REPORT

TRAVEL MARKET REPORT

2025 Outlook

Produced by Research & Intelligence

December 2024

Travel Market Report 2025 Outlook

Welcome to the latest edition of the *Travel Market Report*, brought to you by BCD Travel's Research & Intelligence team.

This quarter's *Travel Market Report* is dedicated entirely to presenting an outlook for 2025. It includes the following content:

- A review of the prospects for the world economy in 2025, including the themes defining the economic landscape
- A focus on some of the key risks travel managers and travelers may have to deal with in 2025
- An update on the state of air travel, an exploration of yields and what this could mean for corporate deals, the latest on airline distribution, and our global airfare forecasts for 2025
- The outlook for hotel room rates in 2025, starting with a global overview and followed by the numbers for key markets in Africa and the Middle East, Asia Pacific, Europe, Latin America and North America
- Our views on car rental, including the factors driving rates in 2025
- An outline of eight sustainable travel trends to watch out for in 2025, followed by a more detailed look at sustainability reporting and sustainable aviation fuel.

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Economic outlook for 2025

Global growth to stay unchanged in 2025

The global economy has so far delivered upside surprises during 2024, prompting Oxford Economics to upgrade its expectations for annual economic growth from 2.3% at the start of the year to 2.7% in its latest forecast. Aligning itself with the general consensus, Oxford Economics believes global growth will be little different in 2025, averaging 2.85%.

While the U.S. presidential elections have resolved one of the big unknowns for 2025, a lot of uncertainty remains around the nature and extent of the policies to be implemented by the next administration. This matters, as they have the potential to impact economies around the world. America's choice will resonate across the three themes that Oxford Economics believes will characterize the economic landscape in 2025.

U.S. to continue outperforming other advanced economies

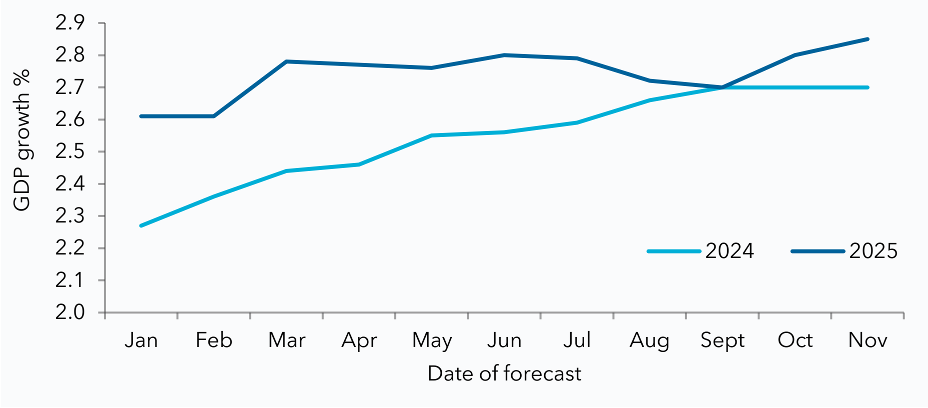
Over the last two years, the U.S. has grown more quickly than other advanced economies. This is expected to continue in 2025, but to a lesser degree. While the fiscal stimulus anticipated from the incoming administration is unlikely to have an impact until 2026, its very prospect may keep interest rates higher than they would otherwise have been, and this will weigh on growth.

Higher and more volatile prices to become the norm

With globalization continuing to unwind, geopolitics will retain its potential to cause supply shocks to the global economy. So too will climate change, with extreme weather events becoming more frequent and disruptive. Policymakers will be mindful of the inflationary consequences, but this should not prevent central banks from lowering interest rates.

An aging population, greening of the economy and investment in defense will all drive increased government spending. Add to this the effects of an expected tax giveaway in the U.S., and central banks may be inclined to counter the inflationary effects by slowing the pace of interest rate cuts.

Changing outlook for global economic growth



Fiscal and trade policy take center stage

While interest rates typically grab the attention, it's been fiscal policy that's recently delivered the economic growth surprises. This is particularly true in the U.S., where government support packages flowed quickly into the economy, boosting growth. It's worth keeping an eye on fiscal policy.

The large number of national elections held in 2024 has increased the scope for fiscal policy adjustments around the world. Typically, fiscal policy will be tighter in the first year, enabling governments to loosen it closer to the end of their term.

Uncertainty around government policy will be particularly acute in respect of trade, with the breadth and depth of the incoming U.S. administration's deployment of tariffs a big unknown. While the U.S. might enjoy the benefits of reducing its trade deficit, the rest of the world may suffer the costs of trade disruption.

Source: Oxford Economics, November 2024

Travel risk outlook for 2025

Travel risks

As well as the macro risks facing the wider economic and business outlook, BCD Travel's Global Crisis Management team has compiled a list of the key risks it believes travel programs and travelers should look out for in 2025. Some of these are the same as we forecasted for 2024 but are expected to continue evolving in 2025.

Climate change

Expect more frequent and severe weather events in 2025, posing not only direct risks to employees, but also disrupting their travel plans. Businesses will need to adapt their travel policies to cope with increased disruption and ensure they have robust incident management processes in place to protect traveling employees.

AI, cybersecurity and misinformation

With advances in artificial intelligence (AI) coinciding with a rise in mis- and disinformation and cybersecurity system vulnerability, expect elevated travel risk in 2025. Social media is particularly exposed to mis- and disinformation disseminated by AI. Travel managers must be even more vigilant in ensuring they use only trusted sources for incident intelligence, if they are to avoid falling prey to false information that could significantly impact travelers. Cyber crime will also proliferate, with AI-enhanced phishing scams and ransomware attacks posing extra risks. The CrowdStrike global IT outage also exposed travel's dependence on IT and the vulnerability of some of its systems. As travel-related mobile apps and services increasingly deploy AI, the risk of data breaches grows, underscoring to need to maintain robust password protocols and stay informed about the latest security measures.

Geopolitics

The geopolitical landscape will remain subject to rapid change and complexity, posing concerns for both travelers and their companies. The situation in the Middle East has joined Russia's invasion of Ukraine as a pivotal geopolitical issue. The ambitions of major powers, including China, India and the U.S., further complicate international relations. An escalation of these geopolitical rifts could unleash widespread disruption, significantly impacting global trade and travel.

Focus on mental health

The growing recognition of the importance of mental health in the workplace has its own specific resonance for business travel. The unique challenges posed by international travel, such as jetlag and cultural adjustments, call for organizations to provide robust support. Companies are increasingly integrating into their travel programs new measures including limits on travel days, the provision of mental health resources during trips, and post-trip follow-ups. These practices not only protect employees' mental wellbeing, but they may also improve productivity and job satisfaction.

Polarized politics

Economic issues, social inequality and cultural divides will continue to fuel deepening political division around the world. Few nations will be immune. The emergence of political extremes increases the risk of discrimination and maltreatment for some groups. Countries vulnerable to the civil unrest, which could result from society's polarization, could include the likes of Bangladesh, Brazil, India, Türkiye and even the U.S. Such an escalation creates unpredictable and dangerous situations, particularly for travelers in an unfamiliar environment. These can disrupt travel and business. By monitoring the situation as events develop, travel managers can stay abreast of developments and support their travelers.

Source: BCD Travel, Global Crisis Management, November 2024

Travel risk outlook for 2025 – ID and immigration changes

New ID, information and authorization requirements

During 2025, travelers may be exposed to new processes relating to identification and immigration that govern how they'll travel in the U.S. and to both the U.K. and European Union (EU). By the end of the year, travelers may have to use different forms of identification, provide more information, and secure pre-trip authorization where not previously required.

U.S.

After years of delays, the U.S. Real ID program is scheduled to begin on May 7, 2025. Recent proposals from the U.S. Transportation Security Administration (TSA) could, however, delay full enforcement until no later than 2027, allowing some flexibility until then.[1] Whenever it's fully implemented, federal agencies, including the TSA at airport security, will no longer accept forms of identification that are not Real ID compliant, including a driver's license. Given the uncertainty, it's best to travel with Real ID before the May 2025 deadline.

U.K.

The U.K. government has already started to roll out its Electronic Travel Authorisation (ETA), replacing an existing visa waiver scheme for short stay visitors. ETA will, however, apply to many more countries, including most European nations and the U.S. Costing £10, the ETA will enable multiple visits to the U.K. over a 24-month period. It will not be required for holders of British, Irish or British overseas territories passports, nor will it be needed by foreign nationals holding a visa or with permission to live, work or study in the U.K.

Citizens of six Gulf Cooperation Council states must currently use the ETA, even if they are only transiting the U.K. and not actually entering the country.

From January 8, 2025, ETA will be extended to include citizens from 49 more countries, including Australia, Brazil, Japan, Singapore, South Korea and the U.S.[2] Citizens from 34 European countries and territories will be covered by the ETA for travel from April 2, 2025. The list includes most EU countries, EFTA (European Free Trade Area) countries and microstates, including Andorra, Monaco, San Marino and Vatican City.

Europe

As part of its efforts to strengthen its border security, whilst digitally screening and tracking travelers entering and leaving EU countries, the European Commission (EC) is introducing the European Travel Information and Authorisation System (ETIAS) for visitors from countries that are not currently part of the EU.[3] As well as applying to visits to EU Schengen member states, ETIAS will also cover entry to members of the European Free Trade Association (EFTA) and to European microstates, Andorra, Monaco, San Marino and Vatican City.

Costing €7 and valid for three years, the ETIAS will act as a travel authorization for travelers not requiring a visa to visit Europe. Entry may be denied to anyone arriving without an ETIAS. Delays to the EES (see below) have pushed ETIAS introduction back to mid-2025. Once launched, travelers will enjoy a six-month transitional period, where an ETIAS will not be mandatory for travel. A further six-month grace period may also apply to certain travelers.

To facilitate the ETIAS, the EU must first introduce the new Entry/Exit System (EES), which aims to automate the registration of non-EU nationals each time they enter the EU. The EES will apply to both short-stay visa holders and visa-exempt travelers. To use the EES, travelers will need a biometric passport. The EES will not apply to EU nationals, nationals of Andorra, Monaco, San Marino and Vatican City, and to non-EU nationals meeting certain conditions, such as possession of residence cards/permits.

The EES will record an individual's name, travel document type, biometric data and date and place of entry/exit. It will also record any refusals of entry into the EU. The EC claims the EES will fully respect fundamental rights and data protection. It will replace the existing system of manually stamping passports, which is time consuming, fails to provide reliable data on border crossings and is less effective at detecting travelers exceeding the maximum duration of their authorized stay. The EES should also be more effective in spotting identity fraud.

EES implementation has suffered a series of postponements, with the latest now throwing the ETIAS timetable into disarray, particularly in the absence of a revised EES start date.[4]

(1) Business Travel News, Sept. 12, 2024; (2) Gov.UK, Sept. 10, 2024; (3) ETIAS; (4) ETIAS, Oct. 11, 2024

The current state of air travel

Asia vital to recovery in international travel

By February 2024, IATA (International Air Transport Association) was finally able to report that global airline traffic had surpassed pre-pandemic levels. At 5.7% above 2019's numbers, the market had clearly delivered a strong rebound, prompting IATA to claim that the airline industry had achieved "full recovery in total passenger traffic."[5] However, while a 15% year-over-year increase in domestic travel had pushed demand in this segment almost 14% higher than in 2019, IATA acknowledged the role played by the Lunar New Year in inflating demand. Growth in international travel was an even more impressive 26.3%, but this only pushed it 0.9% higher than in February 2019. The differences between these two air travel segments have persisted since.

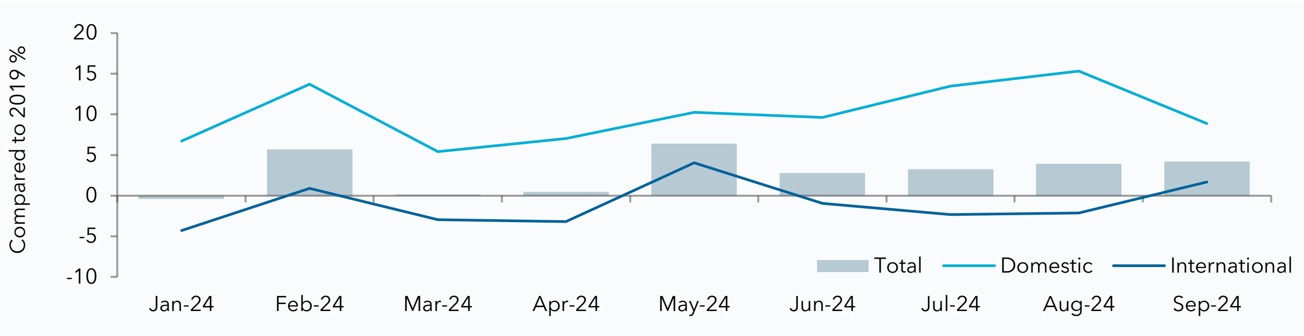
As 2024 has progressed, our estimates suggest that domestic travel has continued to underpin the recovery. Year-over-year (YoY) growth of 4-6% has kept it well above 2019 levels – around 9% higher in September 2024.

The recovery in international airline traffic has proved to be less secure. Aside from a strong showing in May, demand slipped back below 2019 levels for much of 2024's northern hemisphere summer period. During the first nine months of the year, international demand expanded by almost 15% YoY (compared to 6% for domestic), with September's 9% increase pushing it 2% higher than in 2019. It remains to be seen if this marks the start of an entrenched recovery in global air travel.

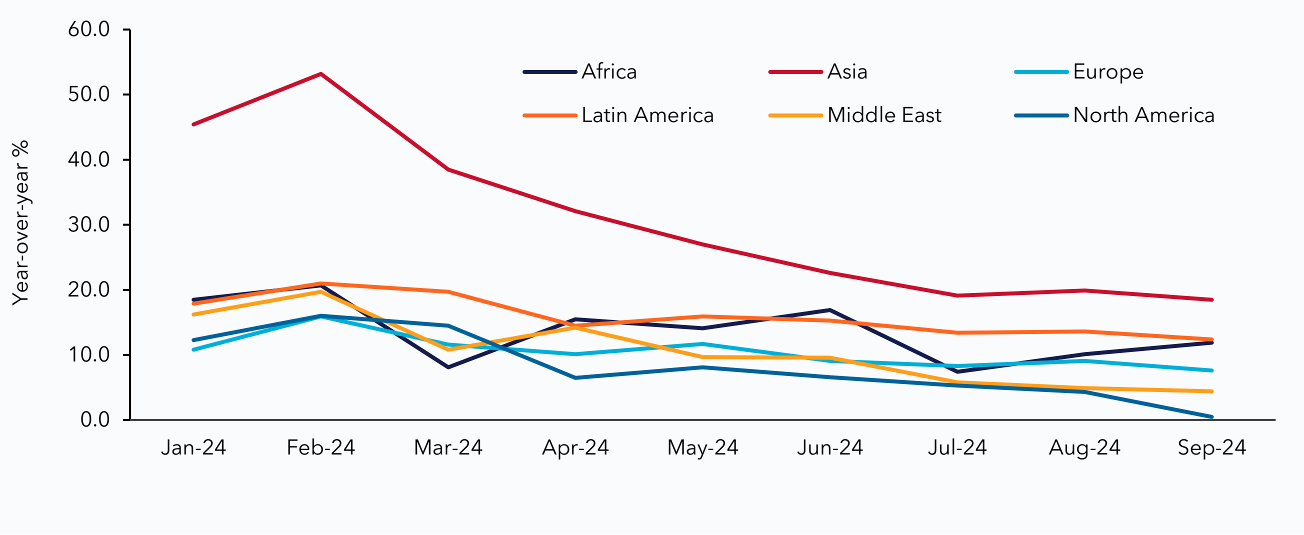
Across the different regions, growth rates for international air travel are slowly trending down. While there are clear signs of the post-pandemic boom in Asia fading, this region remains key to the global recovery. Year-to-date, demand for international travel in Asia has still grown by almost 30% vs 15% globally. Its performance contrasts to North America, which managed growth of just 0.5% in September, its weakest YoY result since the pandemic.

While the delay in Asia's recovery ultimately held back the global recovery in international air travel, it looks set to drive future growth in air travel, just as demand in other regions loses momentum.

Recovery in global airline traffic in 2024



International airline traffic growth in 2024 by region [6]



(5) IATA, Air Passenger Market Analysis, Feb. 2024; (6) IATA

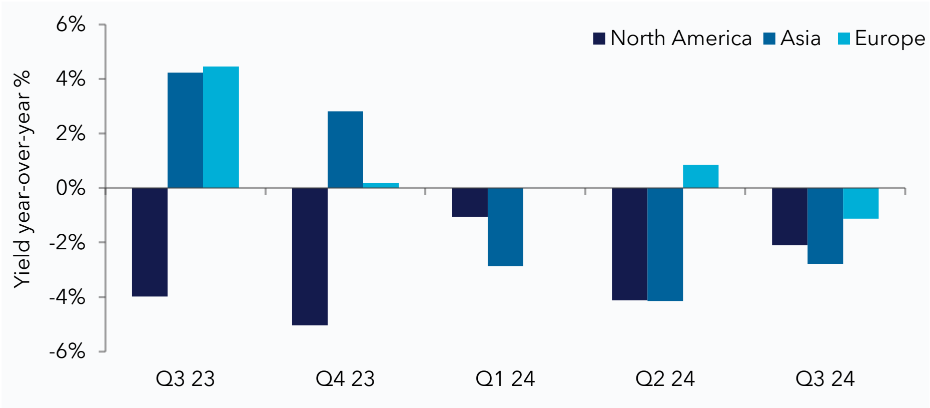
Airline yields and corporate deals

Airline yields are coming under pressure

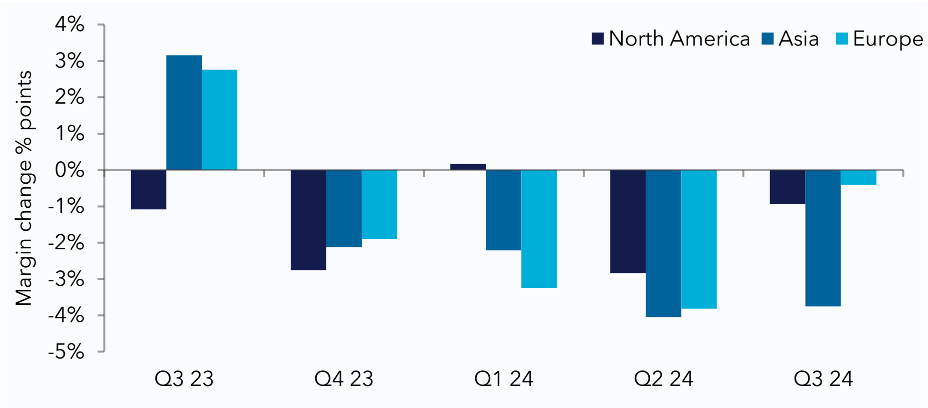
As they've progressed through the recovery cycle, airlines around the world have found their yields coming increasingly under pressure. This has largely been caused by a slowdown in demand growth (from its initial post-pandemic rebound) and the return of more capacity into the market. Yields (passenger revenue per available seat kilometer) have been falling year-over-year among some of the largest airlines in North America since the third quarter of 2023. And the downturn shows no sign of ending, with yields 2% lower in the third quarter of 2024, even though compared to falling yields in the prior year period. Yield weakness has also become apparent among major airlines in both Asia and Europe. The retreat in yields has been most pronounced in Asia, where the recovery in air travel demand proved to be slower and weaker than anticipated.

With little sign of any corresponding retreat in costs, weaker yields have impacted airline operating margins. In each of the last four quarters, margins have been lower year-over-year almost across the board.

Year-over-year change in airline yields



Year-over-year change in airline operating margins



Travel buyers' negotiating power improves

As airlines restore their schedules back to (and often beyond) pre-pandemic levels, they're finding that this is coinciding with a softening of (leisure) demand. This emerging imbalance between demand and supply will intensify competition, particularly in some of the top business markets, ensuring that the yield situation outlined above remains an issue for them. As they contend with lower average yields, airlines are more actively seeking to attract and develop corporate business.

Such a shift should place travel buyers in a stronger position to renegotiate certain deals. Airlines are starting to recognize that their recent strategies have neglected their corporate clients, and they're now prepared to revise their discount proposals. The adoption of discounts by even a few major carriers is likely to create a snowball effect, with other airlines having to follow with their own deals or risk losing corporate business.

Source: BCD analysis of airline accounts

Airline distribution

Airlines are taking one of four positions on NDC

It's so far been a year of evolution rather than revolution in 2024. The distribution landscape has hardly changed, with little sign yet of the bespoke fares and product bundles that airlines' implementation of IATA's (International Air Transport Association) New Distribution Capability (NDC) had promised. But this doesn't mean there's been no activity of note this year. Airlines appear to be broadly adopting one of four positions on NDC:

- **Implement and roll out NDC**
- **Releasing some new, NDC-based content**
- **Still to decide the right NDC strategy**
- **Adopt NDC only when the time is right**

Many small carriers have yet to identify a sufficient return from the cost of investing in NDC solutions; they're likely to make their move only when they think the time is right. Of course, there are airlines with the money to invest, but they've yet to figure out their exact NDC strategy. Some have decided their strategy and are releasing solutions with some new content, including continuous pricing and unique offerings. Others, like Delta Air Lines, have adopted a more considered approach to NDC. It's mindful that the wider travel ecosystem – including the global distribution systems (GDSs), travel management companies (TMCs) and corporate clients – may not be fully ready or equipped for NDC. Once these functional gaps have been addressed, NDC adoption should be much simpler, quicker and cheaper. For example, through its Altea API (Application Programming Interface), the Amadeus GDS is normalizing the implementation process, speeding up future engagement with airlines. Delta clearly believes such progress will come sooner rather than later, and it's planning its first integrations with the NDC ecosystem in the second half of 2025.[7]

The merits of such a wait-and-see approach may not have been fully appreciated by American Airlines, which made an overly-ambitious foray into NDC in 2022. By its own admission, the airline moved too quickly and relied too much on penalties rather than incentives.[8] After a highly-public U-turn, American has been obliged to return fares to the legacy GDS EDIFACT environment and has abandoned plans to penalize some loyalty program members for not booking direct.

Wider NDC adoption may accelerate among OBTs and TMCs

Despite such a high-profile reversal, there's good reason to believe that wider NDC adoption may accelerate in the months ahead. SAP Concur, one of the world's largest online booking tool (OBT) providers, has started to enable NDC in some markets. This could trigger a move to NDC adoption at scale among corporate clients. Following the path typically adopted by TMCs, Concur is enabling NDC via a GDS connection, rather than through direct connections to the airlines' inventories. But it will require corporate clients to switch to SAP Concur's new T2 platform, which is a recent development. Even with the backing of an organization of SAP Concur's size, don't expect a rapid transition to NDC, however. Implementation is complex and still takes time.

TMCs generally regard the GDSs as the best place for travel managers to consume content. BCD Travel has continued to work with the airlines to progressively roll out more NDC content through the GDSs. At the same time, it's been developing NDC solutions through its own TripSource® OBT. As more airlines have released viable NDC solutions in the GDS environment, TMCs have been testing and enabling them. But progress continues to be slow. Among IATA's more than 330 member airlines, only around 30 have so far released their own NDC solutions.

(7) Business Travel News, Apr. 18, 2024; (8) Business Travel News, May 29, 2024

Airline distribution

Airlines will continue switching content to NDC

Airlines will continue to switch content to NDC, and this means travel buyers can expect to see changes to the range of fares available to their programs. Changes may be piecemeal, impacting certain markets or fare types only. Airlines will continue to deploy the "stick" (removing fares, and/or adding GDS surcharges) to encourage customers to move across to NDC rather than offer the "carrot" of developing the bespoke offerings that customers are looking for.

Ironically, as adoption picks up pace in 2025, travel buyers may also expect to hear less, rather than more about NDC. That's because IATA will instead be promoting a broader modern retailing philosophy, of which NDC will become a component, rather than occupying center stage. This is aligned with IATA's ONE Order initiative, which aims to simplify the airline reservation, delivery and accounting systems by gradually phasing out the current booking (PNRs – passenger name records) and ticketing records (e-tickets and EMDS – electronic miscellaneous documents).[9]

GDS vs NDC

Global distribution systems (GDSs) combine availability and fares from multiple sources to allow shopping, booking, ticketing and servicing of airline content; all located within a rigid structure.

NDC gives airlines full control over the availability, fares and content they offer to end users. Ultimately, airlines want to provide a more personalized experience, which takes into account the needs of both travelers and corporate customers.

How airlines are deploying NDC

Many airlines have focused their efforts on the removal of certain fares from the GDSs and the imposition of surcharges for any bookings made in traditional GDS channels, such as the GDSs. In focusing on these two areas, by driving bookings to the NDC channel, airlines aim to reduce or pass on some of their distribution costs.

Airlines have, however, made less progress in the two areas where NDC potentially offers value for corporate customers: continuous pricing and offering unique, personalized content. In this respect, airlines seem intent on penalizing rather than incentivising corporate customers to get them on board with NDC.

(9) IATA, Delivering with Orders

Global airfare forecasts for 2025

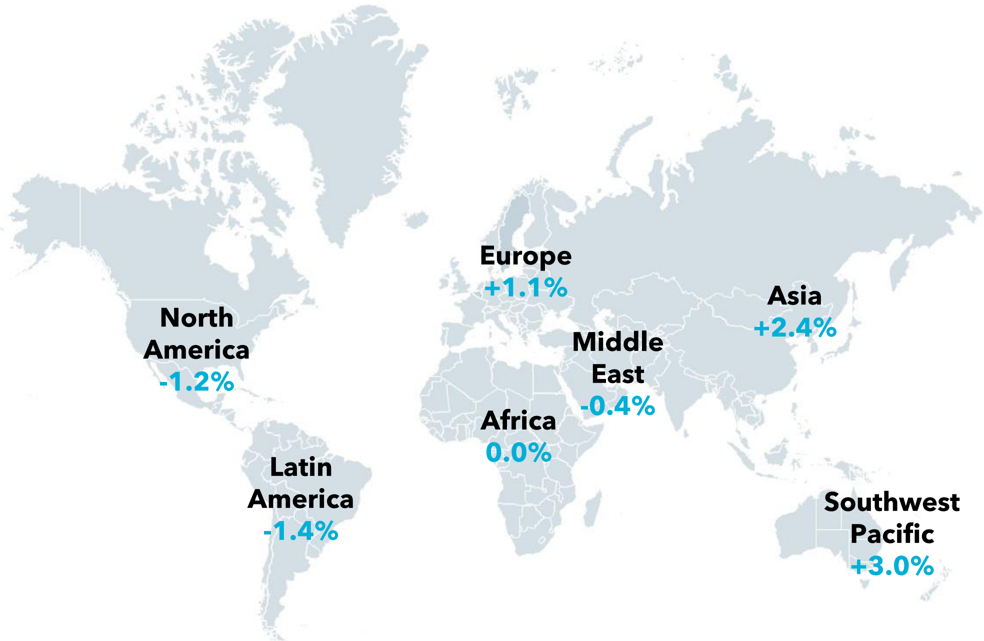
Airfare outlook for 2025

Globally, we expect average ticket prices (ATPs) to be virtually unchanged in 2025, rising by just 0.1%. While regional fares should rise by 0.2%, fares for intercontinental trips should fall by 0.6%. Overall, economy fares are likely to be flat amid concerns about the sustainability of leisure demand. But the continued recovery of corporate travel and a growing demand among leisure travelers for a premium experience will give airlines the confidence to raise business class fares by 1.0%. Across all fare classes and journeys, Southwest Pacific and Asia can expect to see the strongest increases in ATP of 3.0% and 2.4%, respectively. The outlook is weakest for the Americas, with ATPs likely to fall by more than 1% in both Latin and North America.

Some residual effects from the post-pandemic recovery in air travel demand and supply may be anticipated in 2025. Markets (and airlines) recovering the earliest may already have peaked; others may still be enjoying strong but slowing growth, as they strive for their own peaks. As well as the phasing of the recovery, local factors may also have a bearing on airfares development in 2025. In Southwest Pacific, for example, the sudden downsizing of Regional Express (Rex) has significantly reduced competition in Australia's domestic market. We expect this to drive regional airfares 4.0% higher in 2025, making Southwest Pacific the strongest performing region. On intercontinental routes, however, capacity continues to plow into the market, and this should drive down fares by as much as 5.0%.

While there's variation in our forecasts across the regions and segments, ATP inflation looks strongest for business class regional travel, averaging 2.2% globally.

Average ticket prices in 2025



Average ticket price inflation in 2025 by region and segment

	Regional		Intercontinental	
	Business	Economy	Business	Economy
Africa	1.0%	0.0%	0.0%	0.0%
Asia	2.0%	3.0%	-1.5%	-2.0%
Europe	1.0%	1.5%	0.5%	-1.0%
Latin America	-1.0%	-1.5%	-1.0%	-1.0%
Middle East	0.0%	-1.0%	0.5%	0.0%
North America	3.0%	-1.5%	1.0%	-1.0%
Southwest Pacific	4.0%	4.0%	-5.0%	-5.0%
World	**2.2%**	**0.1%**	**0.1%**	**-1.1%**

Source: BCD analysis

Global hotel rate forecasts for 2025

Summary

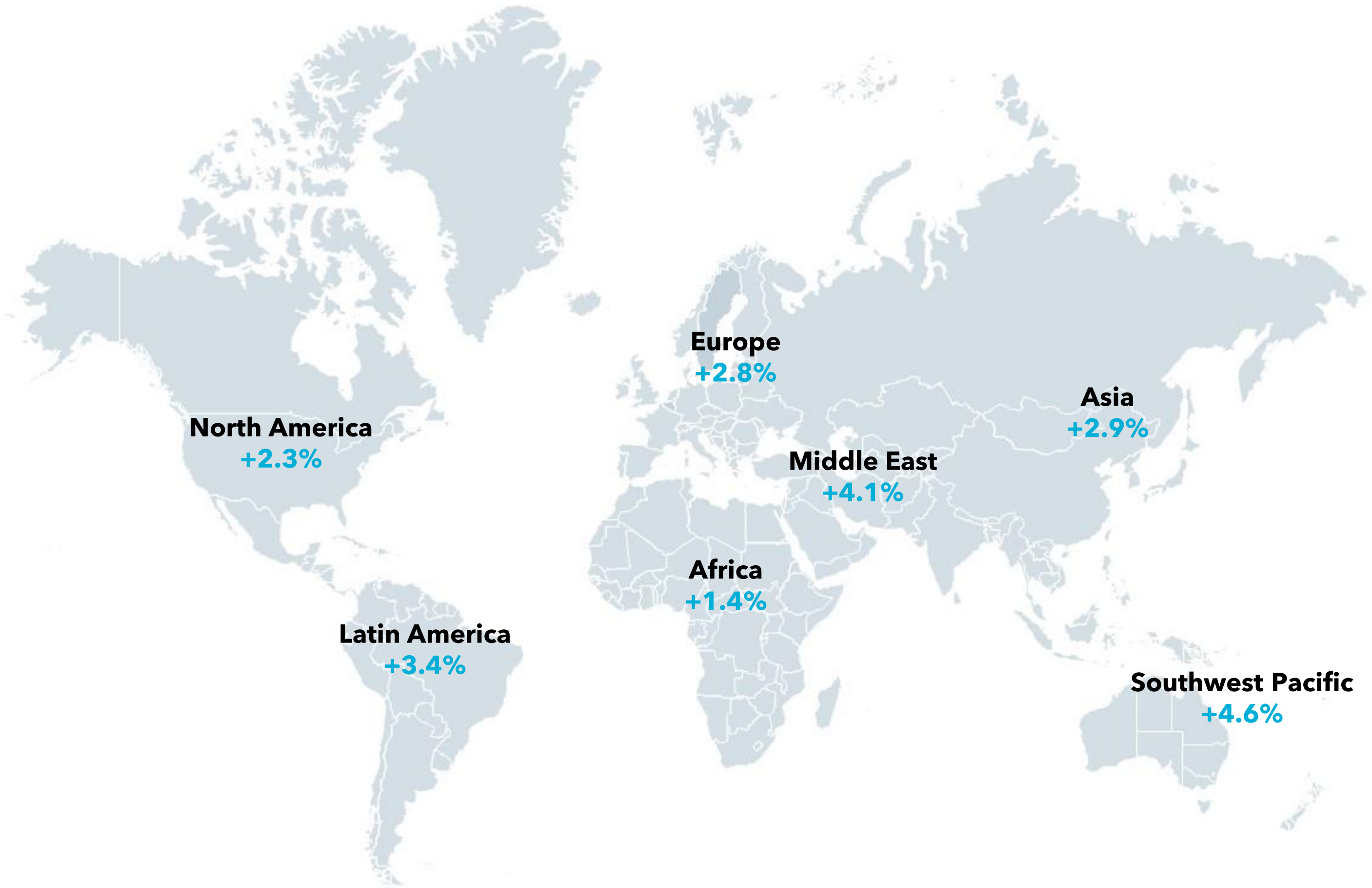
For 2025, we forecast average daily room rates (ADRs) among the world's hotels to rise by 2.9%. Most regions may expect to see average rate increases close to this figure.

With a forecast of 4.1%, the Middle East is one of the exceptions. In this case, the strength of hotel pricing in Saudi Arabia disguises rate weakness elsewhere in the region. We anticipate rate movements in a narrow 0-2% range in most of the other Middle Eastern countries.

We also expect to see rate inflation above the global average in Southwest Pacific's core markets, Australia and New Zealand.

Of course, the figures presented here are regional averages, and there's likely to be some variation in the outlook for individual markets within each region. We explore the prospects for each region in more detail in the following pages.

Hotel average daily rates in 2025



Source: BCD analysis

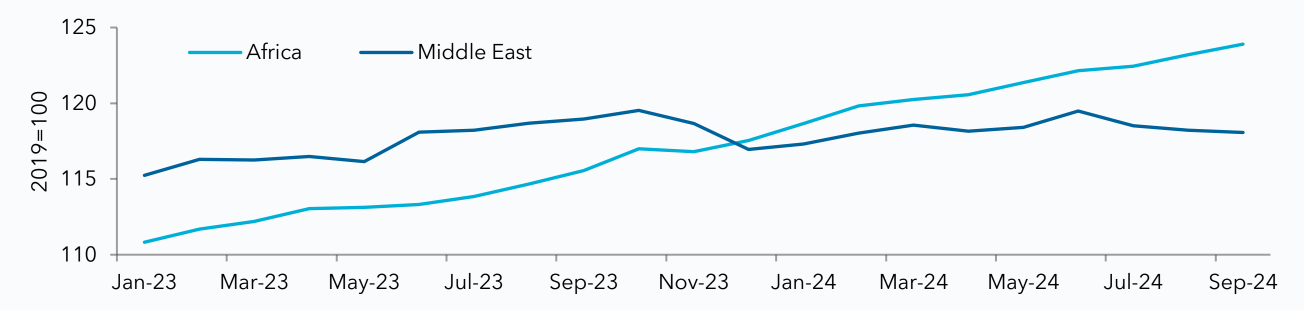
Hotel rate forecasts for Africa and the Middle East

Current situation

Hotel rates in the Middle East rose by just 2% year-over-year during the first nine months of 2024.[10] Underlying pricing has struggled to recover from the correction associated with the Israel-Gaza conflict at the end of 2023. But pricing has not been consistently weak across the region. While average daily rates (ADR) have been lower in 2024 in Israel, Jordan and Oman, they've risen elsewhere and have averaged 4% higher in the U.A.E. and 6% higher in Qatar.

The solid rate recovery among Africa's hotels continued in 2024. During the first nine months, ADRs averaged 5% higher and increased by 8% in September. Rate hotspots include Egypt and Zambia, where rates have been more than 40% higher, and Nigeria, whose hotels have increased ADRs by 70%.

Hotel average daily rate index [10]

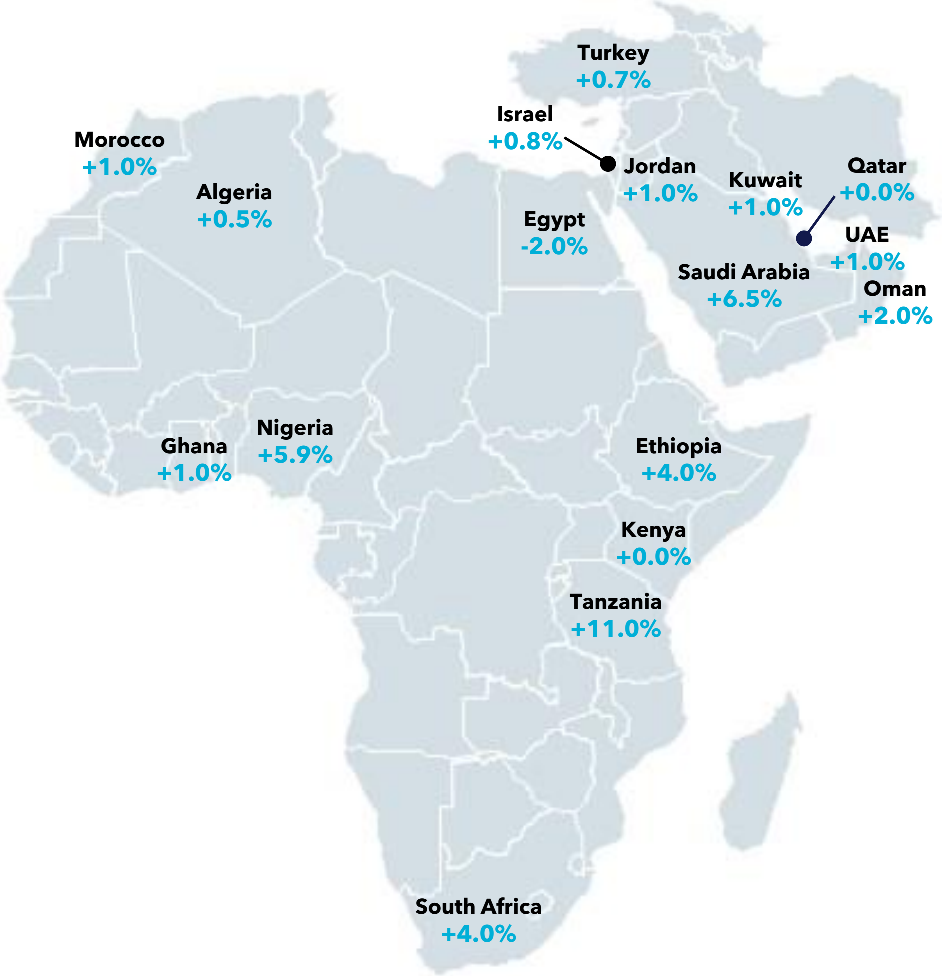


Outlook for 2025

On average, we anticipate a 3.3% rise in room rates for Africa in 2025. Across individual markets, ADR movements could range from -2.0% in Egypt up to 11.0% in Tanzania.

Uncertainty surrounding the geopolitical situation will weigh on rate inflation in the Middle East, where we believe ADR movements will average 4.1% in 2025. While most markets may expect to see rate movements of just 0.0%-2.0%, the regional average will be driven up by the 6.5% increase anticipated for Saudi Arabia.

Hotel average daily rate forecasts for 2025 [11]



Source: (10) Historic data: STR; (11) Forecasts: BCD analysis. All local currency except Turkey €

Africa and the Middle East hotel spotlights

Kenya

With an increase in the supply of hotel rooms outpacing any growth in demand, Kenya's hotels have been struggling with weakening occupancy. During the first nine months of 2024, it dropped by 6.5-points year-over-year (YoY) to 50.4%.[12] After a strong start to the year, excess supply has started to impact average daily rates, which have been falling YoY since June 2024.

Kenya looks set to enjoy greater economic and political stability in 2025, and this should help to stabilize hotel rates, which we expect to remain at 2024 levels.

Saudi Arabia

In 2025, we expect hotel rates to rise by 6.5%. Increases will be highest in the key cities, including Jeddah, Khobar, Makkah, Medina and Riyadh, where demand for rooms is strong among both international business travelers and tourists.

Restrictions on international travel during the pandemic encouraged Saudi corporate customers to organize domestic meetings and events. This trend has continued post-pandemic, adding extra pressure on room rates and availability during events with an international appeal. Expect hotels to be sold-out.

South Africa

The country's public sector represents the largest corporate consumer of hotel accommodation. Recent government revisions to travel policy now allow departments to set their own city-specific rates caps. This replaced a uniform fixed-rate policy applying across the board for all stays in 3- and 4-star hotels.

This policy shift should enable hotels to align pricing for public sector clients more closely with prevailing market rates, hence pushing up underlying rates in 2025.

Tanzania

With Tanzania's improving economic climate helping to drive up demand for hotel accommodation, a limited supply of rooms means travelers should expect a steep rise in average daily rates in 2025.

Rate increases could possibly be even higher than the 11.0% we're forecasting and should be most acute in the main business centers, such as Dar es Salaam.

Source: BCD Travel Kenya, BCD Saudi Arabia, BCD Travel South Africa, BCD Travel Tanzania; (12) STR

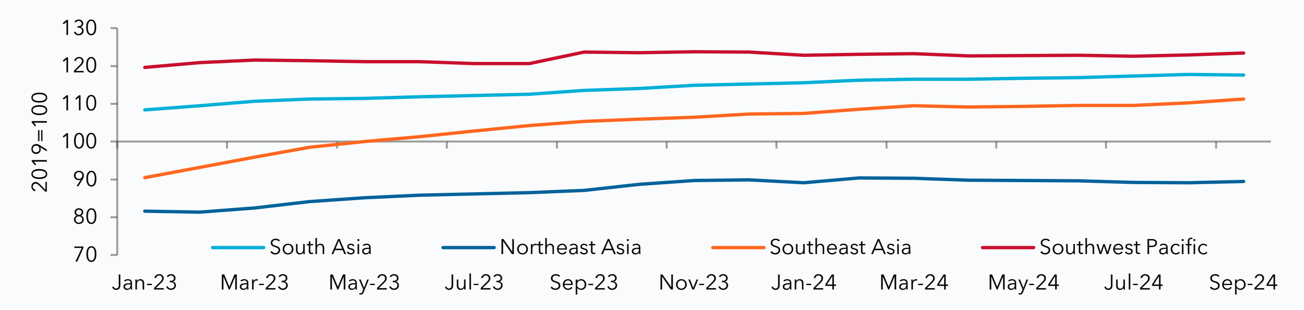
Hotel rate forecasts for **Asia Pacific**

Current situation

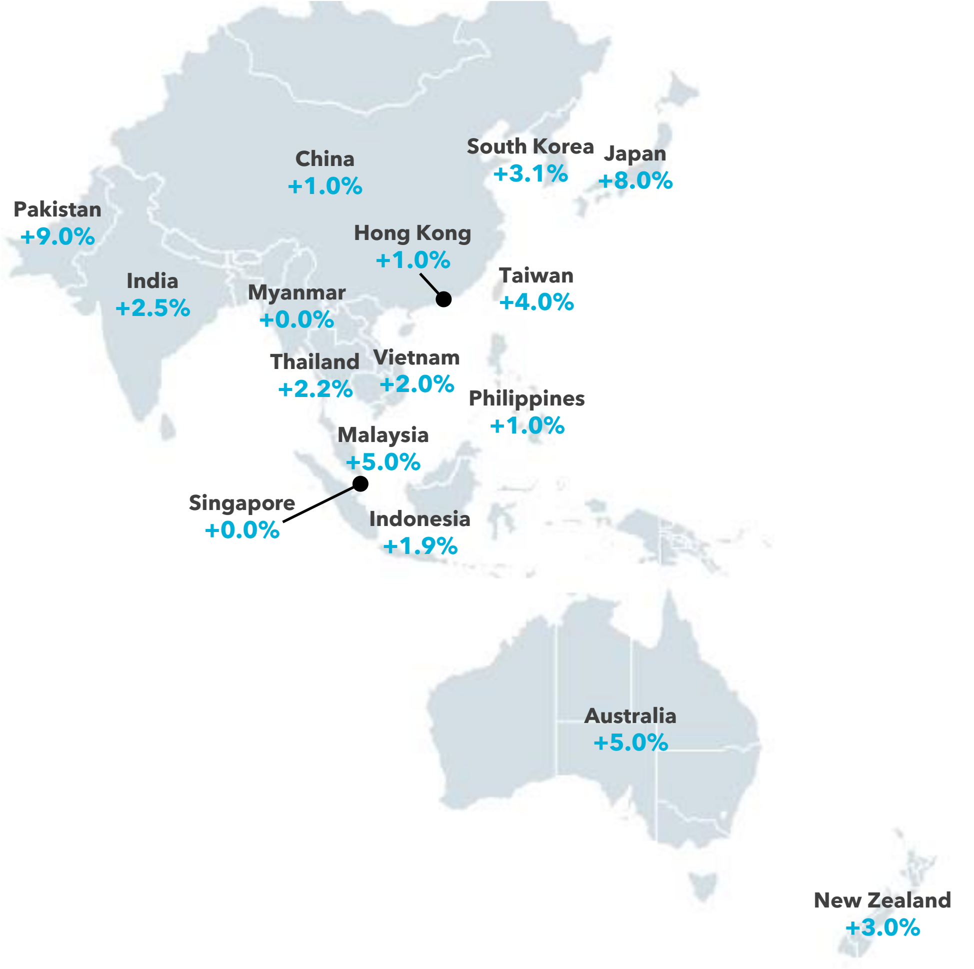
Relative to 2019, the progress made by room rates in Asia's main sub-regions has varied.[13] Average daily rates (ADRs) among hotels in Northeast Asia continue to trend more than 10% below their pre-pandemic levels. The upward movement in pricing that characterized 2023 was largely lost in 2024, although September's 4% increase ended a six-month run of falling rates.

Southwest Pacific has seen the strongest rebound in rates since 2019, and there are signs of momentum returning after a sustained period of little underlying change. Similarly, Southeast Asia has seen some strength return to pricing in recent months. In South Asia, ADRs have continued to trend slowly higher.

Hotel average daily rate index [13]



Hotel average daily rate forecasts for 2025 [14]



Outlook for 2025

On average, we expect ADRs in Asian markets to increase by 2.9% in 2025. Rate inflation should be higher in Southwest Pacific, with the 5.0% rise in ADRs likely among Australia's hotels helping to lift the regional number to 4.6%.

Among Asia's sub-regions, South Asia should see the highest price increase of 3.8%. This disguises the contrasting outlook for India and Pakistan, where we forecast ADRs to rise by 2.5% and 9.0%, respectively. At 3.1%, the average for Northeast Asia will not be far behind. Whilst rate increases should be modest in most markets, including China and Hong Kong, in Japan the strength of inbound demand for hotel accommodation will help to drive ADRs 8.0% higher.

At 2.4%, ADR movements should be the lowest in Southeast Asia. This reflects our expectation of only small rate rises in Indonesia, the Philippines and Vietnam, and no change to ADRs in Singapore.

Source: (13) Historic data: STR; (14) Forecasts: BCD analysis

Asia Pacific hotel spotlights

China +1.0%

Low inflation and an easing of staff shortages will provide some relief in respect of hotels' costs. The opening of new hotels, just as China's sluggish economy dampens domestic demand, will also weaken hoteliers' position on pricing.

India +2.5%

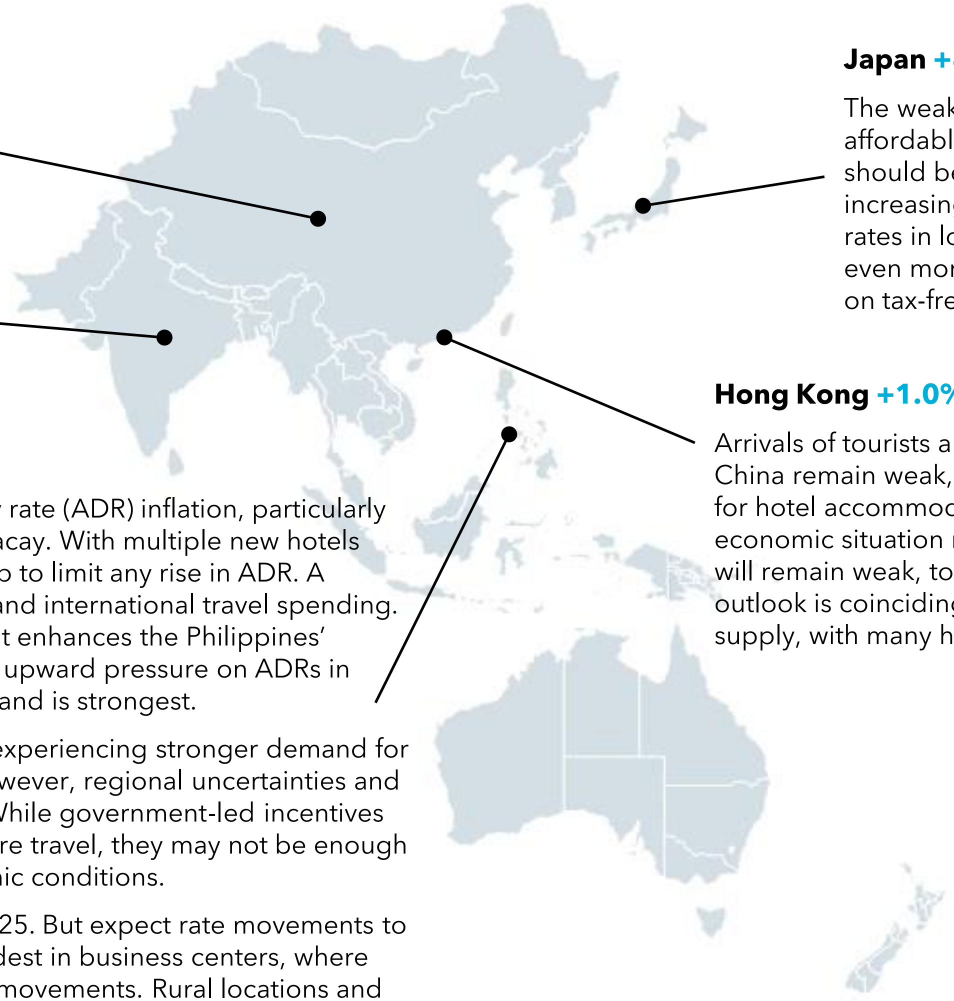
Travel buyers may expect rate rises of 4-5% in the early months of 2025. From the second quarter, ADR inflation should ease, and prices may even decrease in some markets. Across the year, this should add up to a 2.5% rise in ADR.

Philippines +1.0%

The recovery in demand is underpinning average daily rate (ADR) inflation, particularly in popular destinations, such as Manila, Cebu and Boracay. With multiple new hotels expected to open in 2025, this extra supply should help to limit any rise in ADR. A weakening peso will, however, impact both domestic and international travel spending. Currency depreciation might boost inbound travel, as it enhances the Philippines' appeal as a lower cost destination. This could increase upward pressure on ADRs in those hotels and destinations where international demand is strongest.

With corporate travel's return, business hub cities are experiencing stronger demand for accommodation in mid- and high-scale properties. However, regional uncertainties and elevated costs may restrict corporate travel budgets. While government-led incentives and promotional efforts could provide support to leisure travel, they may not be enough to offset the ADR downsides presented by the economic conditions.

Nationally, ADRs should rise by no more than 1% in 2025. But expect rate movements to vary across the country. Increases should be more modest in business centers, where extra supply and economic pressures will contain rate movements. Rural locations and leisure destinations may see higher increases driven by the strength of demand.



Japan +8.0%

The weak Yen will continue to make Japan a popular and more affordable choice for overseas visitors, whose numbers in 2024 should be 10% above pre-pandemic levels. While this is increasing hotel occupancy, and therefore high inflation in room rates in local currency terms, the Japanese government is doing even more to promote tourism, including the removal of the cap on tax-free shopping.

Hong Kong +1.0%

Arrivals of tourists and corporate travelers from China remain weak, weighing heavily on demand for hotel accommodation. Hong Kong's economic situation means that domestic demand will remain weak, too. This softer demand outlook is coinciding with a marked increase in supply, with many hotels set to open in 2025.

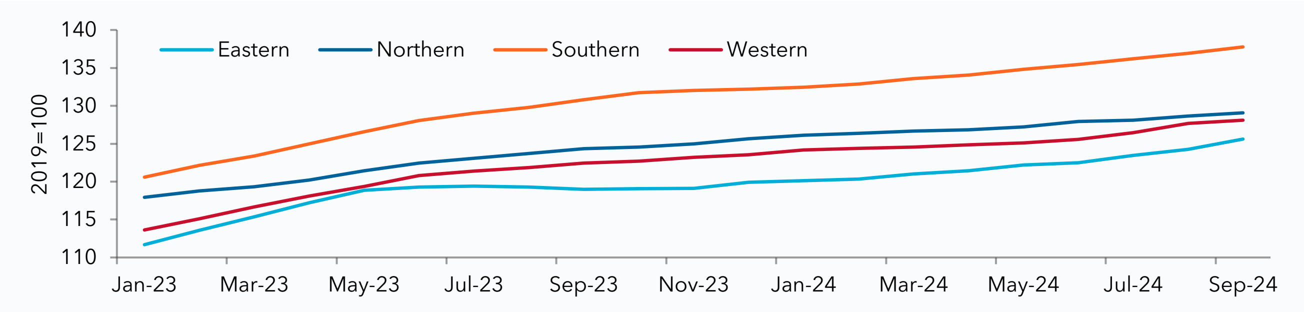
Hotel rate outlook for Europe

Summary

During the first nine months of 2024, average daily rates (ADRs) for hotel accommodation across Europe increased by 4.6% year-over-year.[15] After a weak performance in 2023, hotel rates have trended up in Eastern Europe, so far rising by 6.5%; two points above the European average. Hotels in Southern Europe have also enjoyed some solid increases, averaging 5.1%. This reflects strong results in Greece and Spain, where ADRs are 13% and 10% higher, respectively.

While rate movements in Western Europe have strengthened in recent months, over the year they've matched the European average. Rate changes have been weakest in 2024 in Northern Europe, with flat prices in Denmark and Finland limiting sub-regional ADR movements to 3.6%.

Hotel average daily rate index[15]



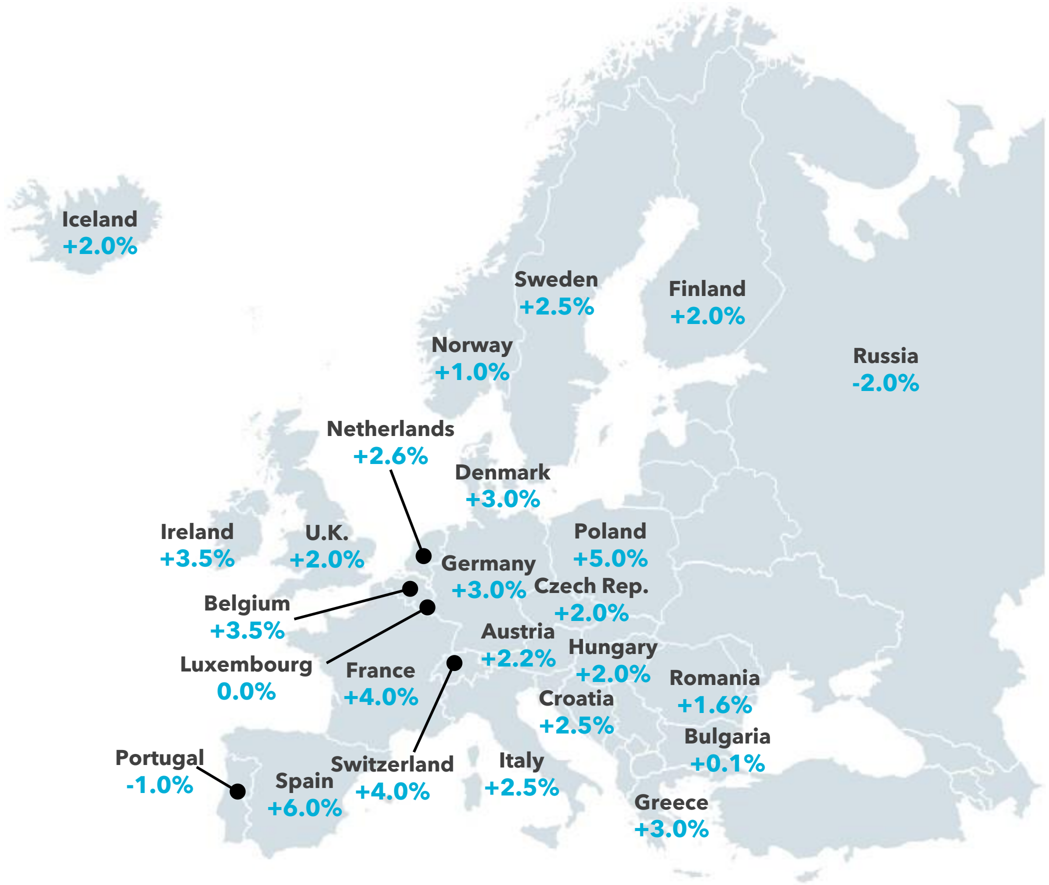
Outlook for 2025

In 2025, we expect European room rates to rise on average by 2.8%. In most markets, rate movements should be lower than in 2024.

The pricing strength seen recently in Southern Europe should continue, with ADRs likely to rise by 3.8%. The 6.0% hike in rates we expect in Spain will be one of Europe's strongest price movements. Most markets in Western Europe can expect rate rises of 3-4%. Price changes should remain modest in Northern Europe, averaging 2.1% as consumer price inflation eases in these countries.

We expect rate inflation to be weakest in Eastern Europe, averaging just 0.2% in 2025. This is largely driven by a 2% decrease in Russia. ADRs should rise in other markets, with hotels in Poland expected to push rates 5% higher.

Hotel average daily rate forecasts for 2025 [16]



Source: (15) Historic data: STR; (16) Forecasts: BCD analysis

European hotel spotlights

Greece: Hoteliers trying to push corporate rates even higher

Among the large chain hotels operating in Greece's major cities, travel buyers may expect to see corporate rates increase by around 3% in 2025. Outside of the major cities, such as Athens and Thessaloniki, it may be possible to agree smaller rises in room rates, but the benefit to the overall travel program may be limited, given the typically smaller volumes in these locations.

When using hotels in Thessaloniki, travelers may notice a slight increase in static rates. But during peak periods, the city's hotels are increasingly following hotels in Athens, where NLRA (non-last room availability) agreements are more common. Quite simply, hotels are limiting the availability of negotiated rates when occupancy is high. In recent years, bookings during the high season have tended to attract stronger rate rises than for stays during the low season.

Travel buyers need to look out for hoteliers trying to push corporate rates up as fast as the 5% increases they've been achieving in the leisure segment. But they've faced resistance, particularly from local business travelers.

Switzerland: Occupancy and costs driving rates higher

We expect hoteliers in Switzerland will be able to push rates up by 4% in 2025, exceeding the 2.8% European average that we're forecasting.

The combination of strong demand from both leisure and business travelers together with higher operating costs will drive up average daily rates (ADRs), particularly for stays in upper upscale and luxury accommodation. In hotels occupying these service tiers, a growing emphasis on providing a personalized, technology-enabled guest experience is adding cost, which is being passed onto guests through higher room rates. What's more, Geneva and Zürich are enjoying increasing demand for business events and conferences, and the business travelers they attract are increasingly extending their stays for some personal leisure time. The associated rise in occupancy is providing further upward pressure on rates in these cities.

Travel buyers may expect more moderate ADR inflation among midscale and budget hotels.

Source: BCD Travel Greece and BCD Travel Switzerland

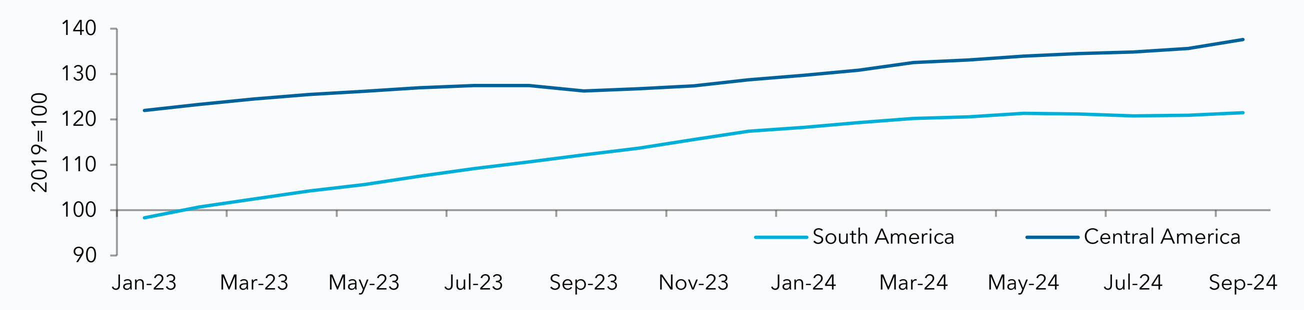
Hotel rate outlook for Latin America

Current situation

So far in 2024, average daily rates (ADRs) in local currency have risen on average by 6% across Latin America.[17] Hotels in South American markets, which had already trailed their peers in Central America in restoring pricing after the pandemic, have seen their ADR increases moderate recently. During the first nine months of 2024, rates in this region have risen by 5%, contrasting to the 8% rise among hotels in Central America.

While the ADR index for South America shows a clear leveling off in underlying hotel rate movements in recent months, in Central America, hotels appear to be regaining some upward momentum.

Hotel average daily rate index [17]



Outlook for 2025

On average, we expect average daily rates across Latin America to rise by 3.4% during 2025, with prices set to rise in all the markets under review.

At 6%, Colombia is likely to see the largest ADR increase, building on the 4% rise seen so far in 2024. As the country's economic growth picks up, demand for hotel accommodation should strengthen. Brazil's hotels can also expect one of the region's highest rate increases in 2025. However, at 4%, this will be some way below the 11% rise seen so far in 2024. The remaining South American markets can expect more modest ADR movements occupying a narrow 1-2% band.

In Central America, Costa Rica should see rates rise by 2%, largely in line with the ADR increase seen so far during 2024.

Hotel average daily rate forecasts for 2025 [18]

Source: (17) Historic data: STR; (18) Forecasts: BCD analysis, local currency (except Argentina - USD)

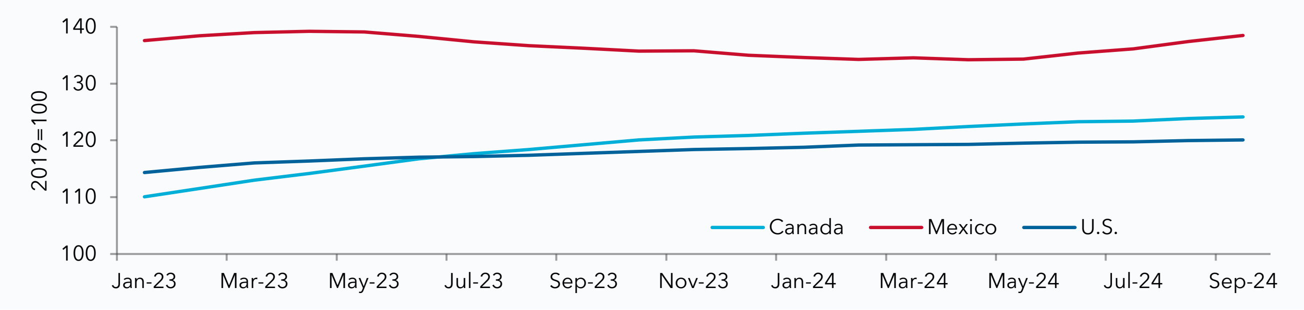
Hotel rate outlook for North America

Current situation

Year-over-year movements in average daily rates (ADR) so far in 2024 have been quite modest, with Canada's 4% increase the strongest result. Mexico follows with 3%, while hotels in the U.S. have managed only a 2% rise in rates across the first nine months.[19]

Recent pricing trends suggest a relatively stable position in Canada. This is more so the case in the U.S., where ADRs rose by little more than 1% in September. The situation is quite different in Mexico. A period of softening rates ended in mid-2024. With rate increases of 12-13% in August/September, hotels appear to have regained some of their pricing power.

Hotel average daily rate index [19]



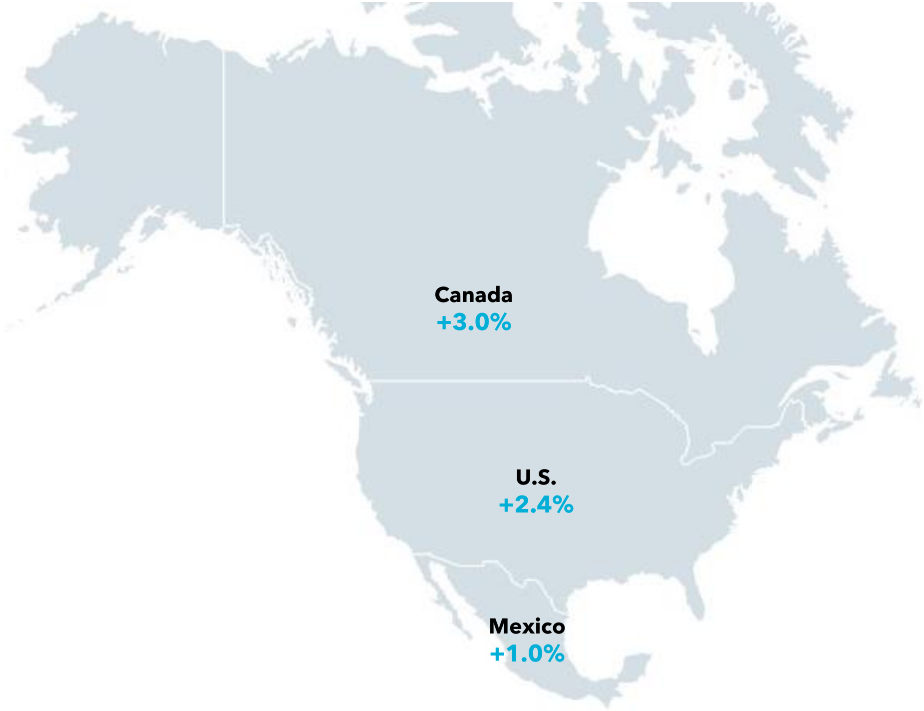
Outlook for 2025

Across the North American region, we expect hotel room rates to rise by 2.3% on average in 2025. Our expectations for ADR movements in the three countries making up this region lie in a fairly narrow band of 1-3%.

We believe rate inflation will be highest in Canada, with ADRs expected to rise by 3.0%. The U.S. won't be too far behind: Nationally, room rates should rise by 2.4%.

With ADRs currently rising rapidly in the Mexican market, this has propelled prices almost 50% higher than they'd been before the pandemic. It's hard to see double-digit rate inflation continuing or ADRs moving much further beyond such high nominal levels. For this reason, rate increases in 2025 could be as low as 1.0%.

Hotel average daily rate forecasts for 2025 [20]



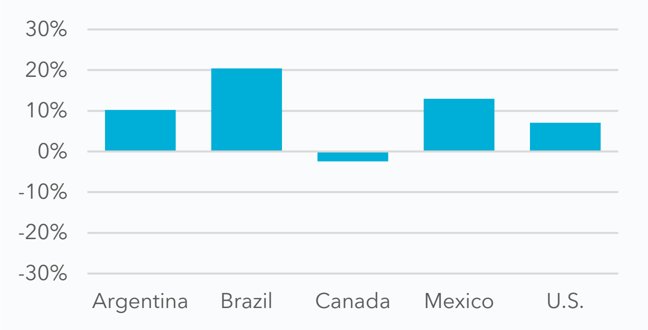
Source: (19) Historic data: STR; (20) Forecasts: BCD and Advito analysis, local currency

Car rental in 2025

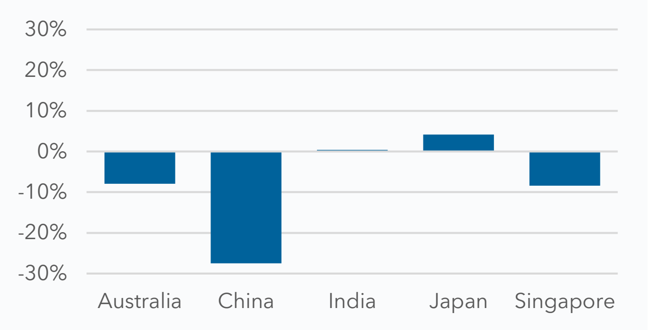
The situation in 2024

An acute imbalance between supply and demand has seen car rental customers face some large price increases over the past two years. In many markets around the world, these rate increases continued during the first seven months of 2024. But year-over-year movements in daily rates have varied by country, and in some cases, prices may even be lower this year.

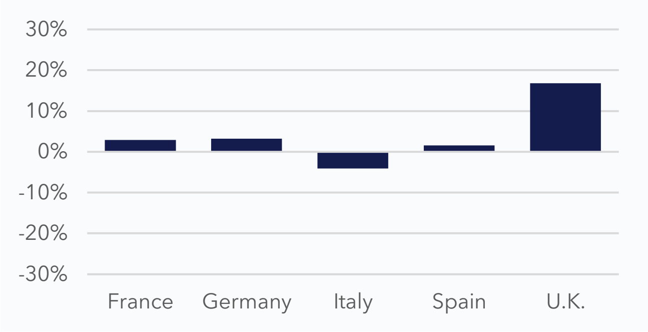
Americas



Asia Pacific



Europe



In the Americas, rental rates have increased in most markets in 2024, except for Canada, where they're averaging around 2% lower. Pricing has been much weaker in Asia Pacific, where the post-pandemic recovery has disappointed in some markets, while the travel rebound is losing impetus in others. Rate movements have been fairly muted in Europe. Against the 2-3% increases in France, Germany and Spain, the 17% jump in rates in the U.K. stands out. The variability in pricing doesn't end at the national level. In the U.S., where rates have risen by 7%, mid-sized car rates are up by just 5%. It's the 15% increase for small car rentals and 11% for large cars that's driven up the average figure.

Prospects for 2025

Car rental companies' costs continue to rise. They're dealing with higher acquisition costs as car prices rise and increased maintenance and repair costs as newer cars incorporate more technology. To offset these higher costs, car rental companies have taken advantage of the strength of leisure demand and have negotiated higher pricing with corporate clients. However, the post-pandemic boom in rentals by leisure travelers is now rapidly fading, particularly in North America. Car rental companies have responded by halting plans for further price increases for leisure customers and have even lowered pricing for some transactions.

Corporate clients still face the prospect of rate increases, however, depending on when the agreement was last negotiated. Customers that have not negotiated an agreement in the past several years should expect an increase in their rates in 2025. Car rental companies will push for as big an increase as possible (to offset pricing weakness on the leisure side) and corporations will have to negotiate hard to keep the increase manageable. Leisure pricing, or the pricing corporate customers must pay when their preferred class of vehicle is sold out or unavailable, will likely increase in the 3-5% range, as car rental fleets have returned to or exceeded pre-pandemic levels.

Source: BCD analysis

Sustainable travel in 2025

Pressure builds on business travel to reduce its climate impact

New reporting requirements will oblige companies to pay closer attention to their sustainability data and goals and the disclosure of their annual progress. With more transparency will come a greater expectation for business travel to play its part in addressing climate change. Less talk and more action will be needed to avoid accusations of greenwashing. Emphasis must shift to meaningful travel – where low emissions, positive local impact, traveler wellness and business success all go hand in hand. Travelers must know when to travel and when to stay at home, how to book the most sustainable options; and travel policies will need to support this. Managing emissions at company or department level, and clear reporting and accounting for quality carbon offsets or purchases of sustainable aviation fuel will be vital.

What to look out for in 2025

Less talk, more action

While sustainability has been a hot topic in the wake of the pandemic, its profile is starting to fade as travel returns to *normal* and political priorities move away or even against it. However, the fundamentals are in place and buy-in from companies and global institutions is now solidified – so even if we hear less about it, sustainability actions and progress will continue.

Data in the spotlight

2025 will see the first companies reporting under the European Union's (EU) Corporate Sustainability Reporting Directive (CSRD). This should trigger the first round of audits, which will include business travel emissions data. The spotlight will turn to leakage, accuracy of methodologies, the robustness of data collection and calculation.

From greenwashing to greenhushing

2024 saw the start of a backlash against greenwashing, spurred on by the EU's Green Claims Directive. In response to this, and some high profile court cases, companies will be much more hesitant to communicate their sustainability achievements outside the reporting sphere. While customers may have to dig deep to find the information they need, it's likely to be more robust when they do.

Meaningful travel

As the stakes get higher, the importance for corporate travel to be a *meaningful* endeavor becomes more critical. Decision makers must ensure they take into account the value of every trip, to business, to employees and to the planet. The global community will expect real action and not just PR platitudes.

Sustainable aviation – it's time to pay up

Sustainable aviation fuel (SAF) mandates are now in place in multiple markets. Country-based levies (Singapore) or ticket surcharges (Lufthansa Group) have also been brought in, while some countries (Germany) use higher aviation taxes as an alternative to kerosene taxes. Customers will have to pay their fair share of these extra travel costs.

Plan for disruption and resilience

As the world surpasses the Paris Agreement's 1.5 degrees temperature rise, the realities of climate-related travel disruption will escalate. Understanding and mitigating risks, planning for and dealing with disruption, and building resilience into travel programs will be a core requirement.

Sustainable procurement – from theory to reality

EU and other regulations are increasing the pressure on companies to fully incorporate sustainability into their procurement processes. Now that GBTA has released its sustainability standards for air and hotel procurement, companies will increasingly integrate sustainability in a meaningful way into their travel purchasing decisions.

AI – sustainability's double-edged sword

Data collection, forecasting, mapping environmental impacts and streamlining corporate disclosures will all increasingly be supported by AI, driving efficiency and accuracy. But AI must address concerns about energy consumption, ethical implementation and regulation if its use is to be sustainable in the long term.

Sustainable travel developments in 2025

Prepare for more sustainability reporting

The European Union (EU) has launched the Corporate Sustainability Directive (CSRD) as a replacement for 2018's Non-Financial Reporting Directive (NFRD), which it had brought in to encourage sustainable investment. Business travel may not be a major focus of CSRD right now, but it's poised to play a significant role in how companies report on travel and sustainability in the future. Fortunately, CSRD's phased implementation means most travel managers still have time to prepare, although some are already embroiled in the process.

The CRSD has expanded the number of companies required to report, and they'll need to report on a wider range of topics and in much more detail. The first group of companies impacted are those already reporting under NFRD. They need to report in 2025 on environmental, social and human rights issues for financial years beginning January 1, 2024. During 2025, the next phase of companies will need to start recording sustainability data: large EU companies and parent companies of large EU groups not previously covered by the NFRD. In the third and final phase, listed small and mid-size enterprises will need to start reporting on financial years starting January 1, 2026. All affected companies will need to provide detailed and audited sustainability reports, covering everything from environmental impact to social responsibility.

Faced with the prospect of CSRD, what should travel managers do? A first step would be to check in with the sustainability team to ascertain if your company is required to make a CSRD report that includes scope 3 (indirect greenhouse gas) emissions. If so, it's important to understand how to collect, report and audit this data. It's also worthwhile assessing and, if necessary, improving travel policies to enhance their focus on sustainability. And you'll need to investigate your suppliers' approach to sustainability, to ensure it complies with supply chain requirements in the new legislation.

Sustainable aviation fuel

Sustainable aviation fuel (SAF) represents just one of multiple tools that can support aviation's decarbonization. SAF is a drop-in solution. This means it can be handled by existing infrastructure. As such, it's the only currently available alternative to burning jet fuel. SAF can reduce CO_2 emissions by up to 80%, although it should be noted that this is through its lifecycle rather than simply when burnt.

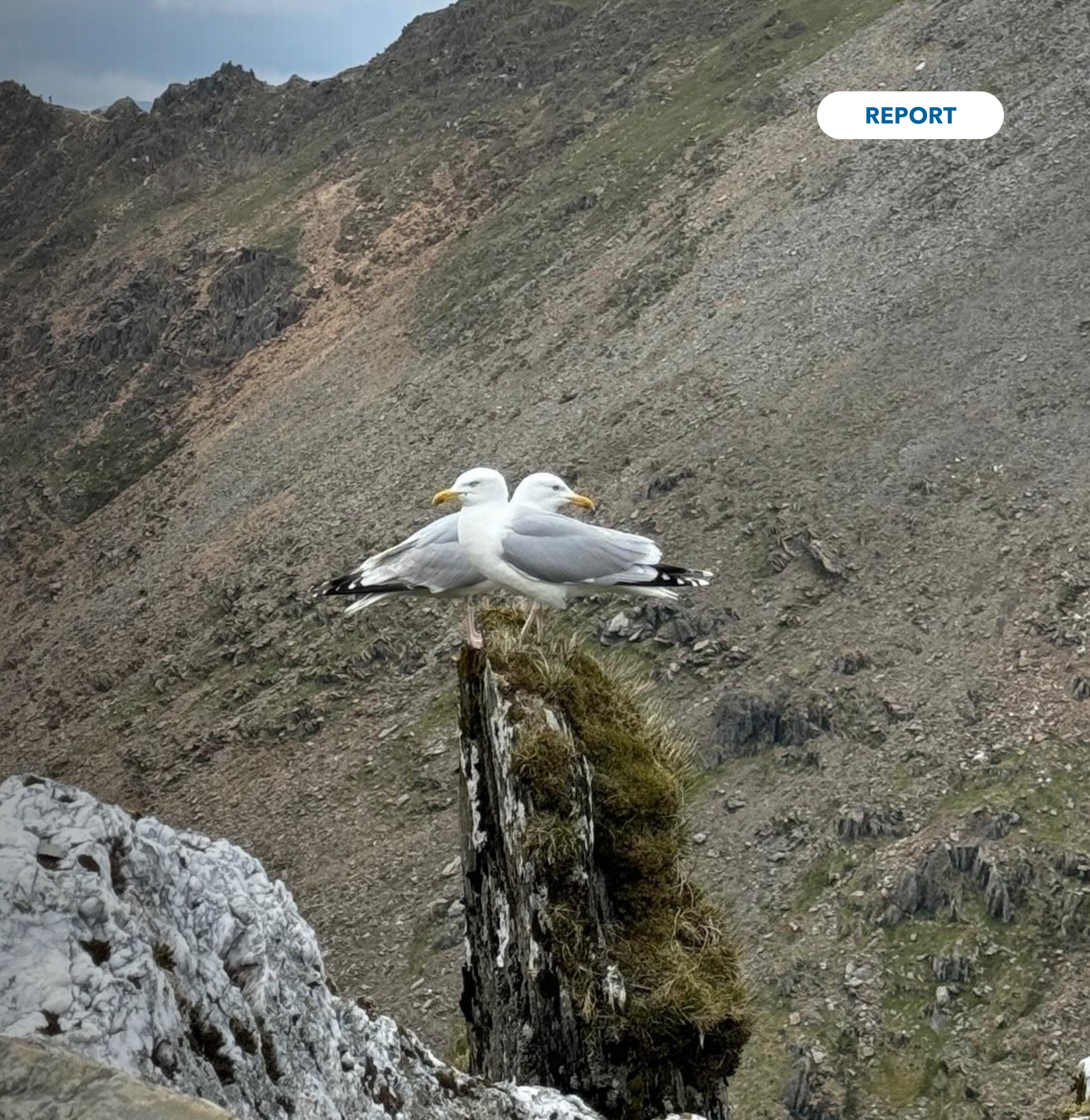
SAF forms the central tenet of IATA's net zero commitment, and by 2050 SAF would need to account for 65% of the industry's carbon mitigation. Governments around the world have begun to implement SAF mandates, aimed at supporting SAF's development and its adoption by aviation towards decarbonization. In the European Union, for example, from 2025 the fuel used by departing airlines must contain at least 2% SAF. This figure rises to 6% by 2030; to 20% by 2035; and up to 70% by 2050. While the U.K. is also targeting 2% on departing flights by 2025, it's aiming for 10% in 2030 and 22% by 2040. Singapore has been less ambitious, requiring 1% by 2026, rising to 3-5% by 2030. Rather than a mandate, U.S. authorities have opted for a series of incentives instead.

While SAF is a key focus of airlines and governments, a viable and scalable SAF sector faces some significant challenges. It's vital to ensure that SAF feedstocks (raw materials) are sustainable in themselves and do not compete with other sectors for land or renewable energy. High production costs and the significant investment still needed to produce sustainable SAF at scale means it carries a big price premium over jet fuel. In 2023 SAF production reached 600 million liters, equivalent only to around 0.2% of global jet fuel use.

Corporate customers can choose to mitigate a proportion of their business travel emissions by purchasing SAF, and increasingly airlines are starting to include SAF in their negotiations. However, for the foreseeable future SAF prices will remain high and its impact limited.

BCD travel

REPORT



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