

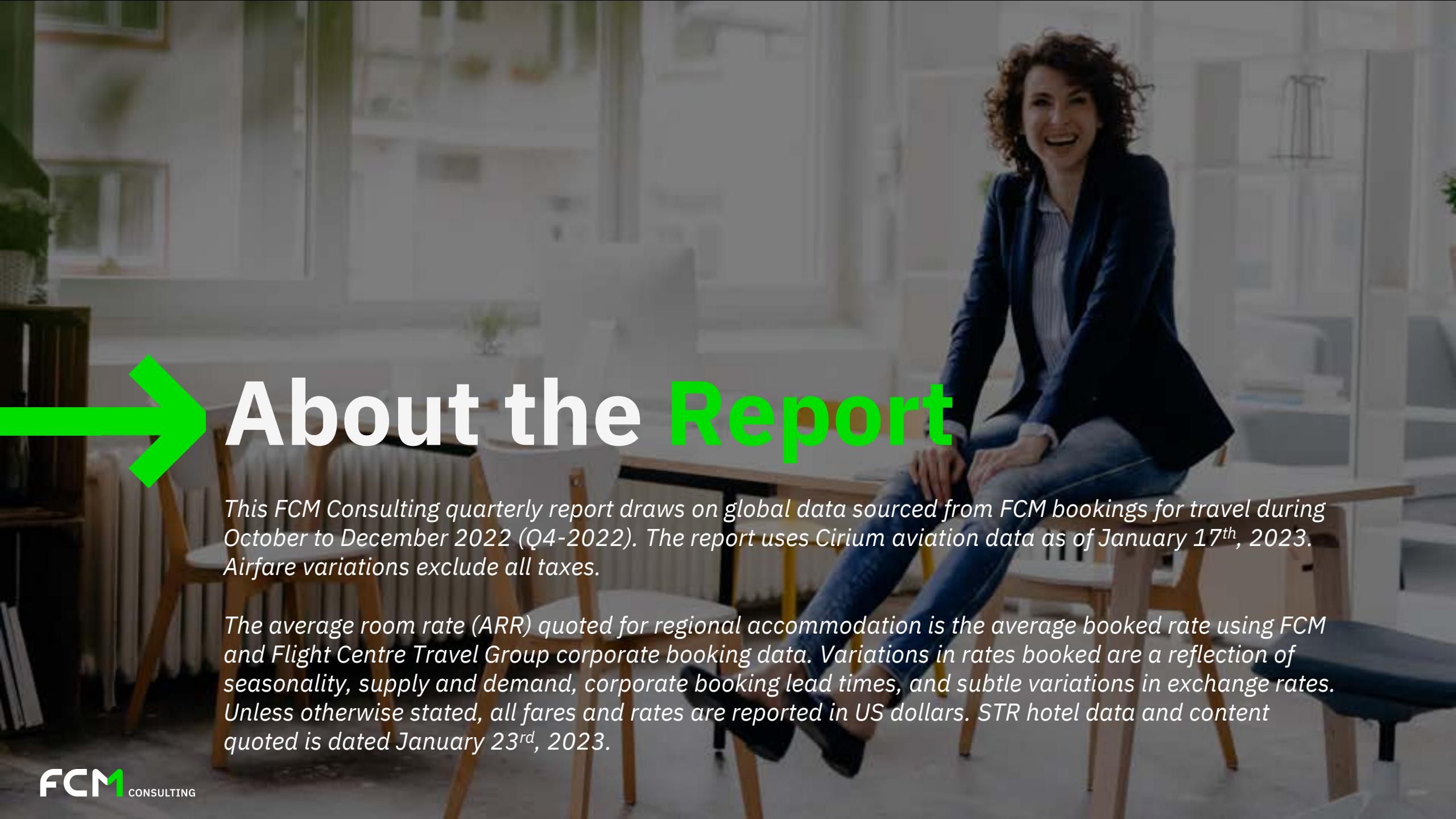


Global Quarterly Trend Report

Q4-2022

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About the Report

This FCM Consulting quarterly report draws on global data sourced from FCM bookings for travel during October to December 2022 (Q4-2022). The report uses Cirium aviation data as of January 17th, 2023. Airfare variations exclude all taxes.

The average room rate (ARR) quoted for regional accommodation is the average booked rate using FCM and Flight Centre Travel Group corporate booking data. Variations in rates booked are a reflection of seasonality, supply and demand, corporate booking lead times, and subtle variations in exchange rates. Unless otherwise stated, all fares and rates are reported in US dollars. STR hotel data and content quoted is dated January 23rd, 2023.

CORPORATE Need to Know

Q4-2022 wrapped up the corporate travel industry's year of recovery, kept buoyant by strong growth in Q2 & Q3. All eyes are now focused forward on 2023.

This edition of FCM Consulting's Quarterly Trend Report explores the key outcomes of 2022 and how 2023 is shaping up. We are heading into a year of varied forecasts across the travel industry, influenced by the same macro trends and risks witnessed in 2022. How is your travel budget tracking against a backdrop of rising costs?



MORE
MEETINGS



TRAVEL
DISTRIBUTION



RISING TRAVEL
COSTS



QUICK STEPS ON
SUSTAINABILITY



UNINTERRUPTED
TRAVEL



AIRLINE SEATS
BLOSSOM

CORPORATE TRAVEL

Key Takeaways Q4-2022

1



AIR SEATS BLOOM

In Q4-2022 China was preparing to open its borders. At the time of writing this report, Asia had increased airline seats offered +17% from Q4-2022 to Q1-2023. Pent-up travel demand into and out of China is forecasted to last 3-5 months, with longer term travel patterns likely to return in 2024 pending economies.

2



DISTRIBUTION

In 2022 we saw British Airways, Air France, Qantas, American Airlines, and others, commence rollout of new air travel retailing options, known as NDC*. Currently 63 airlines (as noted by IATA) are on a pathway to offer NDC content.

What can you expect in 2023?
More airlines starting to offer expanded content to travelers.

3



TRAVEL COSTS

Forecasting the rate of inflation in 2023 and the flow-on effect is challenging.

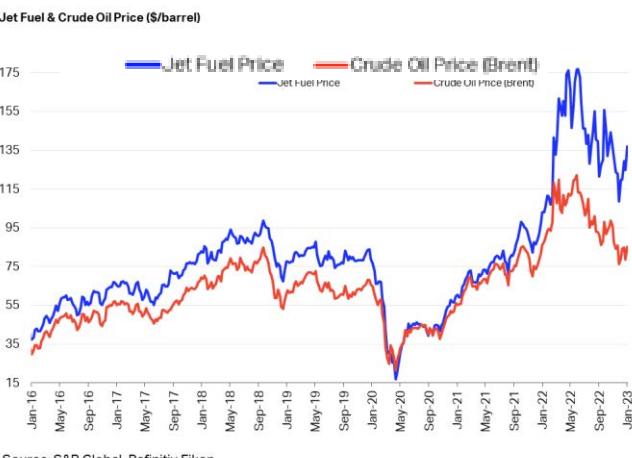
What we can share is that travel costs will remain high for at least another six months. With travel demand strong, fares and rates will remain high. As demand slows and additional supply is provided we will reach a leveling period in travel costs.

4



FUEL REMAINS HIGH

Jet fuel is **US\$131** per barrel^ down **US\$44** on the 2022 peak **US\$175**.



[^] IATA Fuel Monitor reported the week ending January 19th, 2023

* NDC = New Distribution Capability is an initiative by IATA, for the travel industry, supporting the development of airlines to improve and enhance communication through XML feeds to expand retail air sales and content. Benefits include faster dynamic pricing, personalized content and broader choice of airline ticket packaging.

CORPORATE TRAVEL

Key Takeaways Q4-2022

5



MEETING FORECAST

By the end of 2022, clients **planning for virtual and hybrid conferences had dropped by 75% compared to 2021***.

With budgets ready and no concerns about interruptions or cancellations, corporates are booking events throughout 2023 and 2024. Significantly more events are being planned for than in 2019.

6



THE AUDIENCE

FCM Meeting & Events emerging trends for 2023:

- Increasing **sustainability** focus
- **Integrated technology** for the ultimate delegate experience
 - **Audience integration** and on-the-go content contribution
 - **On-demand content** to engage pre, during, and post-event
 - Strong emphasis on **diversity, equity, and inclusion.**

7



UNINTERRUPTED

For nine* months in 2022, most of the world was “getting back on the road.” Airline seat volume doubled from 2021 to 2022. During this time travel was tricky to navigate and likely to change at any moment.

In **2023**, travelers are feeling **more confident** to travel and **less stressed** with the removal of testing and quarantine terms.

8



DEMAND ↑↓

We saw a slight softening in airline passenger load factors[^] globally with an average of **81.6%** for the month of **September 2022** (82.2% international and 80.6% domestic travel)

Global hotel occupancy for the full-year 2022 was **60.5%** (as noted by STR). We forecast corporate travel to peak in Q2-2023 pushing rates up.

*Meetings and events data supplied by FCM Meetings & Events.

** Nine month average for the period commencing April 2022, noting that some markets commenced unrestricted travel with no lockdowns earlier.

[^] Passenger Load Factors as reported by IATA November 2022. Passenger load factors of an airline is a measure of how much of an airline's passenger carrying capacity is used. Calculated as passenger-kilometers flown as a percentage of seat-kilometers available.

FROM THE FRONTLINE

FCM Consulting Our Top 6 for 2023

SUSTAINABLE BUSINESS TRAVEL

1 TRACK, REPORT, REDUCE

If you're not already, it's time to **track, report, and reduce** your emissions.

The best value you can bring, is to **align emissions** tracking to your business targets and reduction goals.

2 GO BEYOND CARBON

Set standards **beyond carbon tracking**. Build out a holistic strategy and make an impact. Some suggestions:

- Prioritize hotels with EV* charging stations to support EV car rental, or
- Prioritize hotels with locally sourced F&B

3 SUPPLIER SOURCING

When sourcing suppliers ask what **policies and practices** are in place and what **accreditation and standards** have been achieved. Choose suppliers that **align or surpass** your own business targets.

4 SAF OPTIONS

Explore **SAF[^]** opportunities and how your involvement can build long-term goals. Consider small investments to start, and allow your internal business to understand the **importance of SAF for the future**.

5 EDUCATE

Invest in educating your corporate travelers on why sustainability is important. Share **best practices** and **tips 'n' tricks** when traveling. Most importantly **share business targets** with travelers.

6 EMPOWER

Provide the **policy, processes, and OBT visual guides** that allow travelers to choose more sustainable suppliers, and **adopt better travel behaviors**. This also includes allowing them to choose carbon mitigation options.

* EV = Electronic Vehicles.

[^] SAF = Sustainable Aviation Fuel

AVIATION

Key Takeaways Q4-2022

1



2023 CONTRACTING TIPS

As 2023 has arrived and travel has returned, here are our contracting tips:

- **Airline contracts have changed.** Read the fine print on commitments including spend thresholds, NDC requirements, non-performance penalties, etc.
- **Discounts are dropping** unless there are competing tensions on routes.
- **Leverage your OBT** to drive compliance and achieve carrier targets.

2



CONTINUOUS SOURCING

Why have continuous sourcing?

As airlines make more changes in 2023 including flight schedules, seat capacity, pricing, and even adding NDC[^] for new options, it's important travel procurement teams regularly review and manage airline supplier models to ensure contracts still hold value.

You may be leaving 5-10% in savings on the table in certain situations.

3



DOMESTIC RETURNS

Domestic seat capacity dominates Q1-2023 vs Q1-2019.

	DOMESTIC	INTERNATIONAL
APAC	+8%	-41%
EUROPE	-11%	-11%
LATAM	+7%	-13%
NAM	+3%	-6%

[^]See page 4 of this report for summary points relating to NDC.

AVIATION - GLOBAL

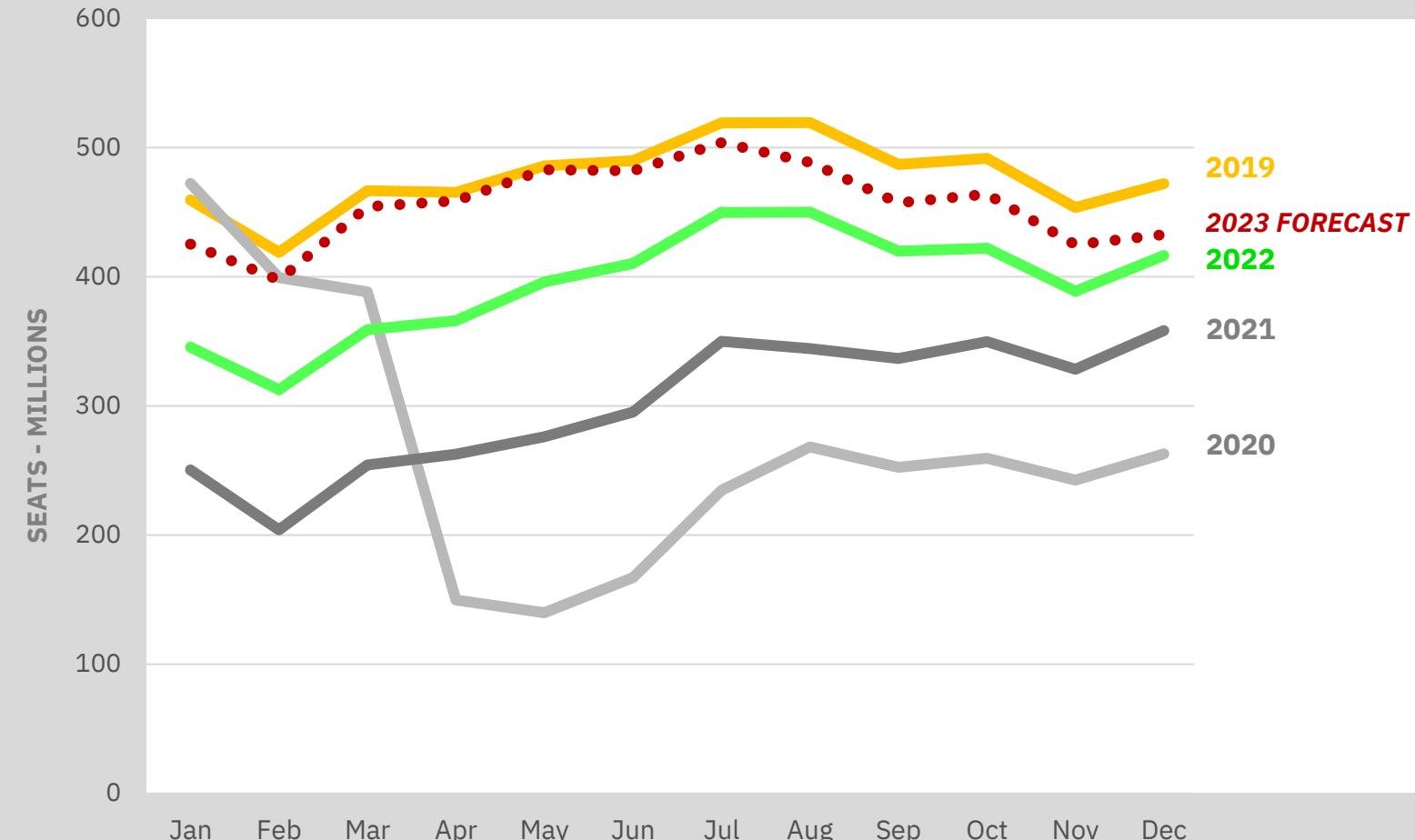
RECOVERY AT LAST

**Q4-2022 seat capacity was
+18% on Q4-2021, and
-13% on Q4-2019.**

**With a minor slow down in
seat growth in Q4, the 2022
full-year seat capacity was
+31% on 2021, and
-17% on 2019.**

Predicting the full-year 2023 seat capacity is a very long range forecast, nonetheless, airline schedules are **-4%**, less seats than in 2019. Q2-2023 heading into northern hemisphere summer shows optimistic travel signals.

GLOBAL SEATS



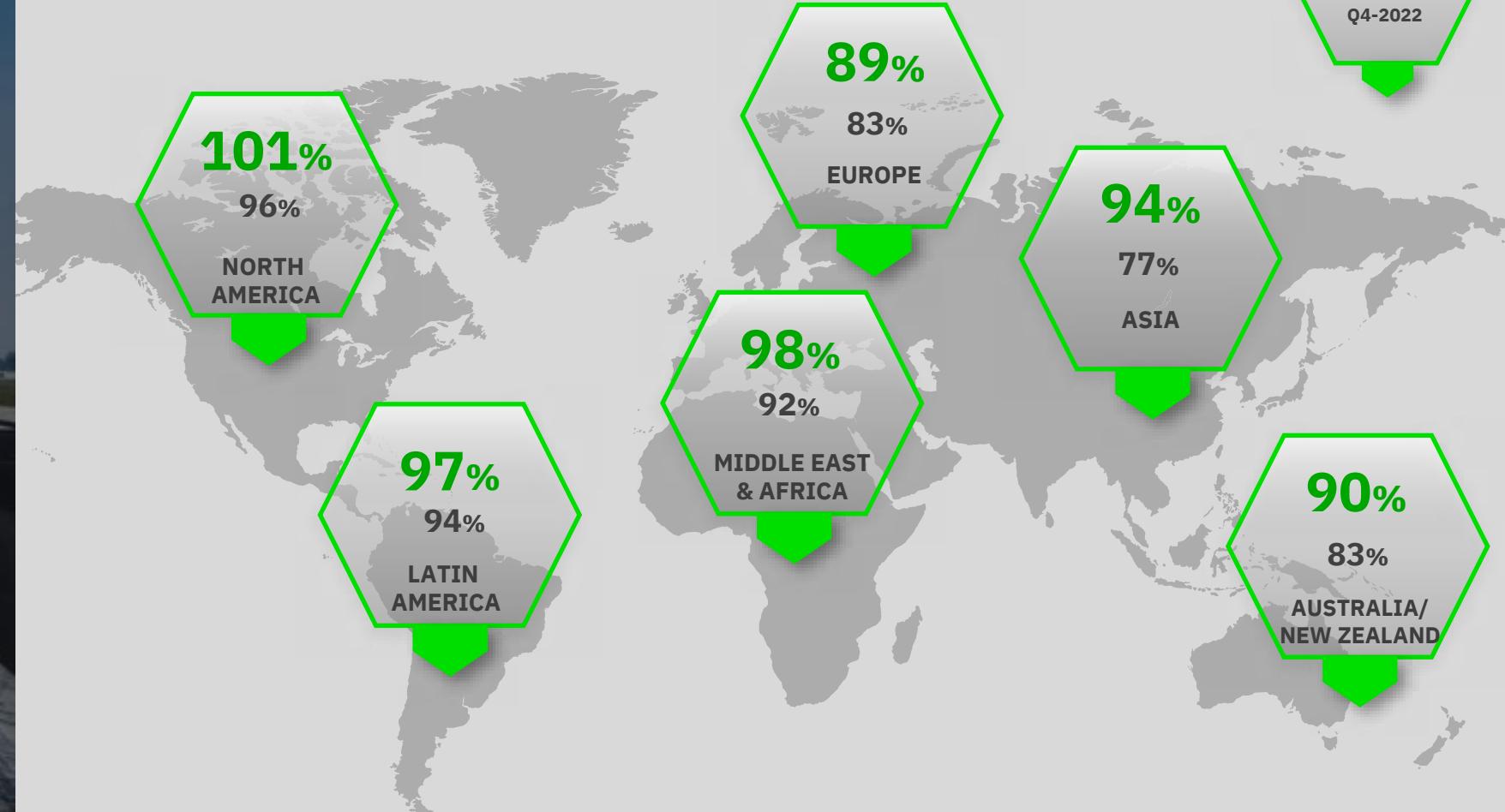
Long range aviation forecasts are subject to change.
Therefore, we recommend only observing schedules 4-6 weeks ahead.

AVIATION - REGIONAL MIXED OUTLOOK

North America continues to lead the airline capacity recovery for Q3 and into Q4-2022. In October, many airlines reduced schedules for the following months due to demand leveling. Airline and airport staff shortages remain a challenge.

Q1-2023 forecasts indicate Asia with 94% of 2019 seat volume +17% on Q4-2022. Growth in Europe has remained constricted.

SEATS OFFERED INTER & INTRA REGION VS SAME PERIOD 2019



AIRLINE SEAT FORECAST

H2-2022 & H1-2023 COMPARED TO 2019

Since our last report in October-2022, the top 20 global corporate airlines have revised their forward schedules by -3%.

The current global forecast across these airlines is an **average of +10% seat growth** from H2-2022 to H1-2023.

American Airlines and **United Airlines** are forecast to return to 2019 levels in H1-2023.

Airline seats offered H2-2022 (inner) and H1-2023 (outer) compared to 2019 same period.
% noted is H1-2023 compared to 2019.

AIR CANADA



AIR FRANCE



AIR NEW ZEALAND



AMERICAN AIRLINES



BRITISH AIRWAYS



CATHAY PACIFIC



CHINA EASTERN



DELTA AIRLINES



EMIRATES



ETIHAD AIRWAYS



LATAM



LUFTHANSA



QANTAS AIRWAYS



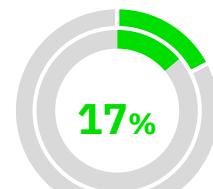
QATAR AIRWAYS



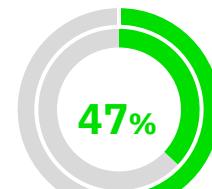
SINGAPORE AIRLINES



SOUTH AFRICAN AIR.



THAI AIRWAYS



UNITED AIRLINES



VIRGIN ATLANTIC



VIRGIN AUSTRALIA



FCM Consulting Analytics as of January 17th, 2023. Source Data: Cirium

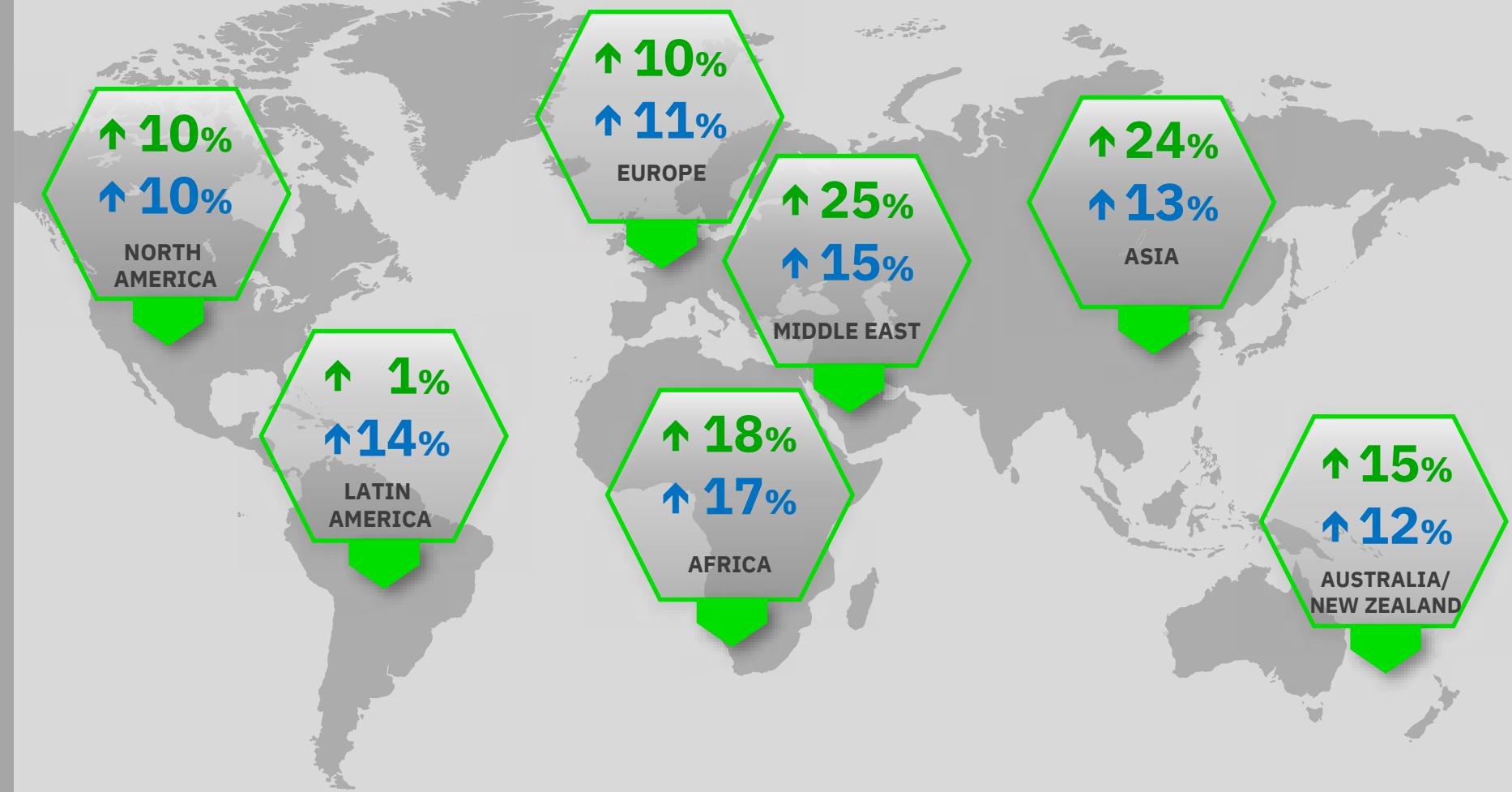
INTERNATIONAL AIRFARE INCREASES

Airfares from 11-months of 2022 vs 2019 same period

Global average
international fare increases
2022 vs 2019
Business $\uparrow 15\% / \uparrow \277
Disc. economy $\uparrow 12\% / \uparrow \54



Business and discounted
economy class airfare
averages across 370
international city pairs
originating per region.



Domestic and International Airfares

Airfare % change in October & November 2022 vs 2019 same period

NORTH AMERICA

	ECONOMY	BUSINESS
BOS-PVG	↑ 7%	↑ 3%
EWR-ORD	↓ 34%	↑ 1%
FRA-JFK	↑ 12%	↑ 9%
JFK-LAX	↓ 6%	↓ 21%
JFK-YYC	↑ 2%	↑ 14%

EUROPE

	ECONOMY	BUSINESS
DUB-LHR	↑ 12%	↑ 13%
FRA-MAD	↑ 9%	↑ 12%
JFK-LHR	↑ 7%	↓ 2%
LHR-MAD	↑ 4%	↑ 22%
LHR-PVG	↑ 11%	↑ 9%

ASIA

	ECONOMY	BUSINESS
DXB-SHA	↑ 22%	↑ 60%
BOM-DEL	↑ 26%	↓ 20%
BOM-LHR	↑ 19%	↑ 13%
PVG-SIN	↑ 17%	↑ 19%
LAX-PEK	↑ 14%	↑ 6%

LATIN AMERICA

	ECONOMY	BUSINESS
CGH-JFK	↑ 16%	NA
CGH-LHR	↑ 29%	↑ 40%
EWR-SDU	FLAT	↓ 19%
FRA-SDU	↑ 4%	NA
SDU-YYZ	↑ 9%	↓ 38%

MIDDLE EAST/AFRICA

	ECONOMY	BUSINESS
CPT-DXB	↑ 17%	↑ 28%
DXB-FRA	↑ 26%	↑ 42%
DXB-SYD	↑ 11%	↑ 21%
FRA-JNB	↑ 14%	↑ 13%
JNB-LHR	↑ 14%	↑ 11%

AUSTRALIA/NEW ZEALAND

	ECONOMY	BUSINESS
AKL-JFK	↑ 10%	↑ 29%
AKL-SYD	↑ 3%	↓ 30%
MEL-SYD	↑ 6%	↑ 29%
SIN-SYD	↑ 22%	↑ 10%
LAX-SYD	↑ 9%	↑ 5%

ACCOMMODATION

Key Takeaways Q4-2022

1



HOTEL STAFFING

Labor shortages were the biggest challenge for hotels in 2022 and will continue into 2023.

Attracting, retaining, and training staff are paramount to any successful hotel. With operating costs making up 50% of labor costs, increasing salaries to attract talent is only an option if such costs can be passed on to the end consumer. Without adequate staffing, guest experiences are questionable.

2



RATES REMAIN VOLATILE

Q4-2022 has seen two regions surpass 2019 ARR; **North America +11%**, followed by **Australia/New Zealand +6%**.

Latin America and **MEA** have returned to near 2019 rate parity, however, **Europe -5%** and **Asia -22%**, are below pre-COVID averages.

2023 average global rates are set to climb a further **+7% / +\$15** across markets. The 2024 forecast has rates leveling.

3



2023 CONTRACTING

As corporates contracted rates for the 2023 year, FCM Consulting saw a **+45% increase in NLRA[^] rates offered**.

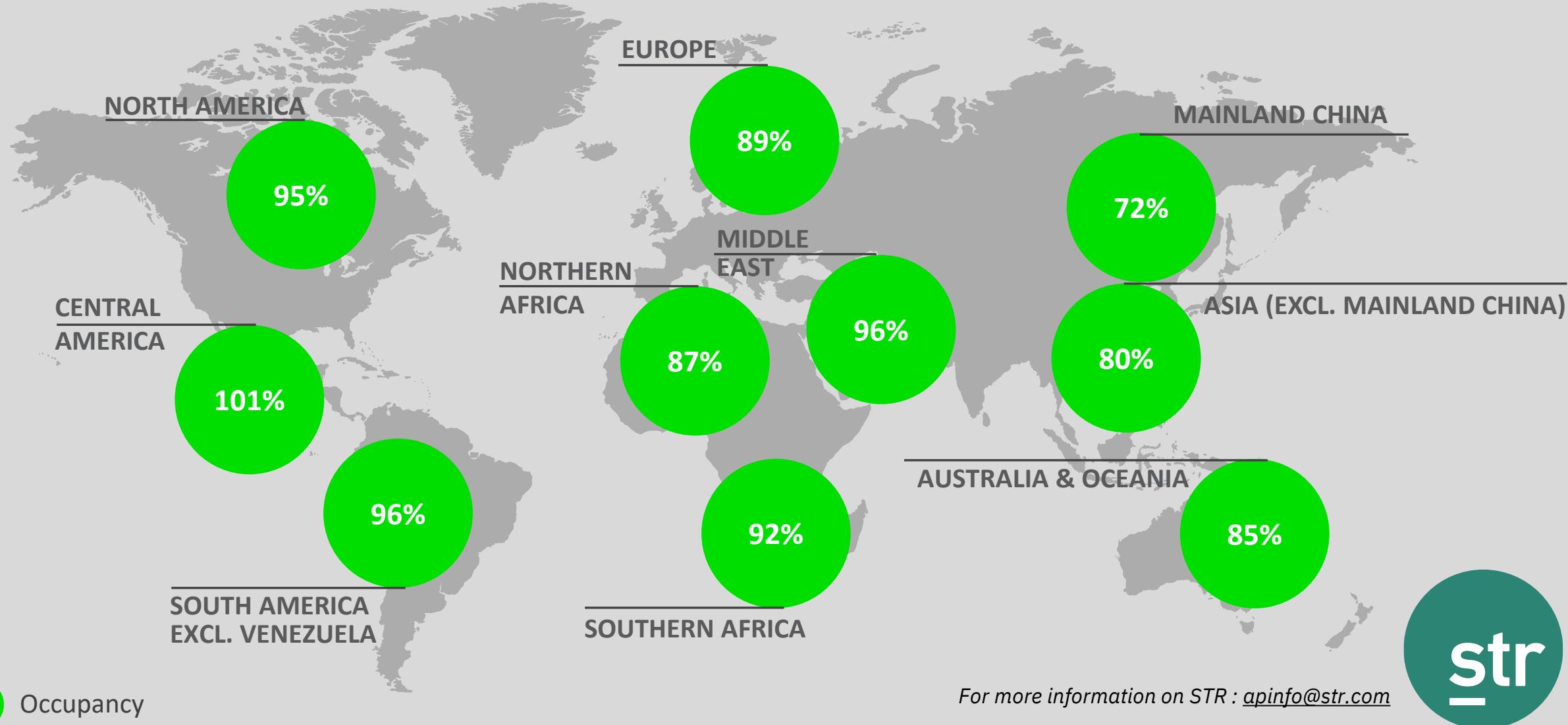
If contract terms are overlooked, client average booked rates may increase **+\$30** depending on the hotel and city.

As rates rose in 2022, **dynamic discounts** off BAR became a higher rate option than negotiated fixed rates. For 2023 contracts, only **2 in 100** hotels offered dynamic discounts better than a fixed rate.

[^] NLRA - Stands for Non-Last Room Availability. When offered by hotels, the fixed negotiated rate is available at the hotel's discretion. The hotel can block NLRA rates and charge a higher rate to maximize revenue during peak travel times (seasons or days of the week).

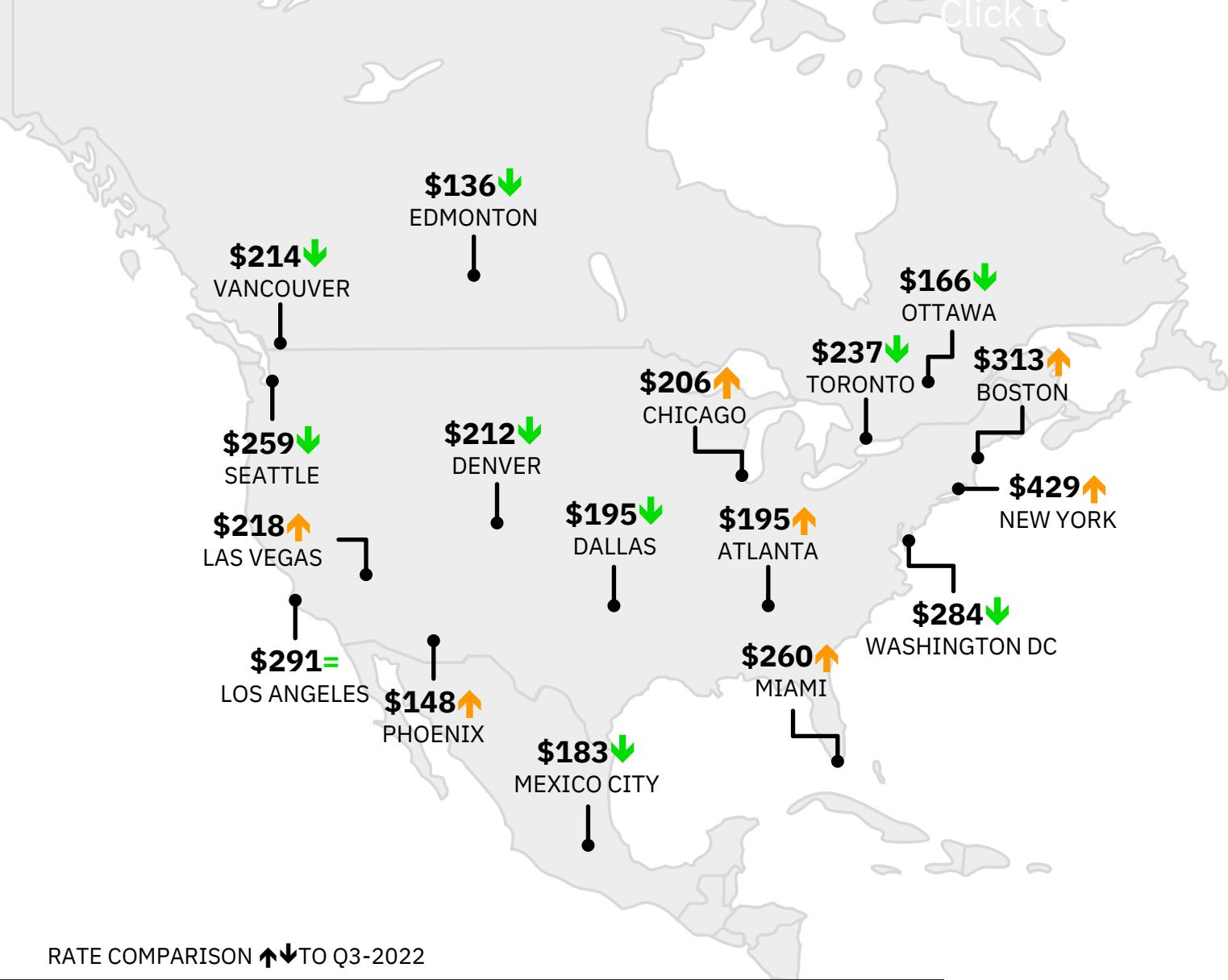
China and the rest of Asia (to a lesser extent) are the last to recover

Hotel Occupancy % (standard) indexed to 2019, full-year 2022



For more information on STR : apinfo@str.com





RATE COMPARISON ↑↓ TO Q3-2022

Corporate Rates

Average Rate Paid % Var.

Q3-2022 = **FLAT**
Q4-2022 vs Q4-2019 ↑ 11%



NORTH AMERICA

Accommodation Q4-2022

RATES WERE A MIX OF ↑↓
MAKING THE REGIONAL
AVERAGE +\$1 VS Q3-2022

RATE COMPARISON TO Q3-2022

- CHICAGO ↑ 13%
- LOS ANGELES ↓ 6%
- NEW YORK ↑ 12%
- MEXICO CITY ↑ 7%
- VANCOUVER ↓ 26%



Corporate Rates
Average Rate Paid % Var.

Q3-2022 5%
Q4-2022 vs Q4-2019 2%



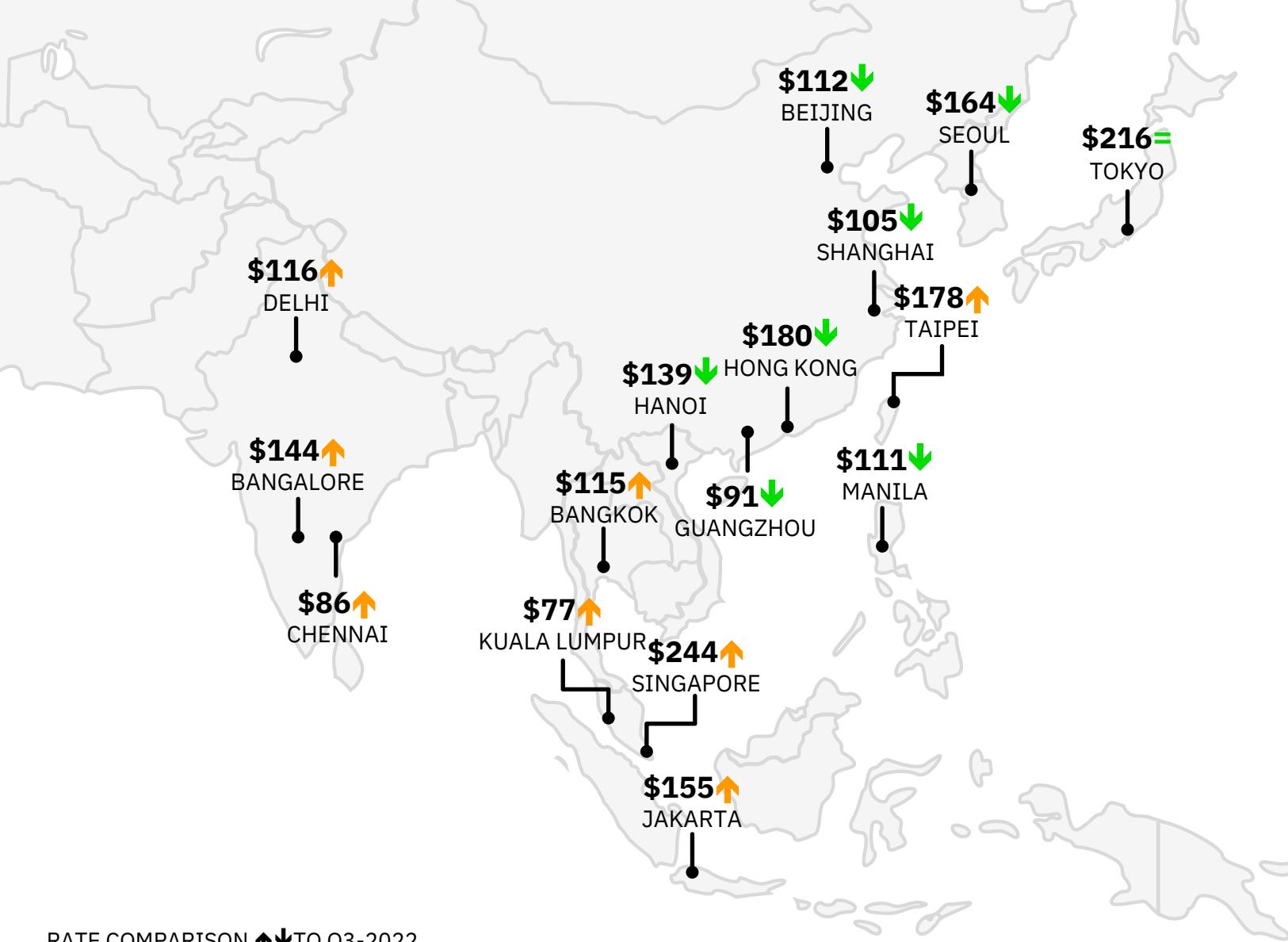
LATIN AMERICA

Accommodation Q4-2022

RATE REDUCTIONS SLOW TO AN AVERAGE -\$7 ACROSS THE REGION VS Q3-2022

RATE COMPARISON TO Q3-2022

- BUENOS AIRES 5%
- LIMA 17%
- RIO 5%
- SANTIAGO 17%
- SAO PAULO 3%



RATE COMPARISON ↑↓ TO Q3-2022

Corporate Rates
Average Rate Paid % Var.

Q3-2022 = FLAT

Q4-2022 vs Q4-2019 ↓ 22%



ASIA

Accommodation Q4-2022

RATES WERE A MIX OF ↑↓
MAKING THE REGIONAL
AVERAGE +\$3 VS Q3-2022

RATE COMPARISON TO Q3-2022

- CHENNAI ↑ 29%
- HANOI ↓ 5%
- MANILA ↓ 21%
- KUALA LUMPUR = FLAT
- SHANGHAI ↓ 9%
- SINGAPORE ↑ 7%

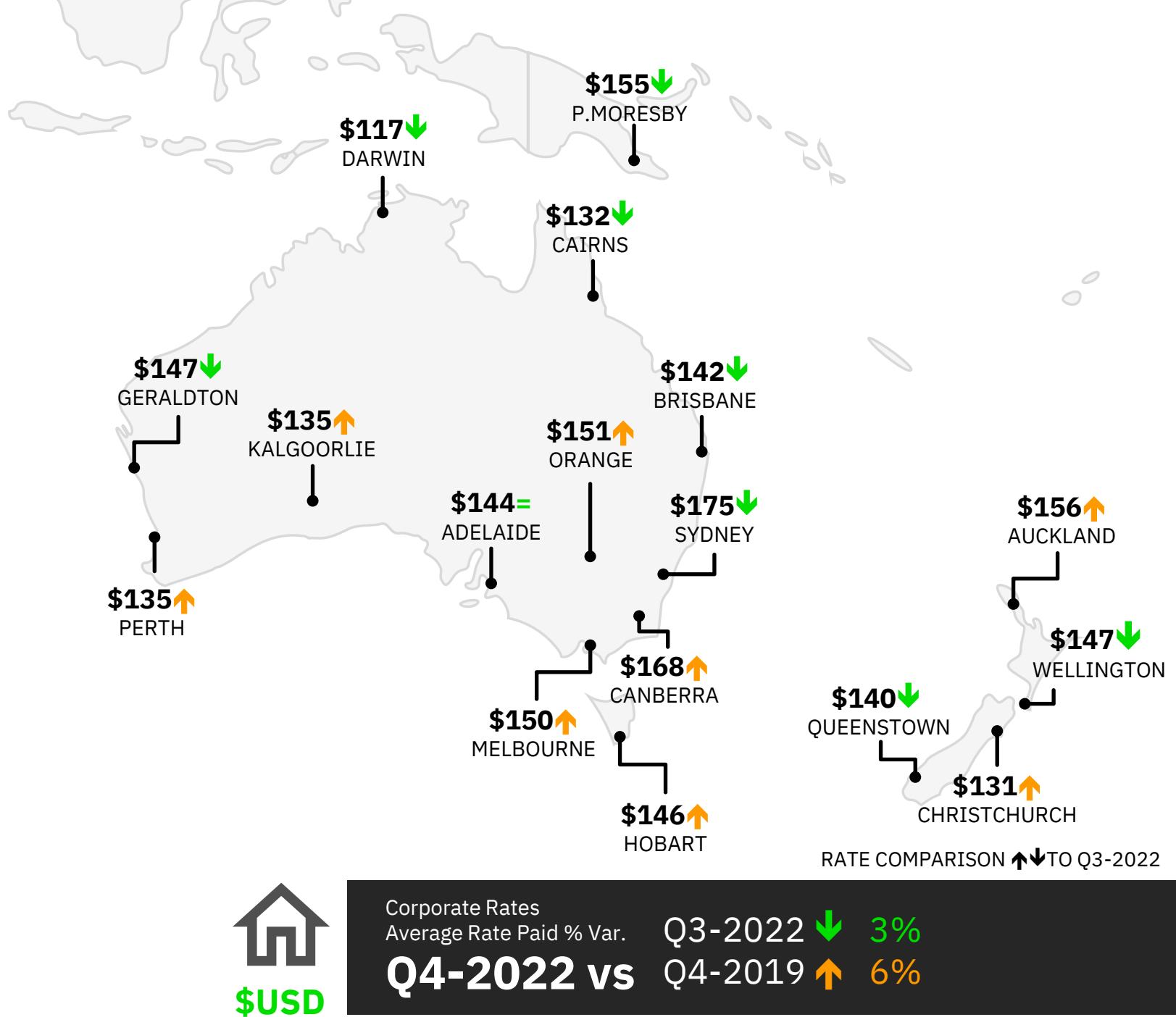
AUSTRALIA & NEW ZEALAND

Accommodation Q4-2022

RATES REDUCED -\$8 VS
Q3-2022, SIGNALING
STABILIZATION

RATE COMPARISON TO Q3-2022

- ADELAIDE = FLAT
- AUCKLAND ↑ 24%
- KALGOORLIE ↑ 10%
- MELBOURNE ↑ 2%
- SYDNEY ↓ 1%
- WELLINGTON ↓ 7%



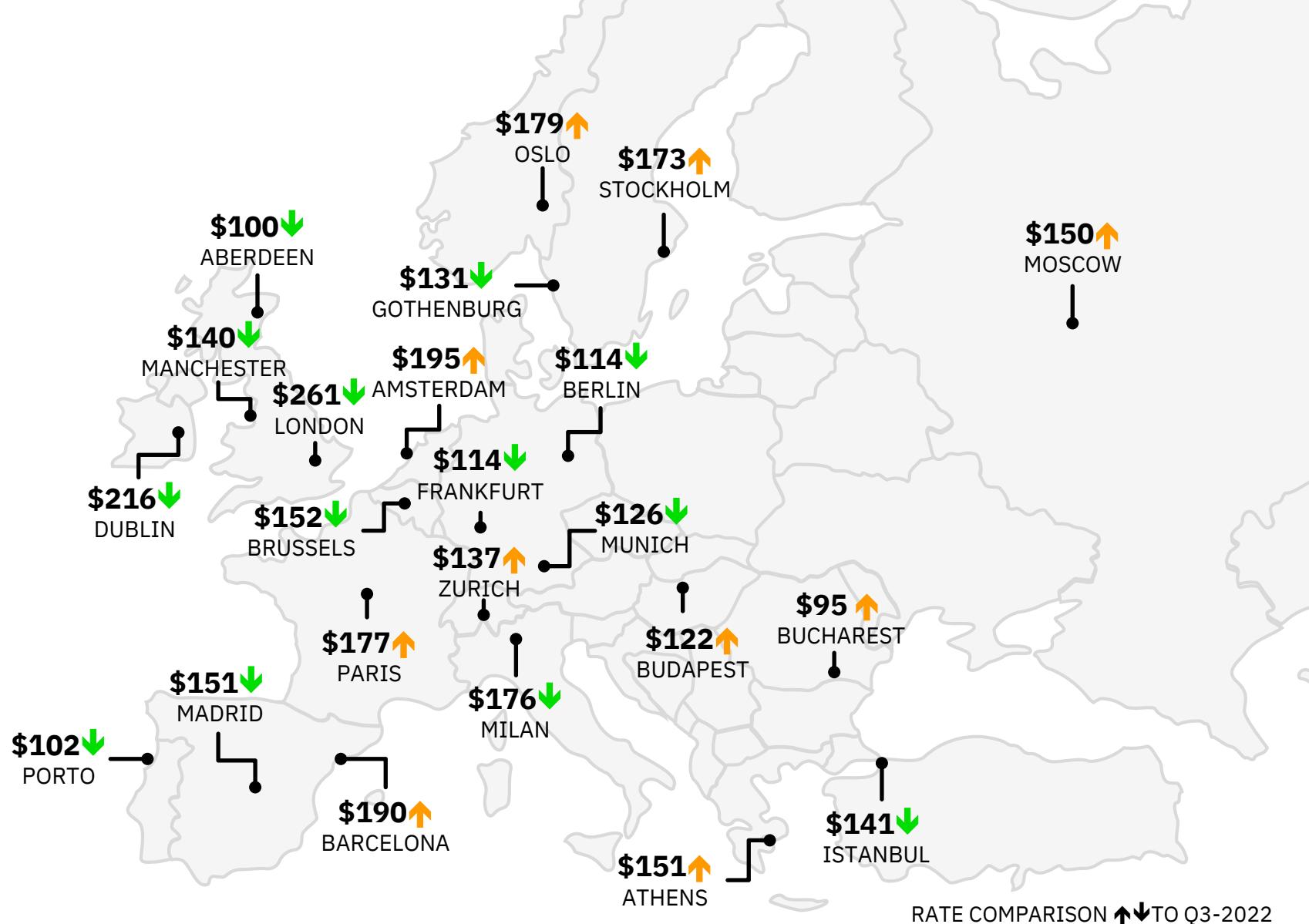
EUROPE

Accommodation Q4-2022

REGIONAL AVERAGE
RATES DROP -\$14 VS Q3-
2022 AS DEMAND SLOWS

RATE COMPARISON TO Q3-2022

- AMSTERDAM  7%
- BERLIN  18%
- DUBLIN  7%
- FRANKFURT  9%
- LONDON  7%
- MADRID  7%



Corporate Rates
Average Rate Paid % Var.

Q4-2022 vs

Q3-2022  6%
Q4-2019  5%

RATE COMPARISON ↑↓ TO Q3-2022

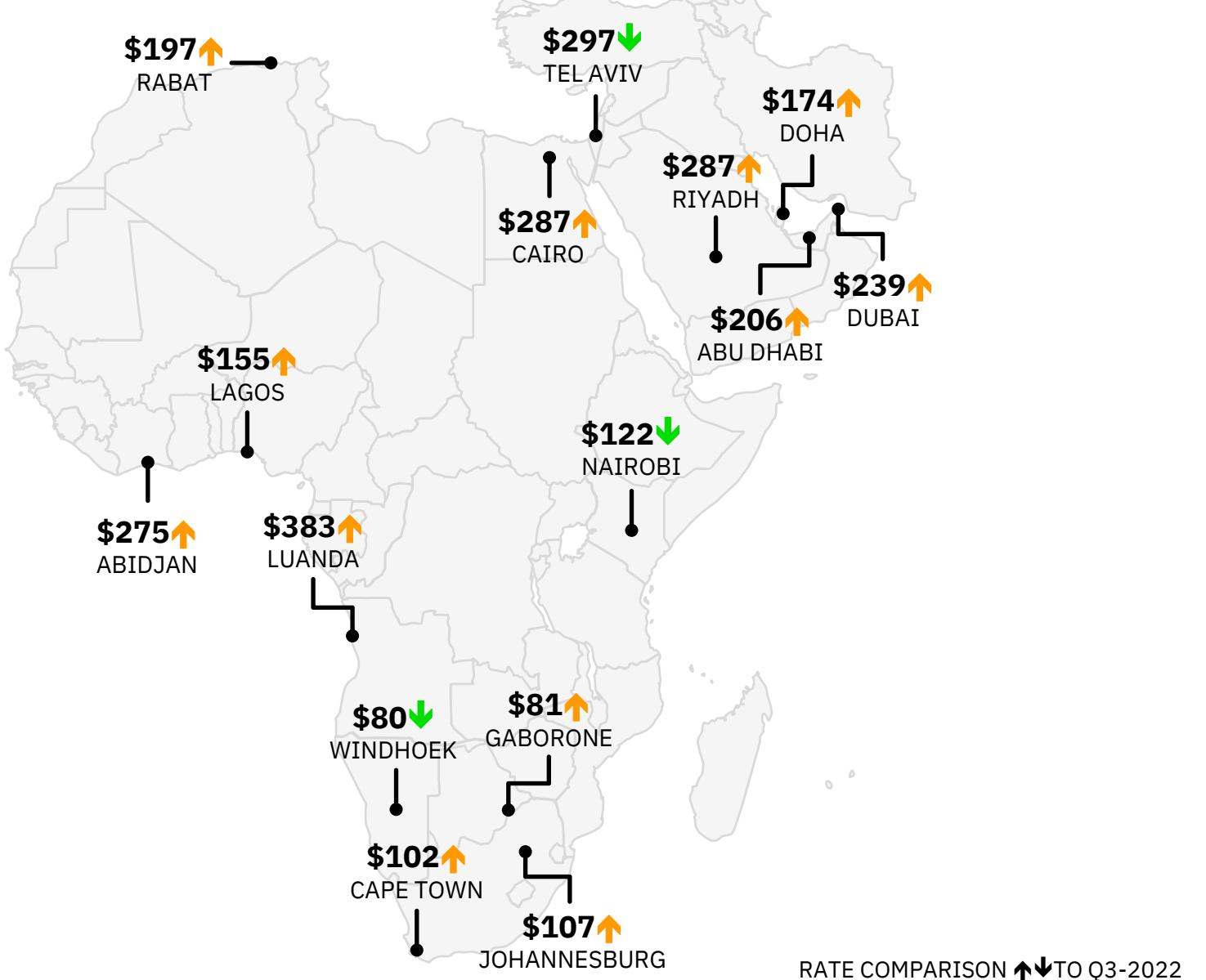
MIDDLE EAST AND AFRICA

Accommodation Q4-2022

AVERAGE RATES RISE +\$35
VS Q3-2022, AND SIT ON
PARITY TO 2019 PRICES

RATE COMPARISON TO Q3-2022

- ABU DHABI ↑ 82%
- CAIRO ↑ 49%
- CAPE TOWN ↑ 3%
- DUBAI ↑ 56%
- JOHANNESBURG ↑ 7%
- RIYADH ↑ 86%



Corporate Rates
Average Rate Paid % Var.

Q4-2022 vs

Q3-2022 ↑ 33%
Q3-2019 ↓ 1%

More Information

FCM Consulting

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