As Demand Increases, Business Travel Prices Are Rising Too

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Global travel prices are predicted to continue to increase in the remaining months of 2022 and throughout 2023, according to the 2023 Global Business Travel Forecast, published by CWT and the Global Business Travel Association (GBTA).

Rising fuel prices, labour shortages, and inflationary pressures in raw material costs are the primary drivers of the expected price growth, according to the report.

“Demand for business travel and meetings is back with a vengeance, of that there is absolutely no doubt,” said Patrick Andersen, CWT’s Chief Executive Officer. “Labour shortages across the travel and hospitality industry, rising raw material prices, and greater awareness for responsible travel are all having an impact on services, but predicted pricing is, on the whole, on par with 2019.”

The world economy shrank 3.4% in 2020 in one of the worst declines since World War II. Service sectors, including travel and hospitality, were hit especially hard, but the global economy recovered briskly, rising off the lows of 2020 and increasing 5.8% in 2021.

Economic growth is moderating as the recovery lengthens, although another recession is a growing concern. The current base case scenario for 2022 is for 3% growth, followed by 2.8% growth in 2023.

Corporate Events

For meetings and events, the report’s authors say prices have increased in all regions across most categories of spend, fueled by pent-up demand, a desire to build company culture and an uncertain economic outlook. The cost-per-attendee for meetings and events in 2022 is expected to be around 25% higher than in 2019, and it’s forecast to rise a further 7% in 2023.

Airfares

Business travel airfares fell over 12% in 2020 from 2019 followed by an additional 26% decline in 2021. Economy ticket prices fell over 24% from 2019 to 2021, while premium tickets fell 33%. Prices are expected to rise 48.5% in 2022, but even with this steep price increase, prices are expected to remain below pre-pandemic levels until 2023, the CWT/GBTA report says. Following an increase of 48.5% in 2022, prices are expected to rise 8.4% in 2023.

Premium class tickets comprised over 7% of all tickets purchased in 2019. The share of premium class tickets fell to 6.5% in 2020 and to 4.5% in 2021 but have started to rise in 2022. Through the first half of the year, premium tickets made up 6.2% of all tickets purchased. The report says a rising share of premium class tickets will result in higher average fares as average ticket price comprises economy and premium.

International and cross border bookings are recovering across most regions which will result in a higher share of international ticket bookings and a corresponding higher average ticket price despite uncertainties caused by the war in Ukraine. Following two years of minimal to no expenditure, business travellers are likely to be willing to spend more on tickets, especially as availability reduces due to labour shortages.

Hotel
Hotel prices fell 13.3% in 2020 from 2019 and a further 9.5% in 2021, however the report expects them to rise 18.5% in 2022 followed by an 8.2% lift in 2023. Hotel prices have already eclipsed 2019 levels in some areas such as Europe, the Middle East & Africa and North America and are expected do so globally by 2023.

Hotel rates have risen sharply in parts of the world including a 22% rise in North America — and a forecast 31.8% across Europe, the Middle East & Africa — driven by an accelerated recovery coupled with continued capacity constraints.

Hotel rate increases were initially driven by strong leisure travel in 2021 but group travel for corporate meetings and events is improving and transient business travel is similarly gaining healthy pace, putting further pressure on average daily hotel rates.

Car Rental

Global car rental prices fell 2.5% in 2020 from 2019, before rising 5.1% in 2021. Prices are expected to increase 7.3% in 2022, hitting new highs, and rise a further 6.8% in 2023.

The vehicle industry remains capacity constrained and rental agencies which reduced fleet sizes in the wake of the pandemic, have not yet fully recovered – due in part to component shortages and supply chain disruptions that have reduced global auto production.

Rental agencies have reverted to buying used vehicles to increase fleet sizes and are keeping their vehicles longer. Some agencies are also buying vehicles from auto-makers outside of their historically supported brands.