

# SPENDING ON BUSINESS TRAVEL IN THE U.S. TO GROW BY 7%



country's economic recovery.

According to a Visa-sponsored survey conducted by the Global Business Travel Association (GBTA), the U.S. business travel spending is expected to grow about 7 percent on year-on-year basis in 2014. The report clearly highlights the relationship between business travel and the country's economic growth. The study also points out that the U.S. businesses have increased confidence in the

In the first quarter of 2014, business travel in the U.S. grew as much as 3 percent on year-on-year basis as the money spent by companies on travelers increased 7.6 percent to \$71.2 billion. This is because companies increased their travel budgets and withdrew some of the restrictions. For the full year, it is expected that business travel spending in the U.S. will increase by 6.8 percent to \$292.3 billion.

In the U.S., spending on business travel supports as many as 7.1 million jobs. This is because there is an intrinsic link between increased business travel, jobs generated and economic growth. Some of the key statistics that point towards a positive outlook are as follows:

- For the year 2013, the number of persons who traveled because of business requirements was earlier reported as 448.7 million. It has now been revised to 468.8 million. This works out to a 4.7 percent year-on-year increase. However, spending remained at \$241 billion as forecasted earlier.
- In 2013, group business travel was much more than individual business travel. Group business travel grew 8.6 percent. This indicates that the economy is witnessing a recovery and discretionary spending is increasing.
- Individual business travel is expected to grow only by 2.3 percent in 2014, but spending is likely to increase by 5.6 percent because of higher prices and additional spending per trip.

Electronic payments do play key role as far as U.S. business travel growth is concerned, but some of the key trends that can have an impact on business travel in the coming months are as follows:

## **Travel Prices**

It is anticipated that the travel price growth may not be significant in 2014, but it likely to pick up momentum in 2015. This is partly due to the fact that the airfare prices are likely to remain relatively stable in 2014 and increase in 2015 as airlines enjoy increased pricing power because of consolidation in the industry. The key contributors to the increase in travel price are rising rental car rates, food prices and lodging costs.

## **Outbound International Business Travel**

As outbound international business travel continues to grow, the trip volume and spending are expected to increase by 6.6 percent and 10.3 percent, respectively, in 2014. This indicates that economies around the world are recovering from the Great Recession. However, it is better to exercise some amount of caution as advanced countries are faced with the risk of lower-than-expected inflation, emerging market economies have to deal with increased financial volatility and

investment is likely to be dampened because of an increase in the cost of capital. All these factors can weigh down economic growth.

### **Oil Prices**

Oil prices directly impact business travel because the jet fuel price and other travel-related expenses fluctuate. Price of oil also provides indications about travel inflation and economic growth in the future. Currently, oil supply is more than the demand and, therefore, prices are likely to remain stable. Geopolitical upheaval, specifically in the Middle East, is a factor that causes oil prices to spike and airfare as well as other travel prices to shoot up.

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