes and increasing the frequency of traffic between Eastern Europe and the Middle East as the grow their new Istanbul hub operation. Its new Istanbul airport – one of the largest in the region – will also change the dynamic and flow between Europe and Asia, providing an alternative stopover point for flights to China and Eastern Asia.

New Istanbul airport

Similarly, Kenya Airways is helping to increase business traffic between Europe and Africa. With a high frequency and range of flights between the two continents and its membership in the Sky Team alliance, they are set to compete with South African Airways, driving cost effective travel to the region.

Legacy vs. low-cost: a business proposition

While businesses tend to favor larger legacy airlines for their travel programs, new and low-cost carriers are still affecting the corporate travel market. We anticipate that ongoing competition between legacy and low-cost carriers in Western Europe will influence the fare and pricing structure as legacy carriers battle to regain market share. These rises will have the most impact on intercontinental flights where there is less competition.

With these price wars raging, NDC is also affecting how businesses purchase air travel. Airlines are using both factors to revamp the way they distribute fares and travelers are gaining greater transparency so they can select the right fare for the right trip, avoiding extras they do not need, like baggage for a one day trip. Once NDC's transparency can be linked with personalization technology, it will allow travel managers and travelers to compare booking fares, providing a more accurate picture of the cost and benefits of each.

Hotel

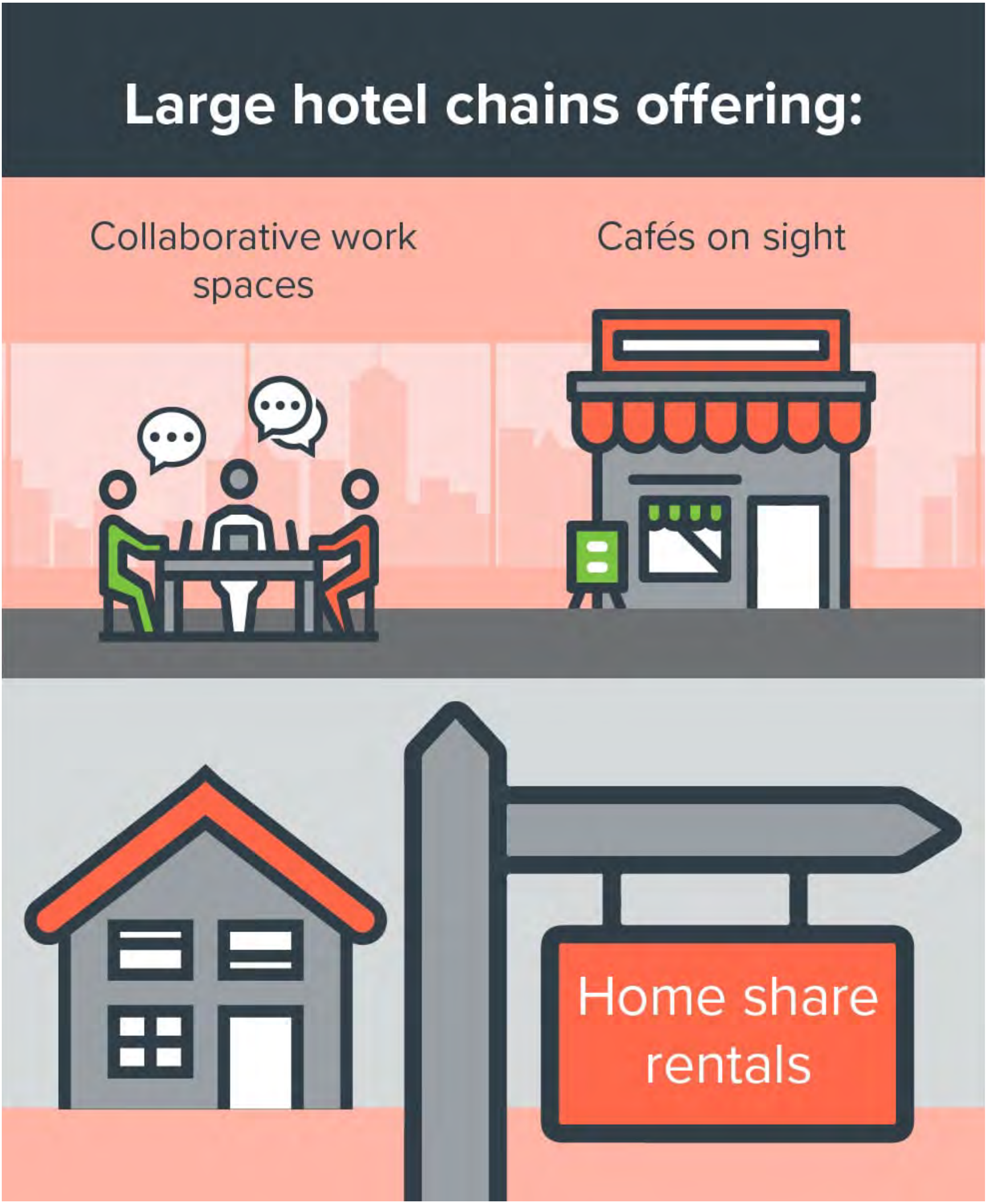
Dynamic **shifts**

Even with the cloud of political uncertainty across Europe, we expect regional price fluctuations between between -3.4% to 5% for 2020, with the larger increases in Eastern Europe and the Middle East, echoing the projections for air.

Denmark and Egypt are both countries to watch, with hotel prices in Denmark expected to dip next year (-3.4% growth). With a projected GDP growth of 1.6% in Denmark and a growing demand for accommodation, the expansion of suppliers and an increase in hotel capacity should drive rates down.

On the other hand, Egypt's rates are on the up - projected to rise by 4.7% - as its economy and inflation are settling down after a period of unrest. Cairo is already investing in sustainable growth plans for travelers, expanding its airport to welcome 8 million visitors. All this will help increase tourism in 2020 and beyond - and with it, business travel.

Hotel chains have started to shift toward dynamic rather than fixed rate models. This means the focus will need to change to off-peak times in low availability areas to have access to the best discounts and lowest prices, as volume discounts will be fewer and farther between. Advanced booking should also be encouraged – as prices will go up closer to the travel dates. We are also seeing more companies introduce rate caps for bookings, especially in more expensive cities like London, putting pressure on hotels to honor group bookings and discounts.



Sharing economy experiences from traditional hotels

While sharing economy accommodation is much more popular for longer business trips in Europe than in North America, it still does not dominate the business travel landscape, due in part to unregulated levels of security and inconsistent check-in and out procedures.

With some sharing economy players and independent boutique hotels offering corporate packages, however, larger hotel chains are upping their game to compete – providing more experience-enhancing options for travelers, including collaborative co-working spaces and on-premise cafes.

Chains like Marriott are also starting to enter this market with their Homes & Villas pilot of home share rentals, so it will be an area for corporate travelers to watch.

Do you favor hotels with collaborative working spaces for business trips?

- Yes
- No

See results

Ground

A smooth road for rental car

Without the knowledge of fleet costs for 2020 and beyond, predicting the prices for car hire for the coming year can be challenging, as 35% of the cost is generally fleet related. We are expecting growth to remain fairly stagnant for the coming year, however, with average prices predicted to increase 0.5% in Western Europe, the Middle East and Africa across all car models. Eastern Europe's franchise model for rental car businesses will see slightly higher growth of 1.5%, due to the supply and demand trends in the countries in the region.

Rail: a sustainable investment?

While rail prices vary greatly across EMEA, they are dependent largely upon the networks and services themselves – many of which are still regulated by governments. Thanks to the EU's Fourth Railway Package, these networks are starting to open in Europe. Passed in 2016, the six pillars of the Package are now being rolled out across Europe, with the goal to revitalize the rail sector and boost its competitiveness. This means new low-cost players like German Flixbus subsidiary, Flixmobility are challenging national leaders like Deutsche Bahn and France's SNCF, which should help to lower fares and balance price increases.

In addition to changes in regulations, climate change is driving investment in rail as a greener alternative to flying or driving. In addition to its nationwide railway network upgrade, the UK could be seeing hydrogen fuel cell-powered trains as early as 2021 in a drive to cut its carbon emissions. Between competitive pricing and a call for greener business, travel managers would do well to keep an eye on rail for business travel across Europe.

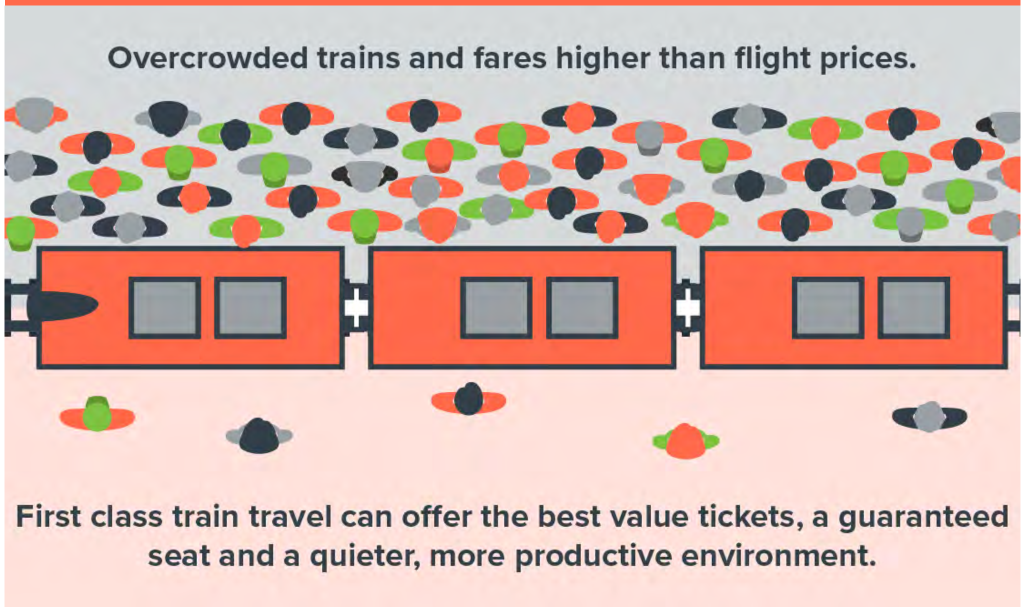
Does your business have a climate change policy in place to promote rail travel over flights or car journeys?

- Yes
- We are working on one
- No

See results

Advanced purchase for a better class of travel

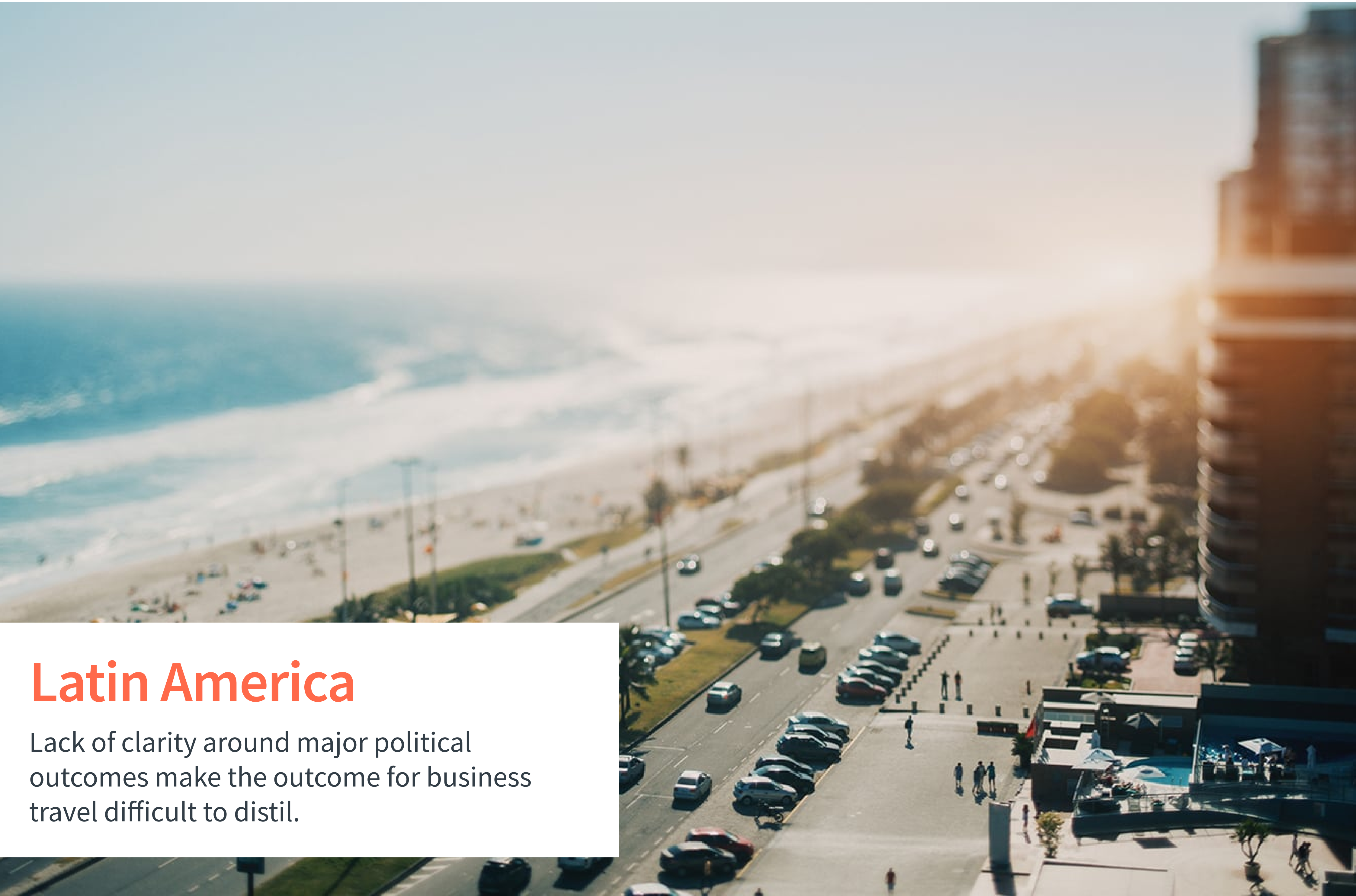
Green or not, a key obstacle for business train travel is value for money. Overcrowded commuter trains with fares that can far exceed flight prices are a huge deterrent, especially for longer journeys. Booked far enough in advance, however, first class train travel can not only offer the best value tickets, but a guaranteed seat and a quieter, more productive environment for business travelers to work.



Recommendation

By capturing the total cost of each trip – including all transport, bed, board and any related expenses from leaving to returning home – travel managers can create a holistic picture of the travel program. Understanding this cumulative value helps to:

- **Identify** opportunities to manage and offset any price increases.
- **Compare** data with industry benchmarks and use it as a negotiation tool for more impactful conversations with suppliers.



Latin America

Lack of clarity around major political outcomes make the outcome for business travel difficult to distil.

Southern Discomfort

A volatile political and economic situation remains in some of the largest economies in Latin America.

Political volatility

Economic activity in Latin America continues to rise – but at a slower rate than previously anticipated and, is expected to advance by 2.5 % in 2020 – below peer nations in other regions.

An unstable political and economic situation remains in some of the largest economies, contributing to a slowdown with Argentina, Mexico and Brazil expected to struggle most. Argentina – which will see presidential elections in October 2019 – is undergoing difficult economic adjustment; fiscal and political challenges weigh on Brazil; and tensions run high in Mexico.

President Trump’s announcement of a 5% tariff on Mexican imports to the U.S could have dire consequences. Business travel will be the first to go. The crisis in Venezuela continues to worsen. Amidst a humanitarian crisis and shortages of power, food and medicine, current rates of migration could see more than 1.5 million cross the border into Brazil.

Air

An even plane

Given the long distances, a growing middle class, and low market penetration of air travel, opportunity is ripe for the growth of commercial aviation, and airlines are taking advantage of it.

Since 2017, several new carriers entered the market, met with solid demand. Low-cost carriers have gained significant share in Brazil, Mexico and Colombia, Latin America's three largest air travel markets.
The most recent new entrants are driving traffic through serving client segments, which otherwise would have travelled by other means, such as intercity buses. Cost is still most likely to be the key competitive factor with new entrants focused on generating ancillary revenue.

Eyes on Brazil

We expect the recent grounding of Avianca Brazil to increase pricing, bringing the number of domestic airlines down from four to three.

Although capitalizing on Avianca's bankruptcy, Air Europa's application to operate domestic flights within Brazil could stabilize pricing. The move is a direct result of laws allowing foreign airlines 100% ownership of Brazilian airlines.
Pricing could go up as a result of President Bolsonaro's announcement to veto legislation allowing passengers to check in one piece of luggage of up to 23 kilograms (50 lb) free of charge on domestic flights.

Soft opening

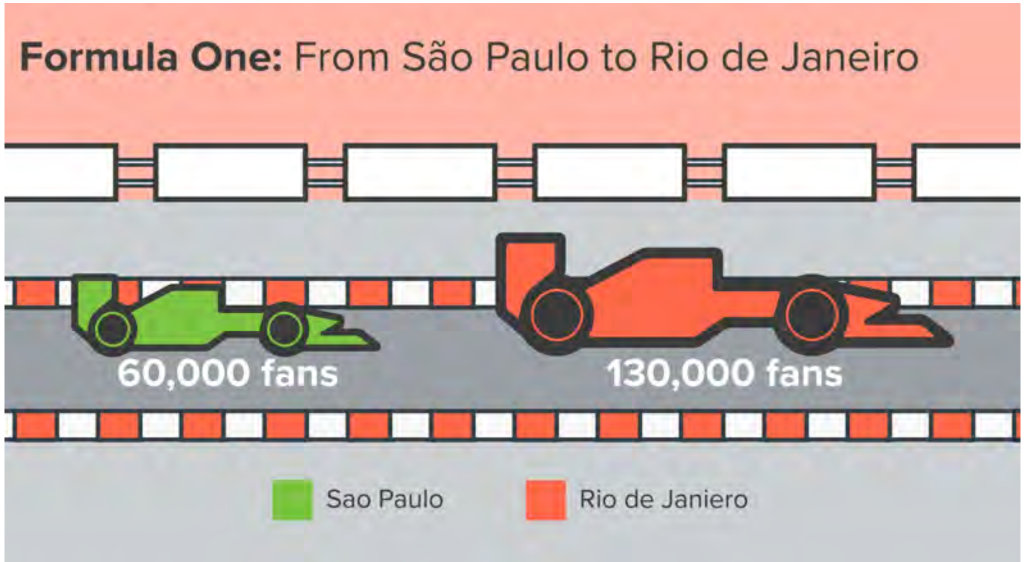
Following a steady decline in new hotels from a 2015-2016 peak – Lodging Econometrics (LE) reported the total construction pipeline down 8% year-on-year (YOY) –things may be picking up with Mexico leading the way.

After a slowdown in 2018, more than 10 new corporate chain hotels opened in the region in the first quarter of 2019 with growth set to continue throughout 2020. Properties in Mexico and across Latin America are likely to continue to reduce their pricing.

A sporting chance

After the 2016 Summer Olympics in Rio de Janeiro, several hotels closed their doors, unable to fill their rooms. Reduced volume has impacted the average room rate in Rio, however, a new sporting event may change that outlook and warm the market.

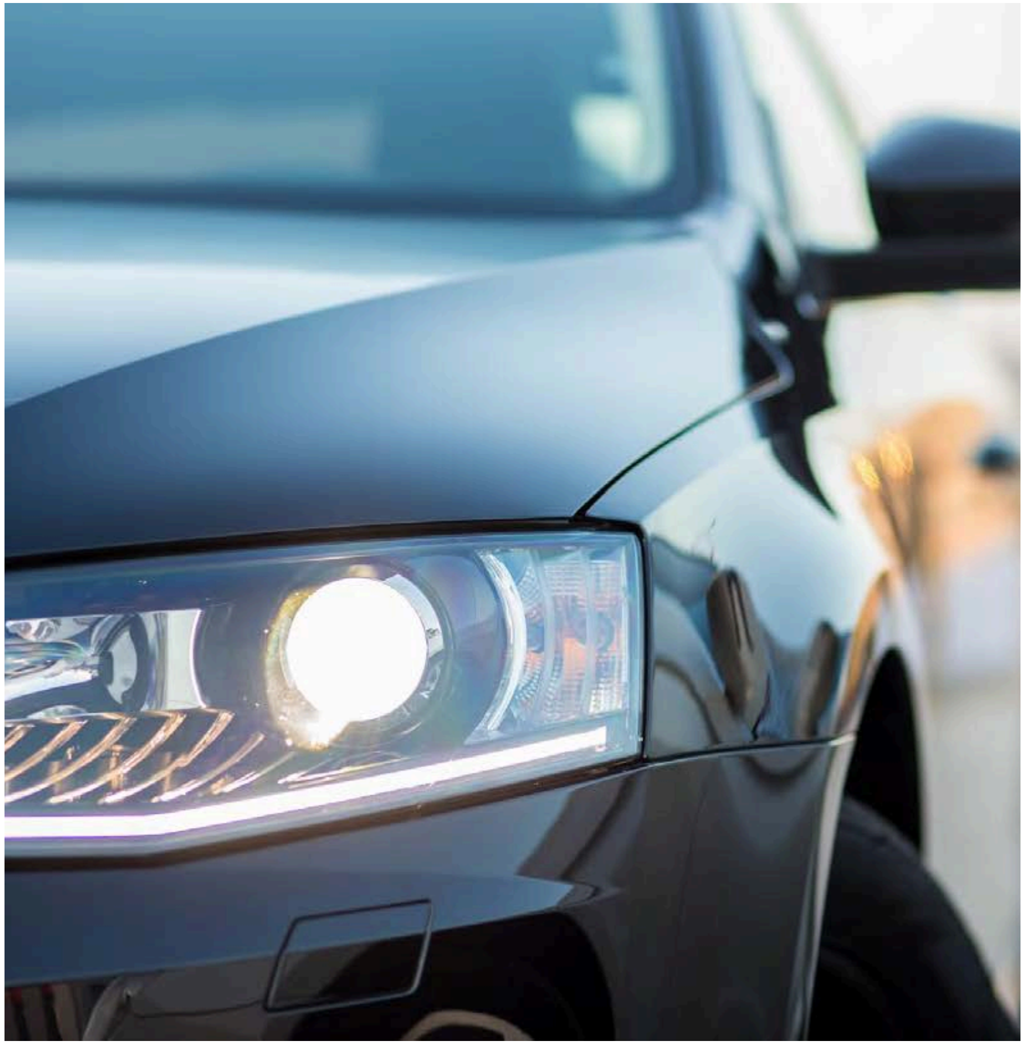
President Bolsonaro aims to bring Formula One to Rio from São Paulo, after the contract ends in 2020. Bolsonaro plans to stage the grand prix at a new track that will hold 130,000 fans.



Ground

Gaining ground

A 1% rate increase in rental cars is driven in part by a boost in demand in Brazil, the region's biggest economy. Rental car companies report a cultural shift towards sharing cars rather than owning them, and a growing tourism industry is also boosting the industry.



North America

Exploring changes in air, hotels and ground transport in North America.

At the tipping point

While the health of the US economy thrives, there is a looming uncertainty, partly due to tariffs and trade wars.

A gradual slowdown

The 2019 US GDP growth is set to slow to 2.1% (versus 3% in 2018) and the rate is expected to decrease in 2020 and 2021 down to 2% and 1.8%, respectively.

If this slowdown does come to fruition, it can affect businesses and ultimately travel programs. Planning ahead is essential to ride out any downturns to do this, and travel managers need to monitor their travel data regularly.

Diligence is the key to being prepared. By having an accurate view and understanding the full picture of travel preferences within their organizations, travel managers will be able to stay ahead of the curve when it comes to preferred supplier agreements, placing them in a more favorable position when the time comes to negotiate.

Air

Looking **beyond** the horizon

Air prices in North America are expected to rise. A slow and steady rise of 2.3% is anticipated for the region in 2020. This consistent growth reflects the underlying strong economies of the US and Canada.

Unions are in the midst of negotiations with carriers for pilots and maintenance contracts, many of which will be eligible for renewal in 2020. Pay raises will have airlines looking to make up their costs elsewhere. Upping ancillary costs will cover some of the spend, but it is likely that airlines will need to look at airfares as well.

Most airlines are looking to ancillary fees as a way to stay competitive. Costs of services like WiFi, lounge access and frequent flyer levels may be up for negotiation for corporate travelers. Travel managers should be prepared to strike a balance between price and providing the most productive traveler experience for employees.

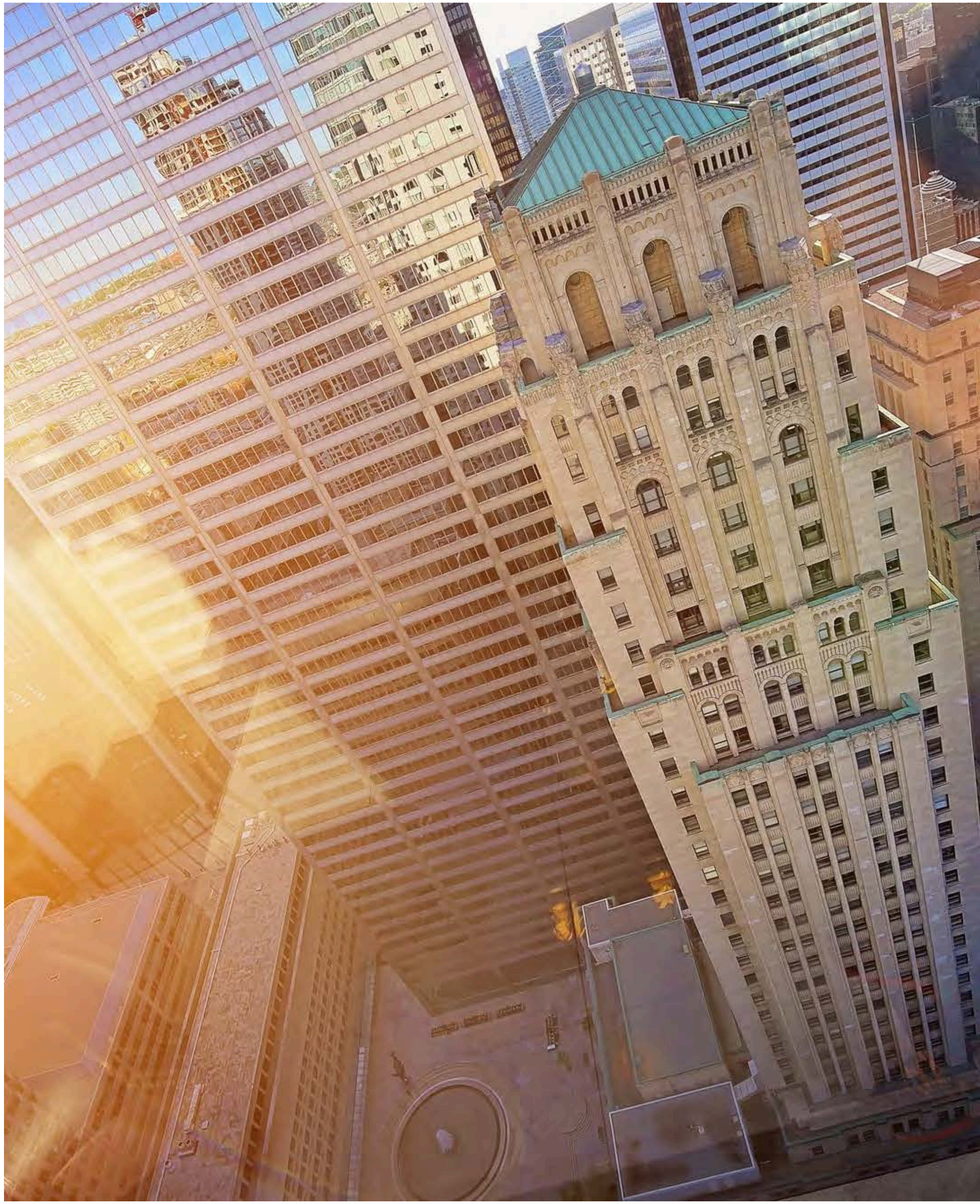
Building a clear picture based on traveler data will help travel managers to ensure this balance is met, even in times of uncertainty. Advanced purchases and online booking can help drive down costs as can having a clear travel class policy for employees that identifies the lowest logical fare for each journey.

A new type of investor?

In Canada, we are seeing a slightly different story. A more aggressive price rise of 3.2% (based on USD) is expected, primarily due to private equity firm, Onex, paying over the odds for Canada's Westjet in a $5 USD billion deal, doubling the share price of what the market was asking; a first in the industry. To help make their money back, we will see a rise in prices across the board in the country, with domestic economy taking the brunt of this with a predicted 5.7% rise in prices.

While the projected price rise for business class flights is less dramatic, the buyout is likely to affect airfares and ancillary charges over the next few years while the market rebalances.

If successful, this deal may lead to private equity companies looking more closely at airlines as investment opportunities, opening the door for the air travel industry to enhance their margins, expand routes and increase flexibility.



Striking a balance

Overall the hotel industry in North America has seen slow, but steady growth in Average Daily Rates (ADRs), which looks set to continue into 2020 and beyond. With the number of new hotels that have been built and opened, however, the demand for rooms is now aligned with the supply, which will translate to a small slowdown in the region. We will see ADRs growing at closer to 2% year-over-year rather than the 3% we have seen in the recent past.

This gradual slowing will help rates return to normal, correcting the over-inflated prices we have seen in some of the major cities over time.

The tech sector effect

Interestingly, while technology-focused areas - like San Francisco, San Jose, Seattle and Vancouver – are still seeing growth, it is not as high as it has been historically. Demand in these cities has been high for so long that prices have been absurd, and we have started to see business travelers staying further out to combat these price pressures. It is similar to what New York City experienced six to eight years ago when ADR growth went flat and then to negative growth.

Filling rooms with heavily discounted corporate rates is unsustainable for hotels; consequently, we may start to see the technology giants moving away from traditional hotel stays. This shift is one explanation for why growth rates across the board have

been relatively flat, ranging from 0-5% rates instead of the near double-digit growth from 0-9% that we have seen in past years.

Room for negotiation

This slowdown can be an opportunity for more aggressive negotiations, allowing the expansion of current offerings and finding that sweet spot between cost efficiencies and traveler experience – a much more important factor with millennials. This group will make up nearly 50% of the current American workforce by 2020 and 75% of the global workforce by 2025.

Business travelers tend to fall into two camps – the more traditional, older ones who are generally more brand loyal and prefer to stay in their favorite chain wherever they go. They know what to expect and can reap the benefits of loyalty points to make their stays productive and comfortable.

The younger workforce tends to blend business and leisure, and prefer less luxury 'cookie cutter' hotels in favor of relaxed, boutique-like accommodations that can double as hang out and co-work spaces. Hotel chains are responding with accommodations that match these preferences – and often at a lower price point. While location is still at top of the list, we are seeing younger travelers happy to stay a bit further from the city center for business.

Fees can add up

Similar to airlines, hotels will be looking for alternative ways to make money, including keeping business travelers working in their lobbies and eating in their restaurants. On the flip side, cancellation policies are becoming stricter and travel managers and travelers need to ensure they read the fine print. We are seeing larger chains charging cancellations fees as far as 72 hours in advance, rather than the previous standard of 24 hours.

Ground

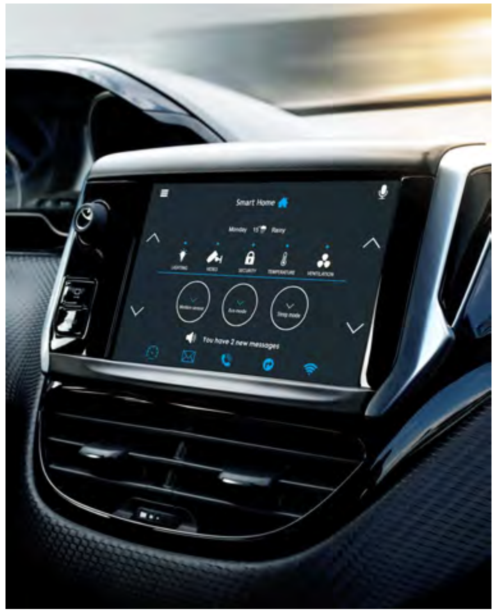
Staying grounded

Predictably, the car rental market has seen a 1% increase in North America. Due to the nature of long-term contracts, we are unlikely to see any upward trends in pricing until 2021 or 2022. While we do expect prices to rise, we do not anticipate dramatic ones as long as the residual costs remain stable.

Traveler preferences are dictating a change in car preferences, shifting away from traditional sedans in favor of more versatile SUVs and trucks. Newer cars mean more technology, which translates to more convenience and better performance, but does come at a cost – specifically, maintenance. Maintenance and repair costs to fleets are on the rise and, combined with the change in fleet mix, will likely have a knock-on effect on prices in the coming years, leading to cost increases in the future.

Connected cars

Ground transport tends to be the area that has the least clear view of traveler spend and, therefore, needs to look carefully at all rate components. The transparency of connected cars will help to correct this gap in knowledge and give both travel managers and car rental companies the ability to track everything from miles, fuel levels and damages to cars. This increased visibility will help companies charge more accurately and recover costs which should help lead to more equitable and accurate pricing. With a view into the data, better rates can be negotiated based on on-time return rates and safe driver discounts.

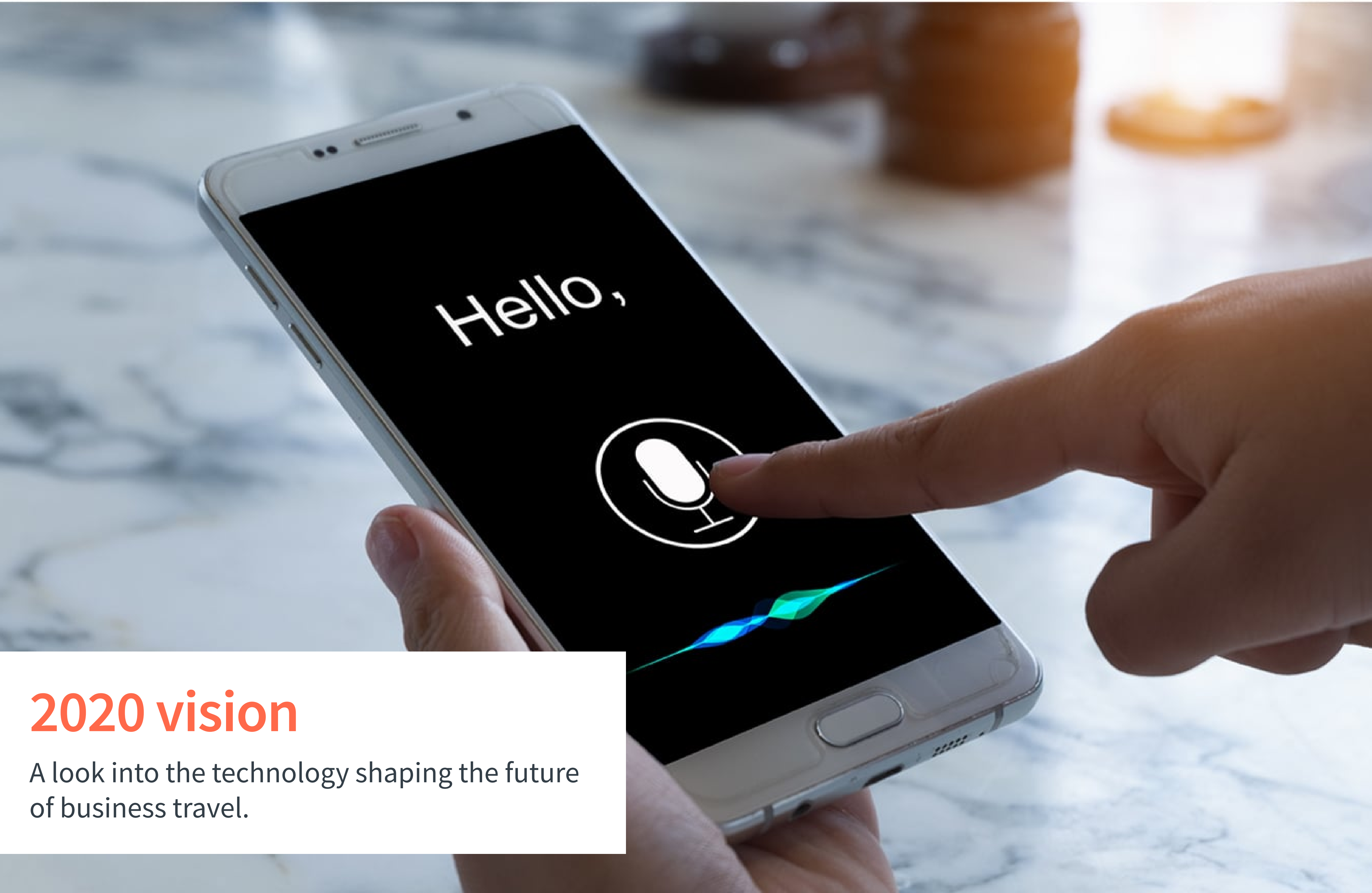


What is next for the sharing economy?

Transportation Network Companies (TNCs), like Lyft and Uber, are nearly ubiquitous in North America, and most corporate travelers are happy to rely on these in urban areas as they are on-demand and often less hassle than renting a car – especially for shorter trips. But they are not necessarily a threat to car rental costs; any business rental companies lose to the sharing economy they make up for by providing fleets for Uber and Lyft drivers.

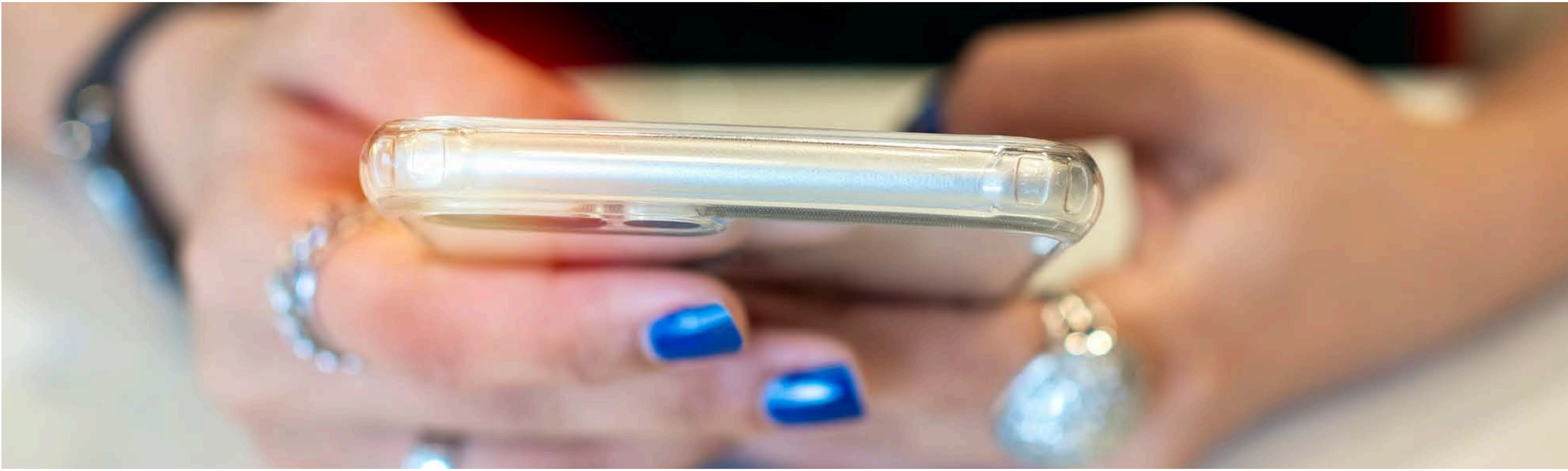
And for those rental companies with offices more than four miles away, car rental companies are starting to pay Uber or Lyft drivers to take passengers to their offices to pick up their rental cars. This helps the rental companies to save money on office space and shuttle costs, making the relationship between car rental companies and TNCs more symbiotic than competitive.

Recognizing the importance of partnerships, TNCs will also continue to work with businesses to create managed rideshare programs. With dedicated account managers and trust and safety teams, these programs aim to help organizations to reduce costs, provide employees with exclusive discounts and perks, and ensure they have the tools and support they need to manage their travel programs effectively.



2020 vision

A look into the technology shaping the future of business travel.



Data *in* your fingertips (and your face, eyes, and cars)

Efficiency is paramount for business travel.

Seamless travel

Whether it is waiting for a taxi, checking-in for a flight, or on the journey itself, time spent not working impacts the productivity of employees and can result in business travel becoming an expense, rather than an investment. Technology aimed at reducing traveler downtime continues to evolve and we will see more applications aimed at making the business travel process more fluid, efficient and productive into 2020 and beyond.

Wading through reams of data can be at best, time consuming, at worst, counterproductive. As a result, we are seeing the adoption and development of artificial intelligence-powered tools across the travel industry. User-friendly search engine-like interfaces are being developed to sit on top of corporate travel databases to solve this disconnect and make travel data easier to access and navigate. AI-powered chatbots and similar technology also help navigate traveler preferences and align these with corporate policies.

Delayed trains and flights happen all

too often and can result in many wasted hours in stations or airports. **Trip disruption technology** is maturing to help combat this. Businesses can subscribe to services that provide up-to-the-minute information about any changes to a journey directly to the traveler's mobile devices, allowing them to plan ahead to minimize waiting times. Some third-party technology providers will also provide instant vouchers to access airport lounges the minute a lengthy, unexpected delay is announced, providing a connected business-friendly environment for travelers to get work done while they wait.

A number of **biometric technologies** are being tested and used to make the immigration and security processes at airports more seamless – and secure. And with air passengers set to double by 2036, it cannot come soon enough for business travelers.

Already being trialed to speed up the boarding process, **facial recognition technology** is being piloted at international airports to speed up immigration checks and increase accuracy at border control. Other biometric technologies like **fingerprint** and **retinal scanning**, while not new, are starting to reach critical mass, being adopted as part of 'smart airport' schemes around the world to reduce security queues. International airports like Washington Dulles are also investing heavily in automation like **mobile passports** and increasing the number of mobile entry kiosks to help keep passengers moving through airports without compromising on safety.

Airports recognize the value of time and many are engaging in partnerships with airlines and with corporate travel managers directly, educating them about the emerging technology on offer – all with the aim to provide a smoother, more expedient airport experience for business travelers.

Automated check in/check out technologies make hotel stays for business travelers easier and more productive by eliminating long lines and complex payments. Services like Conichi's Smarthotel allow travelers to arrive at their hotel, pick up their key and head straight up to their room. No need for waiting in line at a desk. Check out is similarly quick – travelers can leave their key and go – and thanks to centralized billing, they do not have to worry about making payments or having to expense the cost themselves to claim back later.

And travel managers benefit from more accurate invoicing and access to traveler data, allowing them to better understand individual preferences to help provide a smoother, more tailored service to frequent travelers.

While all of these individual technologies are helping make business travel smoother and more productive, connecting them so they all work together is essential to create a truly seamless travel experience. Data is at the heart of most travel technology and integrating everything from traveler booking preferences to flight prices, car specs, fuel prices and hotel rates requires huge amounts of bandwidth and versatility. Enter blockchain – the key to powering business travel.

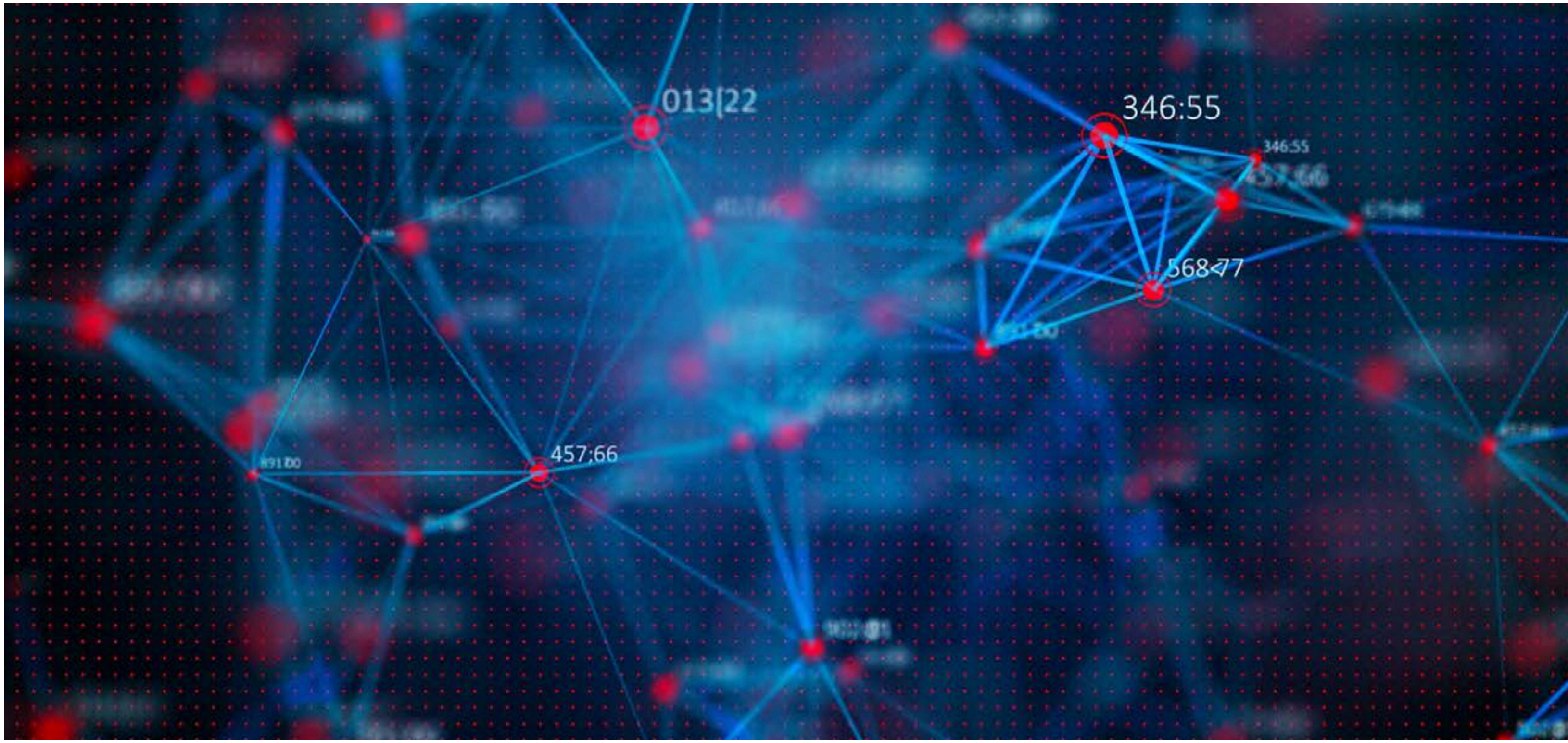
Blockchain – the key to frictionless travel

The venture capitalist community has started to discover how lucrative travel technology can be. According to TechCrunch, travel companies have raised $1 billion in VC funding alone over the last five years. In 2018, we saw the first travel tech ‘unicorn’ – the tech start-up term for businesses valued at $1 billion; not to mention the recent IPOs of ride sharing services in 2019 of Lyft and Uber.

With investors and tech developers primed for success, it is safe to say we will be seeing a lot of travel innovation in the coming years. But even with new apps and platforms promising to disrupt the current travel market the technology that is poised to have the greatest impact on travel – and to transform it – is blockchain.

Blockchain, like the travel industry, thrives on data. Blockchain is an open, distributed highly secure database. Or, as Forbes notes, “Basically it's a computer file used for storing data that is duplicated entirely across many computers.” Without delving too far into how it works, as a distributed database, blockchain does not have a single controller. This makes it more secure (its encoding is virtually impossible to crack), flexible and powerful. It is no coincidence that blockchain has been hailed as ‘the next internet’ and the travel industry is already starting to harness its power.

Blockchain decentralizes, and therefore democratizes, data. It will transform the way we make payments, enable rewards, do business - and all for a fraction of the cost. In short, blockchain will be the key to frictionless travel.



Appendix 1

Methodology

Methodology

The projections in the 2020 Global Travel Forecast are based on:

- A statistical model, developed by GBTA with market and economic research firm, Rockport Analytics, that evaluates historical price behavior and forecasts future prices in the air, hotel, and ground categories.
- The market-specific expertise and travel industry knowledge of CWT and CWT Solutions Group personnel worldwide.
- Information sourced from Moody's Analytics, the International Monetary Fund Research Department, the United Nations and other leading organizations.
- Projections are based on transaction data from CWT's global client portfolio, including clients' travel footprints and patterns, over the past ten years. Key macroeconomic and per-country indicators, such as current and expected GDP growth, the consumer price index, unemployment rates and crude oil prices, were used in the statistical model, as well as key supply-side drivers sourced from OAG and STR Global. All air statistics represent point of origin and include all trip types (long and short haul/ domestic, continental and intercontinental).

About CWT

CWT is a Business-to-Business-for-Employees (B2B4E) travel management platform. Companies and governments rely on us to keep their people connected – anywhere, anytime, anyhow – and across six continents, we provide their employees with innovative technology and an efficient, safe and secure travel experience. Every single day, we look after enough travelers to fill more than 100,000 hotel rooms, while our meetings and events division handles more than 100 events every 24 hours.
Please follow us on Twitter, Facebook and LinkedIn.

About GBTA

The Global Business Travel Association (GBTA) is the world's premier business travel and meetings trade organization headquartered in the Washington, DC area. GBTA's 9,000-plus members manage over $345 billion of global business travel and meetings expenditures annually. GBTA delivers world-class education, events, research, advocacy and media to a growing global network of more than 28,000 travel professionals and 125,000 active contacts. To learn how business travel drives lasting business growth, visit gbta.org.

Appendix 2

Foreign exchange forecast

2020 foreign exchange forecast

by country year-over-year growth vs United States Dollar

-8.1% and lower		-4.1% to -6%		-2.1% to 4%		-0.1% to -2%		0% USD		0.1% to 2%		2.1% to 4%	
Turkey	-9.5%	Pakistan	-4.3%	Malaysia	-2.4%	Norway	-0.1%	United States	0.0%	Czech Republic	2.1%	Sweden	3.5%
Argentina	-11.4%	Peru	-4.4%	Romania	-2.8%	Japan	-0.2%	Saudi Arabia	0.0%	United Kingdom	1.8%	South Africa	2.5%
		Mexico	-4.7%	Brazil	-3.5%	New Zealand	-0.4%	United Arab Emirates	0.0%	Chile	1.7%		
		India	-5.0%	Colombia	-3.5%	Russia	-0.5%			Israel	0.8%		
		Bangladesh	-5.9%			Philippines	-0.6%			Taiwan	0.5%		
						China	-0.7%			Canada	0.5%		
						Poland	-0.9%			Australia	0.4%		
						Vietnam	-1.1%			Indonesia	0.4%		
						Singapore	-1.2%			Hong Kong	0.1%		
						Switzerland	-1.4%						
						Korea, South	-1.6%						
						Germany	-1.8%						
						France	-1.8%						
						Italy	-1.8%						
						Spain	-1.8%						
						Netherlands	-1.8%						
						Belgium	-1.8%						
						Austria	-1.8%						
						Ireland	-1.8%						
						Portugal	-1.8%						
						Finland	-1.8%						
						Denmark	-1.8%						
						Thailand	-2.0%						

Interact

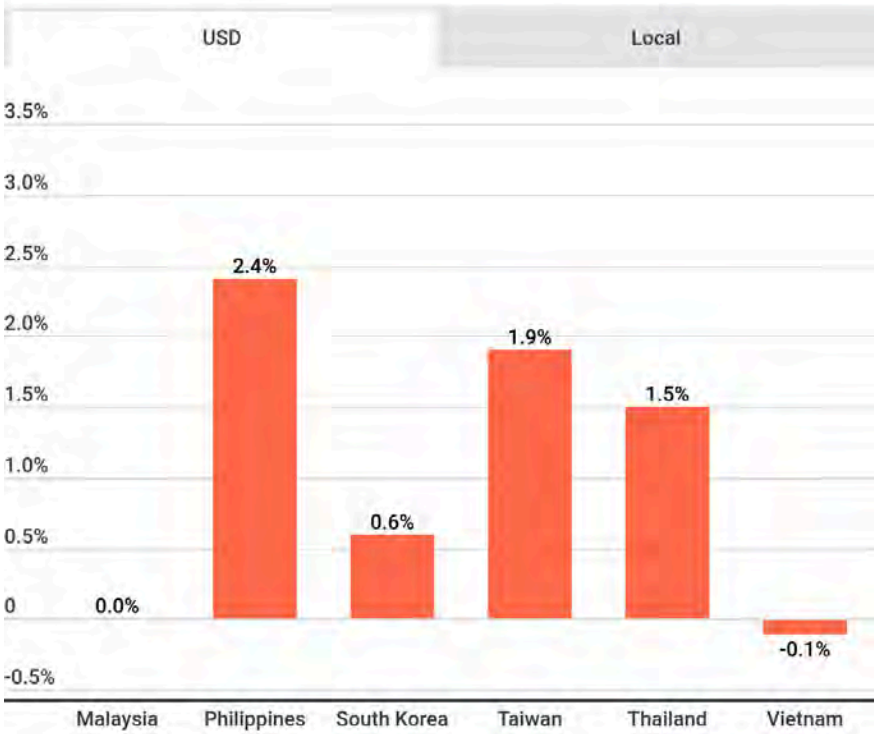
Appendix 3

Additional travel price data and footnotes

Air

Additional travel price data

Asia Pacific air fares projections



Key market by class of service

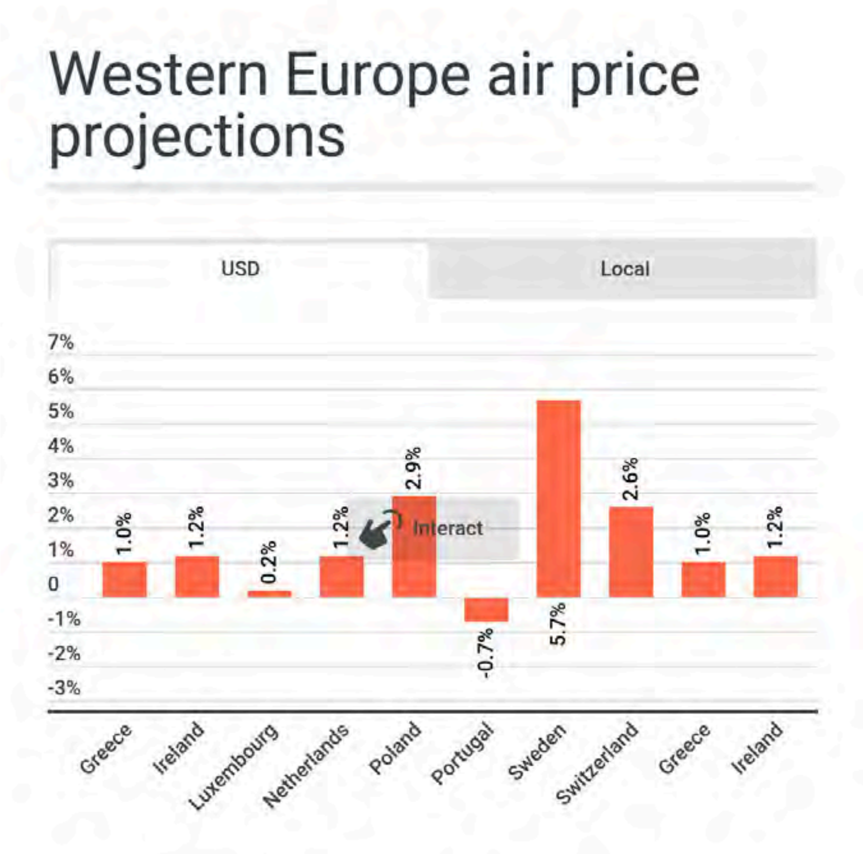
Market	Business continental	Business domestic	Business intercontinental	Economy continental	Economy domestic	Economy intercontinental	Total air
Australia	4.9%	7.1%	6.1%	5.1%	4.7%	7.2%	5.1%
China	0.1%	5.4%	0.7%	0.4%	4.4%	1.3%	4.4%
Hong Kong	0.5%	N/A	0.3%	0.3%	N/A	0.6%	0.5%
India	4.1%	N/A	7.7%	7.9%	5.5%	3.9%	6.5%
Japan	0.7%	N/A	-0.4%	0.3%	0.1%	-0.1%	0.2%
Singapore	0.6%	N/A	1.3%	1.2%	N/A	-0.5%	0.8%
Asia Pacific	0.7%	4.0%	1.0%	1.1%	3.1%	1.2%	2.1%

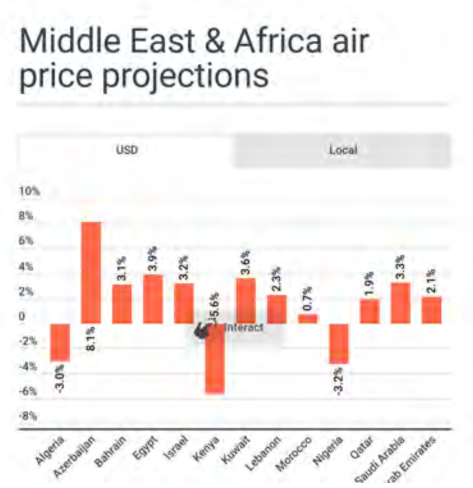
Interact

Forecasted rates indicated in USD

Air

Europe, Middle East & Africa





Key market by class of service

Market	Business continental	Business domestic	Business intercontinental	Economy continental	Economy domestic	Economy intercontinental	Total air
Belgium	0.2%	N/A	-1.1%	-0.4%	N/A	0.2%	-2.6%
Denmark	2.0%	-1.8%	1.6%	1.6%	0.1%	0.4%	1.0%
France	-0.3%	N/A	-0.8%	-0.8%	1.5%	1.3%	0.4%
Germany	-2.5%	0.2%	-1.0%	-0.3%	-2.7%	-1.7%	-1.9%
Italy	-0.8%	N/A	-2.0%	-1.1%	-2.3%	-1.3%	-1.6%
Netherlands	0.7%	N/A	1.2%	0.7%	N/A	-0.5%	1.2%
Spain	-0.7%	2.7%	-1.8%	-1.8%	0.3%	0.0%	0.8%
Sweden	7.8%	6.6%	4.5%	6.2%	4.6%	4.8%	5.7%
Switzerland	-1.4%	-1.4%	3.6%	0.6%	0.6%	3.6%	2.6%
United Kingdom	2.2%	1.3%	1.5%	2.1%	1.6%	2.0%	1.9%
Russia	3.9%	4.1%	2.0%	2.0%	2.8%	1.4%	2.7%
Saudi Arabia	N/A	2.2%	4.1%	4.1%	2.6%	3.9%	3.3%
Western Europe	**0.3%**	**0.2%**	**0.2%**	**0.7%**	**0.1%**	**0.7%**	**0.5%**
Eastern Europe	**0.8%**	**1.0%**	**-0.7%**	**-0.9%**	**0.2%**	**-1.3%**	**-0.2%**
Middle East & Africa	**1.0%**	**2.5%**	**0.7%**	**2.6%**	**1.6%**	**2.3%**	**2.2%**

Forecasted rates indicated in USD

Air
Latin America

Latin America air price projections

Key market by class of service

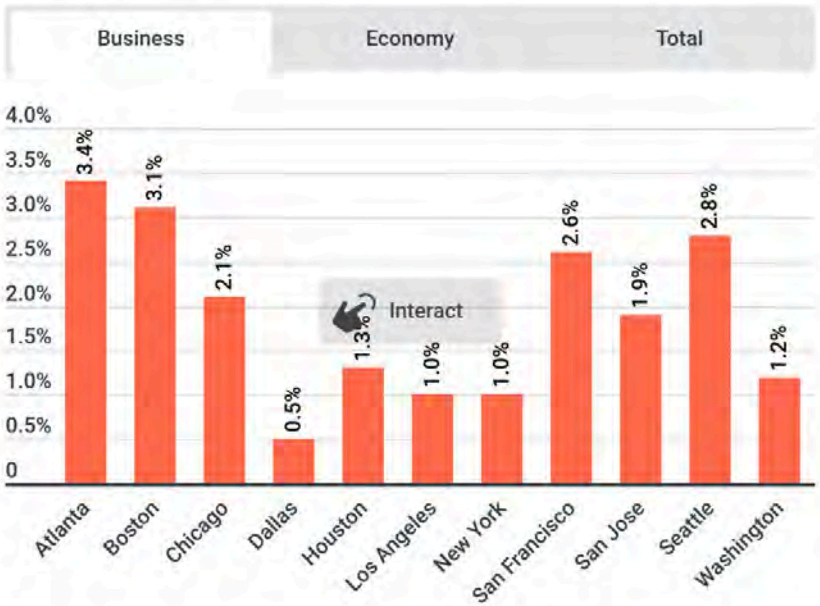
Market	Business continental	Business domestic	Business intercontinental	Economy continental	Economy domestic	Economy intercontinental	Total air
Argentina	-11.4%	N/A	-3.4%	-3.4%	-4.4%	1.6%	-1.4%
Brazil	-2.3%	-2.9%	-0.2%	0.0%	2.5%	-2.3%	-0.7%
Chile	1.7%	N/A	4.7%	2.9%	1.8%	1.2%	2.5%
Mexico	N/A	-0.8%	0.3%	-0.2%	2.3%	0.8%	0.8%
Latin America	-3.2%	-3.9%	-1.1%	-1.0%	-0.9%	-2.7%	-1.6%

Forecasted rates indicated in USD

Air

Additional travel price data

United States Metro market forecast



Key market by class of service

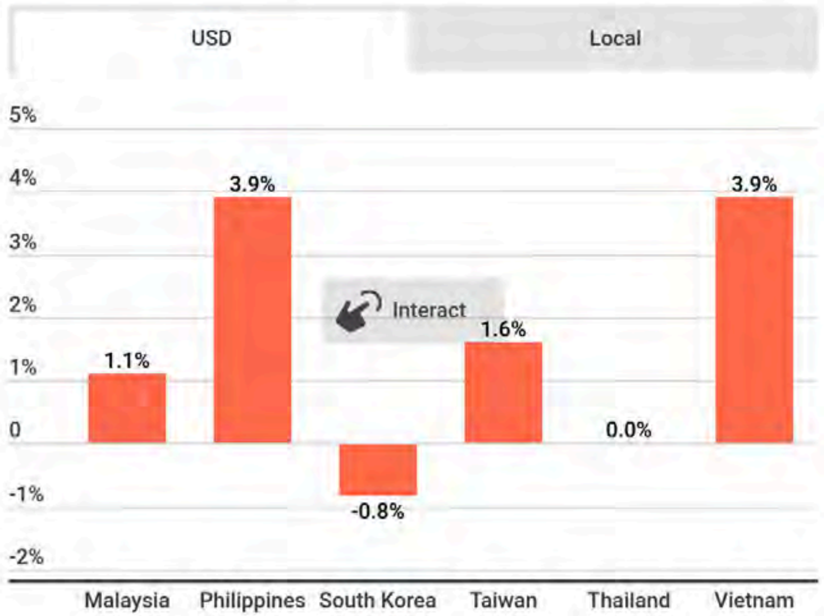
Market	Business continental	Business domestic	Business intercontinental	Economy continental	Economy domestic	Economy intercontinental	Total air
Canada	2.4%	2.8%	2.6%	2.6%	5.7%	2.9%	3.2%
United States	3.5%	1.7%	2.5%	2.4%	1.5%	2.4%	2.3%
North America	3.3%	1.6%	2.3%	2.2%	1.7%	2.2%	2.3%

Forecasted rates indicated in USD

Hotel

Additional travel price data

Asia Pacific hotel price projections



Key market by class of service

Market	Midscale	Upscale	Total hotel
Australia	2.7%	2.2%	4.8%
China	2.1%	1.7%	1.9%
Hong Kong	2.9%	3.3%	3.1%
India	2.6%	1.0%	1.8%
Japan	1.5%	1.9%	1.6%
Singapore	0.2%	0.4%	0.4%
Asia Pacific	1.4%	1.1%	1.3%

Forecasted rates indicated in USD

Hotel
Additional travel price data

Key market by class of service

Market	Midscale	Upscale	Total hotel
Belgium	0.2%	0.7%	0.5%
Finland	0.2%	-0.6%	0.4%
France	-0.2%	0.3%	0.3%
Germany	0.7%	0.7%	0.7%
Italy	-0.3%	-0.1%	-0.7%
Netherlands	0.9%	1.2%	1.2%
Norway	N/A	0.9%	1.2%
Spain	2.0%	1.8%	1.9%
Sweden	6.0%	4.5%	5.0%
Switzerland	N/A	N/A	1.6%
United Kingdom	2.2%	1.5%	2.0%
Russia	2.1%	3.9%	3.0%
Saudi Arabia	2.8%	2.8%	2.8%
United Arab Emirates	2.2%	2.5%	2.4%
Western Europe	**0.7%**	**0.6%**	**0.7%**
Eastern Europe	**-1.0%**	**-1.0%**	**0.7%**
Middle East & Africa	**2.3%**	**2.6%**	**2.5%**

Forecasted rates indicated in USD

Hotel

Additional travel price data

Latin America hotel price projections

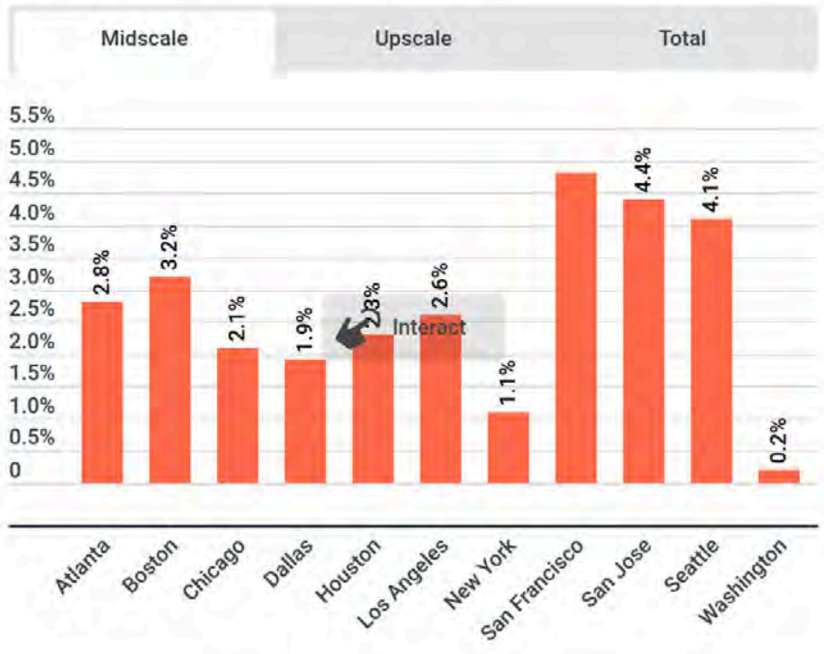
Key market by class of service

Market	Midscale	Upscale	Total hotel
Argentina	4.6%	3.6%	4.1%
Brazil	1.0%	-2.2%	0.0%
Chile	4.2%	4.7%	4.6%
Mexico	-1.1%	-0.5%	-0.9%
Latin America	1.1%	-2.4%	-0.4%

Forecasted rates indicated in USD

Hotel
Additional travel price data

United States Metro market forecast



Key market by class of service

Market	Midscale	Upscale	Total hotel
Canada	3.3%	3.9%	3.6%
United States	2.0%	2.4%	2.2%
North America	2.2%	2.4%	2.3%

Forecasted rates indicated in USD

Ground
Additional travel price data

Asia Pacific ground price projections

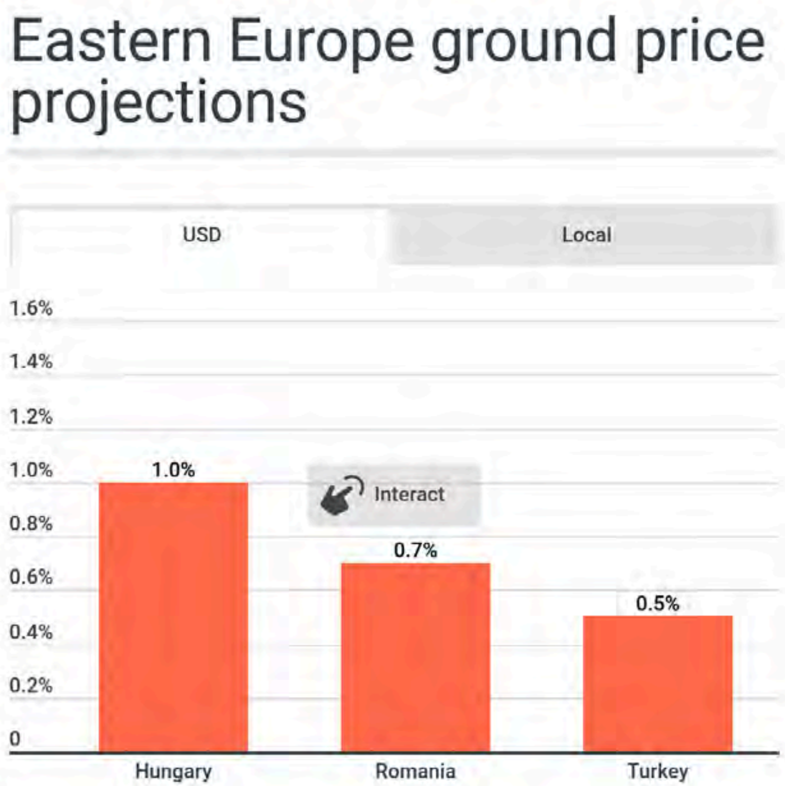
Key market by class of service

Market	Midsize	Full size	Total car
Australia	1.0%	0.4%	1.0%
India	1.0%	N/A	1.0%
New Zealand	1.0%	1.0%	1.0%
Asia Pacific	0.5%	0.5%	0.5%

Interact

Forecasted rates indicated in USD

Ground
Additional travel price data



Key market by class of service

Market	Midsize	Full size	Total car
Belgium	0.5%	0.5%	0.5%
France	0.5%	0.5%	0.5%
Germany	0.5%	0.5%	0.5%
Italy	0.5%	0.5%	0.5%
Spain	0.5%	0.5%	0.5%
Sweden	6.4%	3.5%	3.5%
Switzerland	1.5%	1.5%	1.5%
United Kingdom	1.8%	1.8%	1.8%
South Africa	2.5%	2.5%	2.5%
Western Europe	0.5%	0.5%	0.5%
Middle East & Africa	0.5%	0.5%	0.5%

Forecasted rates indicated in USD

Ground
Additional travel price data

Latin America ground price projections

Key market by class of service

Market	Midsize	Full size	Total car
Brazil	0.5%	0.5%	0.5%
Latin America	1.0%	1.0%	1.0%

Forecasted rates indicated in USD

Ground

Additional travel price data

United States Metro market forecast

Key market by class of service

Market	Midsize	Full size	Total car
Canada	1.0%	1.0%	1.0%
United States	1.0%	1.0%	1.0%
North America	1.0%	1.0%	1.0%

Forecasted rates indicated in USD

Thank you for reading.

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2020 Global Travel Forecast