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ANALYTICS



GLOBAL BUSINESS TRAVEL ASSOCIATION

GBTA BTI™ Outlook:
Executive Summary

ANNUAL GLOBAL REPORT & FORECAST

PROSPECTS FOR GLOBAL BUSINESS TRAVEL 2018-2022

AUGUST 2018



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Introduction

Research Challenge

Business travel is a term that encompasses many activities executed in support of any number of business objectives: sales, training, customer support, incentives, professional development, and operations, to name but a few. Depending upon the type of organization, business travel can have many perspectives. For example, travel suppliers see it as a significant source of revenue and a primary market segment. Corporate management sees business travel as both a critical business investment and a controllable expense. Travel managers view it as a resource optimization and duty of care challenge. Policymakers see travel as a generator of jobs, income, and tax revenue. Finally, veteran road warriors see it as an important part of their everyday jobs.

To better understand the value of a business function, you need to measure it. But the activity of *business travel* lacked a comprehensive global description and a set of metrics from which travel managers, suppliers, and facilitators could plan for the future. In 2009, the Global Business Travel Association (GBTA) embraced this challenge by producing the first-ever study of global business travel activity. The result was an exhaustive study of business travel spending, productivity, and growth that originally covered 75 countries across 48 industries over fifteen years, including a rolling 5-year projection. The analysis has been enhanced and updated each year since then.

GBTA has once again updated the study for 2018, as well as its projections and companion database. Given the significant global economic, market and policy

challenges that remain some nine years after the Great Recession, tracking economic progress and keeping a watchful eye on business travel performance remains paramount.

Approach and Data Sources

Rockport Analytics' research has focused on the *demand* side of the business travel market. Measures such as industry sales, business travel spending, and travel productivity have been developed from the business traveler backwards to the corporate sponsor and travel supplier. Moreover, our comprehensive definition of business travel includes all kinds of trips and trip purposes, as well as all categories of trip spending, not just those reimbursed by the organization. Most measures of business travel available in the market typically emanate from the supply side and cannot easily distinguish between business and leisure trip. Moreover, they

The 2018 GBTA BTI™ Outlook – Annual Global Report and Forecast is an exhaustive study of business travel spending and growth covering 73 countries across 44 industries. Now in its ninth year, the report and companion database have become a critical planning tool throughout the industry.

typically do not cover unreimbursed expenditures.

The nature and detail of the business travel metrics contained in this report and its accompanying database are largely dictated by available data from both secondary and primary sources. Supplier-based information from airlines, hotels, and rental car companies has been reconciled with demand-side sources from governments, traveler research

panels, and travel management companies in an effort to create the most comprehensive view of business travel. For a complete list of data sources, please see the appendix at the end of this document.

What determines and drives business travel? There are eight distinguishing characteristics that influence the level and rate of growth of business travel in our analysis:

- *Size of the economy* - The level of general economic activity is paramount.
- *Land mass, population, and business dispersion* - Larger countries with widely dispersed populations require more travel to facilitate economic and business development.
- *Industry mix* - countries whose economies are dominated by sectors that are more travel-intense by nature will have greater amounts of business travel relative to jobs, output, or population.
- *Technology and the productivity of business travel* - Business travel is a material/service input to virtually every industry. Like other inputs, it is subject to gains/losses in productivity.
- *Degree of export dominance* - countries with large trade sectors (Brazil, Germany, Japan, and Indonesia) will tend to engage in more international business travel. Countries where economic activity is dominated by consumption (U.S., India) will be more prone to domestic business travel.
- *Physical location* - Countries that are far from their markets or suppliers will require relatively more business travel to succeed.
- *Infrastructure development* - Is the transportation and hospitality infrastructure sufficient for business travel to flourish?

- *Environmental, tax, security, and regulatory policy* - Do governments help or hinder business travel?

Our view of the contribution of business travel to each country-sector combination has been established by analyzing trends in the business travel “purchasing” behavior of 44 sectors across 73 countries over a period of more than 15 years. By modeling trends at the level of business travel spending per dollar of industry sales (a measure of business travel productivity) over time, we are able to extend these factors into the future. The combination of industry sales (macroeconomic environment) projections and trends in business travel spending per dollar (business travel intensity and productivity) is a key factor in generating the resulting forecasts of business travel spending.

About Rockport Analytics

Rockport Analytics, LLC (www.rockportanalytics.com) is a research and analytical consulting firm providing high quality quantitative and qualitative research solutions to business, government, and non-profit organization clients across the globe. Rockport’s focus is on creative and actionable research in the travel and tourism market. We provide fast, nimble service in a transparent environment.

Rockport Analytics’ capabilities include:

- Market Analysis and Forecasting
- Economic Impact Assessment, Tourism Satellite Accounting, and Economic Development
- Market Modeling and Decision Support Tools
- Project Feasibility Assessment

- Primary Research and Secondary Research Synthesis
- Stakeholder Surveys - internal and external

Contact

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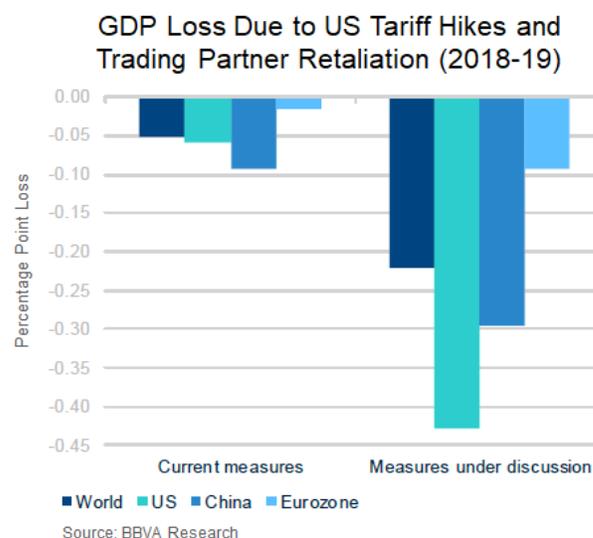
Executive Summary

- Spending on business travel activity totaled \$1.33 trillion in 2017. This includes both group and transient travel taken for sales meetings, customer service, repair trips, professional development, internal company meetings and operations and quality control. Measured activity includes both reimbursable and non-reimbursable expenditures made by business travelers on goods and services including hotel rooms, air and ground transportation, restaurant purchases and entertainment. The overall growth in global business travel spending kicked into a higher gear last year, advancing 5.8% over 2016 levels.
- This pick-up in growth could signify an end to the “Era of Uncertainty” in global business travel. This period has lingered over the last few years as the global economy has been challenged by a multitude of factors. The Era of Uncertainty has been punctuated by moderate growth in business travel spending, which has been generally trapped in a range of 3 – 5%, annually, since 2012. The current surge in business travel spending coincides with a broadening of the global economic expansion that emerged in mid-2016 with participation from key developed and emerging economies. In fact, spending in 15 out of the top 20 global business travel markets grew above trend in 2017 – outpacing their growth average over the previous five years.
- While improvements over a single year shouldn’t be over-interpreted, we continue to witness strengthening performance in business travel activity in 2018, signifying an end to the sluggish period of the last few years. Total business travel spending is set to advance another 7.1% in 2018. In fact, the two-year period spanning 2017 and 2018 is projected to be the strongest two-year period for business travel since the initial recovery from the Great Recession in 2010 and 2011. In 2018, we expect 18 out of the top-20 business travel markets to outpace their growth average over the last 5 years.

Business Travel Spending



- The current high-growth business travel era has been fueled by improving economies around the globe. Many of the improvements have been ignited by both monetary and fiscal stimulus, which is likely to lead to policy challenges and slower economic growth down the road. While we remain optimistic for the prospects of global business travel over our mid-term forecast horizon, we do anticipate the emergence of more downside risks as we move into 2019 and beyond.
- The direction of trade policy is far and away the biggest wild card that could impact our forecast for global business travel. Drastic increases in tariffs and associated retaliatory measures could have detrimental impacts on the global economy and the global business travel market.
- Global growth continues its two-year run of stronger results but there are increasing signs of potential trouble ahead. Global gross domestic product (GDP) advanced 3.3% in 2017, its best showing since 2011. Growth is on track to expand 3.3% again in 2018, with improved performance in the U.S., India, Indonesia, Latin America, and many commodity exporting countries. Having said this, it is getting later in the current economic cycle. After ten years of recovery, growth has become more asynchronous, with advanced economies experiencing tightening labor markets and capacity, rising interest rates, and more inflation.
- Expanding trade and improved investment performance have been the primary drivers of rising global economic growth over the past two years. After three years of muted growth, investment expanded by 4.2% in 2017 on still-favorable interest rates, rising oil exploration, and improved business confidence. It is still early to assess the full impact of U.S. corporate tax cuts on plant and equipment buying, intellectual property purchases, and business travel.
- Oil prices are on the rise. Brent crude oil, currently at \$75/bbl, has advanced 16% since December 2017 and is up more than 50% from year-earlier levels. In June 2018, the Organization of Petroleum Exporting Countries (OPEC) and non-OPEC oil producers agreed to raise oil production by about 1 million barrels per day from current levels. Providing they execute, this should help moderate prices in the second half of 2018 and beyond.
- Rising protectionism is coming at precisely the wrong time. Trade has been a primary driver of stronger global growth since 2016. The U.S. has imposed tariffs on a number of imported items and proposed significantly more. Opposing countries have quickly retaliated and have readied more should the U.S. follow suit. Meanwhile, Brexit and NAFTA negotiations continue. All this adds up to uncertainty which could derail the recovery.
- Advanced economies are expected to register relatively strong growth in 2018. With growth of 2.4%, the “elephant” markets, led by the U.S., will remain above their long-term trend before slowly giving way to slower growth in



2019 and beyond. The 2018 growth would be even higher were it not for the unexpectedly weak outturns of Japan and Europe in the first half of the year.

- Emerging, “gazelle” markets will see, on net, GDP growth of 4.8% over the 2018-2021 forecast horizon, a rate that is slightly below trend. Despite China’s slowly moderating growth (by design), other Asia Pacific markets such as India and Indonesia will help the region continue to pace global growth. APAC GDP will advance well above the 5% mark for the foreseeable future.
- More robust growth and the 2018 Tax and Jobs Act have U.S. corporate profits at record levels and growing at rates not seen since the before the Great Recession. Given the strong correlation between corporate profits and business travel activity, this bodes well for the business travel industry in 2018 and 2019. This expectation comes with an important caveat – the profit windfall does not go predominantly to stock buybacks, dividend payouts, and M&A activity but instead is funneled into investment in equipment, intellectual property, and travel.
- Growth in China, the world’s largest business travel market, is projected to moderate from 6.9% in 2017 to 6.6% in 2018, 6.4% in 2019, and 6.1% in 2020, as regulatory tightening of the financial sector deepens, and export demand softens. China will try to avoid further escalation of the trade conflict with the U.S. as it continues to address rebalancing. Market-opening concessions will likely be offered. Finally, Xi Jinping’s prolonged tenure ensures policy consistency, even while it further regresses a political system that is increasingly at odds with China’s economy.
- We expect India and Indonesia to be the fastest growing markets over the next five years, picking up 11.3% and 8.7%, respectively, in compound average growth. These two markets continue to show enormous growth potential. India has made great strides over the last five years and its economy, and dominant services sector, are back on a high-growth trajectory after working through demonetization headwinds. Indonesia’s economy continues to exhibit great potential with annual GDP growth in the 5% range but will need to keep up with challenges like modernizing infrastructure, improving education and streamlining bureaucratic processes.

**Total Business Travel Spending (BTS):
Top 15 Markets (2017)**

	Total BTS (\$ Millions USD)	Annual Growth in BTS
China	346,502	9.0%
United States	292,290	3.1%
Germany	72,070	5.6%
Japan	63,798	-1.6%
United Kingdom	50,039	-0.7%
France	40,117	3.9%
India	37,127	12.5%
Korea, South	36,027	7.9%
Italy	33,970	3.9%
Brazil	30,683	12.7%
Canada	24,907	5.9%
Australia	23,458	6.6%
Spain	22,079	6.3%
Netherlands	19,323	5.1%
Russia	19,191	19.2%
Global Total	\$1,333,682	5.8%