

# 2018



## Industry Forecast



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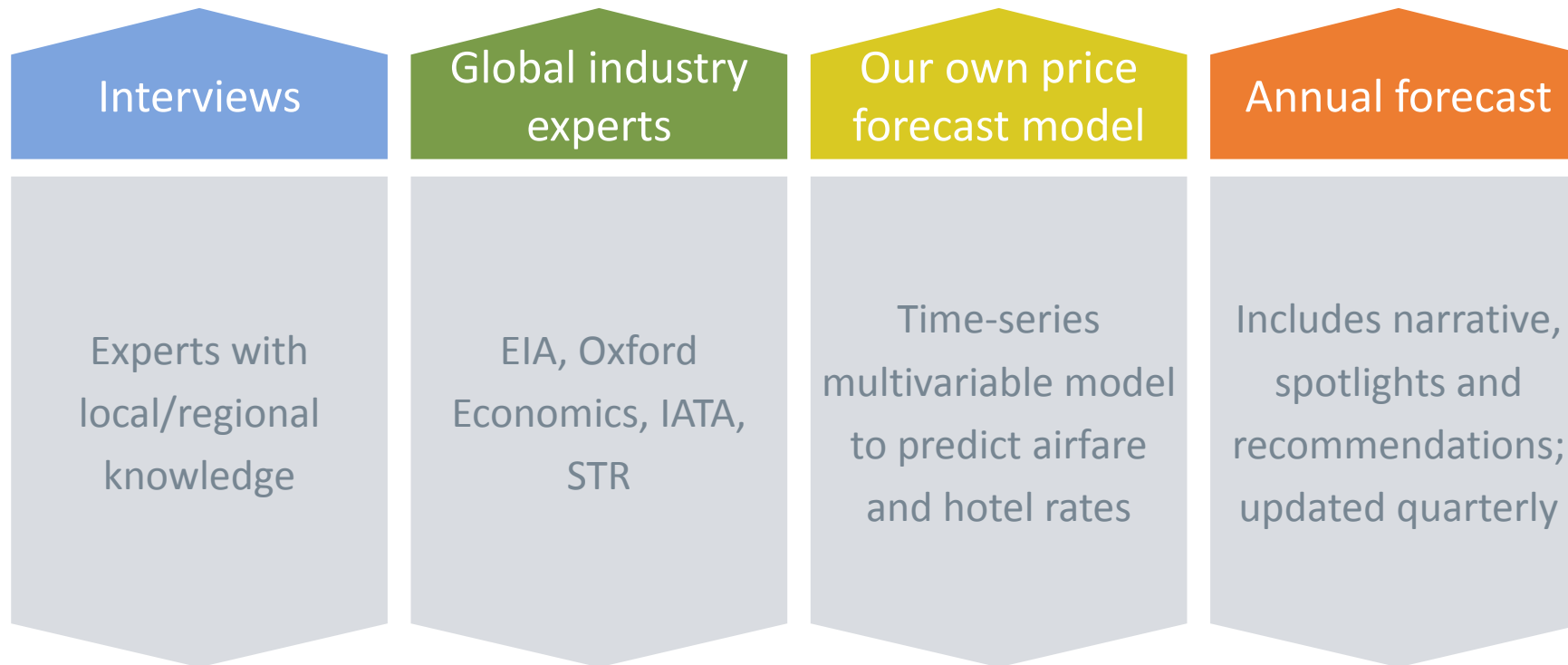


Southwest Pacific

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# Methodology



**Economic** growth  
will continue to  
build **momentum**.

**Oil** price to average  
**US\$50** per barrel.



## 2018 Outlook

As demand strengthens, airlines  
and hotels will be better placed to  
increase prices.

Intercontinental  
**economy** fares will  
be flat; all **other**  
fares will **rise** by  
**1%**.

**Hotel** rates will  
**increase** in **all**  
regions.

Source: Advito 2018 Industry Forecast

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# 2018



## Industry Forecast

### Economic growth assumptions

**World  
GDP  
growth**

**2017  
2.7%**

**2018  
3.0%**

As international trade recovers, global economic growth will accelerate from 2.7% to 3.0% in 2018. Emerging markets will drive this uptick, as economic growth strengthens in Latin America and the Middle East. But there will be little change in Asian growth, as a Chinese slowdown offsets a stronger performance by the Indian economy. Advanced economy growth will be largely unchanged at 2.1%. While the outlook for the U.S. economy improves, rising inflation will lead to weaker European growth in 2018.

### Regional economic growth forecasts 2016-2018

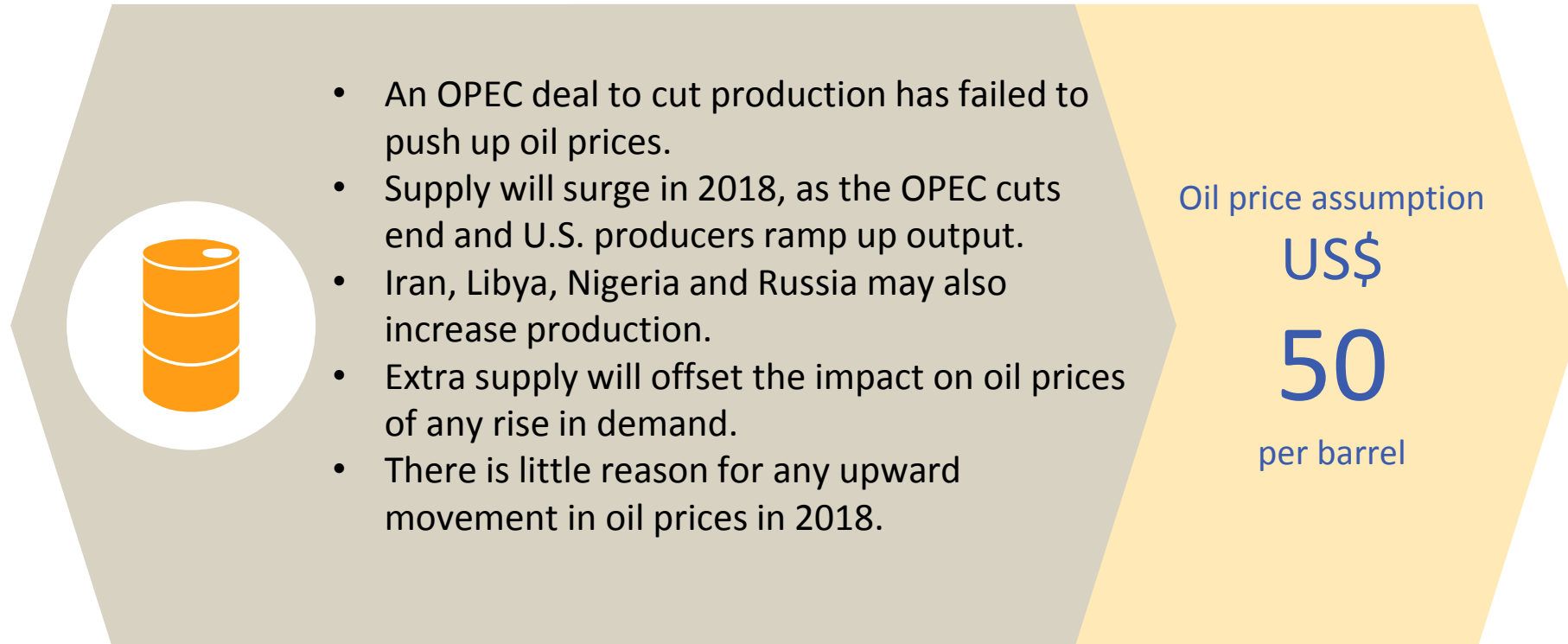
	2016	2017	2018
Africa	2.5%	3.2%	3.8%
Asia	4.6%	4.7%	4.6%
Europe	1.9%	2.1%	1.8%
Latin America	-1.5%	1.1%	2.4%
Middle East	3.1%	1.7%	3.6%
North America	1.6%	2.3%	2.6%
Southwest Pacific	2.6%	2.5%	2.4%
Global	2.3%	2.7%	3.0%

Source: Oxford Economics, July 2017



# Oil prices

Oil prices will be stable in 2018, as a surge in supply offsets the effects of rising demand.



Source: Advito 2018 Industry Forecast





# Risks in 2018

Terrorism will again be the main threat in 2018, but geopolitical tensions are growing, and may have a much bigger impact.

## Economic risks:

- Faster slowdown in Chinese growth.
- Questions over Italy's future in the Eurozone.
- Wider fall-out from a "hard" Brexit.

## Terrorism risks:

- More small, less predictable acts of terrorism.
- Response to terror attacks increases travel disruption.

## Geopolitical risks:

- Rise of populist politics puts established relations under strain.
- Protectionism in the U.S., tensions with Russia and North Korea add extra stress.

## Natural risks:

- Weather events
- Seismic activity
- Virus outbreaks

Face-to-face meetings will be even more important, exposing more travelers to risk.  
Remember travelers are exposed to petty crime, traffic accidents and medical emergencies.  
Companies must continue to deal with these day-to-day risks faced by their travelers.





# Spotlights

NDC, machine learning and hotel rate availability



# IATA's New Distribution Capability (NDC)

Airlines are encouraging TMCs and their mutual corporate clients to move to new booking channels, using NDC standards.

## Airlines are promoting engagement with NDC:

- Lufthansa Group and IAG are imposing surcharges for bookings made outside of channels supporting NDC.
- American Airlines is offering incentives for bookings made through NDC compliant channels.

## But travel buyers have concerns:

- Less efficient content aggregation.
- Added complexity when comparing supplier offerings.
- Surcharges unfairly penalize corporate customers.
- TMCs will find it harder to support and service direct transactions.

No single solution exists so far. Corporate deals could evolve, shifting the emphasis from pure fare discounts towards negotiating customized packages.



# Machine learning uncovers savings opportunities

Use machine learning to make extra savings and reduce traveler stress.

**Suppliers and travel managers can engage with travelers in a more meaningful way, with more relevant offers using machine learning.**

**Now, start-ups are using machine learning to spot entirely new opportunities to save money and take some of the stress out of travel.**

**These new applications are giving some control back to travelers and helping them make smarter travel decisions.**



Predicts availability of flights and rooms at lower prices, so travelers can book and get the best rates.



Refines ticket and fare types shopped to improve savings and conversion rates.



Forecasts chances of flight delays to reduce the cost and inconvenience of traveler disruption.



# Hotel rate availability

More sophisticated yield management by hotels is profoundly changing their relationships with corporate clients.

## **Business travelers are increasingly unable to find and book rooms at their preferred rates:**

- Hotels are manipulating inventory and room availability.
- They restrict availability of preferred rates when demand is high.

## **How travel buyers can respond:**

- Monitor preferred rate availability. Consultancies like Advito can help.
- Challenge hotels that withhold preferred rates.
- Tighten the wording of hotel contracts.
- Introduce a rate assurance program.

**To maximize savings and program effectiveness, negotiated rates should sit alongside chain-wide deals, best-price-on-day purchasing and dynamic pricing.**



Fares will rise 1%  
in all segments  
**except**  
intercontinental  
economy.

Meetings rates will  
rise by **3% to 4%**,  
as new supply fails  
to keep pace with  
**strong demand**  
growth.



## 2018 outlook North America

Supply will determine the outlook  
for airfares, while strong  
underlying demand will drive  
hotel rates.

Demand will drive  
hotel **rate rises** up  
by 2-4%, because of  
**little** new **supply**.

Corporate **car**  
**rental** rates will  
**rise** for the first  
time in many years.

Source: Advito 2018 Industry Forecast

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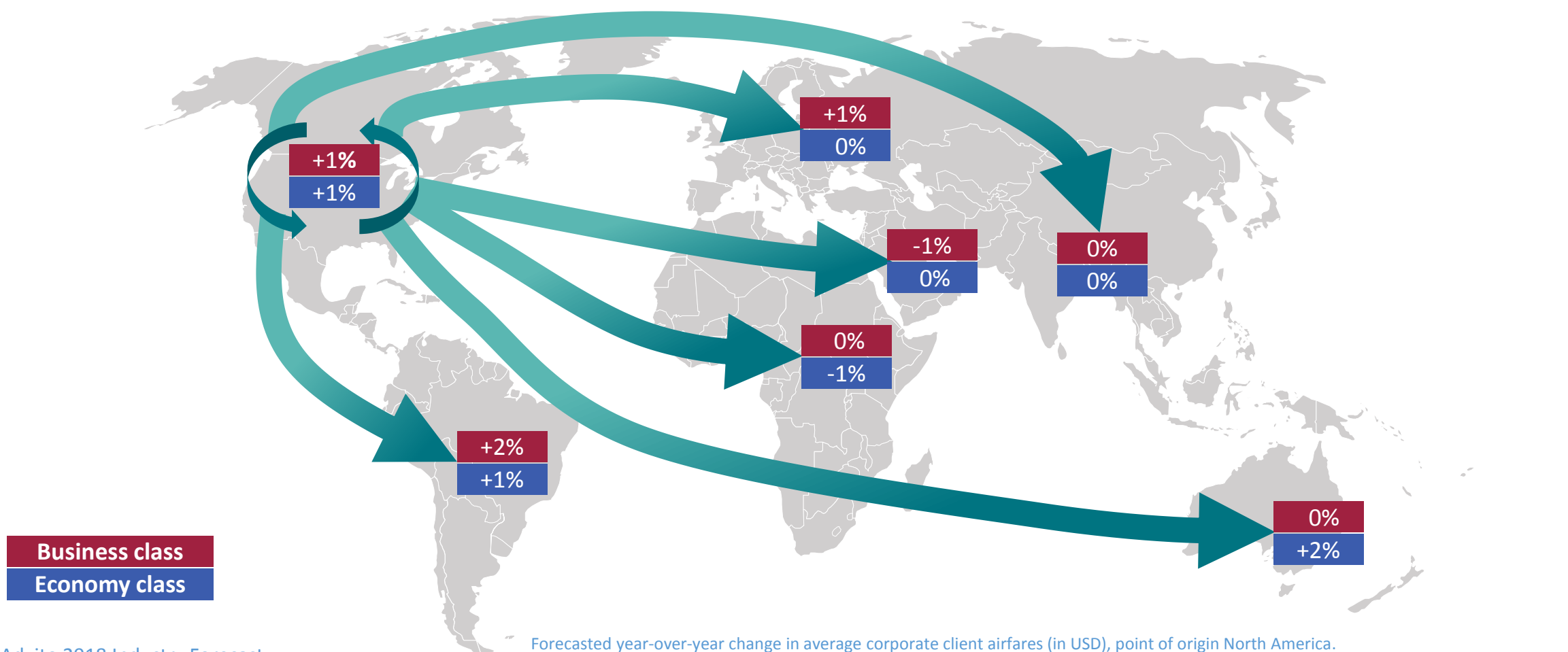


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# North America – 2018 airfares by destination

Fares will rise in the Americas and for some travel to Europe and Southwest Pacific. They'll be flat or fall in all other markets.



Source: Advito 2018 Industry Forecast

Forecasted year-over-year change in average corporate client airfares (in USD), point of origin North America.



# North America – meetings in 2018

Rates will rise by 3% to 4%, as new supply fails to keep pace with strong growth in demand.

**Average prices  
increased by 3% to  
4% in 2017**

**Expect rates to rise  
by 3% to 4% again  
in 2018.**

**Hotels are  
increasingly  
charging meeting  
room rental costs.**

**Confirm dates with  
a hotel soon after  
agreeing the price,  
to secure meetings  
space.**

**Consider booking  
multiple events  
with the same  
hotel, brand or  
group.**

**Be more flexible  
about meeting  
timing and location**

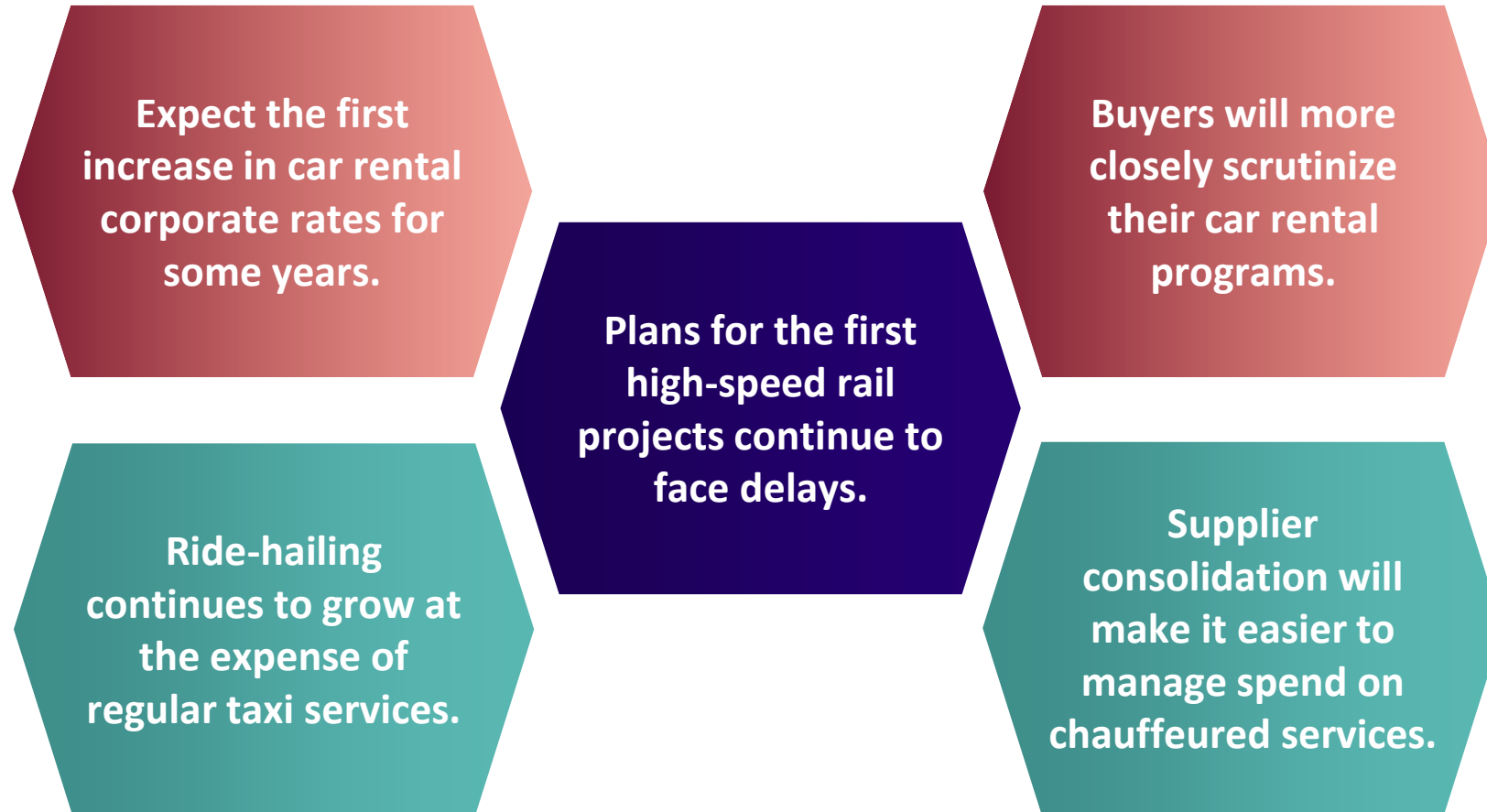
Source: Advito 2018 Industry Forecast





# North America – ground transportation in 2018

Car rental companies may finally push through an increase in corporate rates. Ride-hailing will continue to grow in popularity among business travelers.



Source: Advito 2018 Industry Forecast



Expect **most**  
airfares to  
**decrease.**

On average, **hotel**  
**rates** in local  
currency will  
**increase** by **2%** to  
**4%.**



## 2018 outlook Latin America

While airfares will generally fall or stay flat, hotel rates in local currency will increase.

Only **business**  
**class** fares to North  
America and  
Southwest Pacific  
will **increase.**

**Ride-hailing**  
competition will  
intensify as **Didi**  
**Chuxing** partners  
with local operator  
**99.**

Source: Advito 2018 Industry Forecast

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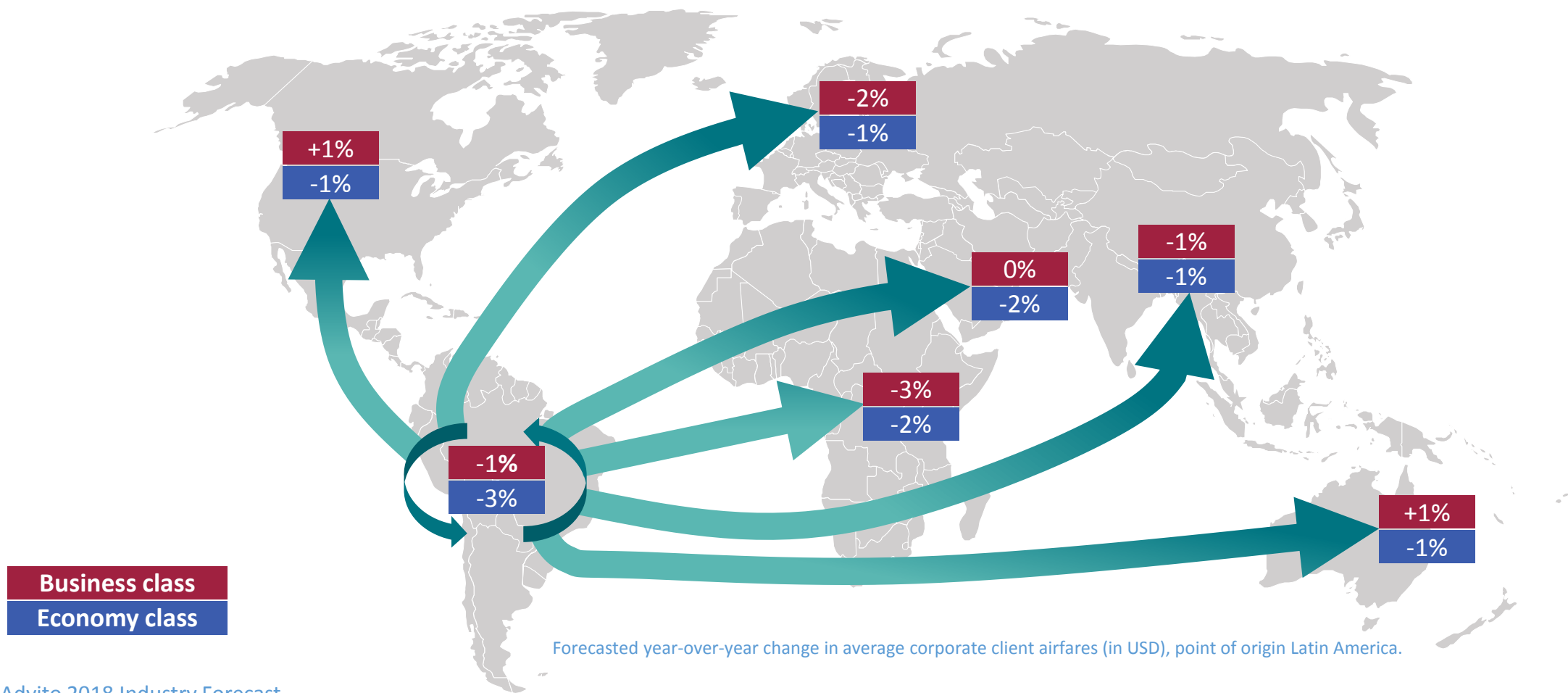


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# Latin America – 2018 airfares

Fares will fall in all markets, except for business class travel to North America, Southwest Pacific and the Middle East.

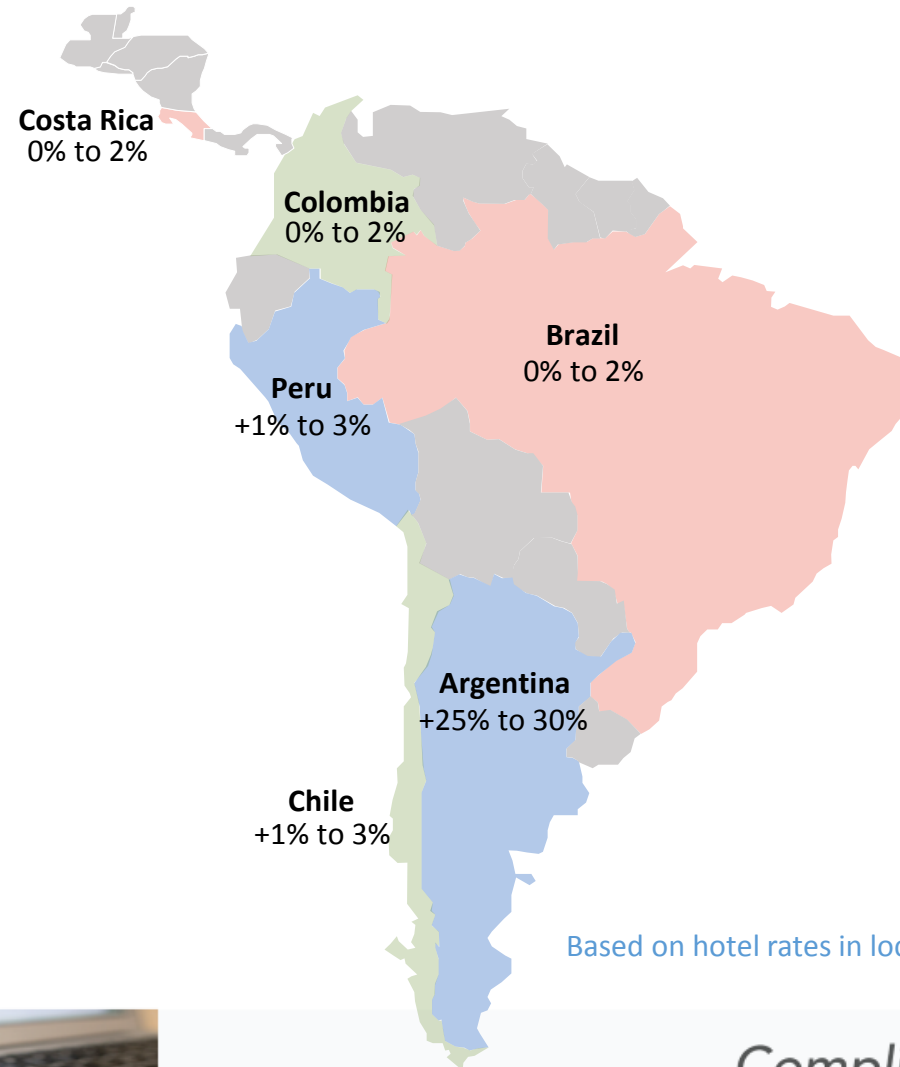


Source: Advito 2018 Industry Forecast



# Latin America - hotel rates for 2018

Local currency rates will increase by 2% to 4% across the region, but expect a much stronger rate rise in Argentina, due to currency fluctuations.



Based on hotel rates in local currency

Source: Advito 2018 Industry Forecast

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Most **airfares** will **increase**, as demand recovers.

High-speed **rail** will become more **popular** for business travel.

## 2018 outlook Europe

Recovering demand will enable airlines to push up most fares. Hotel rates will rise too because of insufficient new supply.

**Hotel rates** will **rise** at close to inflation in **most** European **markets**.

**Meetings** rates will **rise** by **3%** to **5%** for a second year.

Source: Advito 2018 Industry Forecast

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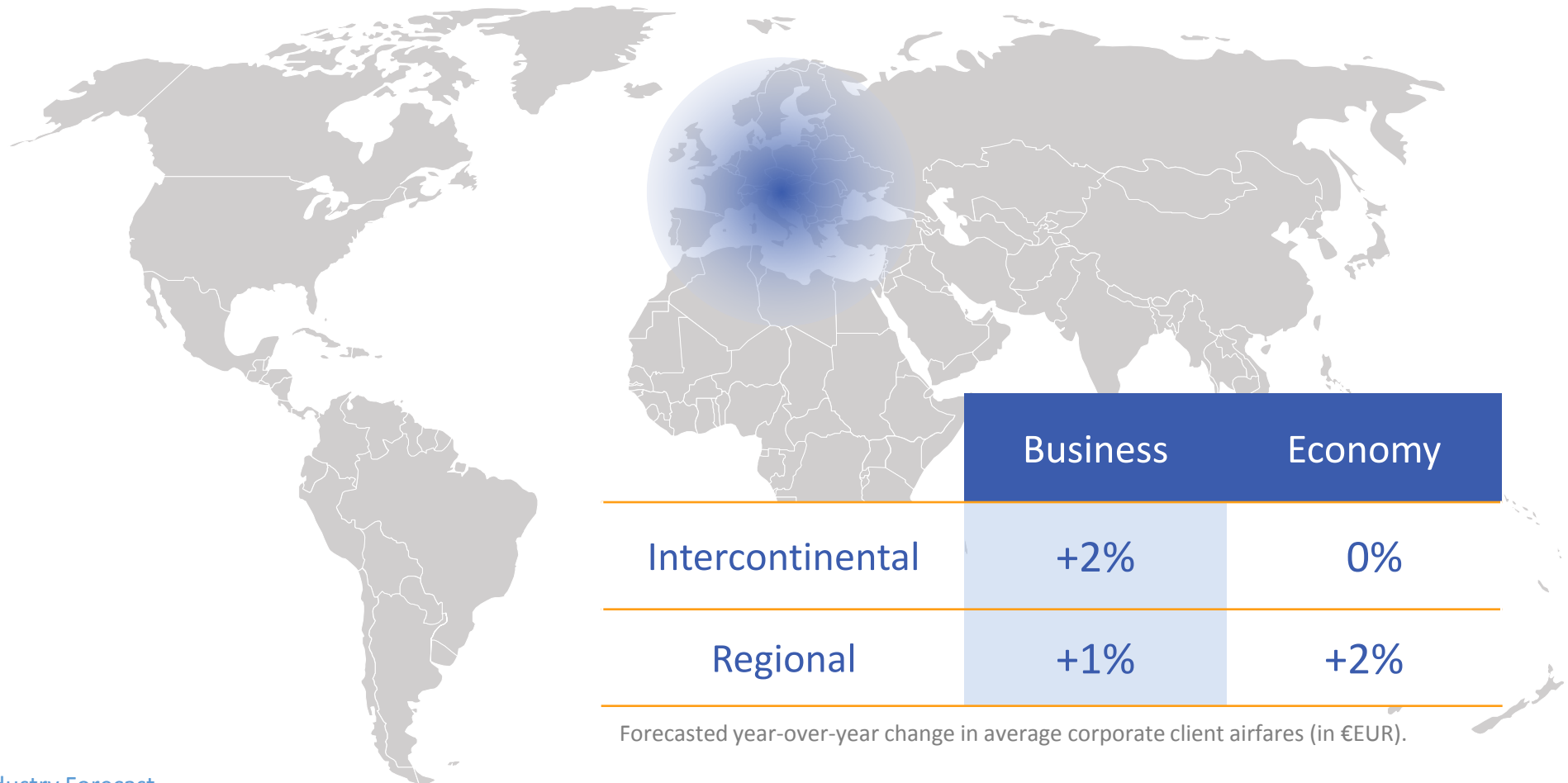


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# Europe – airfare predictions for 2018

Fares will rise in most segments, but intercontinental economy fares will not change.

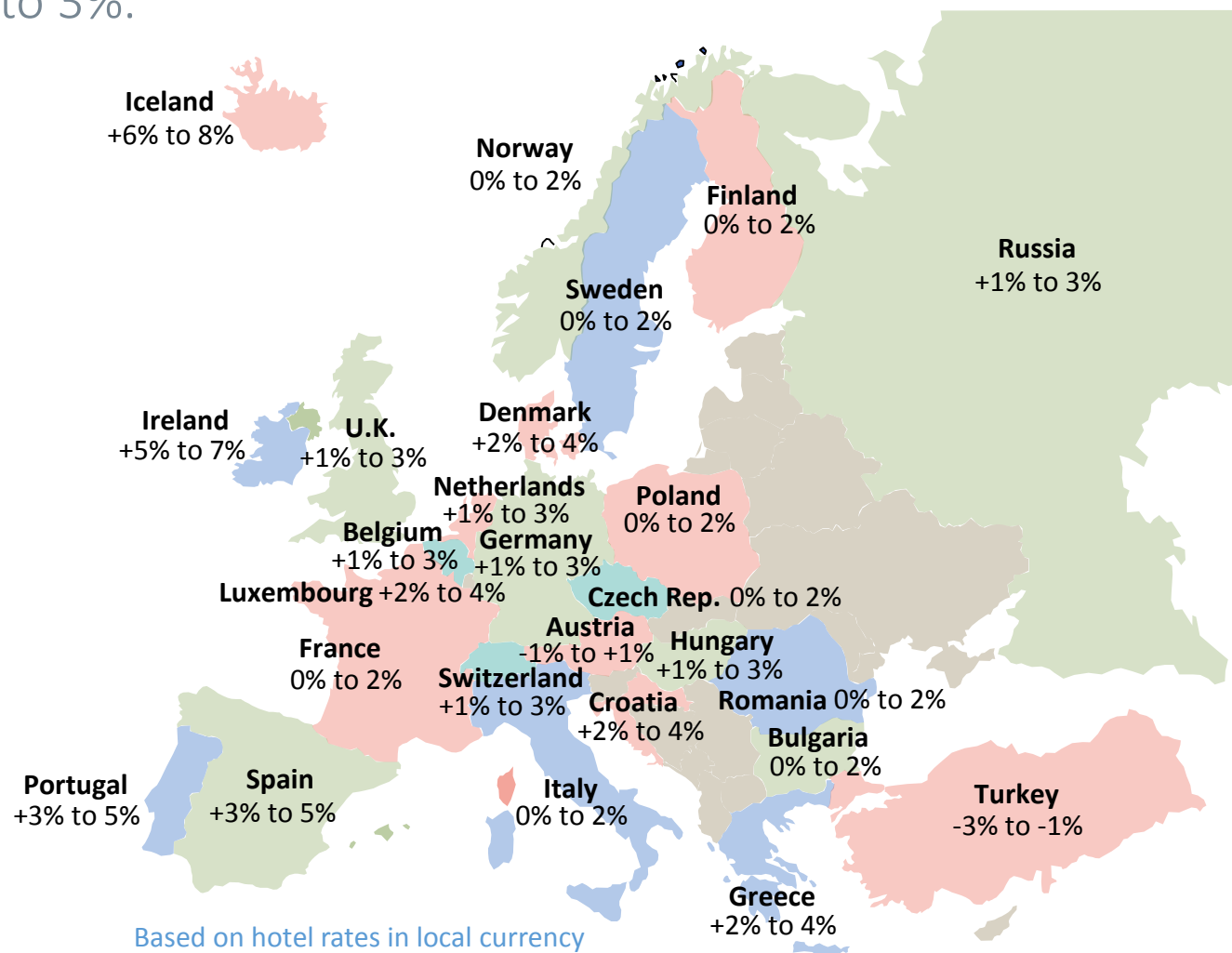


Source: Advito 2018 Industry Forecast



# Europe - hotel rates for 2018

A modest economic recovery and little new supply will push rates in Europe up by 1% to 3%.



Source: Advito 2018 Industry Forecast

Based on hotel rates in local currency





# Europe – meetings in 2018

Meetings rates will rise by 3% to 5%, as buyers struggle to secure availability.

**New supply will be insufficient to meet growing demand.**

**Rates will rise at a similar pace to 2017: between 3% and 5%.**

**Secondary destinations may offer lower prices and better availability.**

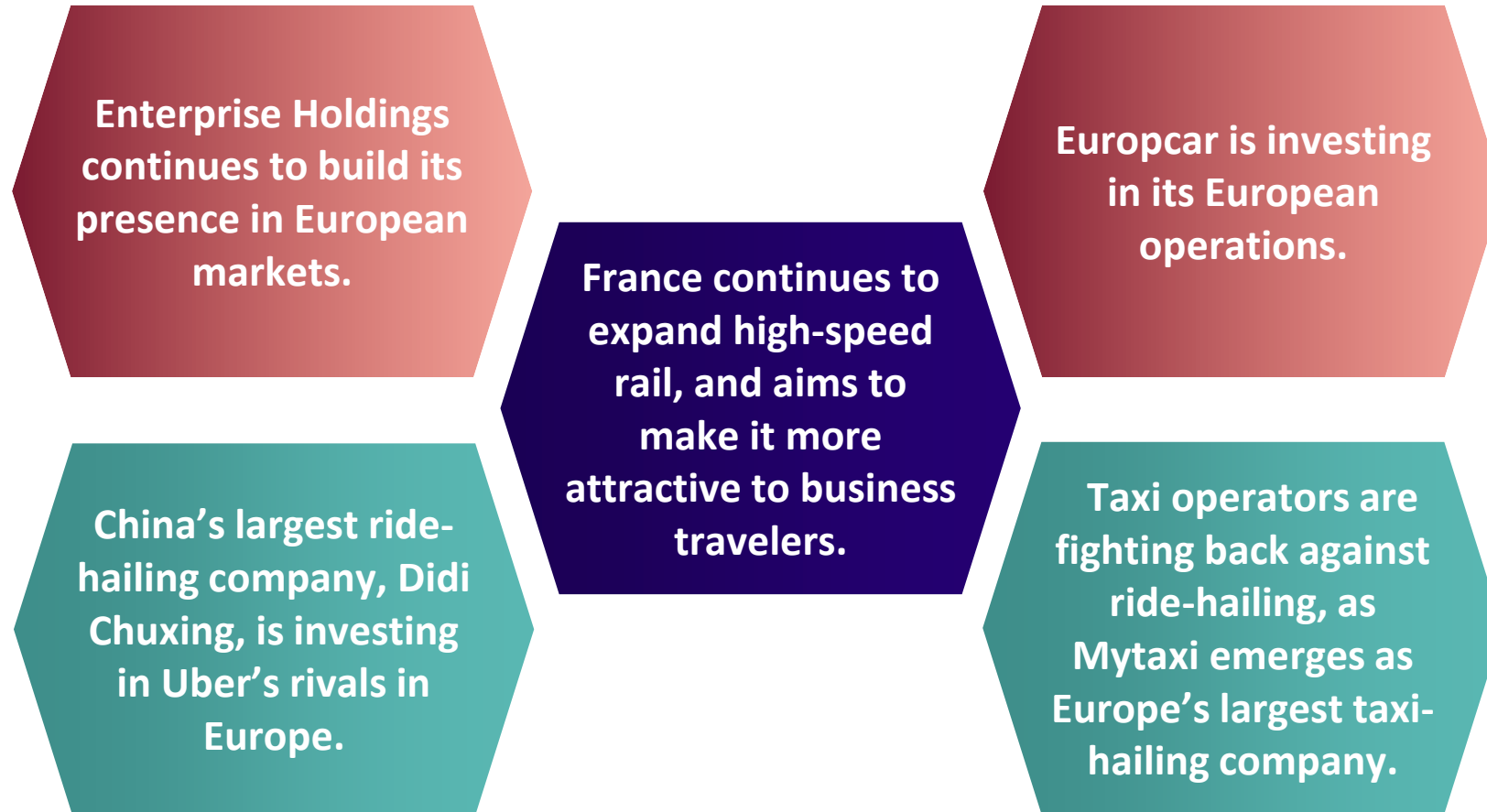
**Negotiate deals with hotels already used for regular business travelers.**

Source: Advito 2018 Industry Forecast



# Europe – ground transportation in 2018

Enterprise will give more markets a choice of three global car rental companies. Expect the appeal of high-speed rail for business travel to grow.



Source: Advito 2018 Industry Forecast



Most **airfares** will  
**not change** in  
2018.



**Hotel rate**  
changes will range  
between **0%** and  
**+2%**.

## 2018 outlook Middle East

The introduction of  
**VAT** in **Gulf** states  
could **increase**  
travel **costs** by a  
further **5%**.

Capacity growth will keep airfares  
flat, except for business class  
travel within the region. New  
supply will limit hotel rate  
increases.

**Careem** is the  
region's **leading**  
ride-hailing  
company.

Source: Advito 2018 Industry Forecast

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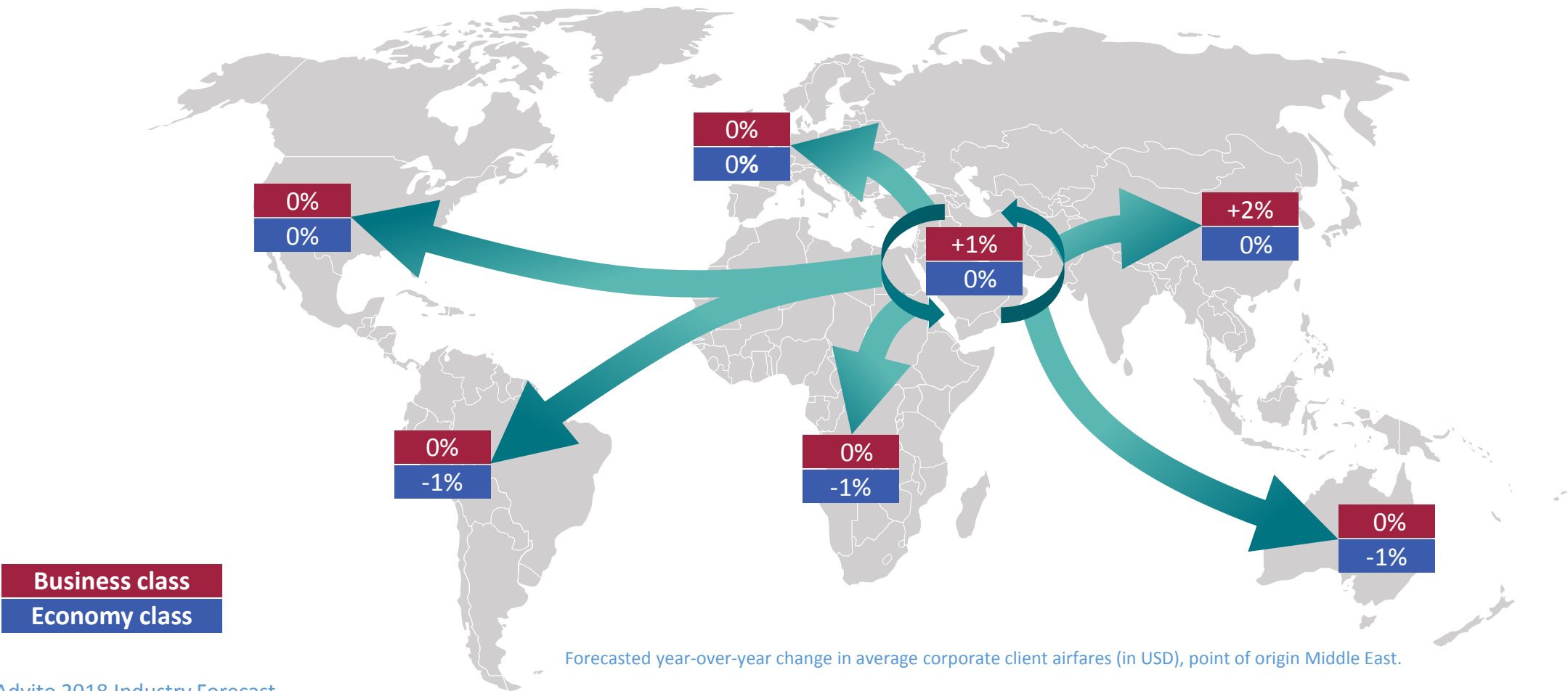


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# Middle East – 2018 airfares by destination

Business fares will increase only for regional trips and to Asia. All other fares will be flat or decrease 1%.

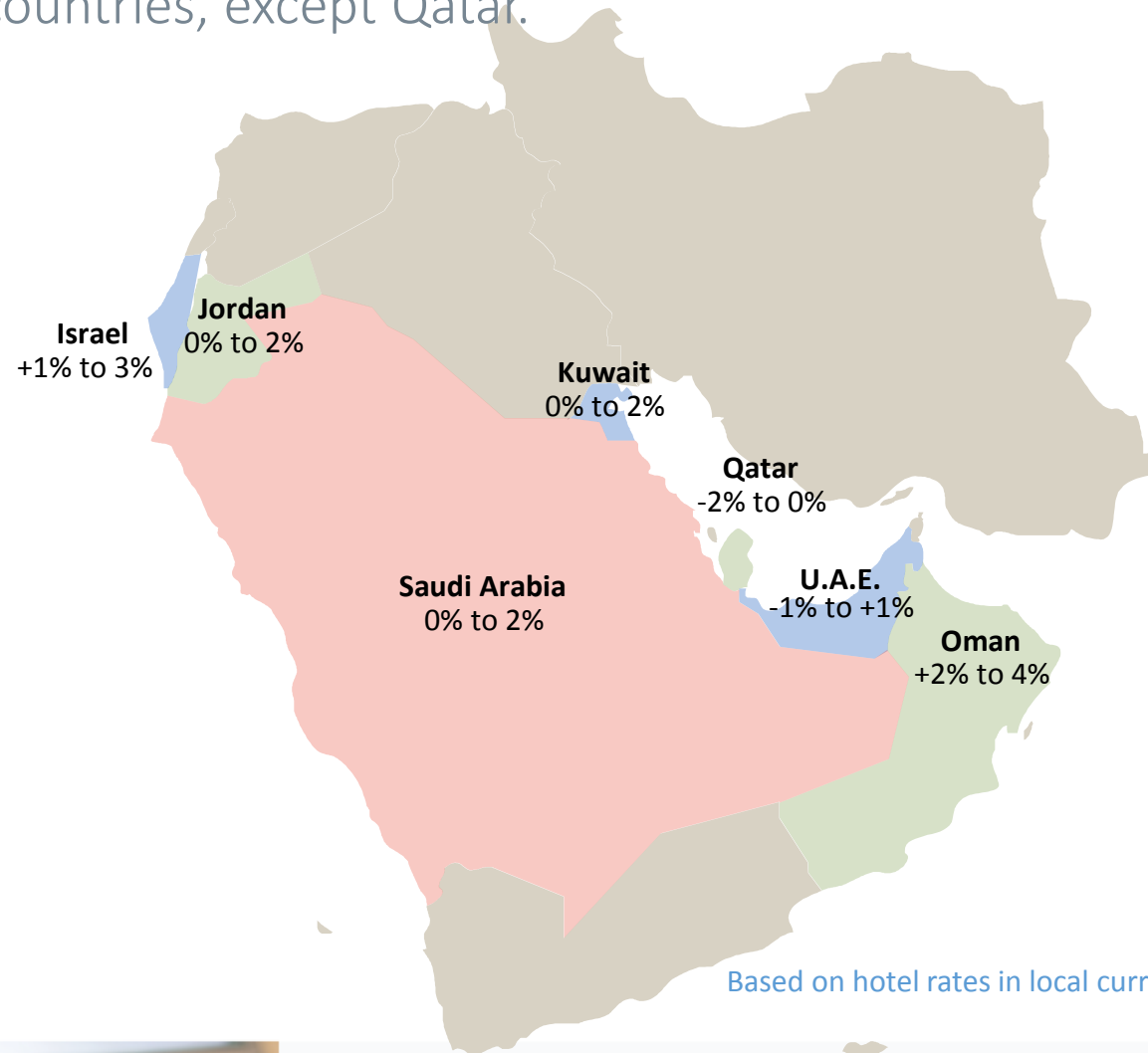


Source: Advito 2018 Industry Forecast



# Middle East - hotel rates for 2018

Improving demand will push rates up by 0% to 2% across the region.  
Rates will rise in most countries, except Qatar.



Source: Advito 2018 Industry Forecast

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Strong **demand** will drive **up** **regional** fares.



**Demand** will outpace capacity to help push **up** hotel **rates**.

## 2018 outlook Asia

High-speed **rail** will connect **more** **cities** in **China** and **Japan**.

Strong demand within the region will drive up prices for flights and hotel accommodation. But competition will stop intercontinental airfares rising.

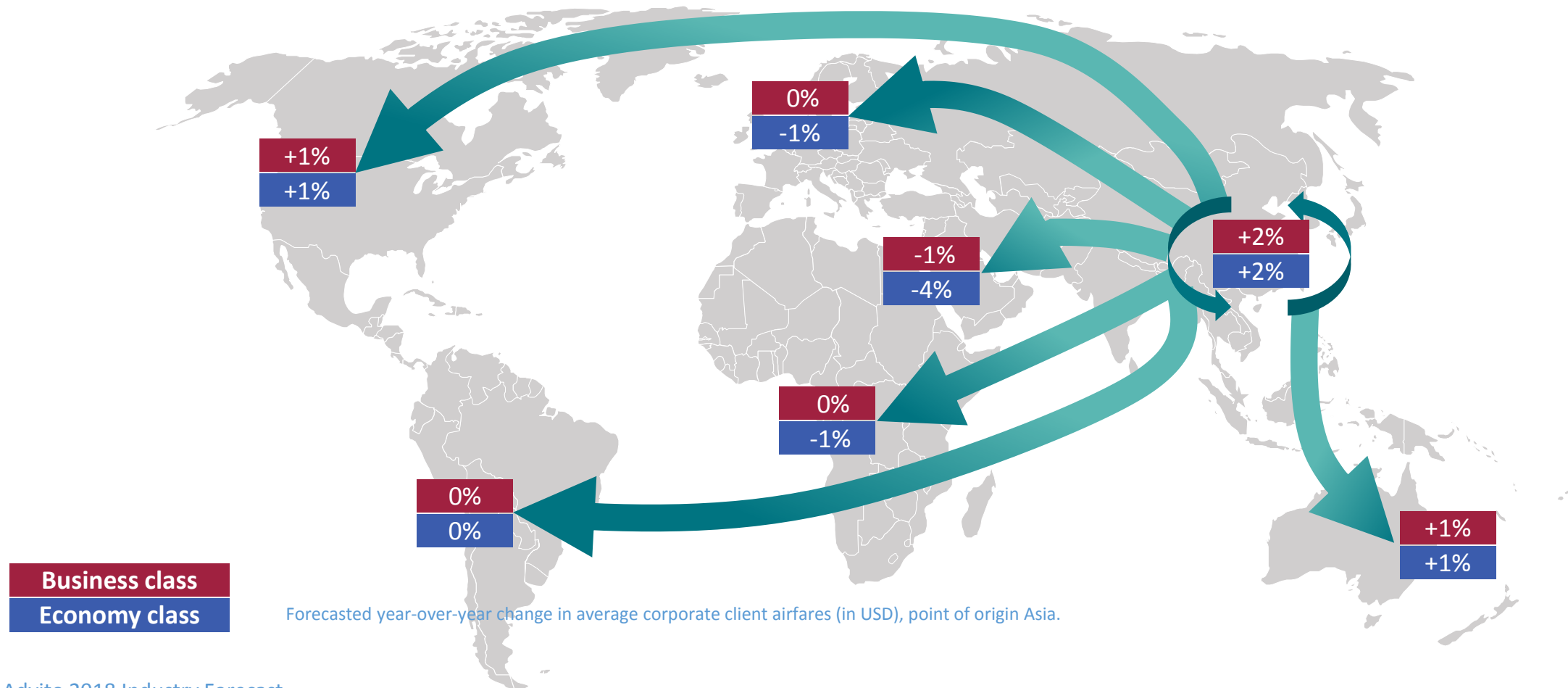
More event **space** will **ease** the pace at which meetings **rates rise**.

Source: Advito 2018 Industry Forecast



# Asia – 2018 airfares by destination

Fares within Asia and intercontinental fares to North America and Southwest Pacific will rise. All other fares will be flat or fall.

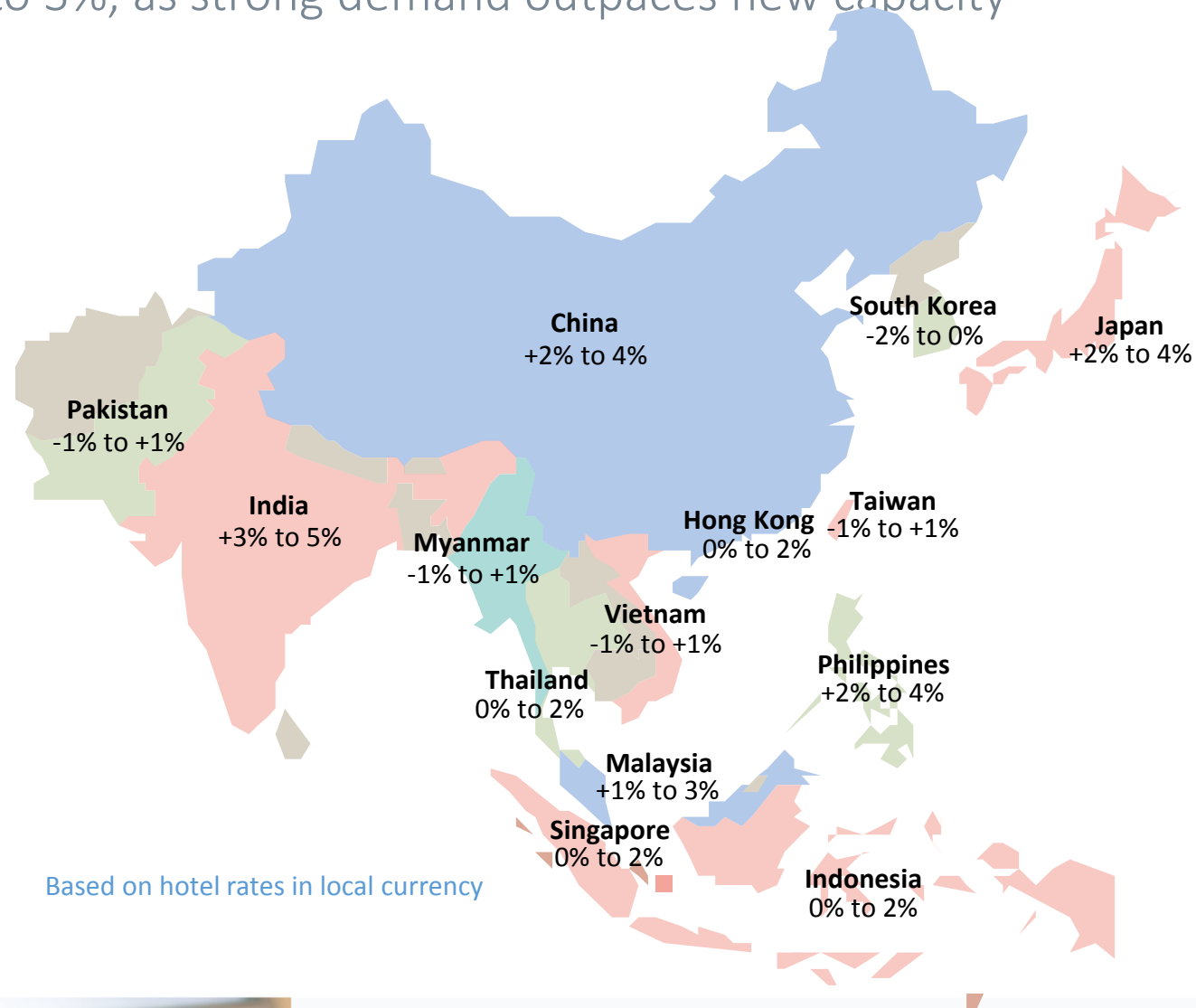


Source: Advito 2018 Industry Forecast



# Asia - hotel rates for 2018

Rates will rise by 1% to 3%, as strong demand outpaces new capacity in major markets.



Source: Advito 2018 Industry Forecast



# Asia – meetings in 2018

More event space will ease the pace of meeting rate increases.

**Meetings demand continues to outpace supply.**

**Increasing supply will moderate price increases in 2018.**

**New Goods and Services Tax may affect pricing for meetings in India.**

**Book early, even if it is only for the biggest events.**

**Using new destinations can present new savings opportunities.**

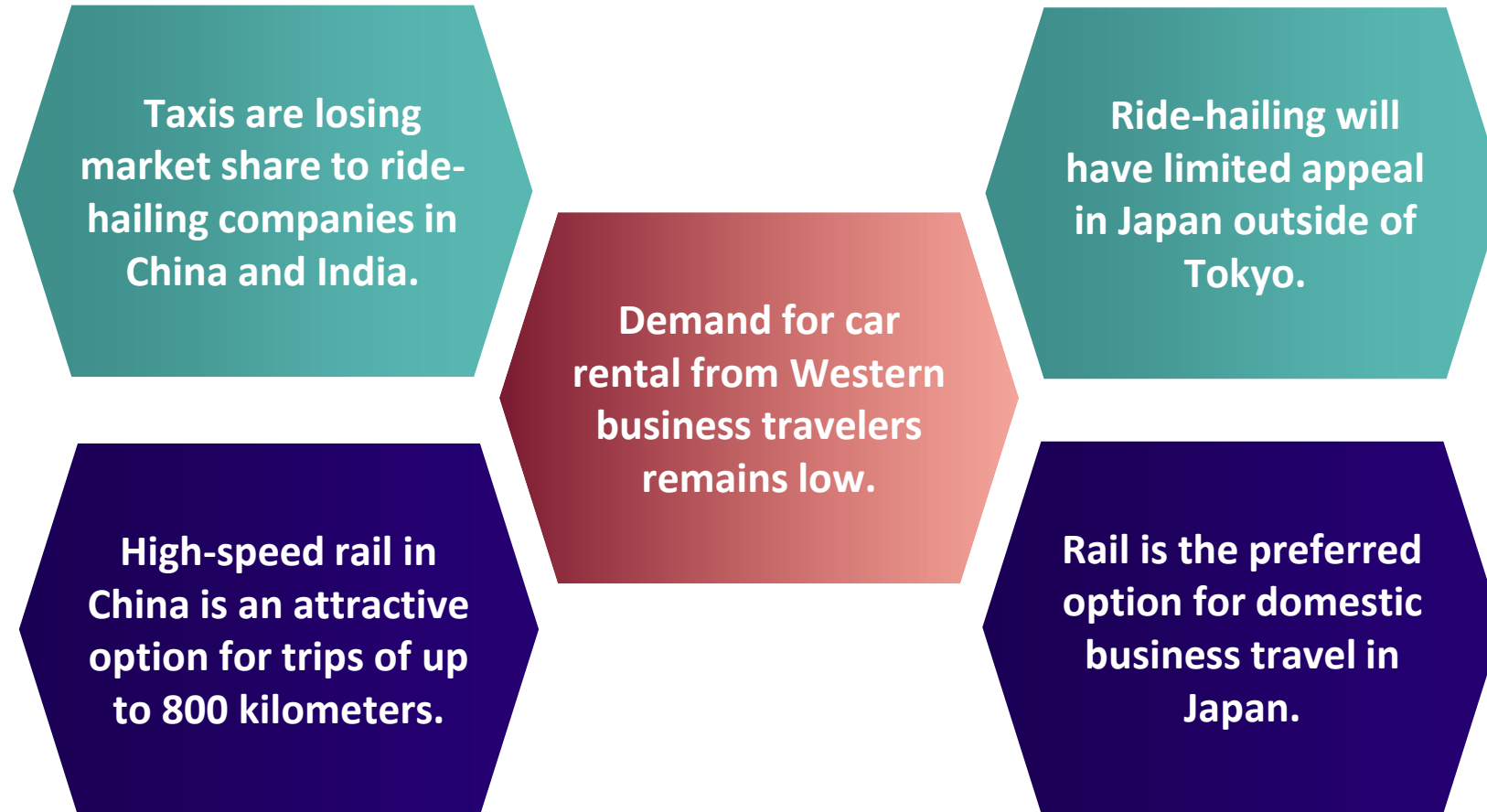
**Book meetings through TMCs to access their buying power.**

Source: Advito 2018 Industry Forecast



# Asia – ground transportation in 2018

Ride-hailing is expanding rapidly. High-speed rail services are a credible option for domestic business trips in China and Japan.



Source: Advito 2018 Industry Forecast





Intercontinental **business airfares** to **fall** to **all regions** except Latin America.

**Regional** fares will be **not change**.

## 2018 outlook Africa

Rising **costs** and limited **supply** will drive up **hotel rates** by **9%** to **11%**.

Increasing competition will prevent airfares rising. Expect some strong hotel rate rises in major markets like Egypt, Nigeria and South Africa.

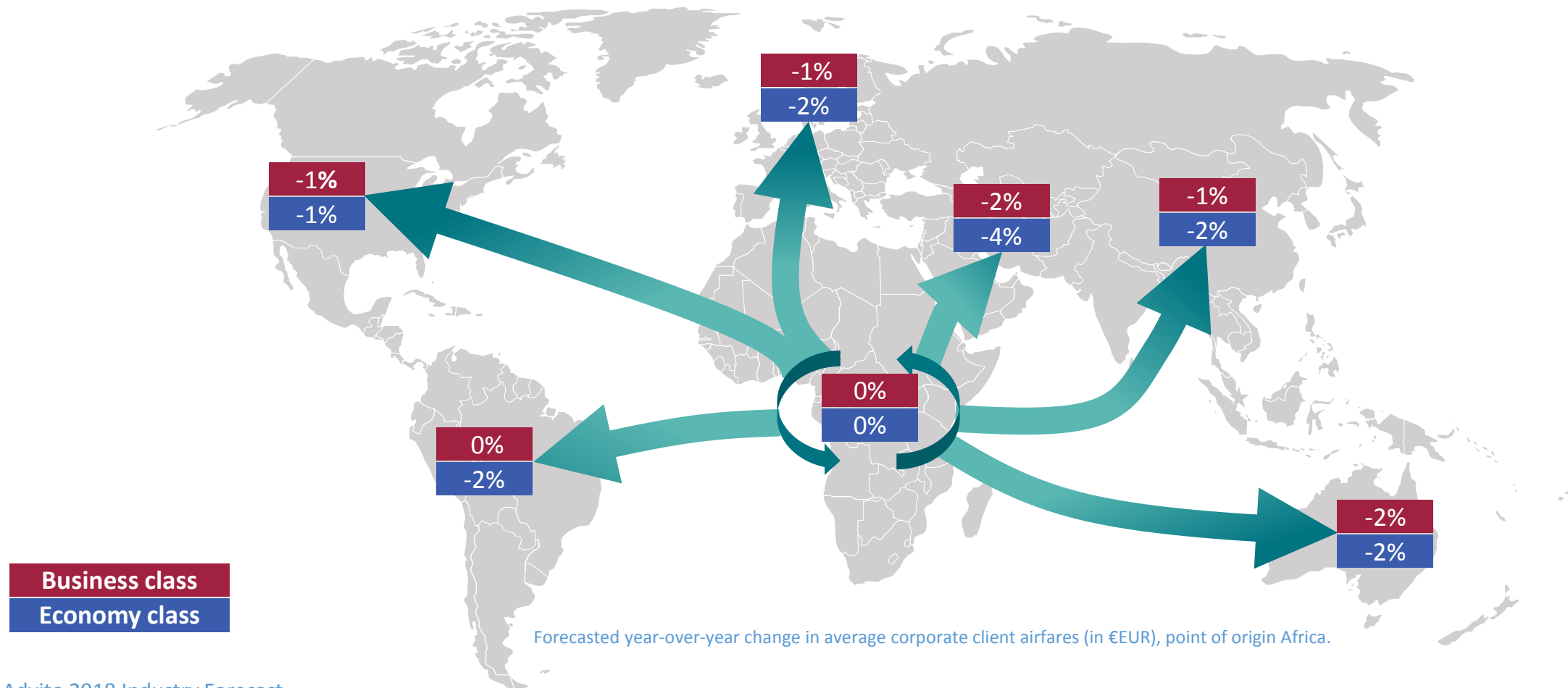
Uber will face growing **competition** from local **ride-hailing** services.

Source: Advito 2018 Industry Forecast



# Africa – 2018 airfares by destination

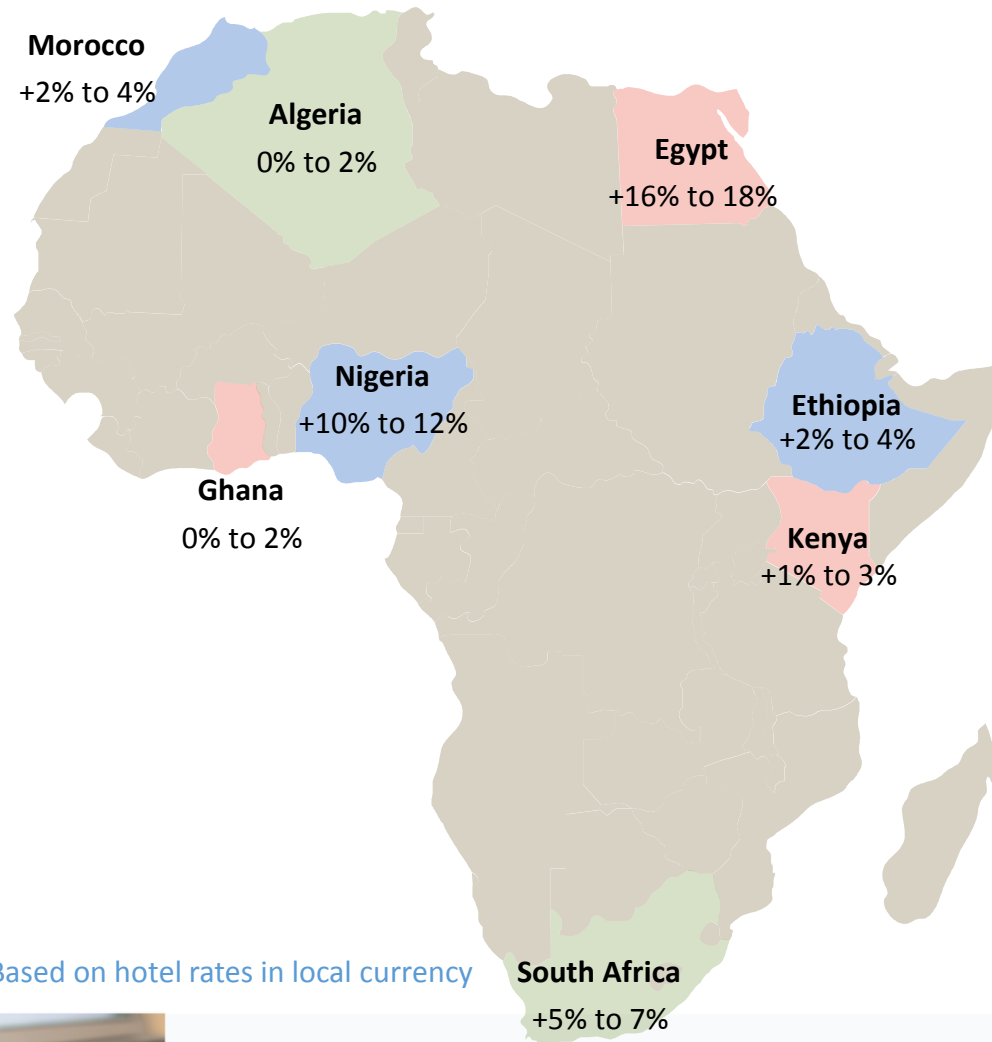
Intercontinental fares, except those to Latin America, will fall. Fares for travel within Africa will not change.



Source: Advito 2018 Industry Forecast

# Africa - hotel rates for 2018

Strong increases in Egypt, Nigeria and South Africa will drive up hotel rates across the region by 9% to 11%.



Source: Advito 2018 Industry Forecast

Based on hotel rates in local currency

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Increasing **capacity** and competition will keep **intercontinental** airfares in check.

Insufficient new **supply** means hotel **rates** will **rise** by **3% to 5%**, as demand picks up.



## 2018 outlook Southwest Pacific

Expect prices for flights and accommodation within the region to rise.

Solid **demand** and **capacity** discipline will **push up regional** fares again in 2018.

The **car rental** market will be more **competitive**.

Source: Advito 2018 Industry Forecast

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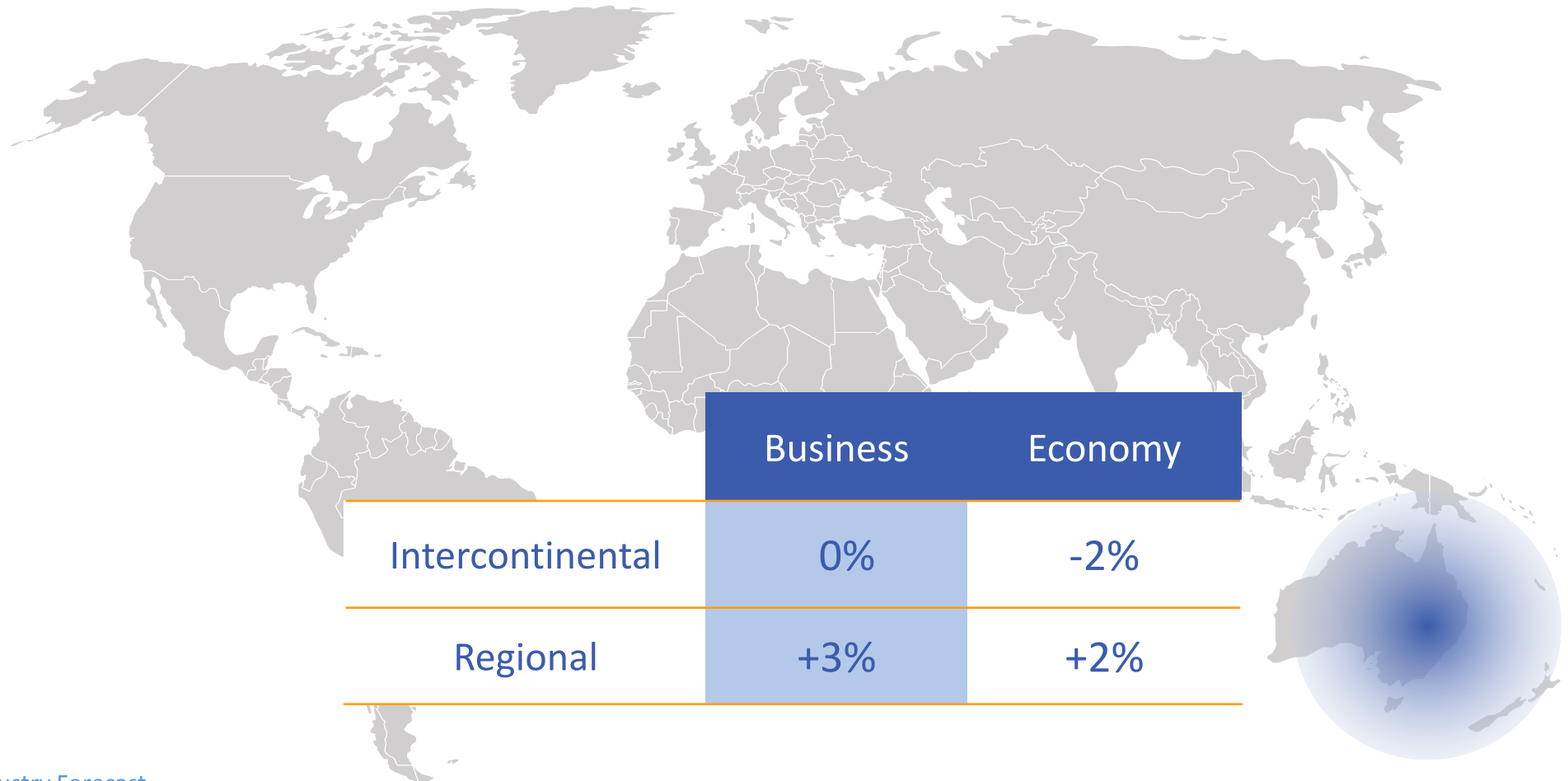
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# Southwest Pacific – airfare predictions for 2018

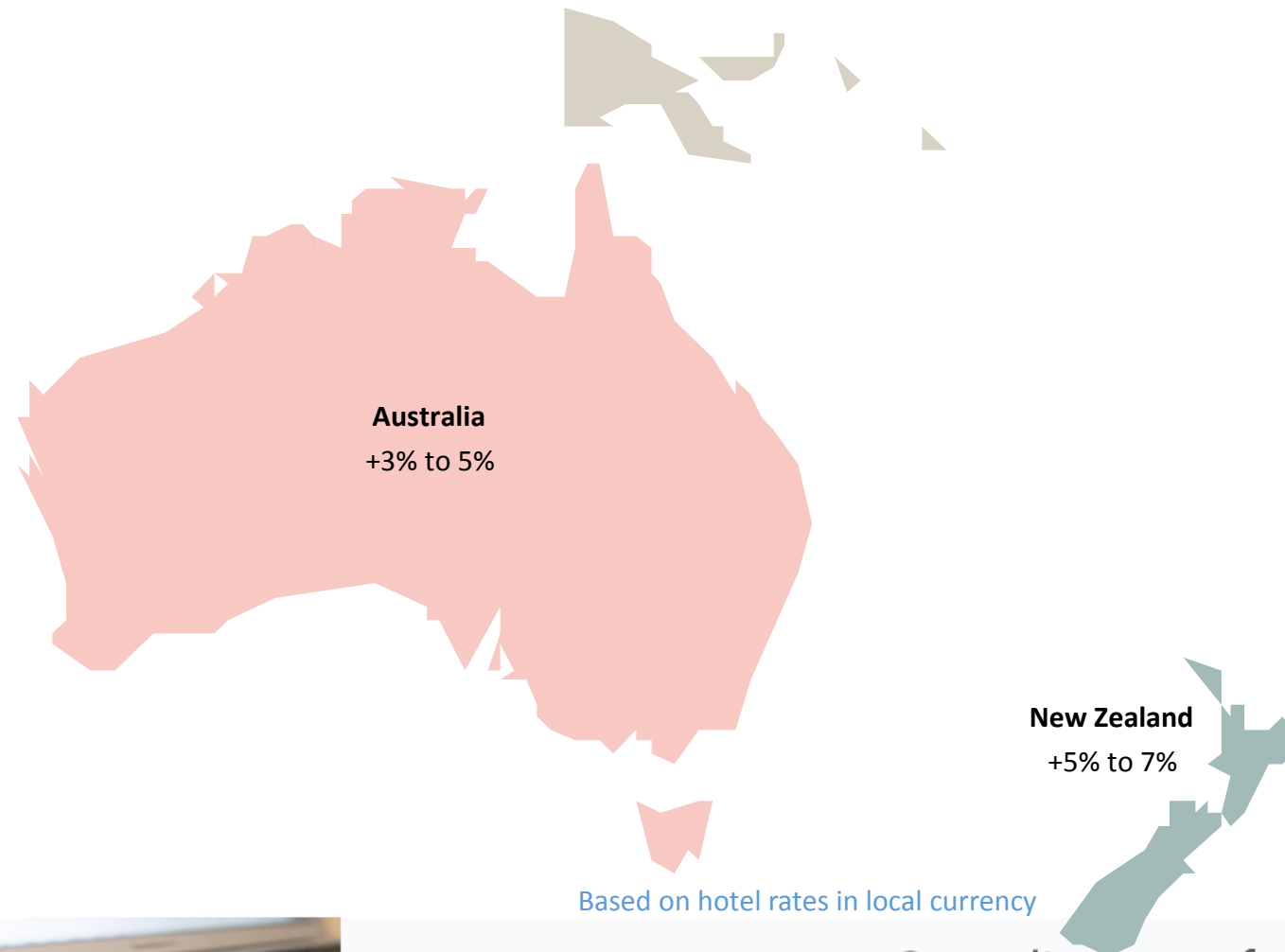
Capacity discipline will push up regional fares, but growing competition will ensure intercontinental fares stay flat or fall.



Source: Advito 2018 Industry Forecast

# Southwest Pacific - hotel rates for 2018

A lack of new hotel supply, particularly in New Zealand, means rates will rise across the region by 3% to 5% as demand picks up.



Source: Advito 2018 Industry Forecast

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Based on hotel rates in local currency

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# Southwest Pacific – ground transportation in 2018

The car rental market will be more competitive as Enterprise establishes itself. Changes to driver benefits may increase costs for ride-hailing companies.

**Car rental rates will rise in Sydney, but will be lower in Brisbane and Perth.**

**The arrival on Enterprise will make the car rental market more competitive.**

**Ride-hailing companies face an increase in their operating costs.**

**Competition to Uber from local operators like GoCatch may push down ride-hailing rates.**

Source: Advito 2018 Industry Forecast



# Questions?

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**Thank  
you!**

