GLOBAL BUSINESS TRAVEL

AIR MONITOR 2023

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Welcome

Travel patterns are shifting. Prices are on the move. Organizations are getting to grips with new ways of working and the growing challenge of sustainability. And all of this is happening against a background of global economic uncertainty.[2]

At Global Business Consulting (GBC) we aim to go beyond travel to help clients anticipate change and build strategies that will help them adapt and thrive.

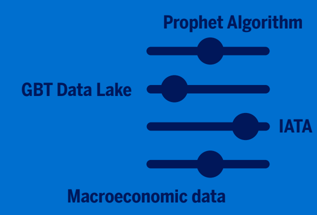
We created ***Air Monitor 2023*** to give you the expert insights you need to navigate this new landscape and build a robust air program that delivers for your organization and your travelers. Alongside price forecasts for the world's key business travel air routes, ***Air Monitor 2023*** explores the factors that drive price movements and the trends that are reshaping our industry and our roles as travel professionals.

A report like ***Air Monitor 2023*** can only tell you so much, to understand how you'll be flying next year and beyond, get in touch with the GBC Air practice line to gain from their in-depth insights and expertise.

Julie Avenel
Vice President, Global Business Consulting
American Express Global Business Travel
(Amex GBT)

Methodology

Air Monitor 2023 sets out to forecast prices on key air routes across the business and economy cabins. Forecasting is always difficult. Forecasting air prices – after two years of disruption and volatility – is even more of a challenge, one that is compounded by the uncertain outlook for the world economy.



To generate ***Air Monitor 2023***, the Amex GBT data science team used the Prophet algorithm for time series modeling to combine historical transaction data with International Air Transport Association (IATA) booking demand and capacity constraints, macroeconomic variables including per capita GDP, and key inputs such as the price of oil.

The challenge of skewed data posed by global travel disruption during 2020-2021 was solved by generating synthetic data for that period. This was based on historical travel patterns and validated by GBC subject matter experts who applied their domain expertise to adjust the projected demand and pricing values.

To account for changes in foreign exchange rates, projections are based on the local currency for the country in question. GBC subject matter experts across the globe verified that the modeled forecasts aligned with their local knowledge.

The statements contained in this document, other than statements of historical fact, constitute forward-looking information and are based on estimates and forecasts that reflect the views, assumptions, expectations, and opinions of Amex GBT as of the date of publication, all of which are subject to change. While the pricing indications contained in ***Air Monitor 2023*** have been prepared with all due care and the information contained in this report is believed accurate at time of preparation, any estimates, assumptions, expectations or forecasts should be regarded as preliminary and for illustrative purposes only and should not be relied upon as being necessarily indicative of future results.

Price forecasts for the world's key business travel air routes

Air price forecasts for 2023 versus 2022 for the business and economy class cabins.

Business cabin

Economy cabin

Intra-regional

Aviation trends and analysis

The world's carriers are emerging from one of the most challenging periods in their history. According to IATA, global aviation is expected to lose $9.7 billion in 2022, on top of combined losses of nearly $180 billion in 2020 - 2021.[3] Some airlines now expect to end 2022 in profit; as the world continues to reopen they should see an overall return to profitability in 2023.[4] However, aviation will face headwinds as it sets about rebuilding its position and this will create challenges for corporate travel.

In this section, GBC Air practice line consultants identify key obstacles on the road to recovery and explain what these could mean for air prices and corporate travel budgets. We also explore some of the high-level trends reshaping aviation and corporate travel.

IMPACT OF INFLATION

While airlines face higher costs for every input, fuel impacts airlines more than many other industry sectors, typically accounting for 20%-40% of total input costs.[5] As of October 2022, jet fuel was $155.77 per barrel; 64.7% more expensive than a year previously.[6]

The US Energy Information Administration forecasts that prices for both crude and refined oil products will fall in the first half of 2023; however, the environment remains volatile with tight supply.[7] Fuel prices will likely still be higher in 2023 than they were in 2019.

Hedging strategies vary between carriers, but even those partially or mostly hedged in 2022 will face increased fuel costs in 2023 as their hedges catch up with the current price.

LABOR SHORTAGES

Airline and airport labor shortages were a significant factor in reduced capacity during 2022.[8] Complex staff onboarding processes, which include in-depth security screening and training, are some of the reasons why air has not been able to return to full operational capacity as quickly as other sectors.

Pilot shortages are severe with US airlines estimated to have 8000 empty cockpit seats.[9] In response, some carriers have even set up their own pilot-training schools; as well as providing trained pilots, United's Aviate Academy aims to help people from underrepresented communities start a career in flying.[10]

Supply chain challenges at the major aircraft manufacturers, where deliveries of new frames have slowed or been delayed, have exacerbated the overall picture. These challenges are expected to persist through much of 2023.[11]

The airport experience should improve, however. In a sign that airports are beginning to resolve staffing problems, Heathrow announced in October that it would lift its capacity caps.[12]

AIRLINE CAPACITY

Over the last two years, carriers responded to the rapid return of leisure demand by pivoting capacity from traditional business hubs to leisure-oriented destinations.[13] As business demand continues to recover, airlines will likely put more capacity on business routes. In turn, this should mean business travelers have a greater choice of flight and seat options.

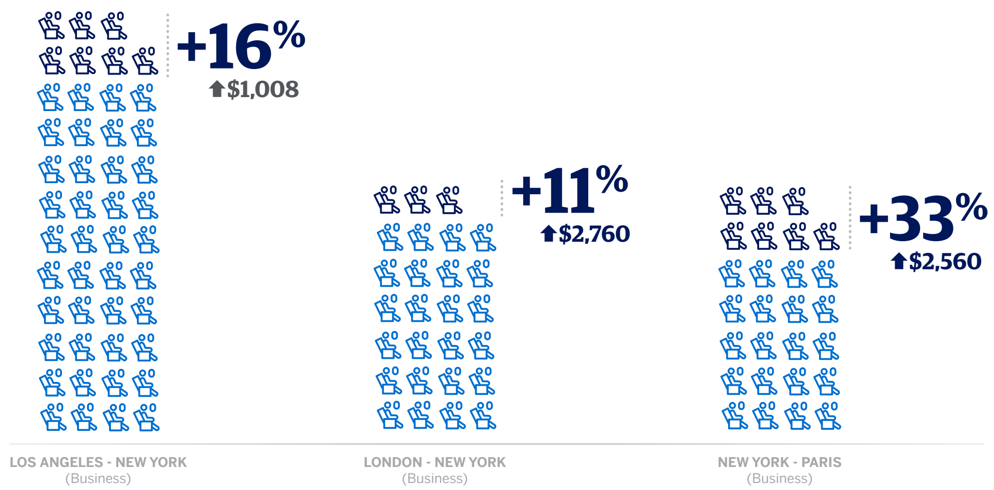
At time of writing, capacity and schedule remain below 2019 levels.[14] As demand for travel has risen, carriers have been in a strong position to both raise fares and deploy more restrictive inventory management strategies. By limiting the availability of cheaper booking classes, carriers can push travelers into higher fare categories than they might have previously used (see box below).

Looking to 2023, global airline capacity in terms of available seat miles (ASM) is expected to recover to 92% of 2019 levels. However, the recovery is uneven. In North America, (defined as intra-North America capacity), airline capacity is forecast to reach 107% of 2019 levels in Q1 2023. Meanwhile intra-EU capacity trails a little at 95% of 2019 levels; capacity in Asia is expected to reach 91% of 2019 levels in Q1 2023.[15]

To retain margin, carriers will likely continue to carefully manage capacity to stay in tandem with rising supply.

TRAVELERS PUSHED TO HIGHER PRICED INVENTORY[16]

2022 (July – September) versus 2019. US point of sale.



GBC analysis has identified a shift to (significantly) more expensive fare categories as carriers tighten inventory. The graph shows the increase in the percentage of travelers buying higher priced inventory and the average price difference over lower fare categories. Higher priced inventory is defined as the top 2 fare classes in the business class cabin, typically J and C class on most airlines.

Aviation trends and analysis continued:

FOREIGN EXCHANGE (FOREX) EFFECT

The appreciation and depreciation of currencies can create a forex effect that significantly impacts air programs in ways that may not be immediately apparent. Companies reporting travel cost in dollars may see flat average ticket prices (ATP) on routes out of Europe. In fact, ATP could be significantly higher with the price rise masked because of the strength of the dollar; for example, the dollar appreciated 13% versus the euro during 2022.[17] The forex effect can be particularly strong in emerging regions such as South America.[18]

YQ (FUEL SURCHARGES)

Carrier-imposed fuel surcharges (sometimes referred to as YQ or YR surcharges) are another source of additional cost which can go unnoticed.

Since March 2022, the YQ/YR surcharges on a roundtrip business class ticket from New York to London have increased by $500 to $1,700. These surcharges – together with the myriad government, airport, and other miscellaneous surcharges – can add more than $2,000 for a roundtrip business class ticket on the New York – London route.[19]

Airlines do not typically report YQ/YR surcharges in the quarterly business review, meaning corporates cannot easily see all the money they are giving to the carrier.

SUSTAINABILITY

Flying is one of the key drivers of concern about the impact of travel on the environment.[20] The sector has set ambitious decarbonization targets; in 2021, IATA pledged to reach net zero carbon emissions by 2050.[21]

Aviation has achieved significant operational efficiencies resulting in a 55% improvement in fuel burn per passenger km since 1990.[22] Over the coming decades, a combination of technologies such as hydrogen battery or hydrogen combustion aircraft could transform aviation into a zero-carbon / climate-neutral system.[23]

Looking to the short to medium term, sustainable aviation fuel (SAF) has emerged as the most promising decarbonization pathway for aviation.[24] Compared with conventional jet fuel derived from fossil fuels, SAF has the potential to cut lifecycle emissions from aviation by up to 80%.[25] However, today it represents less than 0.1% of aviation fuel used due to the lack of supply.[26]

In 2022, Amex GBT launched a SAF pilot program with Shell Aviation aimed at driving up SAF production.[27] Companies that sign up for the program gain access to Avelia, a blockchain-powered book-and-claim platform developed by Shell and Accenture. Book-and-claim allows travelers to pay for SAF, and claim the benefits, even if SAF is not available at their departure airport. SAF will instead be fed into another aircraft in an airport where available.

DISTRIBUTION AND CONTENT DISCRIMINATION

2022 has not been the breakthrough year for New Distribution Capability (NDC) – corporate bookings made with the XML-based standard remain at less than 1% of the total corporate air sector overall.[28]

In 2023, expect to see more airlines use NDC to launch bundled services to corporate clients including American Airlines and Air France-KLM.[29, 30]

To help drive NDC adoption and promote NDC standardization in the industry, Amex GBT has developed a minimum marketable product (MMP) for NDC connections with all airlines and distribution partners. IATA has adopted a version of the MMP as their template for developing corporate servicing standards for airlines. Based on customer feedback and experience from testing multiple NDC solutions, the MMP sets out the minimum standard required from any NDC solution to satisfy the unique and specific requirements of a managed travel program. These include the ability to shop, book, ticket, reissue, re-shop, refund, and provide reporting.

Carriers that have not implemented viable NDC connections may well introduce surcharges on existing EDIFACT-based content delivered through the GDSs and online booking tools, and/or restrict the range of content and fares they make available in those channels. Program managers and stakeholders should continue to challenge airlines that restrict content and/or impose additional costs for booking in certain channels. Questions to ask a carrier about its distribution approach include:

- will it improve traveler experience?
- will it generate more program savings?
- will it improve servicing and support for travelers?

TRAVELER EXPERIENCE

The rapid pace of international travel recovery since Q2 2022 appears to have caught global aviation on the hop.[31] Suddenly busy airports were beset by staffing shortages, cancellations, schedule changes, and industrial action. For travelers, it meant longer queues, inconvenience, and uncertainty.[32] Travel management companies (TMCs) such as Amex GBT introduced solutions to help travelers manage flight disruptions while giving travel managers insights into the impact of disruptions on their travel programs.[33]

Looking forward, traveler experience should improve significantly as airports and airlines rehire and train employees; however, as noted in the *Labor shortages* trend, this won't happen overnight. Recent investments by airlines and airports in biometric and digital processes can contribute to an improving traveler experience by making the journey through the airport as seamless and touchless as possible.[34]

Aviation trends and analysis continued:

CHANGING WORK ENVIRONMENT

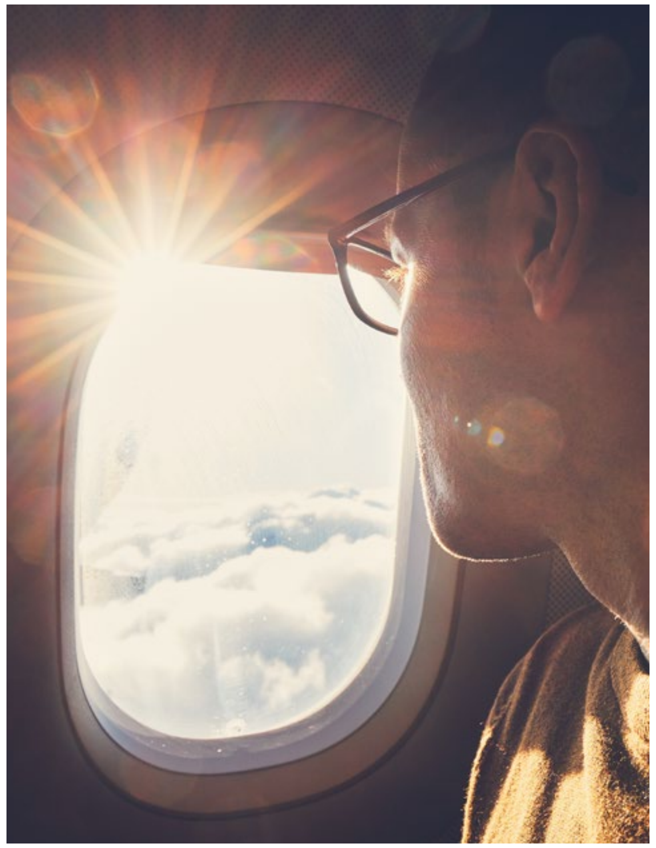
Companies and employees alike have embraced distributed work models, such as hybrid, where employees work from home for at least one day a week.[35] Shifting work patterns have caused companies to assess the number and size of their office locations; according to Gartner's CFO survey, 72% of organizations planned to reduce their organization's real estate footprint by the end of 2022.[36]

To help support collaboration and build culture, companies are increasing internal travel. The American Express Global Meetings and Events (M&E) Forecast finds that internal meetings will be the fastest growing category across every global region in 2023, with the majority (66%) of these in-person events requiring air travel.[37]

THE NEW CONTRACTING LANDSCAPE

As airlines prioritize the return to profitability, a number of key suppliers are pivoting towards premium leisure.[38] During contract renewals GBC is seeing carriers hardening their negotiation posture. For example, airlines are increasingly looking at a client's 2022 spend and volume, rather than 2019, as the baseline in negotiations. This is resulting in lower discounts. Additionally, several airlines have also begun to include traveler engagement initiatives such as online booking tool (OBT) messaging and banner placements or frequent flyer program (FFP) penetration growth as part of the contract; a sign that airlines are looking to strengthen their relationship with the traveler.

Looking to the short to medium term, sustainable aviation fuel (SAF) has emerged as the most promising decarbonization pathway for aviation.



Air program strategies

GBC consultants offer considerations to help corporate travel managers and buyers negotiate the evolving contracting landscape and build a strong air program.

1 Identify your optimal contracting approach.

As you rebuild your air program, it's important to understand which contracting approach can provide the best value and mix mitigation. This could mean rolling (dynamic) sourcing, traditional full program sourcing or a combination of the two. Given the pace of marketplace development today, ongoing program management is critical for keeping your program current.

2 Build a clear supplier segmentation and commodity strategy.

As noted, airlines are adopting a firmer posture on contracting and may offer less generous discounts than previously. In order to maintain your program and achieve your program objectives, you need to be more strategic about how you manage your supplier relationships. Carry out a review of your suppliers to understand your dependency on each airline. Which carriers are critical to your program? You should build your strategy around these suppliers.

3 Do you want a partnership or just a transactional relationship?

Building a partnership with key air suppliers brings rewards in terms of discounts and traveler experience but be aware that carriers may increasingly require you to take tangible steps to support the partnership. Previously, an airline may merely have asked you to support its traveler engagement initiatives. Now, it is likely that the carrier will require you to, for example, allow its promotional messages onto your OBT. Figure out what you are prepared to offer the airline as a 'quid pro quo' and be prepared to act on your commitment – or accept lower discounts.

4 Ask the airline to recognize your true spend.

Your true spend with an airline can include the air fare, YQ/YR fuel surcharges plus traveler spend on ancillaries like Wi-Fi, excess baggage, etc. Airlines typically recognise only a portion of this spend. When it comes to renegotiations you should insist the airline includes fuel surcharges as an integral part of your spend.

5 Take a step back when designing your sourcing strategy.

If you rely on 2022 as the baseline to design and source your program, be aware that key data may be missing because of the relatively slow recovery in some regions. As a result, your travelers could end up flying without discounts in 2023. If you have to use 2022 data, also factor in 2019 data and anticipated demand to plan your negotiations.

6 Get on the front foot.

At a time of volatility and change, it can be tempting to sit on the side lines and wait for certainty. This is unlikely to arrive any time soon. Don't wait for the airlines to come to you; be proactive in engaging your strategic partners to discuss the best way forward. Keep a close watch on your evolving travel patterns; be ready to adjust as necessary.

7 How will hybrid working impact your program?

As people adopt new working arrangements your organizational footprint and travel patterns are likely to change, which has the potential to make your travel program more complex. As research by Amex M&E indicates (see *The changing work environment* trend), more remote-based employees could mean more internal meetings requiring air travel. Do you have the right contract coverage to meet these emerging organizational and traveler needs?

8 Start your decarbonization journey.

Air accounts for around 90% of CO_2 emissions from business travel; to help your organization achieve its decarbonization targets, you will need to look at the air program sooner rather than later to ask where you can drive emission reductions.[39] GBC has developed 5 Steps to Reduce Emissions from Business Travel to help you get started on this journey while continuing to travel to achieve business objectives.

For insight and advice to optimize your air program strategy, get in touch with the GBC air practice line.

North America

Regional overview

North America has led the global aviation recovery. In July 2022, American Airlines and United Airlines reported their first profits since the start of the global travel disruption off the back of strengthening demand and higher fares.[40] Three months later with the release of their Q3 earnings, American Airlines, Delta Airlines and United Airlines reported combined net income after tax in excess of $2.1bn.[41] Air Canada could also report positive quarterly operating margin, helped by robust demand for travel through the summer.[42] Despite modest growth expectations for the region, North American carriers are optimistic that people want to fly; the Q3 earnings statements for United Airlines, Delta Air Lines, American Airlines, and Air Canada all included statements of confidence about the continuing demand for travel.[43]

While the effects of labor shortages could linger through the first half of 2023, airline capacity continues to recover in the region and is currently expected to exceed 2019 levels in Q1 2023 (see country sections, below).[44] Given this, and following significant prices increases in 2022, fare rises in the competitive North America air sector are likely to be of smaller degree than those forecast for Europe and Asia Pacific.[45] That said, airline capacity recovery at regional airports has been slower than at larger hubs. Travelers using regional airports are likely to continue to experience fewer booking options and possibly higher prices in 2023.[46]

KEY ROUTE FORECASTS		
	Business	Economy
Intra-regional		
North America	3.4%	2.9%
North America to		
Asia	6.1%	9.5%
Caribbean	2.3%	5.8%
Central America	3.7%	3.6%
Europe	3.0%	2.4%
South America	4.2%	6.4%

Despite modest growth expectations for the region, North American carriers are optimistic that people want to fly...

CANADA

Canada has been slower to unwind travel restrictions than its neighbor to the south, only finally removing border and travel restrictions in October 2022.[47] In July, IATA had criticised the fact that the measures were still in place, saying that they were "partly responsible for the ongoing delays and disruption affecting air travelers across Canada."[48]

Airline capacity in Canada is expected to recover to 97% of 2019 ASM levels in Q1 2023. However, this is driven by low-cost carriers; for Air Canada, WestJet, and Porter Airlines combined capacity recovery in Q1 2023 is expected to reach only 82% of 2019 levels.[49]

New carriers – most recently Canada Jetlines – periodically emerge to offer a challenge to Air Canada and WestJet.[50] However, with their largely domestic focus and low-cost models, these carriers may be unlikely to meet the needs of corporate travelers.

UNITED STATES

2022 has seen demand return and prices rise; according to the US Consumer Price Index (CPI), airfares were rising twice as fast as general inflation as a result of high oil prices, workforce shortages and reduced airline capacity.[51]

Price rises should moderate in 2023 as more capacity becomes available. GBC modeling for the Air Monitor forecasts prices on North Atlantic air flows to increase by 2.9% in business class as around 14.5 million seats on this route come onstream.[52] On US – Asia air flows, GBC is forecasting increases of 6.7% for the business class cabin as pent-up demand returns to reopening Asian destinations.

As noted above, airline capacity to regional airports is recovering slowly: in the US, this is compounded by a pilot shortage which has particularly impacted regional airlines.[53]

In July, JetBlue Airways announced its attention to buy Spirit Airlines, a move that would make it the fifth biggest carrier in the US.[54] This is unlikely to impact air travelers in the short to medium term; the deal has still to be approved by regulators and combining operations could take several years.

Europe

Regional overview

Europe's growth prospects have been dampened by surging energy prices resulting from the war in Ukraine and high inflation. These factors have reduced household incomes, depressed manufacturing and put pressure on company balance sheets.[55] The IMF has downgraded its growth forecast for the euro area to 0.5% – down from 3.1% in 2022 – with downturns predicted for Germany and Italy.[56]

Despite this economic context, Europe will see fares rise on key business travel air flows driven by high fuel prices, reduced capacity, and national carriers' strong footprints within their home countries. The forex effect is a factor here: as long as the euro and sterling remain weak relative to the dollar, prices will face upwards pressure.

In February 2022, Russia closed its airspace to the airlines from the EU and the UK.[57] Flights have had to be rerouted or cancelled; the most heavily impacted regions air flows are Europe-Asia and Asia-North America.[58]

KEY ROUTE FORECASTS		
	Business	Economy
Intra-regional		
Europe	6.0%	5.5%
Europe to		
Africa	4.9%	2.6%
Asia	7.8%	9.8%
Caribbean	7.4%	5.7%
Middle East	7.5%	2.0%
North America	4.6%	5.0%

Europe will see fares rise on key business travel air flows driven by high fuel prices and reduced capacity

FRANCE

France has experienced significant price increases versus 2019, driven by sustained demand and carrier price and fuel surcharge increases.[59] Traveler preference for more flexible (and more expensive) tickets has also pushed up the cost of flying.

With modest GDP growth forecast and capacity expected to increase by around 10% on key business routes, such as France – North America, carriers may have limited scope to raise prices.[60 61] GBC forecasts business class fares to increase 6.3% in 2023 across air flows into and out of France.

In April 2022, France introduced a ban on domestic flights where an alternative rail journey under two and a half hours is available. This could impact 12% of flights.[62] Amex GBT clients have adapted their travel policies and guidelines for air to rail substitution.

GERMANY

Germany's national flag carrier Lufthansa reported a 23% yield increase in its Q3 2022 results and is optimistic about high yields continuing into the first quarter of 2023. According to the carrier's Q3 results statement, capacity discipline is central to its strategy.[63 64]

Price increases should be moderate relative to other countries in Europe; Germany has not seen demand recover as strongly as France and the UK. Concerns about the impact of rising energy prices on Germany's manufacturing economy could put downwards pressure on prices.[65] GBC forecasts business class prices to increase 4.1% in 2023 across blended airflows into and out of Germany.

While Germany has discussed banning domestic flying, the country currently relies on encouragement to support the modal shift from air to rail; Deutsche Bahn's *Zug zum Flug* ticket provides a simple way to use the train instead of the plane for short-haul journeys to international flight hubs.[66]

NETHERLANDS

GBC forecasts business class fares to rise 8.1% across air flows to and from the Netherlands. The price rise will largely be driven by ongoing reduced capacity out of Amsterdam's Schiphol airport. Schiphol experienced significant staff shortages through 2022 resulting in long queues for travelers and flight cancellations. In October, the airport announced that it would continue to limit daily passenger numbers until at least March 2023.[67]

The Netherlands will increase air passenger tax from January 1, 2023.[68]

SPAIN

Iberia, Spain's national carrier, saw demand and capacity recover strongly through 2022. The airline is positioning for growth with extensive fleet renewal and the addition of new routes from Madrid including Washington Dulles and Dallas-Fort Worth.[69]

IAG, Iberia's parent company, renewed its bid to acquire Air Europa by taking a 20% stake in the airline.[70] This move should further strengthen and expand Iberia's Madrid Barajas hub and open up new growth opportunities on transatlantic and Asia routes.

Inflation in Spain peaked at 10.8% in July 2022 and is expected to moderate into next year.[71] Nonetheless, the return of demand combined with limited competition and capacity discipline means that GBC forecasts business class fares to and from Spain to increase 10.5% in 2023.

UNITED KINGDOM

As travel restrictions eased in the first months of 2022, UK aviation demand rapidly returned; Q2 numbers more than doubled versus Q1 and the number of flights increased 63%.[72] Returning demand has put pressure on UK airports. In response, London Heathrow introduced a cap on passenger numbers which lasted through to the end of October.[73]

Competition has been concentrating on the London Heathrow – New York John F. Kennedy International Airport (JFK) route as British Airways (BA) ended its London City – JFK services and Virgin stopped flying into Newark Liberty International Airport to focus on JFK.

With overall demand continuing to exceed capacity, GBC forecasts business price fares to increase 5.3% in 2023 across air flows to and from the UK.

Asia

Regional overview

Asia has often lagged the rest of the world on removing travel restrictions; while Singapore began reopening as early as April 2022, Hong Kong only relaxed its hotel quarantine for international arrivals in September.[74, 75]

On the basis that economies continue to open through 2023, the IMF is relatively bullish on the region's growth prospects and forecasts GDP growth for 'Emerging and Developing Asia' at 4.9%.[76]

The closure of Russian airspace means that flights to and from North America and Europe to Asia Pacific may need to reroute, extending journey times and increasing costs. For example, a flight from Tokyo to London which now has to head east over the North Pacific, Alaska, Canada, and Greenland has to add 2.4 hours of flight time and is likely to burn around 5,600 gallons more fuel, a 20% increase.[77]

KEY ROUTE FORECASTS		
	Business	Economy
Intra-regional		
Asia	5.2%	5.4%
Asia to		
Australia	6.2%	5.1%
Europe	7.3%	14.5%
North America	4.6%	10.3%

Asia Pacific has often lagged the rest of the world on removing travel restrictions

CHINA

Air Monitor 2023 does not contain price forecasts for China; sporadic lockdowns across the country have made the situation too fluid to forecast. China has maintained strict travel restrictions on international arrivals since March 2020. While recently repeating its commitment to stringent health management protocols, China announced a limited easing of its rules for inbound international travelers in November 2022.[78]

In what appears a further move to restore travel, several major Chinese airlines – including the 'big three' of Air China, China Eastern, China Southern – have announced plans for the resumption of international flights.[79]

INDIA

The Indian economy is performing relatively strongly with 7% growth expected for full year 2022.[80] For 2023, the IMF forecasts that GDP growth will moderate to 6.1%.[81] Continuing economic expansion should generate demand, putting upwards pressure on air prices. Meanwhile, the weakness of the rupee versus the dollar has amplified the effects of rising fuel prices, putting further cost pressure on carriers.[82]

In a busy period for corporate activity, 2022 saw Tata complete its purchase of Air India from the Indian government; the industrial group intends to make significant investments to upgrade Air India's customer proposition.[83] Tata has been in talks with Singapore Airlines about merging Vistara – the carrier jointly owned by Tata and Singapore Airlines – with Air India.[84]

GBC forecasts business class fares to increase 11.7% in 2023 across air flows to and from India.

JAPAN

Japan has operated the strictest border controls of any country in the G7 group of the world's largest economies, only reopening its borders to independent visitors in October 2022.[85]

GDP expansion is expected to be moderate, with the IMF forecasting 1.6% growth for the 2023.[86] As demand returns to an aviation sector facing the same fuel cost, staffing and capacity issues experienced globally, GBC forecasts fares to increase by 3.5% in the business class cabin across air flows to and from Japan.

SINGAPORE

One of the first mainstream destinations in Asia to reopen its borders in April 2022, Singapore quickly won back visitors. Changi Airport reported in October 2022 that travel was recovering faster than expected; it was hoping to reach 80% of 2019 traffic volume by 2023.[87]

The rapid return of demand spurred significant price increases; in May, a return trip to London with Singapore Airlines was reported to have risen by 80%.[88] In November, the carrier posted its highest-ever half-year operating profit as demand continued to surge.[89]

GBC forecasts business price fares to increase 8.6% in 2023 across air flows to and from Singapore.

Singapore's drive for sustainable aviation

Singapore has set out to become a regional and global leader in the production and uptake of SAF. By the end of 2023, Singapore will host a SAF production facility capable of producing 1 million tonnes of the fuel per year.[90] In July, Singapore Airlines began selling SAF credits as part of a pilot with the Civil Aviation Authority of Singapore (CAAS) and global investment company Temasek to advance the use of SAF in Singapore.[91]

Australia

Regional overview

After almost two years of stringent travel restrictions, Australia began welcoming back international visitors in February 2022.[92] Travel recovered rapidly; by June, domestic passengers had reached 97% of 2019 levels. Fares increased significantly as carriers reduced capacity to manage staff shortages and jet fuel costs rose to record levels.[93] In the seven months following since May 2022, Qantas announced fare rises on five occasions.[94]

Buoyed by record commodity prices, Australia's economy is forecast to grow 3.25% in financial year 2022 – 2023, even after the Australian Treasury has downgraded the country's GDP growth forecast.[95] Sustained growth should generate demand, putting upwards pressure on prices.

Qantas anticipates international capacity will return to pre-pandemic levels around the middle of 2023, amid "strong robust demand" as borders reopen.[96]

KEY ROUTE FORECASTS		
	Business	Economy
Australia		
Domestic	19.4%	4.7%
Australia to		
Asia	6.1%	24.9%
New Zealand	19.8%	5.3%

Buoyed by record commodity prices, Australia's economy is forecast to grow...

Acknowledgments

About Amex GBT Global Business Consulting

Global Business Consulting (GBC) is the consulting arm of Amex GBT. Our global team of professionals works with clients to help them navigate the constantly evolving global travel industry.

The GBC Air practice line provides unrivalled insight, marketplace knowledge, and strategic management for our client's air program, helping them build and maintain a program that is aligned with their business objectives and needs.

We work with the client to define the program strategy, identifying what they need to achieve from their air program. We then help them put in place the optimum framework and negotiation strategy, with the right airlines and policies, to engage travelers and align behavior with the program.

Our ongoing program management means the client can fully realize the benefits of the contracts that we help them negotiate and keep their program current, based on marketplace dynamics and the evolving needs of your business.

To learn more about the GBC air practice line get in touch.

About American Express Global Business Travel

American Express Global Business Travel (Amex GBT) is the world's leading B2B travel platform, providing software and services to manage travel, expenses, and meetings and events for companies of all sizes. We have built the most valuable marketplace in B2B travel to deliver unrivalled choice, value, and experiences. With travel professionals in more than 140 countries, our customers and travelers enjoy the powerful backing of American Express Global Business Travel.

Visit amexglobalbusinesstravel.com for more information about Amex GBT, and follow **@amexgbt** on Twitter, LinkedIn, and Instagram.

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