GLOBAL BUSINESS TRAVEL

Global Business Travel Forecast 2018

Global Business Travel Forecast 2018

Contents

Executive Summary

Dear Reader,

Looking forward to 2018, the travel outlook looks bright as economic conditions continue to strengthen and growing business and consumer confidence translates into increased demand for travel. The pickup in demand should be broad-based across all regions, but will be particularly strong in Asia, where China and India spent last year competing for the title of fastest growing major economy. The eurozone should also see notable gains as it looks to build off its unexpectedly strong results in 2017. While both hotel and air prices should see upward movement as a result, the large influx of new supply in many regions will help limit rate increases, with only slight to moderate growth expected globally.[1] However, this optimism is tempered by lingering concerns over oil prices, security threats, protectionist policy, China's economic rebalancing, and continued political instability in areas around the globe.

Demand for air travel is rapidly expanding and while fares are expected to rise in every region, overcapacity on some routes, aggressive expansion by low-cost carriers, and historically low oil prices should keep price increases in check. However, while only modest fare increases are expected, airlines will continue to drive revenues through the expanded use of ancillary fees, which generated a remarkable $82.2 billion in 2017.[2] Other key trends for 2018 include the increased use of unbundled fares by mainline carriers to better compete with low-cost airlines and the broader adoption of premium economy seating as a means of bridging the widening gap between economy and business class products. In North America, greater focus by US carriers on their domestic networks should create a competitive environment that helps limit pricing increases on economy-class fares. Stronger corporate demand on international routes should result in moderate gains on premium fares, however, pricing for economy fares will decline. Latin America is seeing its prospects improve as deregulation and stronger economic activity begin to revitalize the region's airline industry. Modest fare increases are expected across the board. In Europe, airlines continue to face significant headwinds in the form of lackluster economic performance, long-haul pressure from Gulf carriers and intense competition from low-cost carriers on short-haul traffic. The Asia-Pacific region will see limited price increases, depending on route and fare class, as rapidly growing supply, particularly in China and India, is surpassed by even faster growing demand.

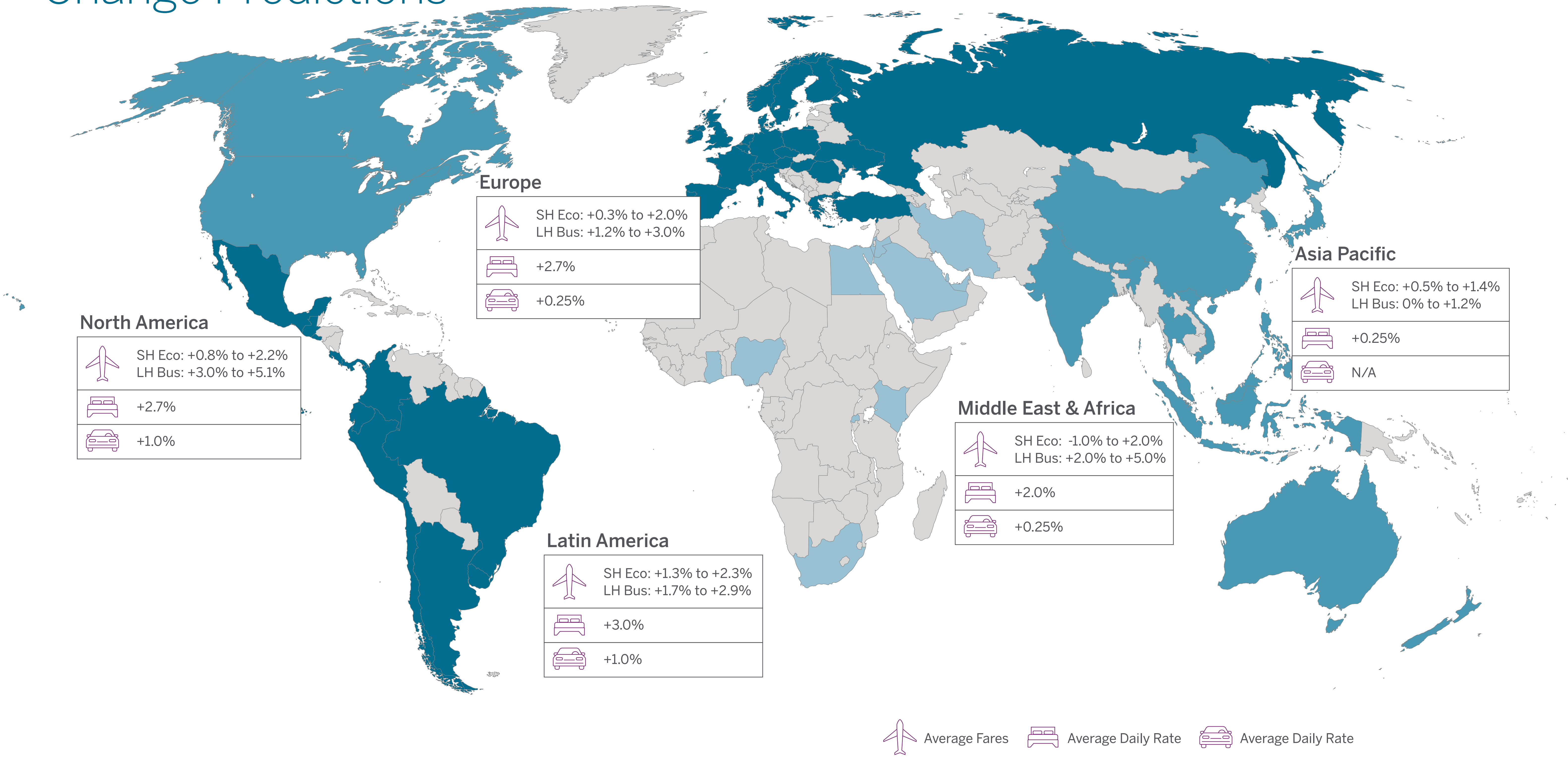
Hotel room rates should also see low to moderate increases globally as improved economic performance generates greater demand for travel. While consolidation has helped strengthen the position of global giants like Marriott and AccorHotels, travelers should also benefit from their larger, more regionally diverse footprints. In 2018, hotels will further look to drive profitability through increased use of ancillary fees, stricter cancelation policies and a continued focus on direct bookings. In North America, rate growth will be strongest in Canada, where a rebounding economy and weak dollar should stoke demand from US visitors, particularly in Canada's largest cities. In the US, hotel rates will continue to rise, but at a slower pace than in years past as demand flattens against a backdrop of rapidly growing supply. In Latin America, economic conditions are improving but vary considerably by country. Rate increases are likely for a few countries, like Argentina and Mexico, but much of the region will stay relatively flat. While the lack of new inventory in Europe will continue to prop up room rates, stronger demand will be the key factor driving rate growth in 2018. As in previous years, political instability and security concerns will impact demand in the Middle East and Africa, but this will vary significantly by area. Economic improvements in Egypt and South Africa will likely result in higher hotel rates, while the diplomatic crisis in Qatar is driving travelers to alternative destinations like the United Arab Emirates. In Asia, fast-paced economic growth and a burgeoning middle class should lead to increases in hotel rates throughout the region. Price hikes will be particularly acute in the eastern states of Australia and New Zealand where supply growth has been limited and hotels are already straining to accommodate the influx of Chinese visitors during peak season.

After years of flat or even negative growth, car rental rates are finally predicted to see slight increases in the US and Canada as fleet management improves and operating costs put pressure on pricing. However, competition will remain fierce. In the absence of significant rate increases, car rental companies are once again turning to ancillary services and fees to drive greater profitability. In Latin America, most of the region is predicted to see very slight increases in car rental rates despite supplier fragmentation as traveler demand grows in parallel with the economy. In Europe, improving economic conditions and an increasing number of travelers will likely lead to a slight uptick in overall car rental demand. However, this trend is being moderated by the growing shift among younger travelers to alternative transportation options, such as ride sharing and public transportation. Ride sharing will continue to play a huge role in the overall ground transportation ecosystem. While Uber retains the largest global footprint of any ride share company, it is increasingly under assault from local competitors and evolving regulatory challenges that have forced the ride share giant to abandon operations in countries like Taiwan and Germany.

2018 Regional Air, Hotel, and Car Forecast

Source: Global Business Travel Forecast 2018 from American Express Global Business Travel (GBT).

Global Regional Rate Change Predictions



Air Forecast

While strong, ongoing increases in demand are expected to push up fares across all regions, fierce competition, particularly from low-cost carriers (LCCs), relatively low oil prices, and rapidly growing supply, as well as some lingering overcapacity, will help keep prices in check.

In North America, US foreign policy will loom large in 2018, as foreign trade agreements, such as NAFTA, are under threat to be renegotiated, potentially impacting international demand for travel. Facing weaker demand and overcapacity on some international routes, US carriers are re-prioritizing their domestic operations and will add more connections to secondary, smaller destinations. In Latin America, airfares should see slight increases thanks to regulatory changes and increasing international demand, although political instability and low-cost carrier expansion remain a concern.

In Europe, the UK's decision to withdraw from the EU will begin to impact travel throughout the region as carrier operations and travel demand shift ahead of the 2019 deadline. On the continent, mainline carriers continue to cede share to low-cost carriers on short-haul routes while Gulf carriers compete fiercely for long-haul traffic. That said, robust demand and a stronger euro should bolster results in 2018.

Asia's burgeoning middle class and solid economic growth, particularly in China, India, and Southeast Asia, are causing demand for travel to surge. However, much of Asia remains highly dependent on China and any slowdown in their economy could negatively affect the entire region. Airfares will remain relatively even as political stability and strong demand in China and India is counterbalanced by widespread overcapacity and flatter demand in Japan and Australia.

Air Trends

1.

Oil Prices & Fuel Surcharges

Few factors have greater potential economic impact on the aviation industry than the price of oil. While still low by historic standards, current pricing, at roughly USD$55 a barrel, represents a nearly twofold increase from a brief low of USD$28 a barrel in early 2016.[3] However, much of this growth occurred in the first half of 2016 and prices have since struggled to break into the USD$60 a barrel range. Industry forecasts for 2018 span a wide range of potential outcomes, but rising US shale production, increased use of renewal energy and uncertain capacity discipline among oil producing nations will likely result in only moderate increases in oil prices for another year.[4] However, with fewer carriers hedging fuel costs and many having already reinvested the fuel savings in better infrastructure or increased employee salaries, a major jump in fuel prices would likely result in the return of significant fuel surcharges and higher airfares.

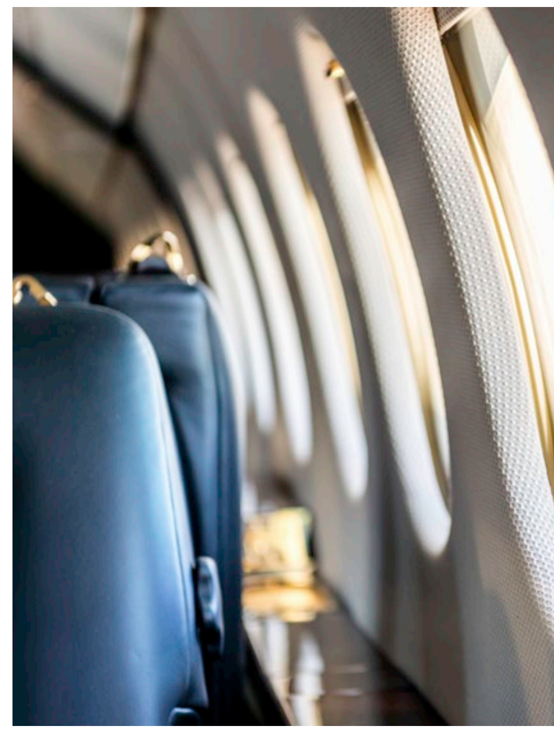
2.

The Growing Role Of Premium Economy

After years of successful operation in Europe and Australia, premium economy has recently been gaining traction with North American and Asian carriers. In 2017, American Airlines and Delta Air Lines added premium economy cabins to their long-haul service while Air Canada expanded service on North American routes after initially adopting premium economy in mid-2016.[5] Despite concern from some carriers that it might cannibalize their existing premium products, the adoption of premium economy has largely come from the back of the plane where the shift to tighter seating has been particularly painful.[6] By contrast, many corporate travelers have little incentive to move down from a lie-flat seat and better food if a business class ticket is in policy.

Another factor impacting premium economy adoption is the general lack of clarity about what this service represents and who offers it. For instance, in the US, only two of the Big Three currently offer a premium economy product, and, globally, seat width varies by as much as two inches depending on the carrier and plane.[7] This is further obscured by a range of economy-class seat upgrades that are promoted as “Extra Comfort”, “Main Cabin Extra” or even “Premium Class.”

For travel managers, the increasing availability of premium economy offers an opportunity to bridge the growing chasm between business and economy classes. Fierce competition for



price-sensitive passengers has forced legacy airlines to pare down economy-class products to resemble those offered by low-cost carriers, trimming pitch and width to their bare minimums. For many companies, this has made economy-class less viable as an option for international or even longer regional flights. While still substantially cheaper than current business-class seating, premium economy offers travelers a separate cabin with upgraded seating, food and boarding privileges comparable with what international business class was 15 years ago.

3.

Air Metrics That Matter

When done well, having the right set of metrics to support your air program can provide timely, invaluable intelligence on the performance of a travel program, allow policy approaches to be adjusted for maximum effect, and act as an early warning system on potential issues enabling evasive action, all while making efficient use of precious resources.

When used ineffectively however, metrics can become an industry in themselves, taking valuable time to produce numbers which can have little correlation to the service being received or failing to achieve corporate goals.

While it’s unusual for metrics not to be included in any program, the question to ask is if your metrics are just good or if they are world-class.

DEFINING THE PURPOSE

The first step in establishing air metrics is defining what is trying to be achieved—what needs to be measured and what the key components are of a well-performing air program. As with all metrics, asking “so what?” is a critical step in defining what should be measured and ensuring that the results can be used to drive action. Unless a metric is actionable, it has very little use.

Fundamentally, air metrics need to be able to answer the following basic questions:

- How much is being spent?
- Who is it being spent with?
- How much value is being derived?
- What is changing and what, if anything, needs to be done about it?

METRICS THAT MATTER

Ultimately, metrics are a means to an end, rather than the end game itself, and as such, should always reflect overall corporate objectives such as profitability and efficiency, as well as increase staff retention. As a result, the exact mix of metrics used in a corporate travel program will often vary significantly. However, most companies should find the following metrics valuable:

- Average cost per trip - segmented by class and route
- Advance purchase
- Change fees and cancellation percentage
- Realized negotiated savings
- Trip ratings - Service is critical and asking travelers to rate their travel experience, either through a traditional measure or a net promoter score is increasingly common.

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4. Rail As An Alternative To Air Travel

In Europe and Asia, the quality of rail travel continues to improve as high-speed networks expand and rolling stocks are upgraded to include amenities like Wi-Fi and power sockets. Against a backdrop of crowded airports and airplanes, high-speed rail offers business travelers an increasingly attractive alternative to short-haul air travel.

One of the key considerations for travelers deciding between air and rail transportation is travel time. By allowing travelers to move directly between city centers and avoid lengthy security checks, rail transportation can reduce total travel time on shorter trips compared with air. High punctuality rates for rail also mean less time wasted waiting for the train to arrive or depart. In a recent survey by Silverrail, a rail distribution platform, 80% of travelers claimed to prefer traveling by rail on trips of 2.5 hours or less.[8]

Another benefit of traveling by train is that the accommodations are often more spacious and enable more productive worktime than those on narrow-body aircraft. In addition to offering Wi-Fi, business class seating on high-speed trains usually includes an adequate workspace and access to common areas. Italy's Trenitalia Frecce, which runs high-speed services between Napoli and Turin, even offers access to a six-seat meeting room.[9]

However, certain aspects of travel via high-speed rail compare less favorably to air travel. From a cost perspective, it is increasingly hard to qualify for airline deal thresholds, and train travel can cannibalize short-haul or domestic spend that sometimes makes the difference between getting an airline to the negotiating table or not. Also, rail currently lacks the booking capabilities that exist with air, making it more challenging to incorporate rail into the booking gateway, particularly when cross-border travel is involved.

Ultimately, the job of the travel manager is to balance the sometimes conflicting demands of commercial efficiency (cost and leverage), traveler centricity (welfare and productivity) and enterprise-wide goals of sustainability, and include train travel as an alternative when appropriate. Travel managers should consider the following when incorporating rail travel into the company's travel policy:

Globalization: Most companies with large domestic travel spends effectively manage rail travel options for in-country travelers. The challenge will be to also include employees coming from overseas. This option is being facilitated with many train operators now supporting app-based ticket purchases by app or including print-at-home options.

Class of travel: Rail companies can often deliver much greater value to customers who upgrade their tickets compared to air travel. Charge points, quality meals and opportunities for quality worktime are often far more affordable on rail than air equivalents.

Making Rail a Default Option: Determine which city pairs are more efficient for rail than air travel and make rail the default option for these areas. This is an effective way of encouraging rail use.

Flexible Tickets: Carnets (pre-purchased books of tickets on a set route), split tickets, and discounted tickets, particularly for younger travelers, are common in many areas and should be considered for use where travel patterns and demographics allow.

Duty of Care: Incorporating rail data into duty of care reports can be tricky due to the often flexible nature of train tickets.

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5.

Air Policy Best Practices

One question travel managers may want to ask in 2018 is whether contracting still makes sense. While many organizations will still benefit from negotiating an air contract, the process has become lengthier and airlines are becoming increasingly bullish about what they are requesting from corporate clients.

Low-cost carriers, which often avoid corporate deals, also complicate the issue. In addition, the decision of whether to contract or spot buy makes a significant difference to the language of your policy—e.g. whether you use a mandate or soft mandate, and the guidelines, tone and language used. A spot buying approach, using best available fares, often augmented by travel management company (TMC) negotiated rates and corporate mileage programs, can be effective for many mid-sized clients, as well as for second tier routes for major global companies. Such an approach sees many companies opting for the "lowest logical fare". This means guiding travelers into the lowest fares based on their choice of carriers, a flexible time window, and possibly even alternate airports.

The unbundling of services, from meals, to baggage to Wi-Fi, creates a challenge for buyers to guide people into the fares that represent the best value. Fare types also further complicate the issue. For example, basic economy may offer attractive pricing but includes no extras such as baggage, seat selection or the ability to upgrade. Adding these features in a piecemeal fashion may result in a higher end cost than starting with a more inclusive fare. This logic is often best applied by your TMC or in your technology solutions rather than through your policy.

Ultimately, the policy needs to clearly articulate employee requirements and consequences of non-compliance. The best available policies articulate these points crisply and clearly, in a way that is easy to navigate. Specifically, for air policy, buyers should focus on the 3 C's: Context, Clarity, and Consequences.

Context: The context should inform employees of why a policy exists, with information on sustainability, duty of care, reputation, employee welfare, productivity and cost control all typically addressed. Providing this context helps the employee understand and appreciate the vision from the outset, and increases the likelihood of the employee willingly following the policy rather than fighting against it.

Clarity: It is essential for a travel policy to be clear. A traveler will typically pick up a policy for one of three reasons: to find out how to book, what to book and how to get reimbursed. Executive summaries and the use of hyperlinks enable you to keep the content relatively brief, while still allowing users to easily find answers to their questions.

Consequences: This section should talk about how the policy will be managed, what is expected of the traveler and the consequences, if any, of non-compliance. Using softer, yellow flag-type tactics of line manager notification is often a better tool than simply not allowing the booking, which may lead to risks of increased leakage.

Some other important considerations in crafting an effective air policy are as follows:

Policy Fit: Your industry sector, the geography in which you operate and the demographic dominance of your traveling population will determine what stage of the economic cycle you are in and how you need to position your policy. A technology company based in Silicon Valley will have different priorities than an energy company based in West Africa. Benchmarking against your peers is critical here, especially to retain and recruit the best talent.

Demand Management: When you've "squeezed the lemon" as far as you can in terms of negotiated rates, the best way of reducing overall cost and increasing value is by optimizing your demand management levers. Tactics include increasing policy awareness and creating exceptions reports or even banning travel entirely between certain city pairs (to drive video conference usage perhaps). These are all examples of demand management led approaches and should feature heavily in policy.

Equality or Inequality: A traveler will often first review their permitted class of air travel. In fact, employees are increasingly checking this policy before even deciding to join your firm. Your company philosophy around equality will of course be much more involved than just travel. However, air travel class can be one of the most emotional topics in this area.

While millennials often favor fairness and equality for all staff, senior road warriors may have a different point of view. The challenge is that it is almost impossible to have an objective discussion on this topic in any company, due to employees' level of personal investment, based on their own circumstances and travel requirements. Unless you are fortunate enough to allow everyone to travel in first class, emotions may run high. Ultimately, your policy needs to be an enabler, not an inhibiter, to your company's goals.

Pre-Trip Approval: If done effectively, using pre-trip approval can allow a company to drive compliance at the point of sale, before the money is spent. If not done effectively, companies can become overloaded with bureaucracy. Line managers may not have time to pre-approve bookings before the fares increase. A pragmatic solution is to only require pre-approval for those high value or high risk out of policy bookings. This creates a further incentive to travel in policy as they flow quicker through the system.

Ancillary Management: Allowing travelers to purchase food on board is fine but you may want to include this in your overall daily limits on food allowances.

Mixed Cabins: Promoting use of "mixed cabins" can be a great way of reducing cost on long-haul routes. For example, offering flat beds in business class could be an expensive luxury on a mid-haul daytime flight when travelers are more likely to work than to sleep. Likewise, a company wishing to improve the quality of life of its traveling population may choose to upgrade from economy to premium economy on some flights. This upgrade could make a big difference for the employee at a relatively low cost.

Leakage: Arguably the worst leakage of all is when a traveler books directly with a supplier rather than using a TMC, as this results in the loss of any opportunity to apply policy. Work hard to understand and control leakage. Crosscheck data on bookings and expenses and talk to travelers to identify their reasons for making direct bookings.

Word Choice: Take care with your choice of words. There is a vast difference between the word "should" and the word "must" in a policy and a traveler who does not wish to follow policy would be happy to explain this difference to you.

Managing Exceptions: To effectively manage exceptions, reason codes should be aligned in the online and offline world, and aligned across your global network.

2018 Air Predictions

Americas

North America

CANADA Over the past two years, Air Canada has aggressively increased its fleet and global footprint in an effort to turn its Canadian hubs into larger transfer points for international traffic into North America.[10] As part of this strategy, Air Canada has been actively pursuing connecting traffic from the US, particularly from secondary cities where direct service isn't available. Boasting a refreshed fleet and a new premium economy product on North American and international routes, the carrier is seeing passenger numbers increase.[11] However, with huge capacity growth outstripping the demand forecast and fierce competition from WestJet on many international destinations, long-haul prices will be under pressure and will likely fall or remain flat in 2018.

Domestically, Air Canada and WestJet control 92% of Canada's capacity.[12] Despite both airlines actively pursuing new business, the robust Canadian economy and stronger Canadian dollar should translate into slight increases on short-haul flights.[13]

UNITED STATES While early efforts by the US Big Three to limit the growth of domestic capacity have been relatively successful, weaker performance on crowded international routes, particularly those to Asia, has shifted the focus back to domestic and transborder operations where the fewer number of competitors provide better short-term opportunities.[14] Faster growth of domestic capacity, which has largely focused on up-gauging existing routes and improving connectivity, has resulted in increased competition between the legacy carriers on a number of connecting and non-stop routes, particularly to secondary destinations.[15] Among the mainline carriers, United has been the most active in pursuing capacity growth as it attempts to regain market share and address gaps in coverage. Conversely, domestic capacity growth among low-cost carriers (LCCs) will slow in Q1 2018 as legacy airlines continue to battle for leisure travelers via low priced economy and basic economy fares.

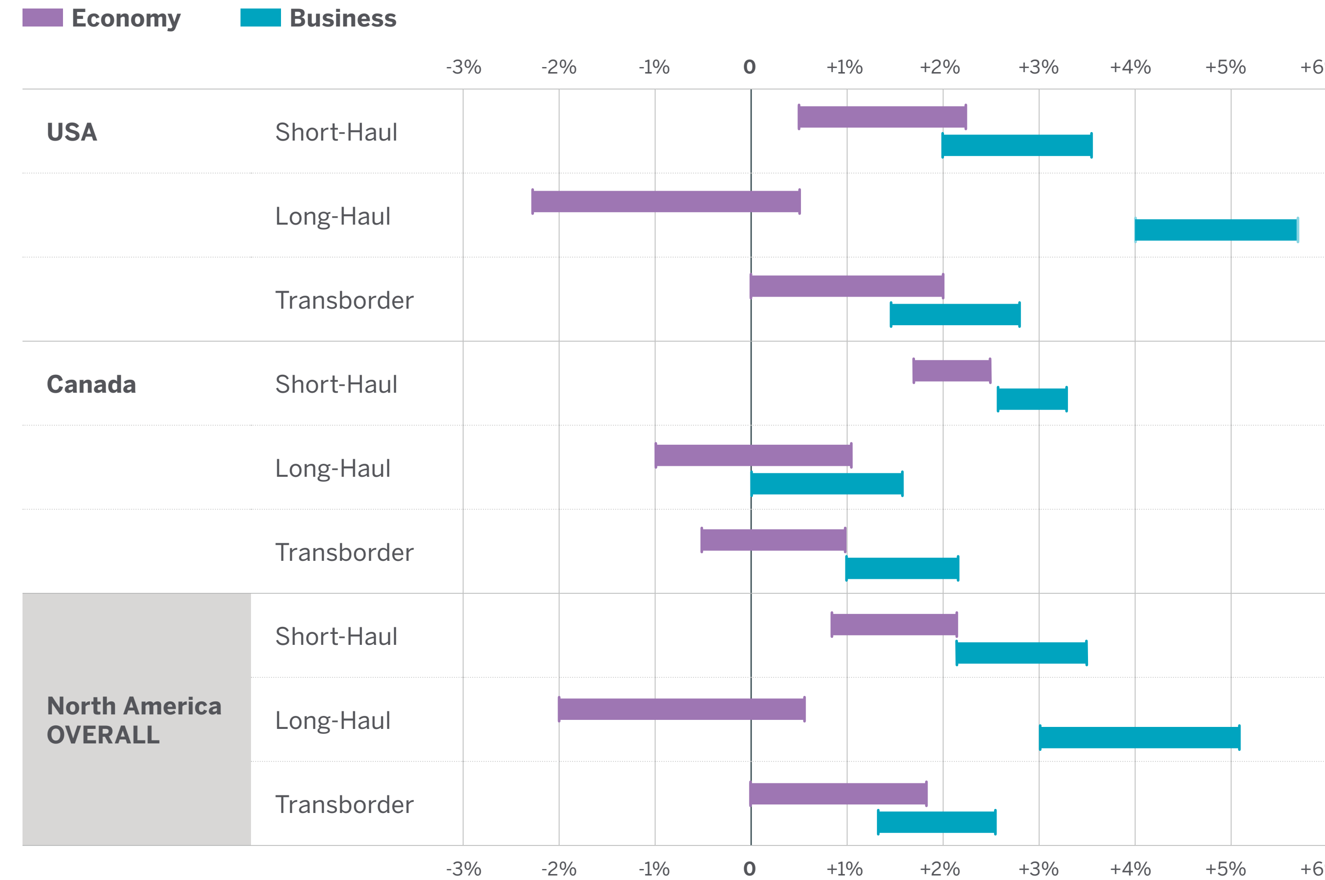
The US economy continues to perform well and the demand for business and leisure travel has increased accordingly. Despite projections for a slight economic slowdown in 2018, consumer spending should continue to be robust as low unemployment and a tight labor market put pressure on wage growth. While demand on domestic routes will continue to increase in 2018, intense competition and capacity growth will result in only modest rate increases, with a particular weakness in economy fares. Internationally, increased economy-class capacity is also forecast to outstrip demand, causing rates to remain flat or even fall, while premium fares should increase bolstered by stronger corporate demand. However, results will vary significantly by route, and while transpacific service will be under significant rate pressure, many routes to Latin American will likely show gains from earlier cut-rate pricing.

Latin America

After a difficult few years, Latin America is seeing its prospects brighten as deregulation and stronger economic activity begin to slowly revitalize the region's airline industry. While excess capacity remains an issue, rising demand, particularly on international routes, has resulted in higher traffic and revenue passenger kilometers (RPKs).[16] That said, question marks remain on the horizon. Brazil's fragile recovery continues to be threatened by ongoing political instability; low-cost carriers (LCCs), already well established in Mexico and Brazil, are taking advantage of the regulatory changes to expand their presence throughout the region. With LCC penetration in Latin America currently under 10%, new LCC operations either planned or underway in Colombia, Peru, Argentina and Chile should lead to significant opportunities for growth.[17] Overall, while the aviation sector in Latin America has enormous potential for expansion, ongoing political concerns and fierce competition will result in only mild price increases for the region in 2018.

ARGENTINA With a strong, stable government in place, higher exports and a range of business-friendly reforms in the wings, Argentina's economy should continue to strengthen in 2018.[18] Alongside this economic growth, domestic travel in Argentina is expected to continue to expand rapidly with government-owned Aerolineas Argentinas having secured nearly 80% of the country's business as it prepares to fight off competition from new LCCs.[19] While the LCCs will create additional pricing pressures, a government-mandated price floor will prevent cut-rate fares on routes where they compete directly. International service is benefiting from recent deregulation that allows carriers to serve secondary cities directly rather than having to go through Buenos Aires. New direct routes from LATAM, Avianca, and Copa offer international travelers faster access to secondary cities and more convenient service than ever before.

North America 2018 Airfare Forecast



Source: Global Business Travel Forecast 2018 from American Express Global Business Travel (GBT).

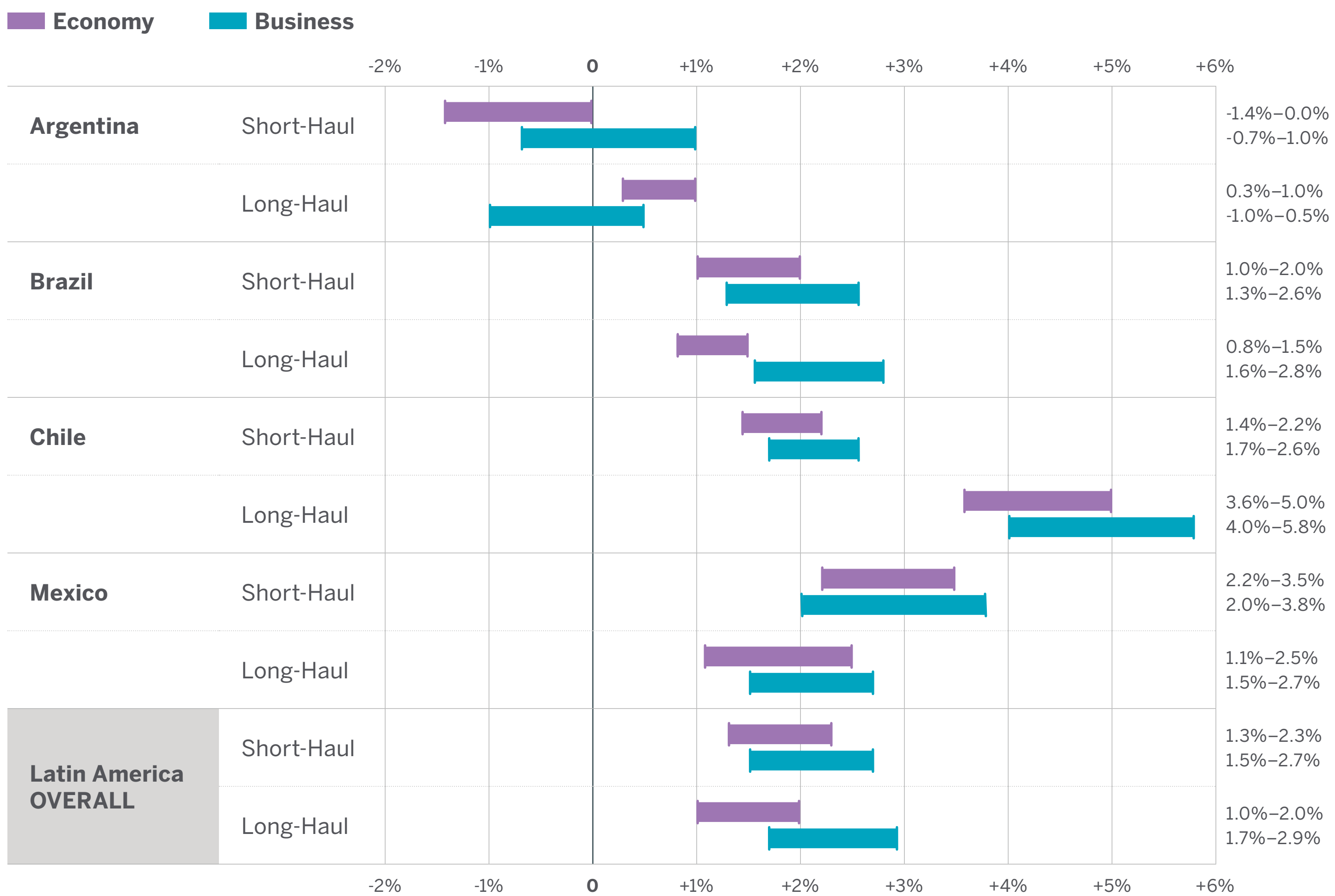
Overall, with increases in air capacity forecasted to continue to outstrip growing demand, airfares should likely remain flat or see slight increases for 2018.

BRAZIL With Brazil having just exited the deepest economic recession in its history, South America's largest economy is slowly regaining its economic footing and should see GDP increase by 1.5% in 2018.[20] However, this recovery remains tentative, with austerity measures having trimmed back government spending to their bare minimums and substantial political uncertainty about the road ahead.[21]

Over the course of Brazil's recession, the country's largest carriers have largely focused on maintaining their long-term share of the business, even at the expense of short-term yields. As a result, decreases in capacity, although substantial, have generally failed to match the declines in demand.[22] This is particularly true on domestic routes, where demand fell the furthest.[23] Although passenger numbers have begun to rebound, excess capacity continues to be an issue.[24] While 2018 should offer a welcome improvement over 2017, the combination of political instability, fierce competition, and lingering overcapacity should limit fares to only modest increases.

CHILE Chile's economy looks to strengthen in 2018, helped by increased internal consumption, higher copper prices, and improving economies in Brazil and Argentina. The Chilean peso has strengthened against the US dollar over the last half of 2017, and simplified export and investment procedures are likely to also raise productivity and investment.[25] While all of these factors point to stronger corporate demand in 2018, significant capacity growth, particularly on a regional basis, should limit price increases on short-haul airfares, although long-haul flights will likely see healthy rate increases.

Latin America 2018 Airfare Forecast



Source: Global Business Travel Forecast 2018 from American Express Global Business Travel (GBT).

MEXICO Despite strong domestic demand, intense competition between Mexico's four largest carriers—Aeromexico, Volaris, Interjet and VivaAerobus—has kept fares in check, with particularly aggressive pricing in Mexico City and Guadalajara. However, plans for flatter capacity growth in 2018 should result in slight to moderate pricing gains. On international flights, capacity has grown more quickly than demand as Interjet and Volaris ramp up service to the US and Canada, and Aeromexico bolsters coverage in the US via its joint venture with Delta Air Lines.[26] At the same time, demand on international flights between Mexico and the US has dropped in 2017 as a weak peso and political tension with the US have curbed leisure travel. Although a stronger manufacturing sector should help drive business travel to Mexico, long-haul prices in 2018 will only see limited increases given a backdrop of higher capacity, slower US growth and continued political uncertainty.[27]

EMEA

Looking forward, 2018 promises to be an interesting one for the airline industry in Europe, the Middle East and Africa. Despite continued concerns regarding Brexit, European airlines have benefited enormously from improved economic conditions that have generated increased demand and higher load factors. By contrast, Gulf carriers have faced significant challenges in 2017, ranging from ongoing weakness in their local economies to shifting political landscapes that have disrupted access to key industries. However, in both Europe and the Middle East there is optimism for what lies ahead in 2018.

In Europe, strong increases in demand should continue to exceed more moderate gains in capacity, pushing overall prices slightly higher. In the UK and Germany, the collapse of Monarch Airlines and Air Berlin have effectively consolidated capacity among the remaining carriers, creating weaker competitive environments that will ultimately push economy-class fares higher in both countries. While there continues to be lingering weakness on long-haul service to Asia, this will likely be more than offset by improving conditions on transatlantic routes.

Finally, while Brexit does not take effect until 2019, timelines are shortening and UK airlines are already acting to minimize the impacts of the move by shifting operations to the continent. While it will have limited effect on fares in 2018, Brexit will remain one of the key topics throughout the year as the terms of Britain's exit from the EU take shape.

Nordics

DENMARK Despite Denmark's improving economy and increasing popularity as a tourist destination, strong competition between SAS and Norwegian will result in both short- and long-haul routes remaining largely flat in 2018.

FINLAND Leveraging its unique geographic location as a short cut between Europe and Asia, Finnair has been actively growing service between the continents through its hub in Helsinki. Despite its small size, Finnair is now the largest European-based carrier to Japan and has developed a solid network in Northeast Asia, particularly in China.[28] While routes between Europe and Asia have recently been soft, Finnair has seen its passenger demand increase. Overall, look for fares in Finland to stay relatively flat in 2018.

NORWAY Following the decline in oil prices in 2015 and 2016, Norway's economy has gradually recovered as diversification and increased business investment have returned positive results. As consumer spending has returned, so has the demand for travel. Going into 2018, Norwegian will continue to add capacity on long-haul routes, which will keep fare increases low. However, higher oil prices will likely increase demand for flights to Stavanger as the economy there improves. Overall, short-haul service into Norway should also see slight increases in airline prices.

SWEDEN With a strong economy, low interest rates and declining unemployment, Swedes will continue to spend both their time and money vacationing abroad. While demand for air travel remains, aggressive growth by Norwegian should keep pricing flat, particularly for economy-class fares. Interestingly, despite strong competition from Norwegian, SAS continues to operate many of its long-haul routes very profitably, often as monopolies.[29] Accordingly, the combination of increased demand for travel and strong competitive positions on key routes will result in higher airfares on long-haul business-class fares in 2018.

Continental Europe

BELGIUM In 2017, travel to Belgium rebounded after sharp decreases the year prior, following a string of deadly assaults. While volumes are still not back to 2015 levels, Brussels Airport has reported strong performance on intra-European and long-haul travel as visitors return to the de facto capital of the European Union.[30] In 2018, travel demand should increase further as Europe's economy picks up speed and more business travelers find their way Brussels. Brussels Airlines' extensive network in Africa has also benefited from strong traffic between the two regions.[31] With low-cost carriers representing 39% of Brussels' share of the industry and fierce competition between Ryanair, Vueling, and Brussels Airlines, travelers can expect to see only modest increases on economy short-haul routes and moderate price increases on long-haul service.[32]

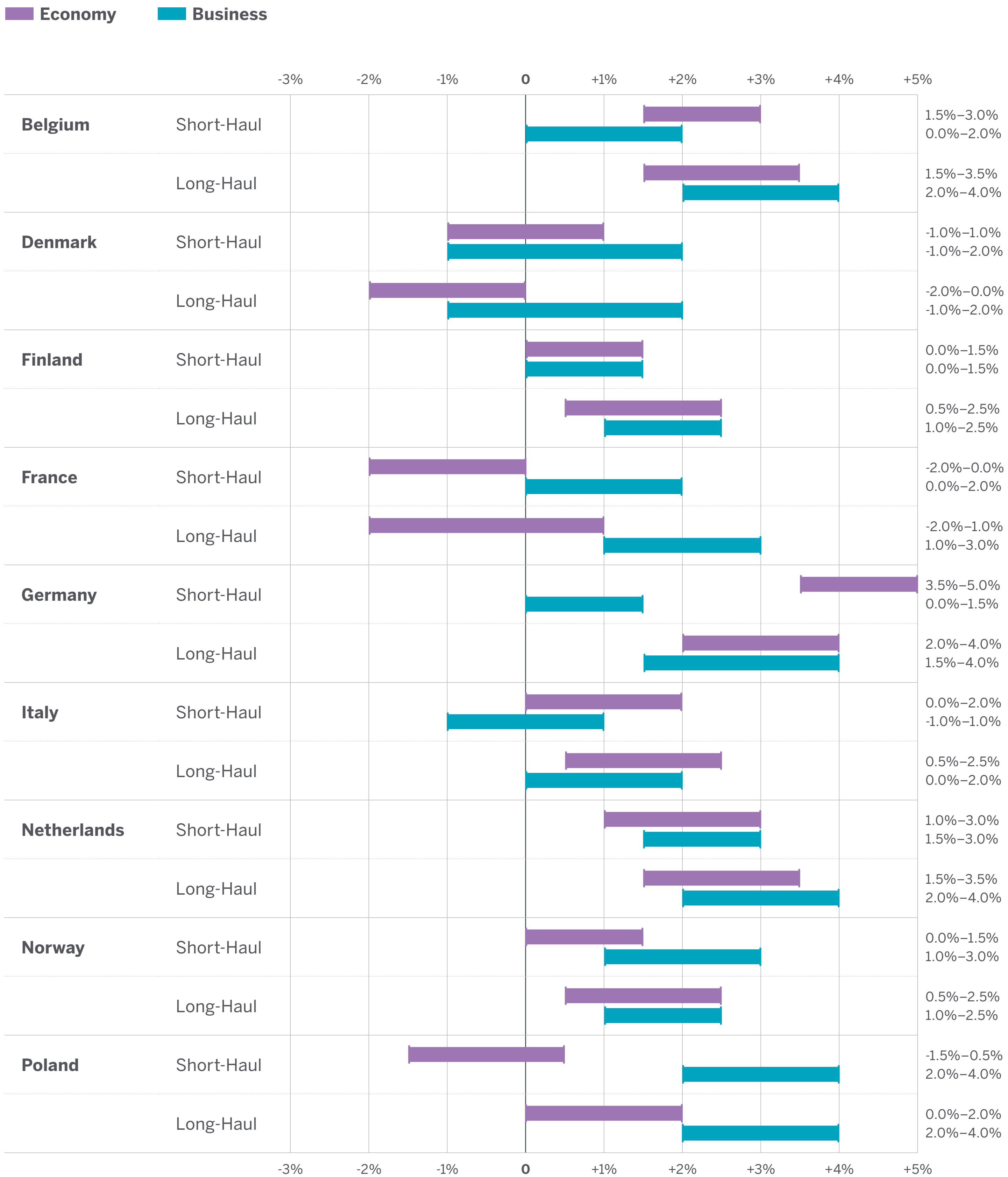
FRANCE There is renewed optimism in France about its economy following the national elections in 2017; however, meaningful changes will take time and security concerns continue to negatively impact long-haul demand among leisure travelers. As a result, airfares are expected to stay largely flat on average, although premium fares should see some increases.

GERMANY Following the collapse of Germany's second-largest carrier, Air Berlin, Lufthansa is in an ideal position to benefit from the reduced competition. While easyJet has expressed interest in picking up some of Air Berlin's routes, short-haul capacity will decline in the near term leading to increases on economy fares in 2018. Despite little new capacity coming into international routes, price growth on these routes is expected to lag gains on short-haul routes.

NETHERLANDS The Netherlands economy continues to perform well, with unemployment under 5% and strong wage growth. Robust increases in demand, with KLM seeing leisure travel growing in the double digits, and limited room for new capacity out of Amsterdam Airport Schiphol should result in higher fares across the board, particularly for long-haul flights.[33]

EMEA 2018 Airfare Forecast

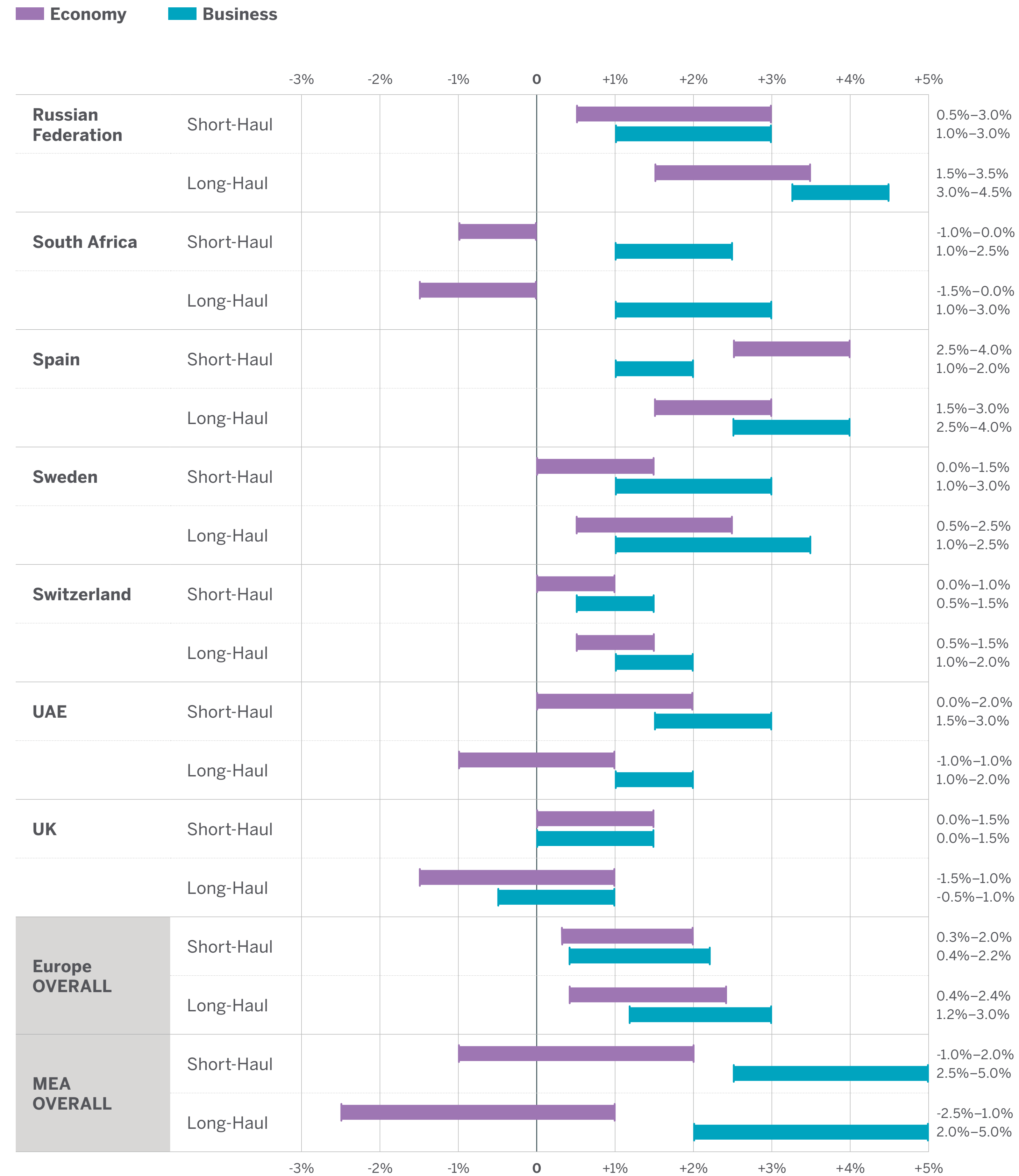
PREDICTION



Source: Global Business Travel Forecast 2018 from American Express Global Business Travel (GBT).

EMEA 2018 Airfare Forecast (continued)

PREDICTION



Source: Global Business Travel Forecast 2018 from American Express Global Business Travel (GBT).

POLAND Poland's economy continues to perform well and is projected to see strong GDP growth for the foreseeable future. Rising wages and low unemployment will also help increase disposable income and demand for travel in 2018. However, capacity is also expected to increase, particularly among LCCs. Overall, while most fares will see moderate increases, short-haul economy prices should trend downward.

RUSSIA Improving economic conditions have resulted in significantly stronger demand for domestic and international travel. With demand now exceeding supply and consolidation having reduced competitive pressures, short-haul prices are expected to see strong increases, while the much smaller long-haul sector will see small to moderate price gains.[34] Look for fares to increase sharply this summer as the country deals with a flood of soccer fans from around the world attending the world's largest soccer tournament.

UNITED KINGDOM While the full potential impact of Brexit on the UK's aviation industry has yet to be determined, a number of short-term impacts seem likely. First, the economic uncertainty surrounding Brexit has damped growth prospects in the UK, causing both demand and yields to slump. UK-based carriers have consistently claimed that no long-term impacts are expected, but capacity on routes from the UK may see reductions in the near-term as airlines shift capacity elsewhere. The weaker pound also makes it more expensive for UK residents to make outbound international trips, but has the opposite effect on overseas visitors to the UK. That said, the expectation of a lower pound has become increasingly normalized and travelers are less likely to be lured by the prospect of once-in-a-lifetime savings. For 2018, fares are projected to decrease only slightly following larger reductions in 2017.

Middle East and Africa

SOUTH AFRICA Airlines are operating newer aircraft to South Africa with improved service but fewer premium seats. Given this lack of capacity, long-haul business-class fares will likely increase. That said, connections over the Gulf region have increased the overall capacity from South Africa, resulting in slightly lower long-haul fares in the economy cabin. Low-cost carriers are slowly encroaching on established carriers, and fares on short-haul routes are also expected to see a slight decrease.

UNITED ARAB EMIRATES With healthy load factors recorded despite already high prices in the premium long-haul cabin, fares are expected to see slight increases in 2018. Premium short-haul fares are also expected to rise due to higher demand. By contrast, overcapacity in economy-class cabins on both long and short-haul routes will result in slightly lower fares. Air Arabia and flydubai continue to challenge Emirates for price-sensitive travelers.

Asia Pacific

Despite strong increases in demand, fares are expected to only rise slightly across Asia as airlines continue to chase business and new capacity floods the region. Domestically, demand has been growing at nearly 9%, with China and India seeing double-digit increases in RPKs in 2017.[35] While this will likely slow in 2018, rapidly growing economies in both countries, an expanding middle-class, and favorable government policies should ensure demand remains strong throughout the region, even with relatively flat growth in Japan and Australia.

AUSTRALIA Following a period of slower development, Australia's economy should see a shallow rebound in 2018, as commodity prices and export volumes move higher.[36] The strengthening labor pool will bolster consumption; however, high household debt linked to rising housing costs and limited wage growth will throttle demand for leisure travel, particularly if prices rise. Domestic routes within Australia are dominated by Qantas and Virgin Australia and capacity cuts by both airlines have resulted in domestic available seat kilometers declining by 3% in 2017.[37] However, flat demand means that fare prices should see only limited gains.[38] On intra-Asian and international routes, intense competition from foreign airlines and regional LCCs has resulted in capacity increases that should also temper fare growth, with particular weakness on transpacific routes. Heading west, Qantas is introducing a 17-hour direct flight between Perth and London, made possible by its newly acquired Boeing 787 Dreamliners. While the operational impact of this one flight is limited, the ability of Qantas to bypass Dubai points to future nonstop service to other locations in Europe.[39]

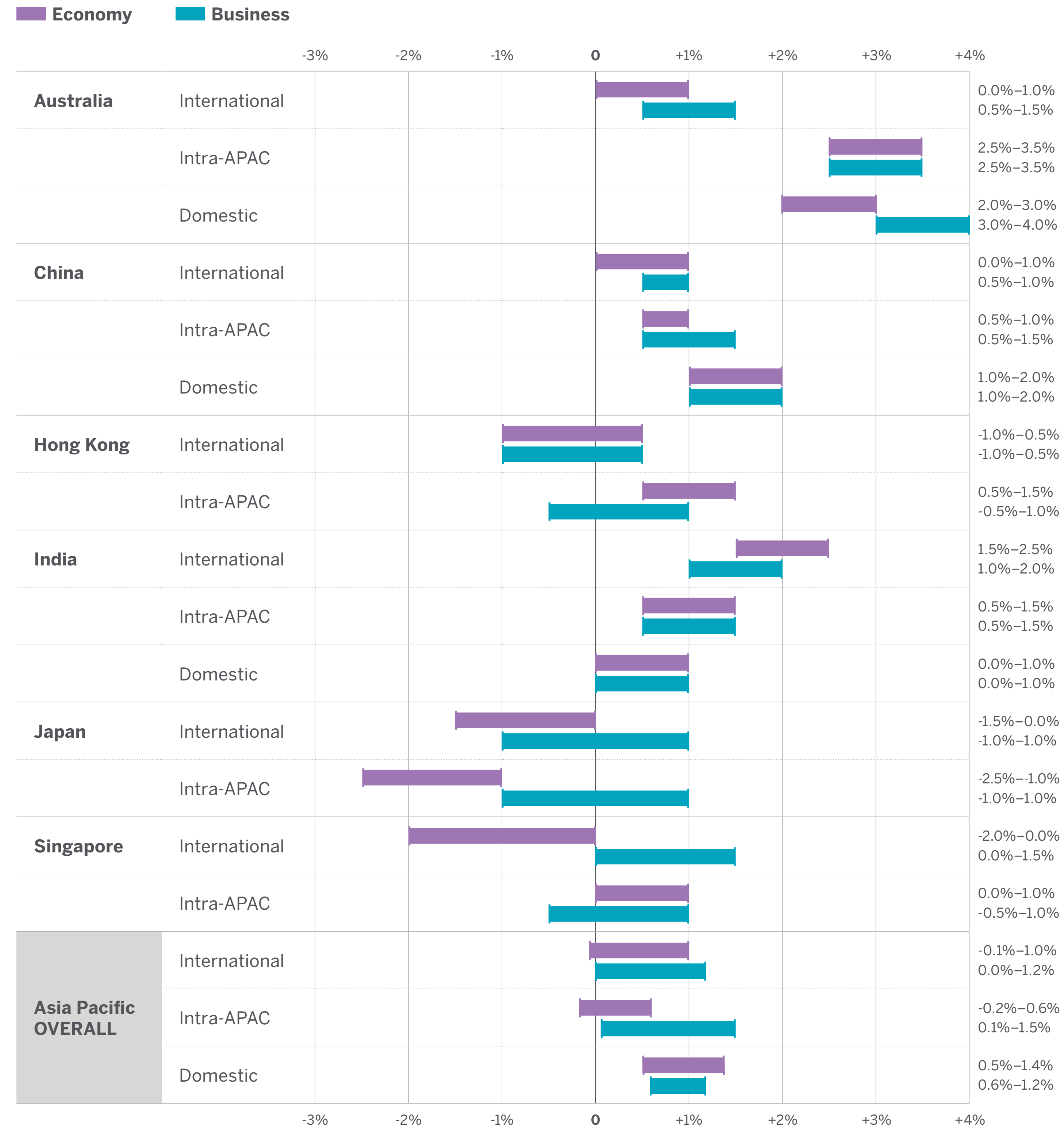
CHINA China remains the biggest story in Asia as the economy unexpectedly saw GDP growth rebound to nearly 7% in 2017 following several years of gradual decreases. This growth was largely due to supply-side reforms and was likely planned to coincide with China's 19th party congress. In 2018, the economy should begin to slow again as the government focuses on curtailing infrastructure investment, containing risks in the financial sector, and reducing debt.[40]

Domestically, the Chinese aviation industry continues to explode, with both supply and demand growing in the low double-digits following a torrid first half of 2017 where demand grew by approximately 15%.[41] In 2018, air travel demand will continue to be stimulated by supply factors, including service to an ever-increasing number of unique airport pairs, which offer travelers increased value in terms of convenience and time savings. As in 2017, second-tier routes and those guided by industry demand will see increased fares, while major routes will remain flat given government price controls.

Despite significant overcapacity, look for Chinese airlines to continue their aggressive expansion on international routes, especially those to Europe and the Middle East, where yields have been stronger. Chinese airlines will have opened 102

PREDICTION

Asia Pacific 2018 Airfare Forecast



Source: Global Business Travel Forecast 2018 from American Express Global Business Travel (GBT).

international destinations in 12 years in a mad dash to secure traffic rights and airport slots.[42] China's "one airline, one route" program, and the use of subsidies to support operations from smaller second-tier destinations, has resulted in very broad coverage as airlines continue to establish service—even between secondary cities, where yields may be low, in hopes that rising demand will eventually make it worthwhile. Overall, 2018 should see shallow fare increases on domestic flights, while international and intra-Asia prices will stay flat.

HONG KONG After a slow stretch, Hong Kong's economy has strengthened as rising home values, strong consumer spending, and low unemployment have pushed GDP growth projections above 3% for 2018.[43] Tourist numbers are also up, as Chinese mainland visitors have begun to return in large numbers.[44] However, despite rising airline profits in the Asia Pacific region, Hong Kong's flagship carrier, Cathay Pacific, continues to struggle as it tries to adjust to the rise of Chinese airlines. The international capacity of mainland carriers has expanded quickly over the last decade and as the number of direct services with the US and Europe have increased, Cathay's Hong Kong hub has grown less important. Moreover, efforts to improve profits by cutting costs and services have left the airline less able to compete for premium passengers against carriers like Singapore Airlines, which recently made a massive investment in its product.[45] While there is some pressure on Hong Kong to enter into an open skies agreement with Australia, this would further weaken Cathay, which already suffered a USD$262 million loss in the first half of 2017.[46] While LCC capacity share has steadily risen to over 10%, HK Express remains Hong Kong's only local LCC and foreign-owned LCCs operating via Hong Kong typically put little effort into capturing the outbound Hong Kong travel sector.[47]

Given Cathy's flagging results, competition with mainland carriers, and slowing premium class demand, premium fares will likely fall in 2018 as will economy fares on international routes. Only economy inter-Asian fares should manage to stay flat.

INDIA Despite some missteps in 2017, the Indian economy is the fastest growing in Asia, with its GDP growth set to top 7.4% in 2018.[48] However, the Indian airline industry is growing at an even faster clip as favorable government policies, growing affluence, increased trade, and an aging transportation infrastructure are driving demand.

Demand growth in India has been particularly strong on domestic routes. As of October, India's domestic RPKs were up 15.5% year-over-year, with signs that they were strengthening further.[49] However, overcapacity remains an issue and the country's LCCs, which represent over 65% of domestic capacity, continue to compete fiercely for business.[50] Plans for expansion among India's airlines have led to an order book exceeding 1,100 aircraft and the pace of growth is increasingly putting a strain on the country's airports, with many of the busiest, including Mumbai, Delhi, and Chennai, at or near saturation. Unlike China, where growth is coming from the connection of new city pairs, India's expansion is primarily the result of increased frequencies on popular routes, where excess capacity may make weaker operators targets for consolidation. Despite stronger than expected yields in 2017, domestic overcapacity should reduce profits and keep prices flat 2018.

International demand is growing more slowly, but remains generally underserved. The increased presence of Gulf carriers on routes to Europe, Africa, and the Middle East are expected to keep fares under check.

JAPAN Japan's economy has been relatively strong over the last two years, but stagnant wage growth and a shrinking labor force have held inflation stubbornly low and resulted in only modest improvements in private consumption and investment.[51] In 2018, economic output will likely slow as government stimulus fades and investments linked to the hosting of the XXXII Olympic Summer Games are offset by weaker foreign demand.[52]

While Japan's well-developed high-speed rail network has traditionally limited demand for domestic air travel, deregulation and the growing presence of low-cost carriers have pushed fares down to the point where domestic air travel has become the economical option on some routes. Accordingly, demand on domestic routes grew strongly in 2017, increasing over 6% in the third quarter.[53] However, load factors remain relatively low, and the recent entrance of AirAsia Japan as the country's first local LCC without alignment to an existing airline group should keep fares flat.

In 2017, relaxed visa requirements, favorable currency exchange, and an expanded network of inbound LCCs helped tourism to Japan increase for the fifth consecutive year.[54] While this trend should continue in 2018, outbound traffic remains flat. With Japan Airlines (JAL) and All Nippon Airways both looking to expand their international capacity, it remains to be seen whether the faster growing inbound and transfer traffic they are targeting will pay the same premiums for Japanese service. Recently freed from growth restrictions tied to its 2011 bankruptcy, look for JAL to work closely with its joint venture partner, American Airlines, to strengthen its position on the Asia-North America corridor.[55]

On a currency neutral basis, international and intra-Asia airfares are expected to stay flat or drift slightly lower, although volatile currency moves could impact local pricing.

SINGAPORE Singapore's economy accelerated at the end of 2017 on stronger manufacturing, financial services, and tourism, but that growth may not continue through 2018 given the expected moderation in the demand for electronics and the likelihood of a pullback in China's economic growth following an election year. Domestic consumption is likewise forecast to be down.

Following a period of explosive growth, LCC capacity in Singapore has stabilized over the past three years at around 30% of business share.[56] Nearly all the growth that has occurred over this time has been on intra-Asia routes to South Asia and North Asia. However, this will change somewhat in 2018 as AirAsia begins to expand short-haul service from Singapore with the launch of three new routes and capacity increases on two of its 15 existing routes. Having completed its merger with Tigerair in 2017, Scoot is also looking to expand and has announced its intentions to double its fleet size over the next five years with a combination of new routes and increased frequencies.[57] Given the growth in capacity and uncertain economic prospects for Singapore, fares for intra-Asia service should stay largely flat in 2018.

While air service from Singapore faces pressure from low-cost airlines in the leisure space—particularly on intra-regional flights—corporate travel is still heavily reliant on Singapore Airlines (SIA). Moreover, SIA has invested heavily in improving its business-class service in an effort to retain its premium brand and its most profitable passengers. As part of this move, SIA is retrofitting its fleet of A380s to include more premium economy seating as well as an improved product in all cabin classes.[58] Accordingly, international business fares are expected show a slight improvement over last year, while international economy fares should fall by a similar margin.

Rail Overview

EUROPE While Europe's network of high-speed rail (HSR) continues to expand, changes in traveler behavior are shifting the focus from growth to product improvement. In France, increased competition from low-cost airlines and inter-city bus lines is forcing the nation's rail provider, SNCF, to refresh its iconic TGV high-speed trains with enhanced services and digital technology. Branded "inOui," the result will offer business travelers a more productive and personalized experience that is more akin to an upscale hotel stay than traditional rail travel.[59]

Another area of focus related to customer experience is online booking. Despite significant efforts to close the gap with distribution systems for air led by companies like Silverrail and Trainline for Business, the booking process continues to lag behind other rail infrastructure improvements. For business travelers, this has placed rail at a significant disadvantage relative to other modes of transport.[60] However, this is beginning to change and Silverrail's acquisition by Expedia in 2017 should only accelerate those efforts.[61] In September 2017, Trainline for Business announced the introduction of a new international API intended to offer travel management companies (TMCs) and online travel agencies (OTAs) a single, streamlined source of international rail content. While the API is set to bring together 87 train companies across 24 countries, more suppliers will be added going forward.[62] As the online booking process continues to improve, rail will become a more compelling option for business travelers, particularly for shorter trips and travel to secondary destinations.

One looming area of concern remains the potential impact of Brexit on Eurostar. In 2016, the UK-based supplier carried 10 million passengers, including 350,000 British citizens living and doing business on the European continent. By limiting recruitment opportunities and adding time-consuming border controls that might extend journey times by up to 40 minutes, Brexit represents a huge potential impact on Eurostar's ability to operate profitably and effectively.[63]

ASIA PACIFIC While a relative latecomer to HSR, China has more than made up for lost time with over two-thirds of the world's HSR capacity and significant efforts underway to expand the overall network by another 50%, to over 18,000 miles total, by the end of 2020.[64] The total length of high-speed lines will be further extended to reach 23,612 miles by 2025, and 27,962 miles by 2030.

The growth of China's HSR network reflects the real limitations of connecting such a sizable country by air. Development has followed a grid pattern of north-south and east-west railway lines crisscrossing its major city clusters in the Yangtze River Delta (Shanghai), Pearl River Delta (Guangzhou), and Bohai Economic Rim (Beijing).[65] The result is excellent coverage of prominent Chinese cities that allows travelers to reach most major destinations in under six hours. Once development is complete, over 80% of Chinese cities with populations of over 1 million people will have access to HSR.

Well-developed HSR networks in Japan and South Korea offer business travelers a popular, convenient alternative to flying. In 2017, South Korea added premium, non-stop bullet train service between Seoul and Busan, reducing travel time to under 2 hours.[66] A recent Japanese stimulus bill will fund work on a super-fast magnetic levitation train service connecting Tokyo with Nagoya in 2027, and with Osaka by 2045. Potentially running at speeds of over 350 mph, the new line would cut current travel time by two-thirds.[67]

While HSR projects outside of China, Japan and South Korea are limited, work on new routes between Singapore and Kuala Lumpur, and Mumbai and Ahmedabad is underway, but will not be operational until sometime in the next decade.[68] India's rail system is particularly in need of an upgrade, with much of its infrastructure predating Indian independence in 1947. Not surprisingly, many Indian travelers are turning to air, fueling what is currently the fastest growing air sector in the world.[69]

Hotel Forecast

With global economic growth boosting tourism and demand for hotels, the hotel sector will likely see an overall rise in rates in 2018, tempered by continued political and security concerns.

North America's rates are anticipated to increase mildly with rate growth in the United States (US) moderated by flatter demand and an increasing supply of hotels, and Canadian rates rising more sharply with demand outpacing supply. In Latin America, strengthening economies are predicted to increase rates for Argentina and Mexico, while lingering political and security concerns keep rates for Brazil and Guatemala relatively flat. Overall, hotel performance in Europe will also see healthy improvement as stronger economies and increased tourism leads to a higher demand across most of the continent. The potential impacts of Brexit continue to temper demand in the UK and could ultimately affect other parts of Europe as well. In the Middle East and Africa, results for 2018 will vary significantly by country, although low oil prices and ongoing political and security concerns will have widespread impact. Solid rate increases are anticipated for most of the Asia Pacific region, with large, growing numbers of Chinese tourists stretching the available inventories in countries like Australia and New Zealand.

Hotel Trends

1.

Another Look at Dynamic Pricing

The hotel industry has never been more dynamic, particularly with the growth of rate shopping service providers that help garner hotel savings throughout the course of a client's program year. Given the plethora of hotel program trends that have evolved to address the increased flexibility this affords, it's almost counter-intuitive to have a solely static hotel program. Flexible travel policies continue to evolve, providing business travelers with additional latitude, control, and even rewards. Corporate clients are beginning to embrace the benefits of fluidity with the appropriate structures in place to capture change and align with risk management protocols. The ideal hotel program is a hybrid of static rates, dynamic rates, and chain-wide agreements, to more effectively capture spend and, ultimately, deliver savings and improve the travel experience.

2.

Hotel Consolidation

The trend for hotel consolidation among suppliers is having a major impact on business travel. In addition to Marriott's acquisition of Starwood, which created the largest hotel chain in the world, consolidation has resulted in fewer hotel chains competing on a global level. For suppliers, consolidation offers a myriad of benefits. In addition to gaining economies of scale and increased bargaining power with OTAs, consolidation creates an expanded footprint that allows hotels to meet a wider range of client needs and hedge against the impact of regional downturns.

For buyers, the impact of consolidation is mixed. While it provides hotels with additional leverage in the negotiation process, consolidation also offers greater value by offering travelers increased consistency and broader coverage. Ultimately, this makes it more appealing for companies to commit to a preferred contract. Plus, it provides a more level playing field, and can make smaller brands become more attractive as they become part of a larger portfolio. However, this trend can also lead to confusion for travelers who have not been properly educated on which brands are associated with each major supplier's portfolio. Accordingly, suppliers need to increase and improve marketing and advertising campaigns to their clients to ensure travelers are well informed and can capitalize on the benefits.

3.

Gamification and Incentivization

While a potentially polarizing topic among travel managers, incentivizing travelers with gift cards and other benefits is increasingly being put to use by some travel managers as a way to save money on trip itineraries.[70] In addition to saving money, incentivization can help increase travel policy compliance. Travel companies use gift cards, as well as other financial and emotional rewards, to promote compliance and incite employees to focus on cost savings. Incentivization can encourage travelers to spend less on accommodation, by, for example, selecting a lower cost hotel or staying with family while traveling for business.

However, it is important for travel managers to understand the possible security and liability risks associated with encouraging the use of alternative accommodations, particularly if offered through a third-party provider. Gamification may also encourage travelers to "game" the system in order to maximize their rewards, or create costs to incentivize behavior that could simply be encouraged through effective enforcement of existing travel policies. For many travel programs, a better option may be to work directly with suppliers to provide travelers with enhanced experiences and incentives (e.g., giving travelers a higher reward status for stays). The result can be beneficial for suppliers, travel managers and travelers alike. Suppliers can create higher traveler loyalty for both business and personal travel. Travelers can enjoy the associated perks and travel managers can access free gamification opportunities to help drive compliance.

4.

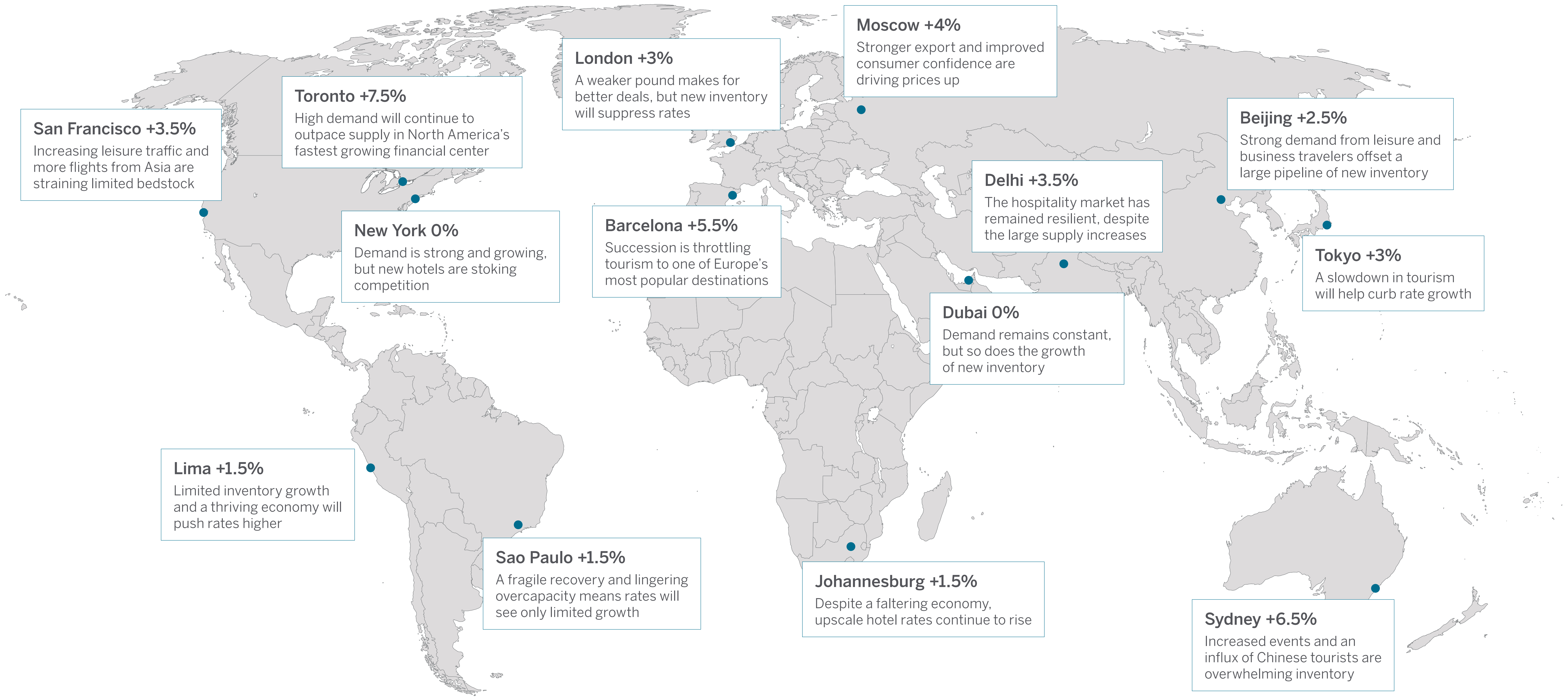
Leveraging Data to Support the RFP Process

What data should a travel team leverage at the outset of the RFP process, and which data sources provide a high level of integrity? Answering these questions is an important first step to ensure that the metrics leveraged are easily validated and can be supported when negotiating with suppliers.

If TMC adoption is high, then data integrity is sound. Travel management reporting can also be supplemented with hotel supplier metrics to address gaps. For example, agency adoption may be low in specific cities or regions and supplier reporting can effectively augment TMC metrics. Many hotel management companies provide comprehensive reporting, which includes business transient and meeting spend, and this data can be utilized to augment TMC reporting. Incorporating supplier metrics into an overall spend summary provides increased visibility of total spend and the opportunity to leverage both business transient and meeting volume. Because credit card or expense management data may be more challenging to work with, there is tremendous value in engaging an experienced consultant to ensure that the data is interpreted and leveraged appropriately. Hotels submit bid proposals based on the room night volume they've tracked as well as the opportunity presented by the client. Therefore, the more engagement corporate customers have with key suppliers reviewing spend metrics, the more aligned they will be during the RFP process.

Travel management reporting can also be supplemented with hotel supplier metrics to address gaps.

Key 2018 City Hotel Rate Predictions



2018 Hotel Predictions

Americas

North America

CANADA The combination of a strengthening Canadian economy and still relatively weak Canadian dollar will continue to draw US visitors north of the border in 2018. This will have a particularly positive impact on hoteliers in key leisure, meeting, and convention cities, including Vancouver, Toronto, and Montreal.

In a reversal of conditions in the US, hotel demand continues to outpace supply in many Canadian cities, resulting in healthy occupancy and rate growth. For instance, new luxury development in Vancouver will add roughly 700 rooms by next summer; however, this additional room supply will easily be absorbed, and hoteliers will be seeking high single-digit rate increases in this prominent Pacific Rim gateway city.

Toronto has been equally constrained in terms of new supply, resulting in rates showing a year-to-date increase of 8.6% through September 2017. The additional supply planned through 2017 and 2018 will not be enough to ease demand in North America's fourth largest city and fastest growing financial center; this means that high single-digit rate increases are also inevitable in the Toronto metropolitan area.

Perhaps some of the most welcome economic news for Canada has been the strong recovery of Alberta's energy industry, with increased drilling activity, production, and crude oil exports.[71] That said, the more gradual recovery in oil prices will hold back capital investment in the province's energy sector, keeping demand largely flat. With these economic indicators in mind, it is unlikely that corporate buyers will see rate growth here in 2018.

Quebec's economy enjoyed a banner year and hoteliers in Montreal have reaped the benefits of strong occupancy and rate growth. However, a significant number of hotel openings planned for 2018 are providing incremental room inventory, which will certainly temper rate increases.

UNITED STATES While hotel rates have continued to rise throughout 2017, growth has slowed against a backdrop of reduced demand and increasing supply. It remains to be seen whether political conditions in the United States (US) will have an impact on the volume of foreign travelers; however, the IMF has cut its forecast for the US economy in 2018, signaling a further potential reduction in demand.[72] In the meantime, the US hotel pipeline is set to continue its expansion throughout 2018, but it will do so at a more moderate pace.

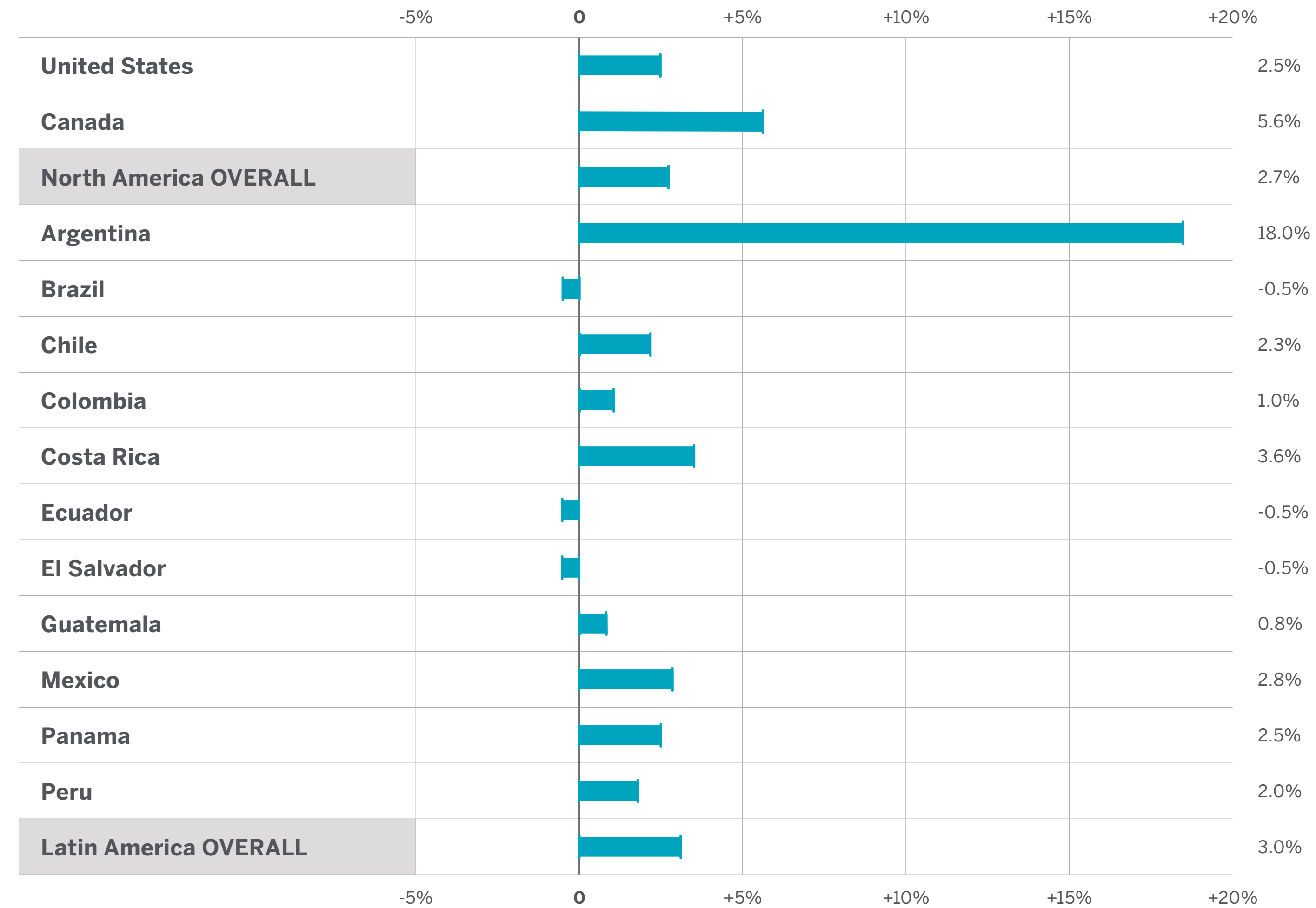
Overall, rates should continue to rise in 2018, but only by 2-3%, with notable softening in larger metropolitan areas like New York where new development has been focused. In a repeat of 2017, hoteliers are once again predicting optimistic growth projections and while this will be true for some locations, the overall trend will be toward flat to moderate increases. Regardless of location, buyers should expect hotels to position client rates based on the potential market share they can realistically receive over the course of the contract. Hotels have always used volume as a key barometer, but they have recently become more confident rejecting bids or offering alternative rate options, such as dynamic pricing or Non-Last Room Availability (NLRA), where they don't see opportunities for volume.

Hurricanes Irma and Harvey have had very different long-term impacts on their respective areas. Florida has already largely recovered from the effects of Hurricane Irma and while some hotels sustained more damage than others, the influence on rates will be minimal. However, Hurricane Harvey had a deep and long-lasting impact on Houston, with damage to infrastructure negatively affecting hotel demand. This, combined with a slowly recovering oil industry and large planned increases to inventory, has led to rate decreases, which are expected to continue in 2018.[73]

In Atlanta, a lot of new inventory is being seen in the mid-town and downtown areas; however, supply is tighter in the perimeter section, partly due to Mercedes Benz moving its headquarters to this area. The perimeter is a prime area for hoteliers to seek high rate increases in 2018.

New York City rates are anticipated to be unusually low for 2018, staying flat or, in some cases, even decreasing by a small margin. This is in large part due to an increase in supply, including the reinvigoration of the financial district, which has brought increased competition for suppliers. New hotels with attractive rates are also opening in areas of Manhattan such as Little Italy, SoHo, and Chelsea, reducing the volume of demand for Midtown hotels.

Americas 2018 Hotel Forecast



Source: Global Business Travel Forecast 2018 from American Express Global Business Travel (GBT).

On the West Coast, Seattle's rates are predicted to soften somewhat to 3%, although the city is becoming increasingly popular as a leisure travel destination. Despite the addition of new hotel inventory, Silicon Valley's rates are projected to increase by 4% to 7%—well above the US average, but still a slowdown from years past. That said, the overall Silicon Valley area is still in high demand and corporate travelers will continue to encounter constrained availability on peak Tuesday and Wednesday nights.

With rate growth slowing, look for suppliers to drive revenues through other means, including increased fees and more stringent hotel cancellation policies. Notably, several major brands have announced a new 48-hour cancellation policy. While these should be negotiated out of most corporate programs, look for suppliers to use these cancellation policies as bargaining chips for higher room rates. With this in mind, buyers should take the time to understand how any proposed changes will likely impact their travelers, then negotiate down the fees and policies that have the most inverse impact. Travel managers should also focus on encouraging travelers to book smart, plan in advance, and book their hotel accommodation when they book their flights.

Latin America

ARGENTINA After years of poor economic results and socio-political upheaval, Argentina finally seems firmly on the path to recovery. Economic growth has been solid over the last year.

As well, additional economic reforms designed to spur new investment and accelerate domestic growth are being pushed through by President Mauricio Macri. As a result, occupancy has likely increased slightly in 2017 as the economy gains ground; however, 2018 rates should grow at a significantly faster pace due to double-digit inflation.

BRAZIL Following a moderate surge in leisure demand during the summer of 2016, tourism fell off strongly in 2017. However, this was offset somewhat by stronger business travel as the Brazilian economy rebounded back into positive growth territory. Going forward, significant question marks remain in the form of ongoing political tensions and potential changes in US trade policies. For 2018, rates should continue to fall as oversupply in key cities is being compounded by rapid development of new supply; Brazil still represents over 25% of the rooms in construction for South/Central America.

COLOMBIA Growth is projected to strengthen in 2018, in the context of stronger external demand, although persistently low oil prices dampen economic prospects. A historic peace deal with the FARC (the Revolutionary Armed Forces of Colombia) that ended 50 years of armed conflict will make Colombia a more appealing destination for travelers. However, significant new inventory in Bogota will offset increased demand and keep prices flat.

COSTA RICA The economy grew in 2016 at its fastest rate in four years with the support of the financial and agricultural sectors. Although the capital, San Jose, has seen the number of visitors increase in recent years, tourism is expected to remain stable, hampered by concerns with crime levels. Rates may see a slight decline.

GUATEMALA Through August 2017, tourist arrivals to the country grew by 14% compared with the same period in 2016, but infrastructure and security remain limiting factors to growth. The economy is also expected to enjoy strong growth in 2018. Rates are predicted to remain flat or rise very slightly.

MEXICO Mexico's economy is stable, although it is predicted to slow slightly in 2018. Key variables include US political and economic factors, such as possible changes to NAFTA, slower US growth, and a strong dollar. Despite the weaker peso, leisure remains depressed as security concerns continue to weigh on US tourists. In August 2017, the US State Department issued a travel warning advising tourists to avoid certain popular destinations altogether. By contrast, a stronger manufacturing sector should help drive business travel—provided there are no adverse changes to NAFTA. Overall, soft demand and a strong pipeline of new hotel rooms will limit rate increases to around 2% to 3%.

PERU Despite setbacks in 2017, Peru's economy should be among the top performers in Latin America for 2018. At the same time, limited inventory growth will help to push room rates up.

EMEA

In 2018, European hoteliers should see improvement across the key performance metrics of occupancy, average daily rate (ADR), and revenue per available room (RevPAR). The combination of slow supply growth and rising demand due to stronger regional economic activity and increased tourism should result in healthy rate increases. This growth will be offset to a lesser degree by political uncertainty that continues to negatively impact rates in some areas like the UK, where Brexit is drawing increasingly close, and Catalonia, where secession from Spain still looms as a possibility.

While the sharing economy continues to evolve, its impact in Europe has been limited and varies significantly by country and city. Not surprisingly, the use of Airbnb has been strongest in cities like London, where high demand and limited availability make it a viable alternative when preferred options are unavailable. Security concerns remain a detriment to broader adoption, as do increasingly stringent regulations being imposed by local governments.

Nordics

DENMARK The kroner's devaluation against the dollar has boosted international travel to Scandinavia's southernmost nation and Denmark has concurrently benefited from growing numbers of Indian and Chinese visitors. Despite the scheduled increase in the number of available rooms in the country, the concentration of demand in key cities like Copenhagen is helping to sustain price increases. Moderate increases in hotel rates are predicted both in Copenhagen and in Denmark overall.

FINLAND The number of nights spent by foreign tourists at Finnish accommodations continued to grow in the first half of 2017, and a minor rise in rates is predicted for 2018.[74]

In Helsinki, inbound tourism is putting pressure on prices as hotel supply remains flat year over year. Finnair's stopover program on routes from Europe to Asia is boosting stays in Helsinki, which acts a hub between Asia and a number of major European destinations. Accordingly, a moderate increase in hotel rates is expected for Helsinki for 2018. However, in Tampere, the opening of several new properties may put pressure on the balance between supply and demand, resulting in only very slight increases in hotel rates.

NORWAY The stronger economic activity experienced in 2017 should continue in Norway through 2018, boosted by rising oil prices, higher household spending, and increased investment.[75] The oil and gas sector contributed to the overall trade balance, which posted a healthy surplus. Government spending is also planned to increase in 2018.[76] Supported by robust growth in inbound arrivals, Norwegian hotels have performed solidly in 2017 with overall room occupancy rising slightly compared with 2016.[77] As a result, hotel rates are expected to rise moderately

PREDICTION

EMEA 2018 Hotel Forecast

Source: Global Business Travel Forecast 2018 from American Express Global Business Travel (GBT).

in Norway. At the city level, Oslo will likely see a high mid-range increase in rates for 2018, while Stavanger's rates are predicted to rise only very slightly.

SWEDEN Sweden's economic growth has been unexpectedly strong for 2017, a trend which should continue into 2018.[78] Property investment and consumption are also up for the country and retail sales were buoyant over the summer months, partly due to low unemployment levels.[79] A small increase in hotel rates is anticipated for 2018.

At the city level, Stockholm is attractive both as a tourist destination and as business hub,[80] with business travelers accounting for 60% of the total demand. Stockholm Arlanda Airport is set to receive a major investment to expand its five terminals and cater to the growing number of air travelers. The aim is to create the most competitive, attractive and environmentally adapted airport in Scandinavia. With only four new upscale hotels expected to open over the next couple of years, due to the scarcity of land and the complicated process of acquiring permits, Stockholm will likely see a slight increase in hotel rates for 2018 as should the city of Gothenburg.

Continental Europe

AUSTRIA The economy is gaining strength and is set to remain buoyant into 2018. This trend is underpinned by private consumption and the recovery of investment and exports—the latter have been weak in the past.[81] Fiscal policy will remain slightly expansionary. Employment creation continues to be strong and unemployment is set to decline for the first time since 2011. Consumer price inflation remains higher than in other EU countries. For 2018, hotel rates are predicted to stay almost flat with a very slight increase.

City-wise, Vienna is an established city tourism destination and conference and events location, and its level of occupied rooms is relatively high compared to occupancy rates in other European cities. A slight increase in hotel rates is expected for Vienna in 2018.

BELGIUM Belgium has seen a strong rebound in occupancy and average daily rates in 2017 following the previous year's security incidents. The 2018 increases should represent more normal year-over-year improvements, with a slight increase in hotel rates anticipated.

At the city level, occupancy levels in Brussels have started to increase. The city regularly tops the world rankings for international association congresses and event organizers appear to be returning to the city. A minor increase in hotel rates is projected for Brussels for 2018, assuming there are no further security incidents.

BULGARIA Real GDP in Bulgaria is expected to grow by 2.9% in 2017 and is forecast to decline slightly in 2018. Domestic demand continues to be the main growth driver for the country.[82] The number of tourists in Bulgaria hit record highs in 2017.[83] With low prices drawing tourists into the country, Bulgaria is expected to see a moderate increase in hotel rates in 2018.

City-wise, Forbes has previously listed Sofia as one of the top 10 places in the world to launch a startup business because of the low corporate tax, extremely fast internet connection speed, and the presence of several investment funds. For the first half of 2017, inbound tourism was 7.7% higher than the previous year. While there are a few hotel projects underway, including the renovation of the Grand Hotel Bulgaria, as well as plans for a new Novotel and Ibis hotel, a moderate increase in hotel rates is predicted for Sofia for 2018.

CZECH REPUBLIC The Czech economy is forecast to continue to grow at a moderate but stable pace into 2018.[84] Its central bank had committed to prevent exchange rate appreciation against the euro until the middle of 2017 but, as the threat of deflation weakens, the policy is expected to be lifted, which will put pressure on the Czech koruna. The Czech Republic is likely to see a minor increase in hotel rates in 2018.

Prague should continue to benefit from being one of the safest capital cities in Europe. Increasing demand from Asian travelers will be supported by new direct flights from Peking, Shanghai, and Chengdu. Looking beyond 2017, room prices could be influenced by the expected appreciation of the koruna. On the supply side, no significant growth in the number of rooms is expected until 2019. A moderate rise in hotel rates is predicted for Prague for 2018, slightly higher than the overall country increase.

FRANCE Following a difficult 2016, the French economy has rebounded in 2017 with its strongest growth rates since 2011. While this growth is forecast to ease off slightly in 2018, it's still unclear how proposed government reforms that are intended to loosen regulations, reduce taxes, and provide skills training will ultimately impact the economy.[85] With domestic demand set to rise alongside increased inbound tourism and business travel, a minor rise in hotel rates is predicted for France in 2018.

In terms of French cities, in the next two years, activity in Paris and the Paris region should recover to 2014 levels, as higher ADR follows improvements in occupancy.[86] The Pullman Paris Montparnasse, one of the only high inventory hotels in the area, closed in September 2017 and will not re-open until 2020, which will serve to increase the Accor monopoly in the Montparnasse area during this period. Overall, a moderate increase in rates is expected for Paris for 2018.

Several events scheduled in Lyon for 2018 may also put pressure on capacity and result in price increases for the city, leading to a predicted moderate rise in rates.[87] In Toulouse, increasing air traffic and the construction of new exhibition center, as well as many other ongoing events, are spurring the expansion of hotel capacity to meet rising demand.[88] Accordingly, Toulouse is predicted to see a minor rise in hotel rates.

GERMANY Germany's growing hotel industry boasts Europe's second largest hotel construction pipeline behind the UK.[89] In 2018, this growth in inventory should be balanced out by strong demand stemming from Germany's robust economy as well as a number of regularly occurring trade events. In some cities, hotel availability will still be limited, potentially pushing travelers to look for alternate accommodation such as Airbnb. Overall, minor hotel rate increases are anticipated for 2018.[90]

At the city level, the hotel pipeline for Frankfurt is strong for the next few years. At least 17 new hotels are expected to come on line through 2018, adding some 3,500 rooms to Frankfurt's hotel supply. This should result in the city seeing just a slight increase in hotel rates. Berlin also has a very strong hotel pipeline, trailing only London as the largest in Europe. However, strong demand should translate into moderate rate increases for Berlin in 2018. In Hamburg, a large hotel and several hotel chains are scheduled to open in 2018, which will provide more hotel availability and likely keep hotel rates flat. In Cologne, the automotive industry is expected to continue to grow in upcoming years, leading to higher demand, with little change in hotel inventory anticipated. This will likely lead to a slight increase in hotel rates for Cologne in 2018.[91]

NETHERLANDS More than six months after general elections resulted in a fractured political scene, four parties finally agreed on a political deal to establish a new center-right coalition.[92] However, despite the political confusion, consumer and business confidence reached record highs in September, indicating that domestic fundamentals remain solid. Industrial output continued to expand in August, while export growth signals healthy demand for Dutch goods. Furthermore, the ongoing expansion in retail sales indicates sturdy private consumption, which is aided by sound labor market dynamics and a booming housing market.[93] Based on these factors, a moderate increase in hotel rates is predicted for the Netherlands.

At the city level, in Amsterdam, municipal policy has led to a significant increase in the supply of hotel rooms over the last few years and a slight increase in hotel rates anticipated for Amsterdam in 2018. The cities of Rotterdam and The Hague are also expected to see slight increases.

RUSSIA Russia's economy appears to be improving after two years of recession and in 2017 was on pace to grow at its fastest rate since 2012. Oil prices are stabilizing, which is supporting the increase of hotel occupancy levels. There is also significant new inventory in the pipeline as hoteliers prepare for the influx of fans attending the world's premier soccer event in June and July of next summer.[94] While Russia will likely see a moderate increase in hotel rates overall for 2018, rates will jump by up to three times the normal price in June as fans crowd into the various host cities. Travelers to Russia should plan accordingly and schedule trips outside of June and July if at all possible.

City-wise, the approaching soccer tournament should have a significant impact on Russia's two largest cities, Moscow and St. Petersburg, with higher prices and extremely limited availability expected throughout the course of the tournament.[95] Moscow is also working hard to attract international business and tourism to the city. Overall, a moderate increase in hotel rates is expected for Moscow for, while St. Petersburg will likely see a higher increase in rates for 2018.

SPAIN After requiring a bailout in 2012, Spain's economy has sprung to life over the last year with GDP initially expected to increase by over 3% for 2017.[96] However, in October 2017, the Spanish government cut its economic growth forecast for 2018 from 2.6% to 2.3%, due to uncertainty created by the political crisis in Catalonia. While Spain remains a popular destination for travel and tourism, business travel may suffer as a result. Currently, a slight overall increase in hotel rates is expected for the country in 2018; however, this could increase if the secession in Catalonia is peacefully averted.

At a city level, Catalonia is facing uncertainty as a tourist and business destination with the results of the recent referendum and ensuing political instability.[97] In particular, the city of Barcelona is likely to be economically impacted by the independence movement activities. With this in mind, hotel rates for Barcelona are anticipated to remain flat despite the city's moratorium on licensing new tourist accommodations. In contrast, Madrid's rates are predicted to increase slightly for 2018 as new airline routes from Asia to Madrid should increase hotel demand. Looking at the city of Seville, the crisis in Barcelona may actually help boost hotel demand for Seville as leisure travelers seek a more stable option. As a result, hotel rates in Seville should see limited increases in 2018.

UNITED KINGDOM Over the past couple of years, hotels in the United Kingdom (UK) have enjoyed record growth, underpinned by limited hotel inventory and a weak currency resulting in an overseas leisure travel boom and more domestic travelers opting to take "staycations." In 2018, these factors should see their impact diminish as the weak British pound increasingly becomes the norm and new hotel supply comes on line, particularly in London. An expected deceleration in UK economic growth and continued uncertainty around Brexit policy will also combine to keep rate growth in check for 2018 with only minor increases expected.[98]

At the city level, Europe's largest hotel pipeline is in London. Actual hotel openings may depend on how Brexit proceeds, as there were 8,000 rooms scheduled to open in 2017, but some may slip into 2018. This is double the number of rooms added in 2016. While London has been doing well, even with the large influx of new supply, the overall outlook is cautious due to security concerns, tight corporate budgets, Brexit, and continued above average supply growth. Based on these factors, London should only see a slight increase in hotel rates in 2018.

Strong growing demand in the city of Manchester has translated into year-on-year increases in RevPAR performance across hotels in recent years. While occupancy has remained relatively stable at around 80% since 2014, average rates have been on the rise over the last three years. A strong pipeline of development projects, including the renovation of Victoria Station as part of the "Northern Hub" rail improvement scheme, the North Manchester regeneration (to include residential, retail, office, and public space) and the Manchester Airport City North development, combine to present a positive outlook for the future growth of the city. A very minor increase in hotel rates is predicted for Manchester in 2018.

Edinburgh is the second most visited city in the UK and is the largest financial center outside of London. The city is now home to a thriving technology and software sector and a very popular destination for leisure travelers. Edinburgh's tourism has also benefited from increased airport arrivals, and flight connections which have boosted international tourism. The Scottish government's plan to reduce the air passenger duty may also help encourage airlines to develop new international routes. Despite the continued political debate surrounding another independence referendum for Scotland, the city's operational and investment outlook looks positive. Based on these factors, Edinburgh will likely see a moderate increase in hotel rates in 2018.

Middle East and Africa

While political uncertainty and security concerns remain persistent features throughout much of the Middle East and Africa, the region is also characterized by rapid growth and optimism in the future. The combination of these dynamics is helping to drive demand for upscale properties, which travelers perceive to offer higher levels of security. Accordingly, rates for these properties are more likely to increase compared with mid-scale properties that are more focused on domestic and inter-regional travelers.

VALUE-ADDED TAX In January 2018, the nations of the Gulf Cooperation Council (GCC), which include the United Arab Emirates (UAE), Qatar, Saudi Arabia, Oman, Bahrain, and Kuwait, will implement a value-added tax (VAT) of 5% against certain goods and services, including hotel rooms. This is an attempt for these nations to rebalance their economies away from oil-dependent "renter states." While it should be possible to reclaim VAT for business expenditures, it may present administrative challenges. This move will be a significant change for firms located in the GCC, and will require more disciplined accounts regimes. There will likely be increased pressure on GCC countries to accelerate the pace of digitization for business areas such as expense management. For example, the UAE is rapidly transitioning to digital services and trying to move to a cashless economy.

EGYPT Africa's second largest economy, Egypt, has been negatively affected in recent years by political instability and a number of high-profile security incidents that have impacted its important tourism industry.[99] However, Egypt's economic reforms, which are aimed at restoring economic stability and enabling higher long-term growth, are beginning to bear fruit.[100] As a result, hotel rates in Cairo are strengthening, especially for upscale hotels favored by international business travelers. Outside of Cairo, the tourism sector continues to struggle due to lingering security concerns, but on the whole hotel rates for Egypt are predicted to see notable gains.

GHANA Ghana's economy continues to perform well, led by the mining sector, which will likely bring moderate hotel price rate growth in 2018.[101] Ghana also has a strong entrepreneurial culture and economy.

IRAN After relief spurred an initial burst of economic activity in 2016, Iran has seen its growth slow to around 4% on flat oil production and prices.[102] While non-sector activity has been weak, the threat of resumed sanctions looms, and tension between Iran and its neighbors remains high, global hotel companies continue to invest in Iran and add new inventory.[103] Based on these factors, Iran will likely see a small increase in hotel rates in 2018.

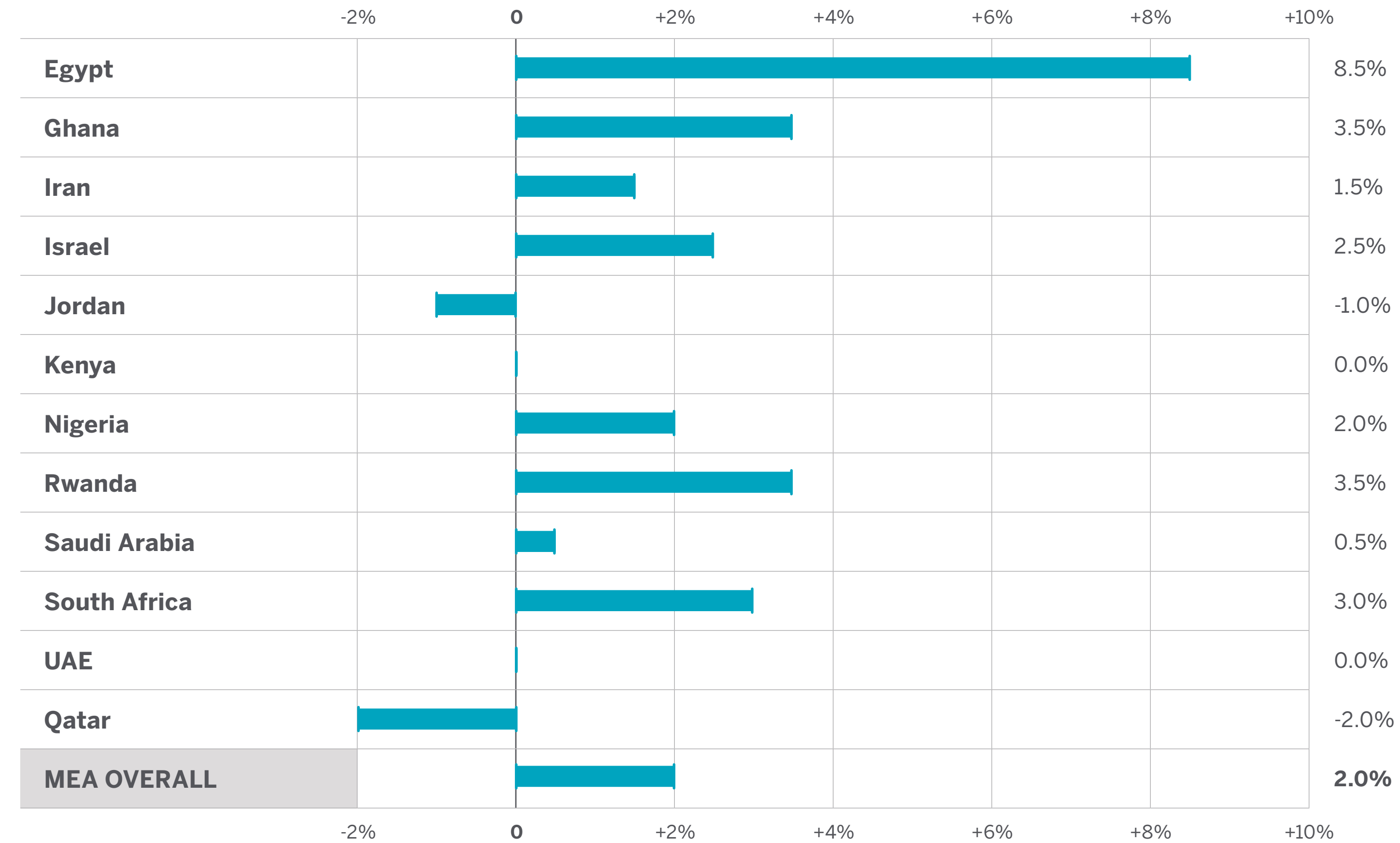
ISRAEL The Israeli economy continues to thrive in the aerospace and technology sectors. While the industry has a shortage of new hotel inventory, Tel Aviv has become the 13th largest region for Airbnb outside of North America, which should help temper growth.[104]

Israel continues to benefit from a continued boom in the high-tech industry, which is increasing the year-over-year demand for upscale properties.[105] Supply is increasing, with some significant new properties to open in Tel Aviv throughout 2018. Israel's prominent high-tech sector is also leading to a growth in the sharing economy, with Airbnb becoming an increasingly prominent option in the city. A slight increase in hotel rates is predicted for 2018 for Israel.

JORDAN Jordan continues to suffer economically due to unrest at its borders.[106] High-end properties, which offer perceived safety to upscale travelers, should continue to price strongly. Other properties will likely see reductions and prices flatlining. Based on these factors, an overall minor decrease in hotel rates is predicted in 2018 for Jordan.

KENYA Kenya has been experiencing major political unrest, with the second round of its 2017 election results currently being challenged in court.[107] The political instability may continue into 2018, which will likely reduce hotel demand. This issue could be of particular concern in the capital, Nairobi,

Middle East & Africa 2018 Hotel Forecast



Source: Global Business Travel Forecast 2018 from American Express Global Business Travel (GBT).

where the convention sector has traditionally performed well. Hotel rates are predicted to remain flat in Kenya for 2018.

NIGERIA With Nigeria's heavy reliance on the oil industry, the country's economy is flagging with the deflated oil industry.[108] Continued problems with corruption present challenges with hotel construction and it can take many years to build a hotel. The country is experiencing major political unrest, with security incidents and military conflict in the southern Niger Delta. Based on these factors, Nigeria will likely only see minor increases in hotel rates in 2018.

QATAR Qatar's 2017 diplomatic crisis has seen many of its neighbors sever diplomatic and business ties with the country, which will certainly have economic repercussions. With flights blocked from the rest of the GCC nations to Qatar, it is very likely that hotel occupancies and rates will be affected. At the same time, construction is moving ahead in preparation for the 2022 international soccer event. Overall, in 2018, hotel rates will likely experience a slight decrease.

RWANDA Rwanda has effectively re-invented itself over the last 20 years, with a focus on becoming the most business-friendly country in Africa. Rwanda has positioned itself as a safe regional haven for investment, business, and economic growth.[109] A state-of-the-art convention center opened in the nation's capital of Kigali in 2016. The country continues to move forward with careful, strategic growth in hotels, ensuring that demand remains high, particularly for upscale properties. Rwanda's national carrier Rwandair continues to expand, and now offers long-haul service to international destinations including Paris and London. A moderate increase in hotel rates is expected for 2018.

SAUDI ARABIA Given its dependence on oil revenues, the Saudi Arabian economy has been heavily impacted by the one-two punch of low oil prices and reduced oil production that was agreed to by the Organization of the Petroleum Exporting Countries (OPEC). Efforts to diversify the economy have so far seen only limited success and the country's economy entered into recession in 2017 following negative economic growth in the first and second quarters.[110] However, almost 30,000 new hotel rooms have been built across Saudi Arabia in 2017, including the world's largest hotel, a property with 10,000 rooms in Mecca. With oil prices projected to remain largely flat in 2018, increased hotel supply, and the tepid growth of non-oil industries, Saudi Arabia will likely see only a very slight increase in hotel rates.

SOUTH AFRICA South Africa's economy appears to be coming out of recession and has seen some improvements in 2017.[111] However, it continues to be dragged down by political unrest, which makes it difficult to attract large conference business. For example, cities such as Durban are still reeling after being stripped of the right to host the 2022 Commonwealth Games. With a strong entrepreneurial culture, South Africa is also home to large numbers of bed and breakfast establishments and independent properties scattered throughout the country. This buoyant independent hotel sector acts to balance out increases from mainstream and upscale hotels. As result, only a moderate increase in rates is predicted throughout South Africa for 2018.

UNITED ARAB EMIRATES Demand for the United Arab Emirates (UAE) as a destination to meet and conduct business will likely continue to rise, in part due to the Qatar diplomatic crisis. The increase in demand should be offset by another bumper year of hotel openings in the UAE in preparation for Expo 2020. These are smart, planned, strategic expansions, with demand keeping pace with capacity. The UAE continues to rebalance its economy away from relying on oil and energy productions.[112] The UAE and other larger wealthy countries in the Middle East are also looking to expand their wealth and cultural influence. For example, a massive new museum, the Louvre Abu Dhabi, just opened its doors in November 2017 after 10 years of planning and construction. In terms of cultural significance, the Louvre Abu Dhabi represents a huge new milestone for the Middle East and the world.[113]

Asia Pacific

Rising demand from travelers in Asia, notably from India and China, are changing travel dynamics in the region and putting a strain on availability in popular locations like Singapore, Hong Kong, Sydney, Tokyo, and Bangkok. However, the rapid development of new inventory is generally keeping pace with this demand and the region remains favorable to buyers in most locations. Overall, room rates should continue to increase moderately through 2018, although this will vary city by city.

AUSTRALIA Australia's economy is predicted to improve slightly in 2018 as it has successfully shifted some of its economic activity away from the mining industry to the service and construction sectors. However, the country has also been seeing a downturn in manufacturing, with several automobile manufacturers moving from Australia or closing their doors, and inflation expected to tick up slightly.[114]

In 2018, tourism is projected to grow 6.9%, with incoming tourism from China up 26.4% over the next two years and tourism from India up 21.1%.[115] Hoteliers across Australia are struggling to find space for the record numbers of Chinese tourists.[116] The industry is responding to continued international visitor growth with the highest ever level of hotel investment.[117] Overall, a moderate increase in hotel rates is anticipated for Australia in 2018.

At a city level, Adelaide is expected to see a slight increase in hotel rates for 2018.[118] Chinese tourism to Sydney is starting to overtake travel from New Zealand. Rates are anticipated to increase sharply for Sydney, with the new hotels unable to absorb increased demand.[119] Melbourne will likely see a slight to moderate upsurge for 2018, with a continued boom in the hotel pipeline.[120] Canberra has seen a big increase in occupancy rates and overall performance with increased government business in the city and rates are expected to increase only slightly.[121] In contrast, Perth's recent tourism challenges are expected to continue with supply exceeding demand and rates either remaining flat or decreasing slightly.[122] Brisbane will likely see slight rate increases during the year due to a decrease in demand and a surplus of supply.[123]

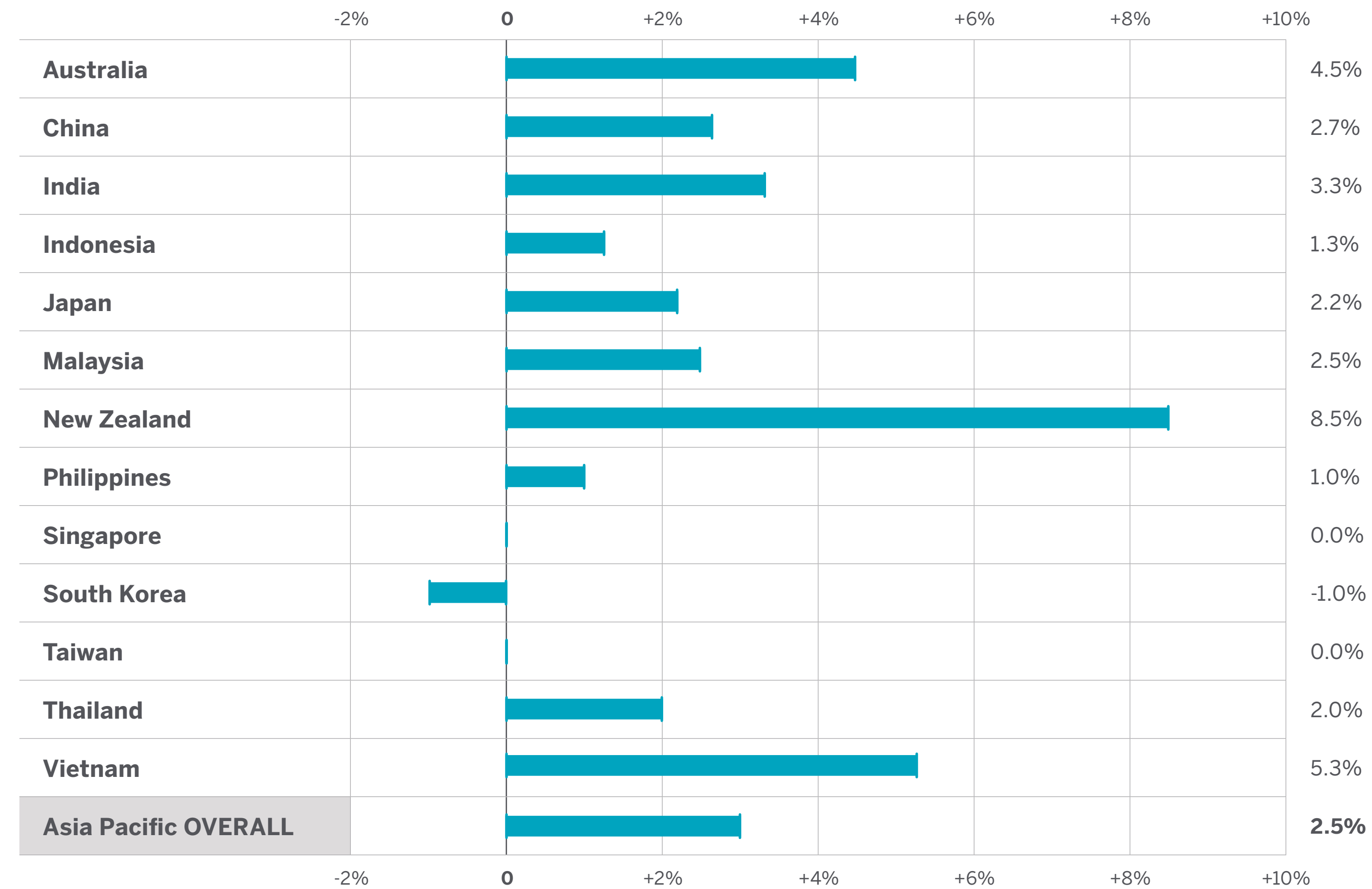
CHINA Asia's largest economy continues to perform well, with economic growth projected to dip back to 6.5% in 2018.[124] While China is gaining steadily on the US for the title of world's largest economy, it has already claimed the top spot in business travel, with the vast majority of this travel occurring domestically. However, despite the rapid increase of tourism and business travel within the country, the growth of China's hotel pipeline has been even more robust, representing over 50% of Asia Pacific hotel development.[125] With supply projected to outpace demand in 2018, hotel rates for the country are expected to rise only moderately in 2018.

City-wise, Shanghai leads the Asia Pacific region in inventory growth with close to 10,000 rooms under construction.[126] Shanghai's hotel demand is mainly driven by the corporate sector, and the city sees a steady stream of visitors involved in its financial and service industries. The recent opening of Shanghai Disney Resort has helped lead to strong growth in domestic tourism as well. Hotel rates in Shanghai are anticipated to rise slightly in 2018. Inbound Chinese tourism for Hong Kong is growing moderately at 3.5%, but hotel rates are predicted to stay flat or see a very slight increase for 2018, partly due to global economic and political concerns, including the effects of Brexit.[127] Rates in Guangzhou will also stay flat.

INDIA Economic growth in India is projected to strengthen, with GDP growth rising above 7% in 2018 as the country recovers from the adverse impacts of the goods and services tax (GST) implemented in 2017.[128] Trade openness has also increased, partly driven by a competitive service sector.[129] Predictably, demand has surged, creating inventory shortfalls in some of India's busiest cities, particularly among luxury and upscale properties favored by foreign business travelers.

PREDICTION

Asia Pacific 2018 Hotel Forecast



Source: Global Business Travel Forecast 2018 from American Express Global Business Travel (GBT).

Indian hotel metrics are predicted to experience a mid-range increase for 2018, but rate changes will likely vary widely by city and property tier. Hotel occupancy rates in India are expected to remain at approximately 65% for the year, but will be much higher in upmarket properties.[130]

High levels of duty of care are essential elements of business travel planning throughout the country, with major hoteliers such as Marriot, AccorHotels and Taj dedicating significant resources to ensure traveler safety.[131] Another trend worth noting is that hotels currently being sourced are often outside metropolitan areas, with clients looking for hotels close to partner locations that are away from larger centers.

INDONESIA Indonesia has seen significant growth in tourism and external investment but an even greater increase in hotel supply, especially in Bali and Jakarta.[132] Continued efforts to promote tourism by the Ministry of Tourism are also expected to improve visitation into Indonesia.[133] Rates vary significantly throughout the country, but overall, Indonesia is expected to see a slight increase in rates for 2018, more so in the luxury hotel segment.

Jakarta's rates are currently predicted to be flat for 2018; however, this city will host the Asian Games in August, which may draw attention back to the capital. With its acquisition of Starwood, Marriott has gained an even larger footprint in Asia and enjoys a leading position in the country alongside Hilton.

JAPAN Economic growth for Japan is trending up, aided by stronger international trade in Asia. Inflation for 2018 is estimated at just 1%, and the currency continues to devaluate.[134] In January 2017, a new terminal designated for low-cost carriers commenced operation at Kansai International Airport, which is also expected to boost incoming tourism numbers.[135] A minor increase is expected for hotel rates in Japan in 2018.

Demand in Tokyo is projected to outstrip supply, which has slowed in 2017, and hotel rates for the city will likely increase accordingly for 2018.[136] Demand in Osaka is lagging, but is anticipated to strengthen in 2018, leading to a very slight rise in rates.

MALAYSIA Private consumption is projected to remain as the main propeller of growth for Malaysia in 2018.[137] To accommodate the estimated growth in tourism, a significant number of hotel projects is expected to enter the country. Overall, hotel rates will likely increase slightly for 2018.

NEW ZEALAND New Zealand's tourism industry is thriving, with the country lacking the hotel rooms needed to support the increased number of tourists. In Auckland, supply is shrinking while demand continues to increase.[138] A major rise in hotel rates is predicted for New Zealand for 2018.

PHILIPPINES For 2018, the Philippines is likely to see a very minor increase in hotel rates. While Manila remains attractive to both corporate and leisure travelers, given its status as a hub for business process outsourcing and the rapidly developing integrated resorts in the Manila Bay area, rates in the city should remain flat with inventory and demand increasing in parallel.[139]

SINGAPORE Despite a strengthening economy and significant volume of inbound travelers, many from China, Singapore's rapid growth of new hotels means that inventory is outstripping demand.[140] Because of this, hotel rates are predicted to remain flat in 2018.

SOUTH KOREA In South Korea, inbound tourism from China decreased dramatically in 2017, due in large part to a tourism ban imposed by China. Visitors from China made up almost half of all tourists in South Korea in 2016.[141] Partly for this reason, a slight decrease in hotel rates is predicted for 2018. Rates may pick up again in 2019, although this depends on how well South Korea can repair its relationship with China, attract more visitors from other countries, and promote domestic travel.[142]

TAIWAN The number of mainland Chinese visitors to Taiwan has dropped significantly. However, Taiwan has been focusing on bringing tourism in from other countries and has only seen a slight decrease in the number of overall visitors to the country.[143] Hotel rates are anticipated to remain flat for 2018.

THAILAND Hotel demand in Thailand is being negatively impacted by regional competitors, such as Vietnam and Laos, as well as by a decrease in tourists coming from Malaysia and Singapore. There is also an overabundance of hotels with additional supply coming on line.[144] Furthermore, much of the travel coming into Thailand is leisure tourism rather than business travel. Nonetheless, Thailand is expected to see a slight increase in hotel rates for 2018.

VIETNAM Vietnam's economy is robust and the GDP is growing very fast, due to several fundamental growth drivers, including high domestic demand and export-oriented manufacturing.[145] Tourism is a big player for the country's economy, but it is unclear whether corporate travel is following suit. Overall, a medium to high increase in hotel rates is estimated for 2018.

At a city level, Hanoi's tourism outlook for 2018 is positive and it will likely see a high increase in hotel rates. Ho Chi Minh City is quickly becoming an international tourist destination, with the government continuing to focus on marketing efforts, improve tourist attractions, and increase safety. With offsetting increases in both supply and demand, the city is expected to see a slight increase in hotel rates.

Ground Forecast

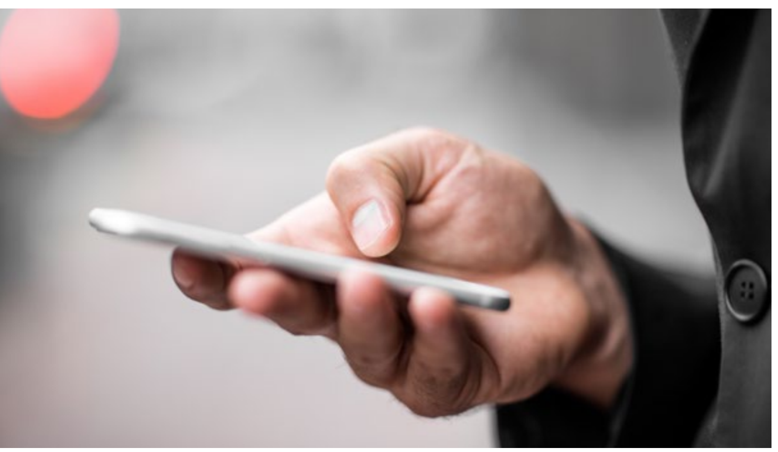
After years of flat or negative growth, rental car rates should rise slightly in 2018 as a result of a strengthening global economy, improved fleet controls and increased cost pressures. That said, competition between rental car companies remains intense and will temper potential rate increases in countries where it occurs.

With limited opportunities to drive profits through higher rates, rental car companies are increasingly turning to ancillary fees and services. Rates in both Canada and the US are expected to increase for the first time in years. While the impact of ride-sharing companies on rental car companies and ADR is still unclear, both tend to serve different traveler needs and should be seen as complementary. Latin America is predicted to see slight increases in car rental rates, due to economic improvements and increased traveler demand. In Europe, improved economic performance and increased demand for travel are being tempered by the shifting preference of younger travelers for alternate means of transportation such as ride-sharing and public transportation. Uber's ban in Germany and the rejection of its license renewal in London could increase car rental rates slightly in both Germany and the UK. In APAC, mainly flat rates are predicted in Australia due to decreases in mining and oil sectors, while India and China will likely see an increase in car rental demand by domestic travelers.

Ground Trends

1.

Ride Sharing



In the space of just a few years, ride sharing has emerged as an important component of many corporate travel programs. In the US, ride sharing now represents approximately half of all corporate ground travel expenses, with most of this growth coming at the expense of taxi services.[146] While the growth of ride sharing in the US appears to be slowing, worldwide projections show steady increases in other regions through the end of the decade.[147] Competition between suppliers, already fierce at a local level, has become increasingly international, with Chinese-based Didi Chuxing emerging as a global competitor to Uber. Having established a dominant position in China and raised over $5.5 billion in funding, Didi has been actively investing in prominent regional providers like Ola in India, Grab in Southeast Asia, Careem in the Middle East, Taxify in Europe and Lyft in the US.[148]

The competition between providers has real benefits for travelers and will help maintain relatively low prices as companies focus on market share at the expense of profitability. Heavily dependent on investment to fund their operations, many ride sharing companies, including Uber, Lyft and Didi, operate at a loss. Following Uber's exit from China, Didi's prices surged roughly 20% (and Didi still lost money).[149]

2.

Autonomous Cars

Given that over two-thirds of the expense borne by ride sharing companies is linked to driver commissions, one of the key long-term objectives of ride-sharing companies is the development of autonomous or self-driving vehicles. Both Lyft and Uber have begun testing self-driving cars in a limited number of US cities and in 2016, Lyft's cofounder and president, John Zimmer, claimed that he expected autonomous vehicles to account for a majority of its rides by 2021.[150] While this will have a negligible impact on ground transportation in 2018, it represents another seismic shift on the horizon that corporate travel managers will need to address.

2018 Ground Predictions

Americas

North America

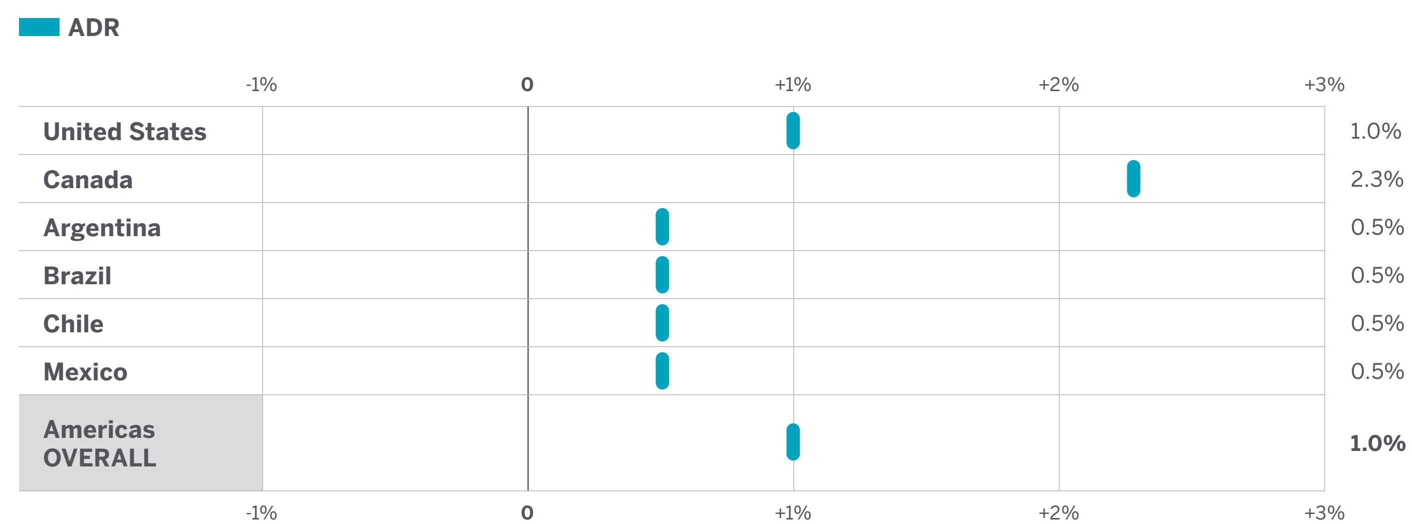
CANADA Canada is expected to see moderate increases in ground travel rates due to a number of factors, namely positive economic conditions, better fleet management and higher fleet costs for rental car companies. In order to stay competitive with ride-sharing companies, car rental brands in Canada will need to continue to develop new technologies to enhance or facilitate traveler experience.

UNITED STATES In the United States, average daily rates (ADR) for rental cars are expected to see slight gains in 2018 for the first time in years. This is following an up and down 2017 that saw the major US suppliers undertake efforts to update and optimize their rental fleets to better align with traveler needs.[151] Prices should also be pressured upwards by higher costs related to vehicle purchases and maintenance. However, pricing on large accounts will remain extremely competitive with suppliers aggressively protecting their largest clients. In addition to the growth in ADR, travelers should expect to see more ancillary services and fees for everything from GPS to early return.

While the impact of ride-sharing companies on rental car companies and ADR is still unclear, both tend to serve different traveler needs and should be seen as complementary by travel managers. While car rentals generally remain the most economical option for trips involving multiple stops or longer driving distances, ride sharing and taxi services often represent a more convenient option in urban environments where travel distances are short and parking is scarce. One positive effect of ride sharing on US car rental companies has been an improved focus on customer travel experience through the better use of mobile apps and technological enhancements.

PREDICTION

Americas 2018 Rental Car Forecast



Source: Global Business Travel Forecast 2018 from American Express Global Business Travel (GBT).

Latin America

ARGENTINA Argentina is expected to see a slight increase in rates compared to the previous year due to the country's economic growth, which is projected to continue rebounding in 2018. Stronger growth is likely to gradually reduce unemployment and lead to an increase in business travel.

BRAZIL Brazil is anticipated to see car rental prices tick upwards due to an improved economy and increased traveler demand. Fragmentation in the car rental industry continues, however, with Brazil's largest supplier, Localiza, having partnered with Hertz Rental Car.[152] This partnership will consolidate market share in the region and potentially stabilize costs.

CHILE Chile is expected to see a slight increase in rates due to its economic growth, which is projected to gradually strengthen to 2.8% in 2018.[153] With the unemployment rate projected to stabilize and wage growth set to increase, consumer demand for car rental services should pick up as well.

MEXICO Mexico is anticipated to see minor increases in car rental prices due to an improved economy, leading to a growth in traveler demand for car rental services. However, lower cost suppliers, which operate with lower profit margins, still dominate in Mexico overall. This should keep cost increases to a minimum. Ride-sharing services such as Uber are also gaining in popularity and driving increased competition in the industry.

EMEA

There are a number of counterbalancing forces in Europe that could affect rates for 2018. The region's improved economic performance, notably in Eastern Europe, and projected increase in travelers point to a similar rise in rental car demand, although younger travelers are shifting toward other means of transportation such as ride-sharing and public transportation.[154] Moreover, major car rental suppliers in the region, including Enterprise Rent-a-Car and Eurocar, are aggressively pursuing growth strategies across Europe as they look to gain market share.[155] While these dynamics should largely keep prices flat, travelers should also benefit from broader, more convenient networks. Clients can benefit from this dynamic by noting how coverage is changing, identifying the locations supported by rental car companies, and taking this into account when negotiating contracts and global deals.

As in other regions, ancillary fees remain a particular area of attention as car rental companies look for ways to increase profitability despite weak overall industry fundamentals. Overall, 2018 will likely see rates for traditional car rentals stay flat or increase slightly.

FRANCE Following a tough 2016 that saw travel slump on security concerns, France has seen a rebound in tourism that should carry forward into 2018. The election of business-friendly president Emmanuel Macron also has the potential to positively impact the French economy and the related demand for business travel, although this is still too early to predict. Should President Macron pass some of his proposed reforms, look for GDP growth to accelerate in 2018.[156]

GERMANY Despite tough transport laws that limited growth opportunities for Uber—UberPop was banned altogether in 2016—competition among traditional car rental companies remains strong which should inhibit cost increases in Europe's largest economy. Look for prices to rise slightly by 1%.

THE NORDICS Despite solid economic performance among Nordic countries, car rental rates, already among some of the highest in Europe, should stay largely flat—which is a good thing since the cities of Oslo and Trondheim in Norway and Reykjavik in Iceland ranked as the most expensive cities to rent cars in Europe, followed by Helsinki in fifth place.[157] Given the region's eco-sensitive character, travelers to the Nordics will find that electronic vehicles are a popular option in urban centers. In the countryside, however, travelers are forced to go back to traditional car rentals due to infrastructure limitations.

UNITED KINGDOM Uber's UK operations suffered a significant setback earlier in 2017 when the renewal of its license was rejected by London's transport regulator, Transport for London, based on concerns for passenger safety. While Uber has appealed the ruling and will be able to operate during the appeals process, a decision to ban Uber would significantly impact the city's transportation landscape, where Uber claims over 40,000 drivers and 3.5 million customers.[158] Should the ruling stand, competitors like Taxify, Gett and Mytaxi will likely rush to fill the void, highlighting the ongoing fluidity in the ride-sharing space.

Interestingly, Uber had just announced it would ban its London drivers from using vehicles that were not hybrid or fully electric by 2020 in an effort to curb illegal levels of pollution in the city. Overall, the UK is likely to see a slight increase in rates 2018.

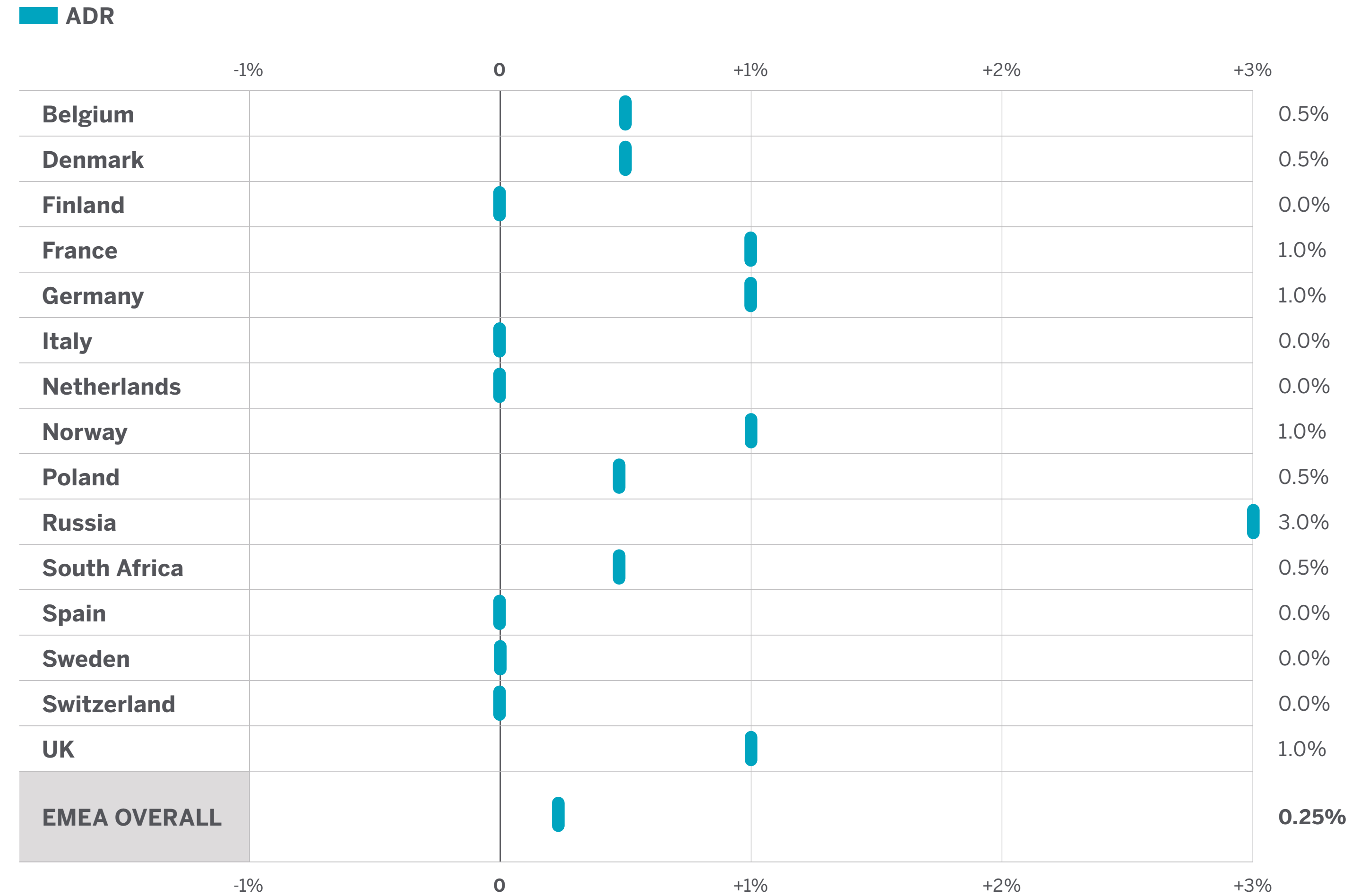
Asia Pacific

AUSTRALIA Fueled by growing numbers of tourists from China and India, Australia's ground transportation industry has grown steadily over the last five years. However, an underperforming mining sector and persistently low crude oil prices should result in prices remaining largely flat.

CHINA In a continuation of 2017, growing leisure and business travel should increase domestic demand for car rentals despite efforts by the Chinese government to promote the use of electric vehicle ride sharing.[159] At the same time, limits on vehicle registrations in "first-tier" cities like Beijing and

PREDICTION

EMEA 2018 Rental Car Forecast



Source: Global Business Travel Forecast 2018 from American Express Global Business Travel (GBT).

Shanghai are throttling potential fleet growth, with the effect of driving rates up. Prices for ride sharing may also increase given Didi Chuxing's near monopoly in the ride sharing space following Uber's departure from the country. With Uber out of the picture, prices have reportedly soared while response rates to ride requests have declined by up to 30%. As a result, travelers may have a harder time booking rides from busy locations such as train stations.[160] That said, ride sharing and taxi services remain inexpensive and accessible enough that most foreign travelers will not even consider renting a vehicle, given the formidable challenge of navigating China's bustling cities.

INDIA While India remains dominated by taxi and car service options, ride sharing is an increasingly important component of the ground transportation ecosystem, with Uber and India-based Ola battling fiercely for market share. In many ways, this contest is similar to Uber's previous engagement with Didi Chuxing in China and in comparable fashion travelers will benefit from the lower prices this brings. While Ola has the largest footprint in India, Uber's presence in the top 30 cities makes it a viable solution for business travelers who will likely not need the full coverage provided by Ola. Car rental companies also continue to see strong growth reflecting higher demand among the burgeoning (and carless) middle class. While there is some demand for rental vehicles from foreign travelers, the availability of cheap transportation options and demanding driving conditions make this the exception rather than the rule.

Meetings & Events

The meetings and events industry is thriving and 2018 looks to build on that momentum. As more organizations begin viewing meetings as growth enablers, investment and innovation in the meeting space are increasing accordingly. Key global trends for 2018 include a greater emphasis on localization, increased competition, a heightened focus on compliance and geopolitics, and the continued evolution of supporting technology.

The trend toward localization is being driven by an increased recognition that business happens locally. Organizations that want to improve adoption of their global programs and consolidate spending need to provide the flexibility to recognize country-specific needs.

The thriving meetings environment has also spurred increased competition with providers seeking to expand their global footprint via consolidation and enhanced capabilities. This has included new investments in direct booking capabilities through the websites of major brands that are expanding their potential reach to small meetings. Electronic sourcing continues to be a dynamic area of the industry with more innovation expected and new solutions being developed to facilitate the efficient management of the small meeting segment.

While certainly not a new topic, the impact and importance of compliance on meetings and events continues to increase. In addition to reducing risk within the global regulatory environment, the focus on compliance is also tied to traveler safety and security concerns. Security incidents, weather events, and political unrest highlight the need for employees and meeting attendees to follow processes for booking and documenting travel. It also means meeting owners and planners need easy, comprehensive access to traveler information so they can help identify and mitigate risk when emergencies arise.

The geopolitical landscape has been interesting and quickly shifting over the past year, creating new questions around borders and freedom of movement. The coming year is likely to bring more clarity to the impact of these issues within the meetings and events industry, including the potential for more stringent visa regulations and potential staffing challenges for the growing hotel industry. While it is expected that restrictions on freedom of movement will have an impact on the industry, they are not projected to have a measurable impact on the overall levels of investment and activity.

Technology is expected to continue to transform the industry as it continues to make an impact on the overall end-to-end management of the delivery of meetings and events, and also on the attendee experience perspective. The ongoing evolution of mobile apps and hybrid meeting solutions, combined with the potential applications for newer technologies such as virtual reality and artificial intelligence, have exciting implications for meeting owners and attendees alike. Modern attendees expect that an online experience will be available to enhance their face-to-face experience and are eager to deploy technologies that facilitate personal event attendance goals, such as networking and interacting more deeply with content.

From a regional perspective, North Americans appear optimistic about continued growth in the meetings industry. While there is an awareness that cost pressures will continue as hotel and air rates outpace meetings budgets, planners are indicating a focus on the attendee experience. When respondents consider where to cut and where to add as budgets shift, they are doing so with the attendee experience top of mind.

Europe once again sees quite a bit of country-specific variation, with respondents in the United Kingdom, Belgium, and the Netherlands appearing the most optimistic across a variety of indicators. Cost per attendee pressure is consistent across Europe, with survey respondents indicating they are most likely to look at reducing meeting length and limiting off-site and optional activities to make up the budget gap.

Within the Asia Pacific region, respondents in Australia predict increases in both spend and number of attendees per meeting. Other parts of the region are less optimistic, predicting spend pressure in combination with rising hotel costs. Overall, respondents indicate that they're continuing their focus on the basics of managing meetings—capturing spend and gaining visibility to help ensure compliant meetings programs.

Respondents in Central and South America indicate modest growth across most categories in 2018. They also indicate pressure on cost per attendee, again a result of hotel rates rising faster than meetings budgets. As areas in Mexico and Colombia become increasingly popular, the combination of stronger demand and limited supply is creating challenges in finding availability for groups. The message from the region is to book early, particularly in the most popular destinations.

Emerging regions such as China, the Middle East, India, and Africa continue to be of interest to expanding global companies. Our special section on operating compliant meetings in China looks at the challenges associated with meetings in the country and considers some basic steps to decreasing the risk.

To see the full results of the Meetings and Events survey and learn more about how you can better incorporate compliance, incentives, and mobile apps for events into your meetings and events activity, download the full 2018 Meetings and Events Forecast at:

www.amexglobalbusinesstravel.com/content/2018-global-meetings-events-forecast/

Appendix

Methodology and Sources

To develop our annual business travel forecast, the Global Business Consulting team at American Express Global Business Travel relies on a number of proprietary data sources as well as licensed third-party data and industry information.

For the hotel predictions, we use proprietary data sources including aggregate hotel transaction data over the past five years for 49 point-of-sale countries worldwide from the American Express Global Business Travel (GBT) Preferred Rates Data System. This data is used to calculate the actual year-over-year changes in volume and price and define industry performance over that time span. Year-over-year price data is calculated in local currency and the actual predictions are then also in the local currencies to eliminate exchange rate fluctuations. This makes it possible to differentiate between drops in rates versus drops in currency. It also makes it easier to address the instability of high inflation rates of many local currencies, particularly in Latin America. For air, we review 24 months of proprietary data and the trends in the Business Travel Monitor, EXPERT INSIGHTS' monthly index of average business travel prices paid, by class of service, for the most popular business destinations worldwide.

In addition to the substantial proprietary data, the 2018 forecast incorporates analysis of historic and predicted data for eight independent macroeconomic variables from the World Bank and IMF. The hotel predictions are further supported by information licensed from STR Global, while the air forecasts make use of 2017 and 2018 capacity data obtained from DIIO, as well as diverse information and analysis provided by the Center for Asia Pacific Aviation and Airline Weekly.

Once the data has been prepared, analyzed, and formatted, the Global Business Consulting subject matter experts consider their recent in-market and contract negotiation experiences to predict specific expected price changes by country and region.

Countries Included and Regional Definitions

Americas: Latin America (Argentina, Brazil, Chile, Colombia, Guatemala, Peru); North America (Canada, United States of America, Mexico).

Europe, Middle East and Africa (EMEA): Europe (Austria, Belgium, Czech Republic, France, Germany, Netherlands, Russia, Spain, United Kingdom); Middle East and Africa (Egypt, Ghana, Iran, Israel, Jordan, Kenya, Nigeria, Qatar, Rwanda, Saudi Arabia, South Africa, United Arab Emirates); Nordics (Denmark, Finland, Norway, Sweden).

Asia Pacific: Australia, China (including Hong Kong), India, Indonesia, Japan, Malaysia, New Zealand, Philippines, Singapore, South Korea, Taiwan, Thailand, Vietnam.

The countries listed above represented those receiving predictions for 2018. Not all of the countries on this list included forecasts for all of air, hotel and ground transportation.

Hotel City Predictions

North America

CANADA

Province	City	2018 Forecast
Alberta	Calgary	0.0%
	Edmonton	2.5%
British Columbia	Vancouver	7.5%
	Victoria	4.8%
Manitoba	Winnipeg	2.0%
Nova Scotia	Halifax	1.0%
Ontario	Markham	3.5%
	Mississauga	3.5%
	Ottawa	3.0%
	Toronto	7.5%
Quebec	Montreal	5.0%
	Quebec	2.0%
Saskatchewan	Saskatoon	0.0%

UNITED STATES

State	City	2018 Forecast
Alabama	Birmingham	0.5%
	Huntsville	-1.0%
	Mobile	-0.1%
	Montgomery	-1.2%
Alaska	Anchorage	0.0%
Arizona	Phoenix	4.0%
	Scottsdale	4.3%
	Tempe	-0.6%
	Tucson	3.2%
Arkansas	Bentonville	0.8%
	Little Rock	0.3%
	Rogers	1.9%
California	Anaheim	3.4%
	Bakersfield	0.8%
	Burlingame	3.0%
	Costa Mesa	2.5%
	Fremont	3.7%
	Fresno	0.9%
	Hollywood	2.5%
	Irvine	2.3%
	La Jolla	3.5%
	Long Beach	3.4%
	Los Angeles	2.5%
	Milpitas	3.2%
	Newport Beach	1.9%
	Oakland	0.0%
	Ontario	2.3%
	Palo Alto	6.0%
	Pasadena	3.7%
	Pleasanton	7.5%
	Sacramento	2.9%
	San Diego	2.5%
	San Francisco	3.5%
	San Jose	4.5%
	Santa Ana	1.8%
	Santa Barbara	7.2%
	Santa Clara	5.0%
	Santa Monica	3.8%
	Sunnyvale	4.5%
	Torrance	3.6%
	West Hollywood	1.4%
Colorado	Aurora	3.0%
	Colorado Springs	2.5%
	Denver	5.0%
	Englewood	5.4%
Connecticut	Hartford	1.7%
	Stamford	0.8%
DC	Washington	3.5%

Delaware	Wilmington	3.2%
Florida	Boca Raton	1.5%
	Fort Lauderdale	1.7%
	Fort Myers	3.7%
	Jacksonville	3.5%
	Miami	3.9%
	Orlando	0.5%
	Pensacola	1.6%
	Tallahassee	1.2%
	Tampa	2.0%
	West Palm Beach	1.7%
Georgia	Alpharetta	5.8%
	Atlanta	2.2%
	Augusta	1.8%
	College Park	0.5%
	Columbus	1.7%
	Marietta	2.7%
	Savannah	2.3%
Hawaii	Honolulu	2.6%
Idaho	Boise	3.6%
Illinois	Chicago	5.0%
	Lombard	0.4%
	Naperville	2.7%
	Oak Brook	3.0%
	Rosemont	2.0%
	Schaumburg	2.0%
Indiana	Evansville	1.3%
	Fort Wayne	4.1%
	Indianapolis	0.6%
Iowa	Cedar Rapids	-0.2%
	Des Moines	0.7%
Kansas	Overland Park	3.3%
	Wichita	2.0%
Kentucky	Lexington	1.8%
	Louisville	1.0%
Louisiana	Baton Rouge	0.1%
	Metairie	3.8%
	New Orleans	-0.7%
	Shreveport	-2.3%
Maryland	Baltimore	-2.3%
	Bethesda	0.7%
	Columbia	2.5%
	Linthicum	2.3%
Massachusetts	Boston	3.0%
	Cambridge	1.7%
	Waltham	2.3%
Michigan	Ann Arbor	1.0%
	Detroit	4.0%
	Grand Rapids	3.5%
	Kalamazoo	2.3%
	Romulus	3.3%
	Southfield	1.8%
Minnesota	Bloomington	0.2%
	Minneapolis	3.0%
Mississippi	Jackson	2.1%
Missouri	Kansas City	2.4%
	Saint Louis	4.2%
	Springfield	4.5%
Nebraska	Omaha	1.8%
Nevada	Las Vegas	4.0%
	Reno	2.7%
New Jersey	Elizabeth	2.2%
	Jersey City	3.1%
	Morristown	2.6%
	Mount Laurel	1.4%
	Newark	-0.9%
	Parsippany	1.4%
	Princeton	2.1%
	Secaucus	3.1%
	Somerset	0.1%
New Mexico	Albuquerque	2.5%
New York	Albany	1.0%
	Buffalo	2.3%
	New York	0.0%
	Rochester	2.8%
	Syracuse	1.1%
	White Plains	1.5%
North Carolina	Asheville	1.6%
	Cary	3.8%
	Charlotte	5.2%
	Durham	3.5%
	Greensboro	3.6%
	Morrisville	3.6%
	Raleigh	3.5%
	Wilmington	2.4%
	Winston Salem	2.2%
Ohio	Cincinnati	3.4%
	Cleveland	2.1%
	Columbus	1.1%
	Dayton	0.5%
	Independence	1.8%
Oklahoma	Oklahoma City	2.2%
	Tulsa	0.1%
Oregon	Portland	5.8%
Pennsylvania	Allentown	0.6%
	Bethlehem	2.6%
	Harrisburg	-2.1%
	Philadelphia	1.9%
	Pittsburgh	1.4%
Rhode Island	Providence	-1.2%
	Warwick	3.1%
South Carolina	Charleston	5.8%
	Columbia	2.4%
	Greenville	3.8%
South Dakota	Sioux Falls	0.9%
Tennessee	Chattanooga	1.1%
	Franklin	2.6%
	Knoxville	0.0%
	Memphis	0.3%
	Nashville	3.7%
Texas	Addison	6.5%
	Amarillo	1.7%
	Arlington	7.5%
	Austin	1.8%
	Beaumont	0.7%
	Corpus Christi	0.1%
	Dallas	4.0%
	El Paso	0.9%
	Fort Worth	6.1%
	Frisco	-0.6%
	Grapevine	3.7%
	Houston	-2.5%
	Irving	2.3%
	Lewisville	3.3%
	McAllen	3.0%
	Midland	1.5%
	Plano	4.2%
	Richardson	6.1%
	San Antonio	1.5%
	Waco	3.9%
Utah	Salt Lake City	3.1%
Virginia	Alexandria	1.5%
	Arlington	1.7%
	Chesapeake	1.5%
	Fairfax	2.7%
	Glen Allen	3.0%
	Herndon	0.5%
	Lynchburg	1.0%
	McLean	1.6%
	Newport News	2.8%
	Norfolk	1.1%
	Richmond	3.8%
	Roanoke	0.5%
	Sterling	0.9%
	Virginia Beach	2.6%
Washington	Bellevue	3.7%
	Seattle	3.0%
	Spokane	0.8%
West Virginia	Charleston	5.7%
Wisconsin	Appleton	1.0%
	Green Bay	1.7%
	Madison	2.4%
	Milwaukee	2.0%

Latin America/Caribbean

Country	**City**	**2018 Forecast**
Argentina	Buenos Aires	14.0%
Brazil	Belo Horizonte	-3.0%
	Curitiba	0.5%
	Porto Alegre	0.0%
	Rio De Janeiro	-2.5%

	Sao Paulo	1.5%
Chile	Santiago	2.3%
Colombia	Bogota	0.5%
Costa Rica	San Jose	3.2%
Ecuador	Quito	0.0%
El Salvador	San Salvador	-0.5%
Guatemala	Guatemala City	1.2%
Mexico	Chihuahua	-2.6%
	Guadalajara	-1.2%
	Mexico City	3.0%
	Monterrey	3.5%
	Tijuana	4.5%
	Torreon	4.0%
	Villahermosa	0.0%
Panama	Panama City	2.5%
Peru	Lima	1.5%

EMEA

Country	City	2018 Forecast
Austria	Vienna	1.5%
Belgium	Antwerp	2.0%
	Brussels	3.0%
Bugaria	Sofia	3.5%
Czech Republic	Prague	3.0%
Denmark	Copenhagen	3.5%
Egypt	Cairo	8.0%
Finland	Helsinki	3.0%
	Tampere	1.0%
France	Lyon	1.0%
	Paris	3.0%
	Strasbourg	0.0%
	Toulouse	1.5%
Germany	Berlin	2.8%
	Cologne	2.5%
	Dusseldorf	1.5%
	Frankfurt	2.0%
	Hamburg	0.0%
	Munich	3.0%
	Stuttgart	1.5%
Ghana	Accra	3.5%
Greece	Athens	3.0%
Hungary	Budapest	5.5%
Iran	Tehran	1.5%
Ireland	Cork	3.0%
	Dublin	7.5%
Israel	Tel Aviv	3.5%
Italy	Bologna	1.0%
	Milan	2.0%
	Naples	0.0%
	Rome	1.0%
Jordan	Amman	-1.0%
Kenya	Nairobi	0.0%
Netherlands	Amsterdam	3.5%
	Rotterdam	2.0%
	The Hague	2.0%
Nigeria	Lagos	2.0%
Norway	Oslo	4.2%
	Stavanger	1.0%
Poland	Gdansk	1.5%
	Krakow	4.5%
	Warsaw	1.0%
Portugal	Lisbon	5.0%
Qatar	Doha	-2.0%
Romania	Bucharest	4.5%
Russia	Moscow	4.0%
	St Petersburg	6.5%
Rwanda	Kigali	3.5%
Saudi Arabia	Riyadh	0.0%
Slovakia	Bratislava	4.0%
South Africa	Cape Town	5.0%
	Johannesburg	1.5%
Spain	Barcelona	5.5%
	Madrid	6.5%
	Seville	3.0%
Sweden	Gothenburg	1.0%
	Stockholm	2.5%
Switzerland	Geneva	0.0%
	Zurich	-1.5%
Turkey	Ankara	1.0%
	Istanbul	-1.0%
Ukraine	Kiev	0.0%
United Arab Emirates	Abu Dhabi	-0.5%
	Dubai	0.0%
United Kingdom	Belfast	0.0%
	Birmingham	2.0%
	Bristol	2.0%
	Edinburgh	4.0%
	Glasgow	3.5%
	London	3.0%
	Manchester	1.5%

Asia Pacific

Country	City	2018 Forecast
Australia	Adelaide	2.5%
	Brisbane	1.5%
	Canberra	3.5%
	Melbourne	4.0%
	Sydney	6.5%
	Perth	-2.0%
China	Beijing	2.5%
	Guangzhou	0.0%
	Hong Kong	1.0%
	Shanghai	2.0%
India	Bengaluru	2.0%
	Gurugram	4.5%
	Hyderabad	5.5%
	Mumbai	5.5%
	New Delhi	3.5%
	Pune	4.5%
Indonesia	Jakarta	0.2%
Japan	Osaka	1.5%
	Tokyo	3.0%
	Yokohama	1.5%
Malaysia	Kuala Lumpur	2.0%
New Zealand	Auckland	8.5%
Philippines	Manila	0.0%
Singapore	Singapore	0.0%
South Korea	Seoul	-1.0%
Taiwan	Taipei	0.0%
Thailand	Bangkok	2.0%
Vietnam	Hanoi	6.5%
	Ho Chi Minh	2.0%

Authors and Acknowledgements

The following industry and regional subject matter experts (SMEs) made significant contributions to the 2018 Global Business Travel Forecast:

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Mark Haines (Hotel & Air SME) Mark Haines (Air & Hotel SME) has 11 years of travel industry experience, including seven and a half years with GBT, specializing in end-to-end program strategy development and optimization, built upon air and hotel sourcing. Originally from the UK, Mark has worked from GBT's London and New York offices, and now works virtually in Houston, Texas. Mark has a Master of Science degree from Cranfield University in Management.

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Kelleen Pinto (Hotel SME) is a consulting manager who has been with Global Business Consulting for 12 years. In that time, she has developed and consulted on more than 15 Fortune 100 corporate hotel programs. Prior to joining GBT, Kelleen was a sales manager in the hotel industry for five years. Kelleen lives outside of Philadelphia, Pennsylvania.

Jeremy Quek (Airline SME, Air Practice Lead) brings significant airline industry experience from the supplier side, where he spent more than 18 years at British Airways in London and New York, working in a variety of roles with a particular focus on revenue management, pricing, market development, and commercial planning and strategy. Today, he lives in New York City, which serves as the hub for his travels around the world.

Dan Moore (Hotel SME) is a senior consulting analyst with 20 years of experience at GBT, including 13 years in the hotel practice line. Dan's expertise lies in global hotel RFP execution and data analysis for clients within many different sectors, such as technologies, manufacturing, energy, social media, and pharmaceuticals. Dan is based virtually in a suburb of Allentown, Pennsylvania.

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Other Contributors

Additional regional, industry and travel data subject-matter experts who also contributed to the 2018 Global Business Travel Forecast include:

- Adrienne Martin
- Andy Nguyen

About Global Business Consulting

As one of the world's largest travel consulting groups, Global Business Consulting (GBC) focuses on helping organizations maximize the return on their travel investment by taking a strategic approach to managing cost and supplier complexity.

WHO WE ARE
Global Business Consulting is a leading provider of corporate travel solutions, and is backed by a powerful mix of data analytics, proprietary tools, and broad industry experience. Our global network of experienced travel consultants combine extensive data and fine-tuned methodologies to analyze corporate travel programs and create strategies tailored to meet individual company goals and needs.

WHAT WE DO
Global Business Consulting has worked closely with thousands of companies, including many in the Fortune 100, to build and implement strategies that help streamline operations, improve traveler experience, reduce risk, and increase savings. Of course, implementation is only the first step and Global Business Consulting also helps organizations sustain improvement over time. Some specific offerings include:

- **Strategy**—We provide policy evaluation, competitive benchmarking, and process/system integration to help make your corporate travel program effective.
- **Business Intelligence**—We deliver actionable reporting, tools, and travel industry research so you can better manage, track, and predict your travel spend.
- **Strategic Sourcing**—We can help you secure optimal rates and build supplier relationships that could save you money and contribute to the overall success of your corporate travel program.
- **Program Optimization**—We can implement policies and tools that influence business traveler behavior, helping them make smart booking decisions without sacrificing satisfaction and productivity.
- **Outsourcing**—We can oversee and manage the processes and solutions for your entire corporate travel program.

Endnotes

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