

State of the Nations: Your 2025 round-the-world guide to optimizing your travel policy and spend at key destinations from the USA to Singapore

Emma Woodhouse 0:04

Good morning, good afternoon, good evening and wherever you are in the world, welcome to Business Travel on the Fly.

I'm Emma Woodhouse, Global Communications at Business Travel and Meetings Specialist CWT.

Together, CWT, and GBTA, that's the Global Business Travel Association, publish a Global Business Travel Forecast, which forecasts global and regional prices for the year ahead, for airfares, average daily rates on hotel rooms and meetings and events, along with trends and insight to help enterprise corporations and small to medium sized organizations alike budget for and build travel programs for the year ahead.

The 2025 edition marks our 10th anniversary. The forecast is a whopper. It's based on transaction data from more than 70 million ticketed flights, over 125 million hotel room night bookings, and more than 30 million car hires, covering data from 2018 to the present. Projections are based on ARIMA models developed by Dr Shawn DuBravac, who we will get to in a second.

Now, there are some strange portmanteaus in our industry, like pleasure or bleisure, depending on where you're from. One that springs to mind is Glocal, the ability to think globally and act locally.

This podcast has been going for a few years now. The stats are interesting, right? We've listened to in 111 countries and 2,249 cities. CWT itself operates in 139 countries. It's kind of fun reading the heat map. We have listeners in Hendersonville, Tennessee, in Bishkek, Nairobi, Melbourne.

Now, Stevenage isn't exactly a business travel hot spot, but thinking about the vast differences where our listeners tune in brings to mind that local dynamics are as important, if not more, so, in some cases, than the global and even regional picture. So today we're going Glocal. I'm joined today by two experts, Dr Shawn DuBravac is an economist futurist, trendcaster and New York Times bestselling author who empowers leaders and their organizations to improve their strategic decision making by understanding the changing technological and societal landscape and identifying the opportunities that lie ahead. Welcome Shawn...

Shawn DuBravac 2:03

Great to be here with you, Emma.

Emma Woodhouse 2:05

Also with us is Richard Johnson, CWT's VP of Solutions Group, the consulting arm of CWT. CWT Solutions Group helps travel programs strike the right balance between their cost management sustainability and employee well being objectives. Welcome Richard...

Richard Johnson 2:22

Hi Emma, pleasure to be here.

Emma Woodhouse 2:25

So today's an exciting first you have the global forecast, and Shawn and Richard will, for the very first time, reveal pricing forecasts and strategies for important global business travel hubs around the world. But first, Sean, why does this market pricing matter?

Shawn DuBravac 2:39

Market pricing really drives all of the business decisions that organizations are taking, your customers are taking, if you're in the travel industry, and obviously it impacts the decisions that you will also make. It's paramount that we understand what's happening at a macro level, but also what's, as you noted, what's happening at a very localized level as well. It isn't uncommon to see a key theme playing out at the macro level. Well, when we look underneath the surface, we see much, very different trends playing out in local markets. So it's really key that leaders pay attention to the trends that are happening at both of those levels.

Emma Woodhouse 3:23

Thank you, Sean. So I think then, with that in mind, I'll hand over the mic to our experts, to take us, weatherman style around the world to understand the trends, insights and strategic advice.

Shawn DuBravac 3:33

I think there's a couple of key themes to look for as we open up the aperture and we look broadly, I think some of the key themes that Rich and I have been talking about is how price volatility is really moderating. We saw, I would say, a very well behaving Travel Market prior to the pandemic, and then the last four years have really been in reaction to the volatility of events that we saw starting in 2020. After several years of significant price shifts, first down, then up, we see that that price volatility moderating. So we think we are entering into a period where planning will be easier for businesses. It'll be easier for business travelers, because we'll have removed some of that price volatility. Now that doesn't mean that prices are declining. In fact, we continue to see upward pressure on prices throughout the world, but removing some of that uncertainty about how big those price swings will be, I think, are important ones. And likewise, we see travel pattern volatility really starting to moderate as well. We saw big shifts during the pandemic of around how people were traveling. Obviously, there was a push towards more local domestic travel in the early aftermath of the pandemic, as markets begin to open up at an uneven pace. As we have moved now into 2024 and as we push into 2025 there will be, I think, less shifts in those travel patterns. We're starting to see things level out, and I think that's important as well. The other dynamic is that the global economy is starting to slow somewhat, and as a result, we're seeing consumer

demand starting to moderate. That has put a lot of pressure on what pricing was doing, because there were consumers who were willing to pay very high prices to travel to lots of places in the world. And as that dissipates, then that gives a little more room for business travelers, and obviously helps improve the pricing dynamics there as well.

Richard Johnson 5:47

You know, Sean, one of the things that really strikes me, as you mentioned, about the moderation of pricing, is that when I speak to customers, they're kind of breathing a sigh of relief that they don't need to use 2019 as their baseline anymore. They can, they can look back over the last couple of years and take comfort from that stabilization. You're right. Prices continue to increase, but at a more well behaved pace, indicative of just the economic recovery, without, you know, seeing those huge spikes and troughs that we saw around the pandemic period. And interestingly as well, you know, the suppliers, and the behavior of the suppliers is going to be particularly interesting because we're seeing that return of the business traveler. There was a period of time when you and I both know there was a significant challenge to the status quo, brought about by the pent up demand from the leisure sector. And, you know, seeing that dissipate, not gone entirely, of course, but seeing that dissipate, and seeing business travel coming back very strongly, I think, is really one of the interesting trends, and shifts back to more, more of a behavior reminiscent of the pre pandemic period.

Shawn DuBravac 6:58

Yeah, I think you're exactly right. And as we, as we look across the globe, and as we dive into some of these regions, I think you really see that, you know, the business traveler role moving front and center when it comes to what's happening in these markets, as again, as that consumer demand moderates a little bit. So for example, if we dive into what's happening in North America, you see some very interesting dynamics. Broadly, we see price increases slowing, but again, you've had very strong demand in these markets. From a seat capacity perspective, North America was one of the earliest to get back above 2019, levels, as demand was very high, there's still significant outward demand from the US, as individuals, both consumers and business travelers are looking to travel outside the US. So it has been a very strong market, and I think it'll continue to be a very strong market globally. But with that said, we do anticipate seeing prices start to slow into 2025 still, still positive growth, but at a much, much slower rate. And we see that moderating impact happening not just with airfare, but also with hotels and also with ground so if you know, you take a look at hotels, we think it's up when everything is said and done, about 3% in 2024 and up a little over 2% in 2025 and so you do have some, still some pricing growth, but at a much more moderate level than we had in those early, you know, early periods right after the pre pandemic.

Richard Johnson 8:43

There's some consistent themes as well, when we look at that, right? So obviously increased demand is one, constrained capacity is another. And that's relevant for both the airline and the hotel space. I think in terms of airlines, you know, we're also seeing the carriers further leveraging some dynamic pricing, particularly in the business heavy routes, and that's obviously helping to keep prices high. And then on the hotel side, of course, notwithstanding the demand recovery in the inflation, there's also been some constrained supply in some of those key business hubs and that's going to play, that's going to play a role in keeping prices growing strongly.

Shawn DuBravac 9:21

Yeah, I think you're exactly right. And it's worth noting that you see, you know price pressure's a little bit more in US than in Canada, so that really highlights the unique aspects between countries, even within the same region. So while we expect to see prices up slightly in the US, we expect prices appreciations in Canada be relatively flat, as we look out at 2025. You know, shifting south of of North America as we look at LATAM, there's a number of dynamics playing out there. Obviously you've got geopolitical uncertainties in parts of Latam which are going to impact where business travelers are traveling to. When you look at the pricing, you see pretty strong price increases for things like hotels. We expect prices in 2025 to be up almost 8% for the region, and that's driven in part by the fact that you just have much higher inflationary pressures in much of LATAM than you do in the rest of the world. And so, you know, if you look at airfare for LATAM, we don't expect quite those, those type of lifts, because of the way that, you know, we're tending to look at these the prices in dollars, but when it comes to, you know, hotels and ground transportation, we do see the inflationary pressures of that region really impacting it. So if you look at a market like Colombia, we expect hotel rates to be up about 10% in 2025 and again, some of that is driven by the fact that these countries face much higher inflationary rates than we see elsewhere in the world.

Richard Johnson 11:09

There's also particular cities in Colombia, I think, where they represent demand from the fact that they're major business hubs. So I'm thinking Bogota and Medellin particularly. You know, where, as a result of that demand, buyers really in those in those markets, should focus on things like fixed rate agreements, if it's if we're talking about hotels, because of its rising popularity as a corporate travel destination. On the airline side, you know, the fuel prices and that expanded travel demand going with that as well is also driving demand into those major business hubs. So really, monitoring the local economic conditions is important in certain cities within those markets, to anticipate further price shifts. So what we're seeing increasingly, is that level of kind of micro analysis that the travel managers are now having to do, rather than just looking at overall global spend and making, you know, making them purchasing decisions at the highest level,

Shawn DuBravac 12:12

Yeah, and, I mean, I you know, you flag an important thing rich, if you look at oil prices, we've actually seen oil prices trending down and so some of those cost pressures are probably alleviating globally. And at the same time in a lot of these markets, we continue to see strong demand for labor. Certainly that's the case in North America, and so that has put upward pressure on labor costs. So even though you might see key material costs like oil going down for airlines, they are facing higher labor costs. Something that you know, you've pointed out frequently is that the labor component of a higher premium seat is, you know, much higher. And so airlines just naturally have higher costs when it comes to delivering a first class experience. The food costs are up, the labor costs are up, and all of that impacts the pricing that we see in those key tiers of service.

Richard Johnson 13:17

One of the things I thought was interesting about the Latin American region. When we look at some of the key markets, Mexico, Colombia, Brazil, Chile, Peru, there's some common themes across that, which is the growth in pricing, particularly linked to those those regional business

hubs in each of those countries. So going back to our earlier point, we started about, the fact that business travel is really coming back and starting to replace the dissipating leisure demand. Those are examples of where it's actually taking shape in real form. So it's not just, you know, it's not just an opinion. The data backs that up very strongly. I think.

Shawn DuBravac 13:54

Yeah, yeah. I think you're exactly right. As we shift to other parts of the world, we can look east towards a pack, and you've got a number of really interesting dynamics playing out in a pack. Obviously, China is a big story there as part of a you know, the major driver in the market. And at the same time, they've been slow to recover. They've been slow to reinvigorate their travel markets outside of China, the economy has slowed, which has been a headwind for travelers headed into China as well. Now some of that may start to change. Recently, we saw China shift how they were thinking about their passports and their visas to come and visit, and so opening up some of that regulation to help spur demand for probably largely leisure travelers into China. But in the sweep of that, you might see a lift of of business travelers as well take advantage of the easier process to get a visa to travel into China. We anticipate pretty slow growth in pricing as it relates to China, given the headwinds that they face. If you look at next year, we expect hotel prices to be up only about 1%, we expect airfare to be up less than 1%. Now, obviously that could change if China does a lot to spur demand, both from from leisure and business travel, but right now, we see some headwinds for China. If you look elsewhere in the APAC region, though, for example, India, they continue to grow much faster than we anticipate. The economy has grown. They as a country, have strong ambitions. We've seen them grow key aspects of their economy. For example, manufacturing is an area that they are continuing to build out and trying to drive more manufacturing in the country. And as a result, you see strong demand for travel, not only within India, but also in and out of India, and that helps contribute to some of the price increases that we anticipate in India. Airfare was up close to 10% in 2024 we expect. It's up another 3% in 2025 if you look at hotel rates, we expect hotel rates to be up about 7% next year. So you do see rising demand driven, I think, in part, by the economic, the you know, the underlying economic, economy there. And as as a result of that. I do think you see pricing pressure a little bit higher in places like India than you might in other parts of a pack. But of course, India is not the only place in APAC that's growing. Many of the countries in the region are benefiting from this slow growth that China has been seeing, and the desire to decouple from China by other countries. And so I think you're going to see generally pricing pressure in a number of these markets that are seen in influx of demand.

Richard Johnson 17:10

Yeah, there's a couple of things that I noticed about APAC. I mean, just, you know, just to your point, around India, particularly, you mentioned about the growth and there is increased infrastructure development in India. I think when we were talking when we met at GBTA a few weeks ago, we were talking about how India sees itself as several years behind the curve of where China is in terms of that economic recovery and the growth of the middle class. And so that's probably what we're starting to see coming through now. And so for if I was a buyer thinking about what to do in India, I'd be focusing on tier two cities where some of my rates are more competitive. I'll be looking to align my travel policies on the air side with domestic carrier discount programs. But you know, more broadly, across APAC, there's a couple of things which I think are happening. There's going to be an interesting event driven demand in some markets. So when you think about major events, Expo 2025 in Japan, in Osaka, I think, and then you've got the Asian

summits in Singapore. Those are going to tighten supply, and they're going to increase costs in those in those markets particularly. But then across the board, the airlines and hotels are starting to incorporate environmental taxes. They're introducing sustainable practices into how they operate, and all of those things are going to impact pricing structures as well.

Shawn DuBravac 18:26

Yeah, I think you're exactly right. I think there's a number of things that we're seeing play out in APAC that are going to change how you know and ultimately what happens to pricing in those markets. Another interesting thing I think we've noticed looking at the APAC market is ground transportation, which, when it comes to renting cars, isn't necessarily a big component of a lot of those countries, but in Australia, it is an important component of business travel. It's a unique dynamic that's playing out in Australia and New Zealand, where we saw demand for car rentals go quite high in the early aftermath of the pandemic. Well, Australia was open to travel inside of the country, but not necessarily external travel, and so you saw price appreciations quite steep early on, and then over the last three or four years, you continue to see downward pressure on those price and we think that continues in 2025 we think ground transportation car rentals will be down about 5% and that really gets us back to where, close to the ranges that we were seeing in 2018, 2019 so I think it's a really interesting mini case study of what's happened in the pricing environment when it comes to business travel.

Richard Johnson 19:48

Yeah, you know how hard it was to travel state to state in Australia for a period during the height of the pandemic, those distances between cities, ordinarily, you know they can't be taken by planes. So I think what we saw is not so much people renting cars and driving Sydney to Melbourne, for example, but more that they would stay within, you know, within New South Wales, within Victoria, within their state. And I think that certainly helped to boy, the demand for car rentals during that period. So seeing that tail off now, I think coincides with the fact that the domestic vacations are starting to travel more by air or more internationally.

Shawn DuBravac 20:26

Yeah, I think you're exactly right. Let's close out now with what we're seeing in EMEA, and obviously Europe is a key component of what's happening in EMEA. Lots of geopolitical unrest happening in this region which has impacted where travelers are going and how travelers are getting there. We've seen flight routes, for example, be redirected because of conflict in the Middle East and conflict in Ukraine. Overall, I think that that's a key piece of the narrative, I think another key piece is just slower growth than we're seeing in the rest of the world. So when we look at pricing in 2025 for the region, we expect airfare to be up about a percent and a half. We expect hotels to be up, you know, not dissimilar, up just under 2% for the year. Now, obviously, a lot of things could happen there. We could see the conflict in the Ukraine settle down, and maybe that changes trading patterns, that changes economic activity, but right now, at least at that higher level, we continue to see the economic headwinds impact demand, and conversely, also impact pricing as it relates to that.

Richard Johnson 21:45

And we also need to think about the taxes and policies, especially in the EU that are going to add some of that upward pressure to airfare, excuse me, and introduce, you know, hotel strategies. We've already seen some of the climate related regulations, the bans on short haul flights, for example, that are redefining some some regional travel strategies. We've got the Paris Climate Conference next year that has the potential to have a ripple effect on on travel pricing and availability as well. And let's not forget that across the region is blessed with a better than average rail infrastructure. So the viable alternatives for traveling within the region, outside of air, are very real, and you can't say that with the same confidence when you talk about markets like the North American market or the Australian market just because of the sheer vastness.

Shawn DuBravac 22:37

Yeah, I think you're exactly right Rich. And I think your point on rail travel is very important, because that's an area where we've actually seen prices increase quite significantly in in the last year, and I anticipate we'll continue to see that, probably driven by demand, obviously driven by the desire to upgrade infrastructure, driven by the desire to look at alternatives to maybe a short haul flight, and in some cases, regulation that prohibits those short haul flights. So there's a lot of things that I think are driving demand around rail, and that is clearly a very unique aspect of what's happening in Europe today. You noted some of the big events that helped drive pricing. What's interesting is, when you look at Europe, I think those had short term impacts in 2024 but probably created a little bit of a vacuum when it comes to travel as well. So if you look at whether it was the Olympics in France, or Euro Cup in Germany, that probably caused some short term spikes. And clearly in and around the Olympics, we saw all time record hotel rates in Paris, but you also had likely less demand early on, as people tried to avoid going to Paris or going to France perhaps. And I think in the aftermath, you saw some some lull as well. And so overall, well, there were periods of spiking demand and spiking pricing. We think it really netted out and settled down for the year. And we think that probably continues for next year. So if you look at France, for example, we expect hotel rates to be up pretty in line with what we're expecting for overall Europe, up almost one and a half percent compared to 2024 we expect air fares to be up just under 3% in 2025 so, you know, very comparable to what we might expect for the rest of Europe, and then again, another sign of what you indicated on rail, car rentals pricing will probably be flat in 2025 compared to where it was in 2024 as people look at at other alternatives.

Richard Johnson 24:57

We've gone all around the world, Sean, should zoom back out and talk a little bit about high level what we see for the globe in 2025. I'm happy to share my thoughts first, I think there's a few unpredictabilities which need to be factored in. Obviously, weather disruptions, be it hurricanes in North America, typhoon in APAC, they can derail travel plans. So I think flexible policies for the buyers who are listening are very key. You've obviously got the instability that you mentioned, both in terms of what's happening in Ukraine, but also Middle East instability could lead to cancelations, it could result in price hikes. So there's certainly a need to think about diversified route options there. And of course, you've got the new regulations around climate taxes or emissions based surcharges, and that could surprise buyers. So building contingencies into budgets to accommodate that is very, very important. I think if I was to give three pieces of advice to travel managers I'd say, stay ahead by aligning your supply negotiations with the realities of the local markets you travel to. In other words, a one size fits all approach doesn't work. Do focus on early booking and dynamic pricing models to secure cost effective deals, particularly in regions that are more volatile. And then thinking about one region in particular, in EMEA, consider

adjusting your policies to align with new regulations, for example, ones like the climate related flight restrictions.

Shawn DuBravac 26:25

Yeah, I think those are all really, really important points. I would only add one to that, and it's the fact that you see government shifting in the number of countries that I think will have an impact on how business changes in 2025, we had a record number of elections in 2024, we saw many countries vote out the incumbents and vote in a new administration. Certainly that was the case in in the US. Yeah. Now we don't have that new President and his administration in place yet, but they start in office at the beginning of 2025 and while it will take some time to see those changes come to fruition, there is the expectation that we will see changes in 2025 around how business is done globally. I think that will be true, not just in the US, but in other countries as well as they reassess those relationships, and that's going to have key impacts on where business leaders need to travel. So your point about being flexible, I think, is important, because you may in the next year, see that your executives need to travel to very different markets than they have been traveling in the past, and that might mean a significant shift in how your travel dollars are spent, what other policies and procedures you need to adjust because of these changing patterns? So there's a lot to consider that go far beyond just the pricing.

Rich: Absolutely.

Emma Woodhouse 27:54

Thank you to Shawn DuBravac and Richard Johnson for the whistle stop tour and sharing some pretty big variations and associated advice for key markets, helping planners tackle their spend and strategies in 2025. You will find these figures and advice from both of them in our show notes. And if you're keen to find out more about the future of travel and work from experts around the world, subscribe to Business Travel on the Fly, on Spotify, Apple, Google Play, or wherever you go.