HOTEL PRICES TO RISE AND GLOBAL AIRFARES TO REMAIN STABLE IN 2016

Airfares will rise by 0.5% while hotel prices are set to grow by 2.5% globally next year, according to the 2016 Global Travel Price Outlook report for the sector prepared by CWT in collaboration with the GBTA Foundation.

The 50% fall in the price of crude oil and the 60% decline in aviation fuel will **increase the profitability of airlines, especially in the Asia-Pacific region (+ 1.2%), where 26% of the airlines are low budget.** Specifically, Singapore (+ 3%), China (+ 2.8%) and Australia (+ 2.7%) are the largest contributors to this increase, while Indonesia falls by 1%.

Latin America and the Caribbean (+ 0.8%) are second on the list, followed by North America and Western Europe, both up 5%, while Eastern Europe and also the Middle East and Africa will rise by a mere 0.1% in 2016, with declines in Denmark (-1.5%), Italy (-1.4%), Germany (-0.7%), Russia (-0.9%) and Spain (-0.5%).

In the case of travel managers, 44% of Asia-Pacific respondents believe that increasing airfares will lead to an increase in spending on travel, while 54% of those surveyed in Europe said discounts negotiated with airlines will remain the same, as against 22% who believe that possibilities for discounts will be reduced. 38% of travel managers from Latin America said that an increase in airfares will cause an increase in travel expenses.

Another trend in the air travel sector is that only 6% of tickets on North Atlantic routes were from non-joint venture companies compared to 84% in 2009. Joint venture partnerships are therefore going to be consolidated.

Service charges for additional services accounted for 6.7% of total airline revenues. In addition, there will be a new method of voluntary transmission of data to be implemented starting in 2016.

Led by North America (+ 4.3%), hotel prices will increase by 2.5% globally in 2016. Specifically, the increase will be driven by a 4.7% increase in the US and 2.5% in Canada.

Latin America and the Caribbean will increase by 3.7%, especially Venezuela (+ 15.2%), with increases in all markets except Peru (-2.3%). As for the Middle East and Africa, they will grow by 1%.

On the other hand, the survey points to increases in the Asia-Pacific region (+ 3%), especially Japan (+ 5.6%) and Singapore (+ 4.9%), compared to Hong Kong (+ 0.5%), China (+ 0.3%) and Indonesia (+ 0.1%), where there will be only a slight increase.

Eastern Europe will grow by 2% while for Western Europe there will be a 0.7% increase. In addition, 51% of travel managers said that hotel rates will be higher in 2016, compared to 10% who believe otherwise. For Spain, the survey finds that prices will fall by 0.6% compared to Norway, where there will be a 5.6% increase in prices.

Hotels are looking to maximize the charges for additional services and are applying stricter cancellation policies. Progress continues to be made with dynamic pricing agreements while small to medium-sized businesses are going for presence online.

The survey shows an 11% increase in group size in the Asia-Pacific region and a 5% increase in daily cost per participant in 2016, while in North America group size will go up by 2%, with the daily cost per participant rising by 4.5%.

For their part, Europe, the Middle East and Africa will see a 1.2% increase in group size, with the daily cost per participant down 0.4%. In Latin America, the relationship between group size and spending per participant will be reversed, as the number of participants will decrease (-1.5%) but daily spending per person will see an increase (+ 1%).

In 2016, the demand for rental cars will not grow fast enough and the rates will be stagnant due to the rise of the collaborative economy. The region with the largest increase will be Western Europe (+ 0.5%) with a 0.3% increase in Spain – while North America and Eastern Europe are to remain flat.

The survey reveals that car rentals is a market to be exploited since between 4% and 6% of total business travel expenses is earmarked for this purpose. China and Japan, for their part, are the leaders in high-speed trains, which are usually state property, so the rates are fixed. India has announced that it will increase its high-speed network by 10%, a decision that will show effects in the next five years.

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