



**Travel To,
From, Within
Asia Pacific
Outpaces
Other
Regions**

BUSINESS TRAVEL IS BOOMING

Led by double-digit growth in China, business travel spending in the Asia Pacific region now comprises 40 percent or \$494 billion of the \$1.2 trillion 2015 global market. While growth has slowed to an annual average rate of 7.6%,¹ some estimate that the Asian business travel market will “grow four times as fast as in North America and more than twice as fast as in Europe” by 2018. By 2025, Amadeus expects “corporate travel spending in Asia Pacific will have doubled and account for half of the world’s total.”²

FROM THE SPONSOR

Korean Air partnered with The BTN Group to bring you this white paper to highlight the continued growth expected in travel to, from and within the entire Asia Pacific region and the opportunities, as well as challenges that such rapid growth might present for corporations, travel managers, industry suppliers and infrastructure providers. Learn how we can help you get the best of both worlds at www.koreanair.com

The reshuffling of business travel growth leaders began in 2015 as the Chinese business travel market topped \$291 billion, 11.4% more than a year earlier, to eclipse the \$289.8 billion United States business travel market, according to the latest Global Business Travel Association BTI Outlook issued in July 2016. Over half of the \$1.2 trillion business travel market³ in 2015 was spent in Western Europe and North America, long the world’s largest two markets.

What challenges and opportunities does such rapid growth present, not only for those in the region, but for travelers and corporate executives charged with devising the strategies and supplier partnerships to ensure that company travelers make the most of such journeys? In this white paper, The BTN Group Content Solutions and Korean Air, highlight market realities today and forecasts for the next few years in travel, business travel and air transport and hotel infrastructure to better inform managers as they devise strategic plans for the region.



GLOBAL TRAVEL OUTLOOK

On a global basis, travel and tourism represents about 9.8% of world Gross Domestic Product (GDP) or US \$7.2 trillion, according to the latest annual research from the World Travel & Tourism Council and its partner Oxford Economics. “The sector is set to face macroeconomic conditions and other challenges in 2016, but nevertheless expected to perform at a solid growth rate and outperform global economic growth once again.”

Post-Brexit, Oxford Economics downgraded its global GDP growth targets to 2.3% in 2016 and 2.6% in 2017 with travel outpacing the economy at 3.1% in 2016 and slightly lower through 2020. Other forecasts paint a much more frantic pace.

AIR TRAFFIC TO DOUBLE

Air traffic worldwide is expected to double by 2030, according to projections from the International Civil Air Organization, Airbus and GMF.⁴ Already leading world air traffic with 30 percent of revenue passenger kilometers (RPKs) (versus Europe’s 25% and North America’s 24%), the Asia Pacific region is expected to grow air traffic by 5.7% a year over the next 20 years for a 36% world share of RPKs by 2035, according to Airbus and GMF.

“By 2034, one in five air travelers will be traveling to, from or within China. And by far, the Asia Pacific will be the biggest market for global aviation,” International Air Transport Association Director General & CEO Tony Tyler wrote in a Business Times Singapore commentary earlier this year.

Boeing’s latest market outlook also points to continued growth in the Asia Pacific region. “As a result, airlines, airport capacity, and passenger traffic are expected to experience a robust growth rate in the next

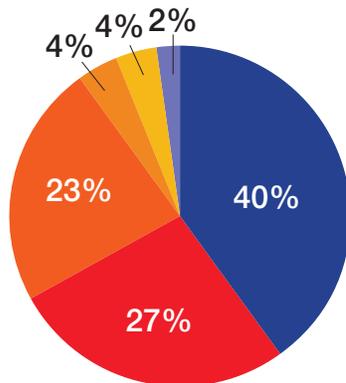
20 years. Demand in commercial aviation is also coming from the continuing expansion of the middle class in Asia, where a greater sector of the population is reaching income levels that make flying more affordable.”⁵ Removal of structural impediments, ranging from the liberalized aviation markets to the easing of visa restrictions, also are helping to grow the market, officials stated.

Among other future growth projections noted in various forecasts:

- 50% of the top 20 traffic flows will involve Asia Pacific
- Five-fold growth of domestic traffic in India is expected over the next 20 years
- 70% of traffic growth will come from existing network through 2035 with 30% from new routes
- By 2035, 62% of the world’s population will live in cities
- Aviation megacities, which number 55 in 2016, will grow to 93 by 2035 with 2.5 million daily passengers on long-haul traffic to/from/ via these megacities

Global Business Travel Spend

BY REGION



Asia Pacific	40%
North America	27%
Western Europe	23%
Emerging Europe	4%
Latin America	4%
Middle East/Africa	2%
Global BTS	\$1.2T

Source: GBTA BTI Outlook, July 2016



SLIGHT INCREASES FORECAST IN 2017 BUSINESS TRAVEL COSTS

With lackluster global economic performance in the first half of 2016 and International Monetary Fund projections of 3.2% global economic growth, the Global Business Travel Association and Carlson Wagonlit Travel said “economic uncertainty” would be a key theme for 2017.⁶ The report emphasized the “growing number of key trends and risks” that travel managers should watch in 2017, including emerging market performance in China, Brazil and elsewhere, financial market turbulence, geopolitical risks, oil prices, the United Kingdom referendum to leave the European Union and U.S. Federal Reserve decisions on interest rates.

AIRFARE PROJECTIONS

On a global basis, the GBTA-CWT projections call for a 2.5% increase in air prices in 2017, led by 4% in Eastern Europe, 3.7% in North America and a decline of -1.1% in Asia Pacific.

Specific to airfares, the GBTA-CWT forecast advised that “Asia Pacific pricing is expected to remain mostly stable throughout 2017 as the region is helped by lower fuel prices and continues to grow slowly. Japan and Singapore will face a significant impact on airfare pricing given currency exchange rate projections. With Australia, China and India consider regional leading markets for air travel, all markets—big and small—are fiercely competitive ensuring no major price increases. China is settling in to its softened demand and a ‘new normal’ after years of explosive growth; and India, with government-controlled inflation, is also flat for airfares heading into 2017,” according to the GBTA-CWT pricing outlook. Air pricing in South Korea is forecast as flat, with a 5.1% rise expected in

Thailand and 2.9% increase in Malaysia.

HOTEL PRICE, SUPPLY FLUCUATIONS

The study forecasts a 2.5% rise in 2017 hotel prices globally, led by 4% jump in North America, 1.8% bump in Western Europe and a decline of 0.6% in Asia Pacific. By country, the forecast indicated an increase of 3.7% in Malaysia, 3.3% in Thailand, 1.8% in Vietnam and a decline of -6.4% in South Korea and -2.9% in Taiwan. In China, business travelers could face a 21+% jump in hotel pricing due to a change to a 6% Value-Added Tax or VAT instead of a 5% business tax. Some hotels have simply added the new VAT on top of the room rate and other applicable fees, resulting in increases of 16% or more, the report warned.

To keep up with the demand, hoteliers have announced new properties throughout the region. STR reports 584,015 rooms in 2,538 projects under contract in the region, a 5.4 percent increase from a year earlier. China led with the most rooms (131,135), followed by India and Indonesia, each with more than 20,000 rooms under contract.

Top 10 Business Travel Spending Markets

Country	Total BTS (\$Million)	Annual Growth In BTS
China	\$291,276	11.5%
United States	\$289,837	2.2%
Germany	\$63,534	9.8%
Japan	\$62,101	1.0%
United Kingdom	\$47,138	8.3%
France	\$37,103	3.0%
South Korea	\$32,598	1.5%
Italy	\$31,621	2.2%
Brazil	\$30,521	-4.1%
India	\$29,629	11%

Source: GBTA BTI Outlook Annual Global Report & Forecast: Prospects for Global Business Travel 2016-2010, July 2016



GROWTH DRIVERS: CHINA

► GROWTH OF 4% PER ANNUM

Traveler arrivals from China to Asia Pacific destinations are expected to climb from an estimated 102 million in 2015 to more than 150 million by 2020, according to the latest Asia Pacific Visitor Forecasts 2016-2020 from the Pacific Asia Travel Association (PATA). “This one source market will dominate the region’s international tourism landscape, generating close to 23% of all arrivals to Asia Pacific destinations by the close of this decade,” the report stated. It also increases travel expenditures in the region to more than \$230 billion by 2020, up from \$157 billion in 2015.

The report projects annual travel arrivals into the region to grow at about 4% per year or to more than 657 million travelers by 2020, up from 538 million reported in 2015. “About 78% of that volume will come from Asia, while the Americas will generate around 16% of that increase,” according to the PATA forecast. “Much of this growth will be intra-regional. Around 83% of the additional volume from the Americas, for example, will be directed toward destinations in the Americas, while for Asia, more than 95% of that volume, increase will be to destinations in Asia.

To meet the demand, more than 100 airport construction projects worth billions of dollars have been announced. However, some are concerned about whether the new infrastructure can be built fast enough to keep up with the rising demand and ease some of the delays that have begun to emerge. Some airports in the region are exceeding designed capacity already.

“Over 70% of business travel spending in the Asia Pacific region comes from trips originating in China or Japan and that share continues to grow because even with

moderating growth, China’s market outpaces the growth in the rest of the region,” according to the GBTA BTI Outlook.

EMERGING MARKETS

“Collectively, the 14 Asia Pacific markets are expected to grow by an annual growth rate of 7.9% over the forecast period of 2014-2020,” according to a MasterCard Insights forecast. “The largest outbound market in 2020 will be China, followed by South Korea and Japan.”⁷

Emerging markets in the region include China, India, Malaysia, Thailand, Indonesia, the Philippines and Vietnam. Developed economies are Japan, South Korea, Taiwan, Hong Kong, Singapore, Australia and New Zealand.

India: Total outbound trips are expected to grow much faster than total household growth in India, which has grown from the world’s 15th largest business travel market to 10th with \$29.6 billion in business travel spending.

Indonesia: Indonesia ranked as the 17th largest business travel market on the latest GBTA BTI report, up from 21 in 2000.

MATURE MARKETS

South Korea: While GDP growth slowed somewhat in Korea in recent years, Oxford Economics forecasts 3 percent growth in 2016, spurred by monetary and fiscal policy actions, along with increased household spending, according to a BCD Travel Market Monitor report. “International visits to South Korea have increased an average of 6% per year since 2000, in line with regional trends. Over the next five years, the country is expected to become one of Asia’s fastest-growing travel markets.”

While international hotel chains have been largely confined to the Seoul-Incheon metro



area, “they are slowly spreading to other cities like Busan and Daegu. Independent South Korean hotels still dominate most markets,” according to BCD Travel.

GBTA’s BTI Outlook pegs South Korea’s business travel market at \$32.6 billion in 2015, an increase of \$482 million from a year earlier. It projects the volume to grow 4.4% a year through 2020, outpacing the 2.6% to 2.8% economic growth. The report groups South Korea, Singapore, Hong Kong and Taiwan as the four Asian Tigers with a collective \$45 billion in business travel spending.

Japan: Long the world’s third largest business travel market, Japan relinquished the position on the GBTA BTI Outlook this year to Germany as overall spending was \$62 billion or about 12 percent of the region’s total.

ASIAN BUSINESS TRAVELERS PROFILED

With the growth in the market, the Singapore Tourism Board, McKinsey & Company, Amadeus and Visa Worldwide last year sought to “understand the consumer decisions and behaviors of the Asian business traveler,” through a series of online surveys, travel manager interviews and analysis of booking patterns from Amadeus data from 2012-2015 and spending patterns from Visa for the same period. Organizers garnered 2,565 responses from travelers in China, India,

Indonesia, Japan and Singapore. Travelers appear to be gaining greater autonomy in booking flights and hotels and using online tools as 69 percent of respondents are able to choose their airlines, either from a preapproved list or without restrictions. Findings also detailed that travelers want even more—convenience, service and individualized choices.

CONCLUSION

With the incredible pace of change in this region, it’s clear that corporate executives and travel professionals will be hard pressed to keep up all the changes and additions. Consider options and develop a plan to track changes and communicate them to travelers as well as sourcing and procurement executives working on supplier relationships.

Traveler needs and expectations likely will change more frequently than before or in other regions. Managers will need a plan to learn of those changes and adapt programs.





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Korean Air—the largest transpacific carrier—flies from more cities in the Americas to more cities in Asia than any other airline. It currently operates around 100 weekly flights from 13 gateways in North America including Atlanta, Chicago, Dallas, Honolulu, Houston, Las Vegas, Los Angeles, New York, San Francisco, Seattle, Toronto, Vancouver and Washington. Delta offers 14 weekly flights to Seoul Incheon International Airport from its global gateways in Detroit and Seattle. Korean Air currently has codeshare partnerships with 35 airlines on 260 routes worldwide and is continuing to expand its partnerships to provide convenient schedules for its passengers. **Learn more at koreanair.com**

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