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EIBTM 2012 Trends Watch

eibtm® Trends watch

An evaluation by Rob Davidson,

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INTRODUCTION

In terms of the state of the worldwide economy, 2012 will be remembered as the year when the wide variations in the global economic landscape, already apparent in 2011, considerably intensified. Economists are saying that we are now experiencing an 'asymmetrical recovery', meaning that while some parts of the world are seeing rapid growth levels, others are falling back towards or even into recession.

Much of the economic malaise comes as a direct result of the volatile economic situation in which Western Europe finds itself, as in today's global economy what happens in one location has far-reaching impacts elsewhere – including in the emerging BRICS (Brazil, Russia, India, China and South Africa) nations. While policymakers around the world have responded differently to these threats, on balance the global response has been to increase austerity measures. What is not yet clear is whether austerity objectives will be able to deliver the renewal in confidence and growth that are needed to emerge from the current crisis.

The current and projected situation of the meetings, events and business travel sectors largely reflects the evolution of the global financial state, with the greatest growth being found in this sector being found in those destinations that are experiencing the highest levels of economic development. However, taken globally, the available evidence points to a conviction on the part of the market that the path to recovery, however asymmetrical, will continue to be followed in the year ahead.

This report brings together the most relevant and most recent data from a wide range of sources to provide a snapshot of our industry now and in the coming year. The consensus of these sources would appear to be that buyers and suppliers in our industry are successfully adapting to the 'new normal' and that even in world regions characterized by low growth or no growth, we can still look forward to another period of moderate expansion in meetings, events and business travel volume and spending in 2013.

Rob Davidson
Industry Analyst
EIBTM Trends Watch.

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THE GLOBAL ECONOMIC ENVIRONMENT

In 2012, economic performance continued to vary greatly around the world, with stabilizing but still positive performance by some countries in the Asia Pacific and Latin America regions, such as Japan and Brazil, and slow but steady progress in North America. The debt crisis clearly makes Europe the most volatile region of the world at the moment, and according to the United Nations (UN) and many others this situation presents the biggest threat to the global economy. It is widely agreed that further deterioration of those conditions would cause developed economies to contract further, which would risk spreading to developing economies and creating turmoil worldwide. The uncertain economic and political outlook in the US is an additional key factor contributing to a lack of business and consumer confidence in many parts of the world.

The Economist Intelligence Unit's (EIU) Global Outlook Summary published in June noted that the global economy remained in precarious shape. The EIU expects global GDP (Gross Domestic Product) growth to slow to 3.2 percent in 2012 as a direct result of the problems in Europe, down from 3.7 percent in 2011 and 5.2 percent in 2010 (a year when GDP expansion was fuelled by strong government anti-recession measures). Growth was notably slower in the second quarter of 2012 than the first. The Euro area's economy was forecast by the EIU to fall 0.7 percent in 2012, and to grow only 0.3 percent in 2013. But with each passing month of 2012, more cautious estimates of growth, particularly in Europe, are emerging.

The UN slightly revised down its own forecast for world GDP growth to 2.5 percent in 2012 (down from initial projections of 2.6 percent) and to 3.1 percent in 2013 (down from initial projections of 3.2 percent). World trade growth, according to the UN, is also expected to slow to 4.1 percent for the full year 2012, down from 6.6 percent in 2011.

According to the Organisation for Economic Cooperation and Development (OECD), the global economy has weakened since spring, led by developments in the euro area where recession is again taking hold in some countries. Economies both inside and outside the OECD area have been adversely affected by the euro area. Ongoing balance-sheet adjustments and renewed declines in consumer confidence have kept household demand soft in many countries. In the euro area, weakness in the periphery risks spreading to parts of the core.

Perhaps the most worrying news of all is that even some of the vibrant BRICS economies, which have driven growth in recent years, are starting to weaken as fears about the state of the euro spread and global demand falls. For example, in China, the world's second-largest economy after the US, GDP data for 2012 confirm that that country's days of double-digit economic expansion have halted. The Chinese economy expanded by 7.4 percent in the third quarter of 2012, compared with a year earlier - its slowest pace of growth since early 2009, when the global economy was still reeling from the financial crisis. (However, according to the New York Times, surprisingly strong data for the month of September also showed that the deceleration in China may, for now at least, have come to an end).

Although some variations were to be found between the economic performances of the major economies, as is clear from the table below, the general trend within most of the G7 nations was towards modest GDP growth in 2012.

GDP growth in the G7 economies

Annualised quarter-on-quarter growth, in per cent[1]

	Year 2011	Year 2012	11Q2	11Q3	11Q4	12Q1	12Q2	12Q3	12Q4
United States	1.8	2.3	2.5	1.3	4.1	2.0	1.7	2.0	2.4
Japan	-0.8	2.2	-1.9	7.4	0.3	5.5	1.4	-2.3	0.0
3 largest Euro countries[2]	2.0	-0.2	1.2	0.8	-1.0	0.1	-0.3	-1.0	-0.7
Germany	3.1	0.8	1.8	1.5	-0.6	2.0	1.1	-0.5	-0.8
France	1.7	0.1	0.2	1.1	0.0	0.1	-0.2	-0.4	0.2
Italy	0.5	-2.4	1.4	-0.9	-2.9	-3.3	-2.9	-2.9	-1.4
UK	0.8	-[0.7][3]	-0.4	2.4	-1.4	-1.3	-1.8	[-0.7][3]	0.2
Canada	2.4	1.9	-1.0	4.5	1.9	1.8	1.8	1.3	1.9
G7	1.4	1.4	1.1	2.3	1.7	1.8	0.9	0.3	1.1

The Carlson Wagonlit Travel (CWT) Travel Price Forecast noted that while significant fluctuations in oil prices have made headlines for much of 2012 and have the potential to dramatically impact upon economic performance positively or negatively in the immediate future, unemployment remains the greatest barrier to improvement in most world regions. Globally, unemployment is still above levels experienced before the onset of the economic crisis; in fact, employment-to-population ratios remain below 2007 levels in every major economy except Brazil, China, and Germany. Despite positive economic growth, US unemployment remained at more than 8 percent in mid-2012, and had reached historic highs of nearly 11 percent in the euro zone as of March 2012. Far higher rates were to be found in the crisis-hit economies of Spain and Greece, with 24.1 percent and 21.7 percent unemployment, respectively.

KEY MARKETS – BY KEY CLIENT SECTOR

While a review of the global economic situation sets the general context for the environment within which the meetings, events and business travel sectors operate, it is also important to evaluate the overall performance of those industries that create the greatest demand for our services and facilities. This section provides an overview of the state of health of some of those sectors that are key clients of the meetings and events industry.

Automotive

Levels of business and consumer confidence are reflected this year in auto sales in different markets. In Europe, this is seen in an overall fall in demand, estimated by the AlixPartners Global Automotive Outlook to be a decrease in demand of about a million units, to about 13.5 million new vehicles in Western Europe. That represents a fall of around 3.3 million units compared to pre-financial-crisis 2007. With the euro crisis now adding to the industry's woes, AlixPartners further forecasts that industry sales are unlikely to reach 16 million units again before 2020.

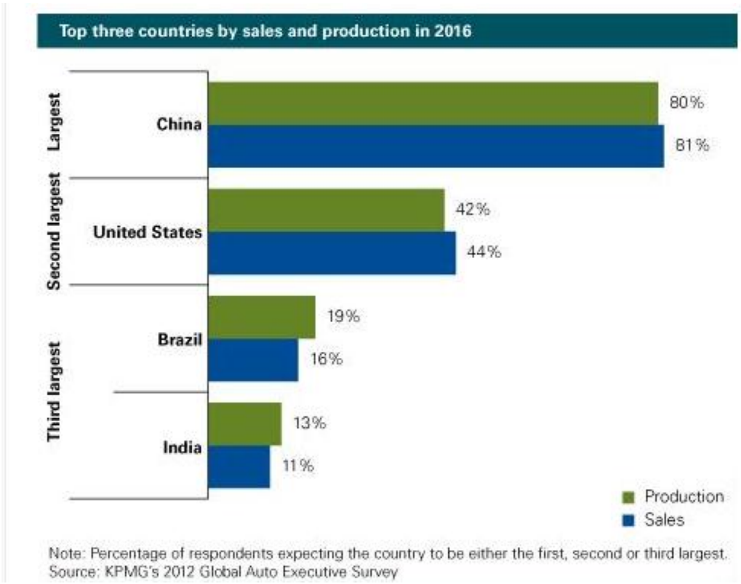
However, the market decline in autos is not evenly distributed across Europe, according to AlixPartners, but has clear focal points. Belgium, Italy and France have experienced double-digit declines in sales, and have a continued negative outlook, whereas the decline in the UK, Germany and Spain has been relatively moderate, at between 0.8 and 2.4 percent. Meanwhile, the markets in Russia and Poland are growing, at least somewhat.

40 percent of the European auto plants overall are currently operating under their financial breakeven points and those plants with the lowest capacity utilization are to be found in France, Italy and Spain, but also in growing markets such as Russia and Turkey. Companies with the best performance are premium manufacturers and new, low-cost entrants, including those from Korea. It is the 'volume' brands that are under most pressure. In 2011 BMW achieved a profit margin of 11.8 percent with its successful premium positioning and Hyundai achieved a very healthy 10.4 percent as the most successful value brand. But volume brands, especially those heavily oriented toward the European market, are just barely profitable or losing money.

In the US, according to Booz & Company's 2012 US Automotive Industry Survey and Confidence Index, the mood among auto executives is more buoyant, with more than 90 percent of respondents describing the current state of the industry as either 'somewhat better' or 'much better' than last year. The survey was completed in early March, and the industry's consensus at that time was that US auto sales would reach 13.7 million in 2012—a nearly double-digit improvement over last year's sales – but still considerably below the 17 million vehicles per year being sold prior to 2008.

The US remains the most profitable automotive market in the world, and the place where all global manufacturers need to succeed. But over the long term, emerging markets have much stronger growth prospects. KPMG's Global Automotive Executive Survey notes that emerging markets can no longer be viewed merely in terms of latent domestic potential, as their growing automotive industries are expanding into other territories. Just a decade ago, manufacturers from the BRIC nations produced basic, low-cost cars aimed solely at domestic consumers. Now they are starting to export vehicles that will compete head-to-head with the established players in developed markets.

For example, Chinese auto exports are rapidly gaining momentum to the point where 80 percent of respondents to the Global Automotive Executive Survey see China continuing to be the biggest automotive market in terms of both sales and production in 2016. The US is a clear number two while Brazil and India fight for the third position.



Pharmaceutical

A key client sector of the meetings and incentive travel industry, the pharmaceutical industry directly employs 660,000 people within Europe alone and generates three to four times more employment indirectly, according to the European Federation of Pharmaceutical Industries and Associations (EFPIA).

The Euler Hermes Global Pharmaceuticals Report showed that demand for drugs in all countries in the world would remain strong in 2012, despite the slowdown in world growth. One factor is demographics: pharmaceutical demand is stimulated by population growth and the ageing population in many countries, as 3 out of every 4 people aged 65 and over suffer from a chronic ailment that is likely to be treatable with medication.

However, the pharmaceuticals market is undergoing a major transformation. Pharmaceutical groups are seeking to adapt to a new market environment marked by soaring demand for generics as generic manufacturers are benefiting from the mass expiry of patents on blockbuster drugs. The concerns of big pharma groups are also partly related to challenges in the domain of Research & Development (R&D). This trend is explained by the fourfold increase in the cost price of developing a new drug over the past 15 years and much more rigorous approval criteria by healthcare agencies.

In Europe the sector currently faces real challenges. Besides additional regulatory hurdles and R&D escalating costs, the sector has been severely hit by the impact of fiscal austerity measures introduced by governments across much of Europe in 2010 and in 2011.

The Euler Hermes Global Pharmaceuticals Report concludes that the golden age of very high profitability for big pharma groups appears to be over. Although average operating margins should remain high at 20.5 percent in 2012, this represents a drop of 2.5 points from 2011 and 4 points from 2006. European pharma groups, whose margins are set to exceed those of their US counterparts by 5 points in 2012 (operating margins are forecast to average 18 percent in the US in 2012, compared with 22.5 percent in Europe), are proving more resilient. This is partly because the US giants are more affected by patent expiries and the repercussions of strong industry concentration. Of the 105,000 jobs axed in the pharmaceutical industry over the period 2009-2011, three-quarters were in the US. In contrast, US biotechnology companies, which are better financed than their European peers, are in fine health. Generic manufacturers are also in excellent financial health, with margins forecast to grow by 6 percent in 2012.

Globally, however, there is rapid growth in the pharmaceuticals market and improvements in the research environment in emerging economies such as Brazil, China and India, leading to a degree of migration research activities to these fast-growing markets. The Euler Hermes Global Pharmaceuticals Report notes that it is the emerging markets that will fuel the expected 4 percent growth in the pharmaceutical market overall in 2012.

Financial Services

The turmoil in the financial services industry shows few signs of abating. The worst dangers of the financial crisis have given way to political and regulatory reaction on perhaps an unprecedented scale. But major uncertainties remain.

Given the ongoing fragility of the financial and economic environment in many parts of the world, financial sector firms face an unprecedented combination of threats from the lack of GDP growth, a lack of confidence in the European bank and sovereign debt markets, and calls for additional capital and liquidity.

The pace of regulatory change affecting the financial services sector this last year has been relentless, driven primarily by the G20 Financial Stability Board, in the form of requirements for Globally Systemically Important Financial Institutions, the implementation of Dodd Frank in the US, multiple European Union regulations, and an emerging focus on consumer protection.

But amidst the despondency in European financial services, firms are expanding in many world regions. According to the KPMG report, Forging forward: Financial services in 2012, there are tremendous opportunities to grow in the high-growth markets of Asia, South America, India, and also on the African continent, where the convergence of banking and mobile telephony is creating unprecedented scope for expansion.

The same source shows how Brazil, with its relatively stable macroeconomic environment, and growing consumer and investor confidence has proved to be a new hotspot in investment management. A recent survey by Coller Capital and the Emerging Markets Private Equity Association shows that Brazil overtook China as the most attractive market for fund managers' deal-making in 2012.

The requirement in Brazil for infrastructure investment, especially, is pressing, particularly in the transport sector. In addition, Brazil is to host the football World Cup in 2014 and the Olympic Games in 2016, both of which require major investment in the country's infrastructure. It has been estimated that Rio de Janeiro alone needs $36 billion of investment to prepare for these two events.
Brazil's investment management industry is most definitely open for business.

Information and Communications Technology

The importance of Information and Communications Technology (ICT) in the global economy is clear. Data quoted by the INSEAD/World Economic Forum Global Information Technology Report shows that, for the European Union, the ICT industry currently contributes 25 percent of its growth in GDP and 40 percent of its productivity growth.

The Gartner Worldwide IT Spending Forecast predicts a rise in global spending on ICT, but reduced its forecast from growth of 3.0 percent in the second quarter to 1.7 percent in Q3 (in current US dollars). However, this reduction is said to be due mostly to the effect of a strengthening US dollar on the growth calculation and not because economic conditions have deteriorated. The authors of Gartner's IT Spending Forecast Q3 2012 Update were of the opinion that overall growth in global IT spending would be around 5 percent in constant dollars. Some of the growth areas identified were sales of tablets, ultra-mobiles and high-end telephones.

Gartner's predictions for the next 4 – 5 years were that growth in this sector would continue at an annual rate of 3 – 4 percent, and that much of that growth would be driven by activity in the cloud, big data and mobility spheres.

In terms of regional markets, The Economist pointed to the fact that technology is having a bigger effect on Africa than anywhere else, because it started from such a low base. In the past decade the use of telephones went from 0.7 percent of the population when land lines were unreliable to 70 percent with the advent of mobile phones. Africa is also a global pioneer in banking on mobile devices, not least since most people have no access to conventional banking.

Construction

In Europe, the impact of economic uncertainty on business and consumer confidence is reflected in the market for new housing and commercial property. Euroconstuct (the European Construction Business Research and Forecasting Group) points to the European sovereign debt crisis as a contributory factor for its downgrading of its construction forecasts for its member countries (almost all Western European countries as well as a number of Eastern European countries) to no overall growth until 2014. Construction forecasts were downgraded from -0.3 percent to -2.1percent in 2012, and +1.8 percent to +0.4 percent in 2013 Euroconstruct also anticipated a north/south pattern to projected construction performance over the next few years, with northern European countries outperforming their southern counterparts.

A far healthier picture of the construction industry is seen in the US. The Financial Times (October 12) noted that the US housing market is in an upwards cycle, driven by a combination of improving house prices, a lower inventory of homes for sale, rising rates of household formation and population growth, and improving access to mortgage credit.

The Dodge Construction Outlook predicts that total US construction starts for 2013 will rise by 6 percent to $483.7 billion, slightly higher than the 5 percent increase to $458 billion estimated for 2012. But this still leaves the volume of total construction starts 32 percent below the 2005 peak on a current dollar basis, and down about 50 percent when viewed on a constant dollar basis.

Once more, the greatest growth is to be found in the BRICS nations. For example, according to the Accenture report: Achieving High Performance in the Construction Industry, Chinese construction companies outpaced the overall industry in the past three years and registered double-digit revenue growth over the past five years, buoyed up by the sheer scale of internal demand. Much of this astounding expansion has been driven by public funding of infrastructure and real estate.

Europe

According to the Advito 2013 Industry Forecast, there was a strong start to 2012 in Europe, with spending on corporate meetings up by between 10 and 15 percent on the previous year. After several years of depressed spend on meetings, many companies appear to decide at the beginning of 2012 that they would invest more in improving long-term communication with their customers and staff. However, there was a marked slowdown in Europe towards the end of the second quarter, once again because of fears about the euro crisis. Some companies carrying out mid-year budget reviews opted to scale down their original meetings plans.

According to the same source, lead times lengthened briefly at the beginning of the year, when buyers felt more comfortable about their corporate meetings budgets, but then they began shortening once more, to the point where some clients were waiting until just a few weeks before their planned event. And even though they often understood that the delay could lead to higher rates, they were hesitating because they were unsure whether the meeting will go ahead.

In Europe, the situation regarding the association meetings market looks much more buoyant. According to the latest statistics released by the International Congress and Convention Association (ICCA), 15 out of the top 20 destinations for international association conferences were European cities. The top four destinations (Vienna, Paris, Barcelona and Berlin) are located in Europe.

Currency fluctuations may explain some of the appeal of Europe as a destination for corporate as well as association conferences. The current strength of the US dollar against the euro means that Europe has become a more financially attractive destination for US buyers than it has been for several years. Additionally, perhaps in part because of the weakened value of the euro, more European meetings were held closer to home in 2012, according to Meeting Professionals International's (MPI) Business Barometer, with 69 percent remaining in Europe, up from 63 per cent in 2011 and 36 percent in 2010.

Regarding business travel, a key source of data is the GBTA (Global Business Travel Association) BTI™ Outlook – Western Europe report, a semi-annual analysis of the five most critical business travel markets in Europe: Germany, the UK, France, Italy and Spain. These five markets together form the lion's share of business travel in Europe, accounting for nearly 70 percent, and provide a barometer for the health of the entire European business travel market. The report, sponsored by Visa Inc., includes the GBTA BTI™, an index of business travel spending that distills market performance over a period of time.

In 2012, spending on business travel by these five countries appears to be directly linked to the general state of each nation's economy, with the recessionary conditions in Italy and Spain being reflected in their levels of spending on this activity. More specifically, the GBTA BTI™ report highlights a strong correlation between job growth and domestic business travel spend, with correlation analysis suggesting that domestic business travel spend tends to lead job gains by about one quarter. This correlation holds, to varying degrees, among all five European countries profiled. A strong correlation was also found to exist between international outbound business travel and the level of exports of the country in question.

As can be seen from the table below, it is likely that the overall spending on business travel by the five key national markets in Europe will grow modestly in 2013.

Business Travel Spending by European nations

Country	2012 change over 2011	2013 change over 2012
France	-2.2% ($35.7 billion USD)	1.1%
Germany	1.6% ($50.8 billion USD)	3.3%
Italy	-6.9% ($32.9 billion USD)	-1.2%
Spain	-7.8% ($17.9 billion USD)	-1.6%
UK	No change ($40.2 billion USD)	2.8%
overall	-2.2% ($177 billion USD)	1.4%

Source: GBTA BTI™ Outlook – Western Europe report

North America

In 2012, growth in the US economy was reflected in the level of demand for meetings which was sustained all year, to the point where the Advito 2013 Industry Forecast report noted that it was becoming increasingly hard to find availability for meetings, especially for large events in the US itself. Because it was once again becoming tougher to book meeting space at the last minute, lead times are generally stable or in some cases becoming a little longer in the US. The same source stated that in the US, 2012 had been more of a seller's market than at any time since the recession of 2008. As a result, rates for meetings services and facilities were up. Rate increases were steepest in the largest cities, which is where demand has risen most sharply.

However, signs that optimism among US meeting planners may be moderated in the coming year are suggested by data from the IBTM Global Research - AIBTM Americas Industry Research Report, which highlights the similarities in forecasts of market conditions for the next twelve months between Americas buyers and Global buyers, as shown in the tables below. The Americas buyers' responses suggest they enjoyed slightly more favourable conditions than other parts of the world for the last twelve months but have a very similar view of the next twelve months.

Percentage American Buyers Change	Volume of events LAST 12 months	Volume of events NEXT 12 months	This year's budget
Increase	52.7	56.3	41.6
Same	39.3	36.2	44.3
Decrease	8.0	7.5	14.0

Percentage Global Buyers Change	Volume of events LAST 12 months	Volume of events NEXT 12 months	This year's budget
Increase	52.7	57.5	41.8
Same	34.0	33.1	34.7
Decrease	13.3	9.4	22.5

AIBTM Americas Industry Research Report

Global buyers have indicated they are likely to use more new destinations in the next twelve months. However, results regarding budgets for individual events and marketing budgets are very similar for America's buyers and Global buyers.

Percentage American Buyers forecast for NEXT 12 months	Budgets for individual events NEXT 12 months	Marketing budget	Use of NEW destination
Increase	43.5	29	58
Same	45.3	53	36
Decrease	11.2	18	6

Percentage Global Buyers forecasts for the NEXT 12 months	Budgets for individual NEXT 12 months	Volume of events NEXT 12 months	This year's budget
Increase	43.8	29	65
Same	42.3	47	30
Decrease	13.9	24	5

AIBTM Americas Industry Research Report

Regarding travel for business-related purposes, the conclusion of the GBTA BTI™ Outlook – United States report was that economic turmoil in Europe, slower growth in China and levels of US unemployment were expected to curb business travel growth in the US through the end of the year. With disappointing job gains and the upcoming Presidential election on the horizon, businesses appeared to be taking a cautious approach to their investment in travel until there is greater economic clarity. The report estimated that total US business travel spending would have grown by 2.6 percent in 2012, reaching $257 billion by the end of the year. However, in terms of actual business travel volume, rising business travel costs mean that overall business trip *volume* in 2012 will in fact have fallen by 1.6% from 2011.

Australia

The Business Events Council of Australia's (BECA) second annual State of the Business Events industry Report provides a measurable assessment of the substantial contribution that business events make to Australia's economy. The report analyses the series of industry Key Performance Indicators (KPIs) including Australia's world ranking as a business events destination, conference arrival statistics, statistics on international and domestic business event travel and convention bureau statistics on business bids and wins and losses. These KPIs cover all measurable aspects of the industry and by tracking and assessing progress on each it is possible to gauge the health of the industry as a whole.

The latest report demonstrates a strengthening of the industry in numbers of travelers, with international business event visitors' spending in Australia increasing by 15 percent, and domestic overnight business event visitors' spending increasing by 19 percent. However it also shows a weakening in State Government funding support of the Convention Bureaus by 28 percent and suggests that this is reflected in the increase in lost bids (5 percent) and the reduction of successful bids (12 percent). According to the report's authors, the correlation between the two clearly demonstrates the impact that government support has on the ability of the States to attract business events. In addition, Australia's geographical location leaves it vulnerable to competition from close neighbours, as indicated in the conclusion of the report:

> *'While there has been increased investment in infrastructure supporting the business events industry, in areas such as aviation and accommodation, the growth of the industry in the Asia Pacific region, particularly in China, shows the need to maintain investment in the industry. Australia's business events challenge will be to maintain its product that is competitive on ROI and quality'.*

Concerns over weakening state support and growing competition may in part explain the data from IBTM Global Research – AsiaPacific, presented at AIME 2012, which indicates the differences in forecasts of market conditions for the next twelve months between Australia Pacific buyers and global buyers as shown in the tables below. Although the figures are similar for the last twelve months, the Australia Pacific buyers' percentages forecasting increased volume of events and increased budgets over the next twelve months are lower than for all buyers worldwide.

AusPac Buyers Changes	Volume of events LAST 12 months	Volume of events NEXT 12 months	This year's budget
Decrease/Less	15.3%	13.6%	23.9%
Same	40.9%	42.8%	42.0%
Increase	42.0%	41.7%	31.8%

Global Buyers Changes	Volume of events LAST 12 months	Volume of events NEXT 12 months	This year's budget
Decrease/Less	16.4%	9.8%	22.5%
Same	37.7%	34.5%	35.4%
Increase	43.8%	53.3%	39.6%

IBTM Global Research – AsiaPacific

Similar contrasting results are seen for the budget predictions, with fewer Australia Pacific buyers predicting increases in budgets.

AusPac Buyers forecasts for the NEXT 12 months	Budgets for individual NEXT 12 months	Marketing budget	Use of NEW destinations
Decrease/Less	27.7%	26.1%	10.2%
Same	46.2%	49.2%	36.0%
Increase	24.6%	22.3%	51.4%

Global Buyers forecasts for the NEXT 12 months	Budgets for individual NEXT 12 months	Marketing budget	Use of NEW destinations
Decrease/Less	26.3%	27.5%	6.8%
Same	39.0%	39.8%	29.6%
Increase	32.8%	30.2%	57.6%

IBTM Global Research – AsiaPacific

The Middle East

The changing fortunes of this region as a destination for business events and as a source of demand for meetings were affected by the volatility in the Middle East caused by the Arab Spring in 2011, which saw the number of tourists in the region as a whole drop by 7 percent in 2011, according to VisaVue Travel Data. But throughout these events, the United Arab Emirates (UAE) emerged as a safe haven in the region and continued to attract international visitors.

Data from the IBTM Global Research - GIBTM Middle East Industry Research Report suggest that the rebound from political turmoil will continue in the coming year, as suggested by the following tables. While a greater percentage of Middle Eastern buyers reported running a smaller volume of events in the past 12 months, compared to the proportion of global buyers as a whole, far greater percentages of the Middle Eastern buyers indicated that the volume of – and budgets for – meetings and events would be rising next year.

Volume of events in the LAST 12 months	More	Same	Less
Middle East Buyers	48.2%	27.3%	24.5%
Global Buyers	47.2%	35.9%	16.9%

Volume of events in the NEXT 12 months	More	Same	Less
Middle East Buyers	64.5%	27.1%	8.4%
Global Buyers	56.4%	34.2%	9.4%

Budget in the NEXT 12 months	More	Same	Less
Middle East Buyers	53.7%	35.2%	11.1%
Global Buyers	46.4%	39.5%	14.1%

GIBTM Middle East Industry Research Report

In the region, investment in meetings industry infrastructure continues unabated, with one of the most recent examples being Abu Dhabi's Desert Island Resort & Spa by Anantara, which is boosting its meetings credentials with a new conference centre offering a range of meeting rooms and event venues. Looking ahead, the Oman Convention and Exhibition Centre is currently under construction and due for completion in late 2015. Meanwhile, in its first year of operation, the Qatar National Convention Centre was presented with the award for the Middle East's Leading Convention and Exhibition Centre at the 2012 World Travel Awards in Dubai.

China

The meetings industry in China appears to be in an upward cycle, despite the slowing pace of expansion of the Chinese economy as a whole. For the first time this century, in 2012 China's growth rate may dip below 8 percent, but the inbound, outbound and domestic meetings markets continue to grow, with increasing budgets and the use of a wider range of destinations.

The meetings market conditions experienced by Chinese buyers for the last twelve months and those forecast for the next twelve months are shown in the tables below, reproduced from the IBTM Meetings Industry Research for China & Asia. Clearly the meetings market continues to grow rapidly in China. Nearly two thirds of buyers saw an increase in the volume of events they were involved in over the last twelve months and a very similar percentage forecast increased volume for the next twelve months. 60 percent also saw increased budgets. However the percentage of those predicting budget increases for the next twelve months falls to 49 percent. As the development of regions and cities throughout China continues, so does the percentage predicting use of new destinations for meetings, with 72 percent forecasting use of new destinations in the next 12 months.

Buyers reported Change	Volume of events LAST 12 months	Volume of events NEXT 12 months
Increase	63%	62%
Same	25%	25%
Decrease	12%	13%

Buyers reported Change	Budget LAST 12 months	Budget NEXT 12 months
Increase	60%	49%
Same	23%	31%
Decrease	17%	20%

Buyers forecasts for the NEXT 12 months	Marketing budget	Use of NEW destinations
Increase	48%	72%
Same	31%	22%
Decrease	21%	5%

IBTM Meetings Industry Research for China & Asia

Meanwhile, several of China's neighbours are taking steps to target outbound conference and incentive travel business from that country. For example, this year the Malaysia Convention & Exhibition Bureau introduced a new brochure targeting the Chinese corporate and incentive markets, focusing on theme events and experiences, teambuilding, corporate social responsibility and unique venues. And the Kuala Lumpur Convention Centre has ensured that all relevant corporate material, including its corporate video and business presentations, are available in Mandarin, and has added Mandarin-speaking marketing staff to its team.

Regarding business travel, China's business travel spending is one of the highest in the world, second only to the US. There is, however, considerable room for further growth as China still faces considerable supply-side constraints to business travel. However, action is being taken to address this issue and over the past ten years the size of the four largest airports has doubled and hotel room supply has risen in the major business centers. The GBTA has stated its belief that at the current prevailing growth rates, and with the increased investment in infrastructure, China will overtake the US by 2014 to become the country with highest level of business travel spend, one year earlier than previously forecast.

The GBTA BTI™ Outlook – China report predicts that Chinese business travel will continue to show strong growth into 2013, with total business travel spending forecast to grow by 12.5 percent in 2012 to $195 billion, followed by another 14.7 percent in 2013. One reason for this growth is the fact that, to address setbacks in its foreign markets, the Chinese government has purposely rebalanced the economy towards domestic growth over the past few years. This has been done through the introduction of fiscal stimulus, with an increase in infrastructure spending, which includes the Ministry of Railway increasing investment projects by 16 percent, for example. Domestic business travel has disproportionately benefited from these policies and in 2012 GBTA expects growth of 12.8 percent for Chinese domestic business travel.

Africa

Over the past decade, African nations' economies, taken as a whole, have performed well and demonstrated considerable growth, albeit from a low base in some cases. In the past ten years, six of the world's fastest-growing economies have been in Sub-Saharan Africa, according to The Economist. Angola, Nigeria, Ethiopia, Chad, Mozambique and Rwanda, all showed annual growth rates of around 8 percent or more, in that period. Moreover, according to the IMF, Ethiopia, Mozambique, Tanzania, Congo, Ghana, Zambia and Nigeria are all expected to be among the world's 10 fastest-growing economies in the years leading up to 2015, with annual growth rates of between 6.8 percent and 8.1 percent. Agriculture, telecoms, mobile banking and healthcare are the sectors expected to show strongest growth in the coming years. A clear example of that growth is seen in the fact that the number of mobile phone contracts in Africa has grown by almost 20 percent a year since 2006, according to the Groupe Speciale Mobile association, which represents global mobile operators. It is significant that most of the industries set to expand fastest in Africa are also traditionally sectors of high demand for conference and incentive travel events.

According to the Meetings Africa 2012 Trends Report, positive economic growth indicators, growing foreign direct investment and the rising African middle class are promising factors for the development of Africa's meetings and events sector. Trade flows between Africa and China, for example, are likely to be matched by growth in the volume of business meetings of representatives of both countries. At present, Africa's population is growing at a faster rate than that of any other world region and it is the middle class that is expanding most rapidly. The African Development Bank, maintains that by 2030, Africa's new middle class will comprise over 300 million people, who will spend between them around US$ 2.2 trillion a year. Professional associations are often attracted by the idea of holding their conferences in destinations that offer them the opportunity of gaining new members, and African countries increasingly fit the profile of places whose populations offer fertile recruiting grounds for associations. In the light of these socio-political changes, Africa faces an unprecedented opportunity of winning international association conferences – particularly if some of the obstacles to progress (such as political instability, the weak rule of law, corruption, infrastructure bottlenecks and the slow pace of liberalization of Africa's airlines) can be overcome.

KEY MARKETS – BY INDUSTRY SECTOR

Corporate Meetings

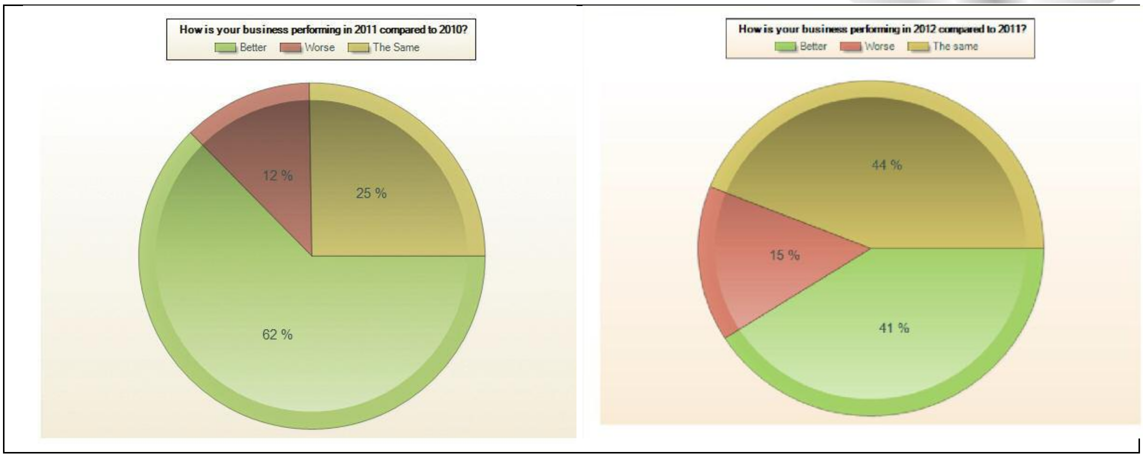
In many world regions, expansion of the market for corporate events of all kinds has been impeded by low levels of business confidence and uncertainty over future trading conditions. In Europe particularly, businesses are putting new investments on hold so they can build up cash reserves to protect themselves against another possible major downturn. Many companies are stockpiling cash instead of investing in the type of corporate events aimed at improving their human infrastructure or getting closer to their existing and potential clients.

Effective planning ahead by companies (including their investment in training and marketing events) depends on them being able to have a reliable view on the global economic outlook, which is likely to have a significant effect on the demand for their products or services. But currently it is extremely difficult for companies to make predictions of this sort with any degree of confidence. Consequently, most companies are now very cautious in their planning, and in many cases taking every day as it comes. This approach is hardly conducive to increases in spending on corporate events.

Nor is this lack of business confidence limited to Europe. In September, the Financial Times reported that confidence among US chief executives plunged to its lowest level for three years, according to the lobby group Business Roundtable, as a result of fears of steep tax rises and government spending cuts scheduled to take place next year. The article quoted the chairman of the Business Roundtable who said that 'CEOs foresee slower overall economic growth … and have lower expectations for sales, capital expenditures and hiring compared to last quarter'.

Association Conferences

The situation in the association conferences sector looks more favourable than that for the corporate meetings, but nevertheless showing signs of struggle. The INCON Survey of the Global Association Conference Market showed that 44 percent of their survey respondents confirmed that their business levels in 2012 remained on par with 2011, and with 15 percent reporting a decline. However, as may be seen in the table below, these figures were 62 percent and 12 percent respectively in last year's report.



INCON Survey of the Global Association Conference Market

Findings from the same survey show that association conference attendance is expected to remain the same for this year as for last year with 41 percent of respondents forecasting no change in attendee figures at 2012 events compared to 2011. This figure reverses the findings of both the 2011 and 2010 surveys when 50% of respondents forecast improved delegate numbers compared to previous years.

In terms of sponsorship, the INCON survey notes that respondents were evenly divided between those who expect sponsorship revenues to remain unchanged by comparison with 2011 levels (37 percent) and those who see this revenue source declining throughout 2012 (37 percent). These findings are not as positive as those of the 2011 survey when 42 percent of respondents forecast increased levels of sponsorship revenue. That figure has dropped to 25 percent in 2012.

The top two emerging trends likely to influence the association conference sector in 2013 were found to be budgeting and content capture/distribution. It should come as no surprise that budgets continue to be scrutinised and planners are seeking best value in negotiating the highest level of event income. However, the content capture/ distribution trend is worthy of note. Technological developments in conference capture and data distribution, such as speaker video, audio and visuals over the web in real time and on demand after the conference, now enable conference professionals to extend the reach and lifecycle of their meetings and expand the learning exchange to many more people. The digital content produced in this way represents not only scientifically valuable material for long-term use in continuing online education but also a sustainable source of revenue for associations.

Most large association conferences are held in the type of venues that form the membership of the International Association of Congress Centres (AIPC), therefore the perceptions of this association's members provide a useful insight into the state of the market for this sector. The AIPC's latest Road to Recovery survey found that 44 percent of their members are seeing 'weak' to 'no' recovery following the recent economic downturn. When asked about pricing power, 65 percent of survey respondents said their pricing power had increased in the last five years. A further 67 percent said they were engaging in more subvention and giveaways to keep their customers satisfied than five years ago. Eighty-eight percent said their event clients were negotiating more keenly today. Just under a third of respondents (32 percent) said they were expanding their business offering, with 58 percent expecting their total exhibition and meeting revenue to increase in 2012. In the 'value' section of the survey, 51 percent of respondents said their event producer clients wanted higher quality food and beverage. Due to the recession, 82 percent said they had changed how they present value to their attendees.

Government Meetings

With austerity being the prevailing mood in the public sector, European governments continued to cut back on spending in 2012, which means public sector travel in the region has been severely reduced for the past two years. A consequence of this approach to events in this sector was noted in the Grass Roots Meetings Industry Report, which stated that the lack of government meeting activity in the UK, which has traditionally driven the mid-market hotel sector, was now clearly taking its toll. Hotels in the three-star market saw rates decrease across the UK, with the largest drop occurring in the south-west, where rates reduced by 35 per cent.

In the US, cutbacks in government meetings have come in the wake of a directive by President Barack Obama in November 2011 for federal agencies to curtail their meetings and travel budgets by 30 percent in fiscal-year 2013. According to an article in Meetings Focus magazine, in 2012 agencies throughout the federal government have cancelled meetings, delayed bookings for new meetings and are holding more meetings at federal facilities. For venues targeting federal government group business, such as the National Conference Center, located in the Washington D.C. area, the impact has been overwhelming. Meetings Focus quotes the Center's director of sales and marketing as saying 'We immediately lost close to $2 million in business this year from canceled government meetings or government meetings that were shrunk'.

Business Travel

According to the Advito 2013 Industry Forecast, by the end of 2012 the business travel sector was slowing down after a strong start in the first few months of the year. 2012 started well, continuing the recovery in travel bookings which began in 2010 and 2011. However, figures emerging this summer from several different parts of the corporate travel industry showed demand growth tailing off and perhaps even going into reverse. The Forecast linked this fall in demand to corporate nervousness about the euro crisis, which was spreading from Europe itself to other markets, even China, where economic growth is also slowing.

A specific illustration of this was provided by the latest Key Note Business Travel Market Assessment which examined the UK business travel market in terms of domestic and outbound travel by UK residents and overseas visitors. The Assessment noted that business travel for domestic, inbound and outbound travel had decreased in volume since before the recession, as has expenditure on business travel. The global recession exacerbated the market's overall decline, with volumes falling by 18.7 percent between 2006 and 2010. The worst effected sector was outbound travel, which decreased in volume by 27.1 percent between 2006 and 2010, while the inbound sector was the only area of the market to witness growth.

According to the Assessment, the mounting squeeze on businesses' resources has resulted in them turning increasingly to budget travel and accommodation in order to keep costs down. Previously, budget airlines had not specifically targeted the business travel sector, but airlines, such as easyjet, are increasingly seeking to tap into this area of the market. The introduction of flexi-fares, new routes and a corporate sales team has been part of easyjet's new business travel procurement strategy. Increasing costs have led to struggles for larger flag carrier airlines, but mergers have helped reduce these costs, with the biggest merger being between British Airways and Iberia in January 2011.

Air travel is still the dominant mode of transport for business travel, due to convenience and the large distances covered. However, EU emissions quotas coming into force for airlines from 2013 could push up the cost of air travel and see more travellers turning to high-speed rail. The European high-speed rail network is also set for expansion, linking more major European cities. The rising price of fuel is also a factor in rail's favour, particularly for domestic travel.
Technological advancements have also revolutionised business travel, improving productivity and efficiency, but also increasing competition through travel alternatives. Smartphone 'apps' now allow the reservations and booking of hotel rooms 'on-the-go'. Travellers can also locate points of interest and work while in transit thanks to mobile Internet technology. However, these advances have also led to improved video conferencing capabilities, increasing competition for business travel.

Finally, the Assessment contends that the continued global economic uncertainties could result in a tough few years ahead for business travel in some world regions. In the coming years, growth in business travel is likely to be driven by emerging economies, as these have reported the largest growth in air traffic in recent years.

Incentive Travel

A positive note is struck by the Advito Industry Forecast, which noted that in 2012, incentive travel bookings were up on 2011, as companies recognized once more that the money spent on a reward trip can prove much more motivational than a straight cash bonus. The Forecast pointed to slightly rising budgets for incentive trips and suggested that US companies were increasingly considering offshore destinations.

However, it also emphasized that the ostentation of former times and the concept of an incentive being little more than a free vacation are gone for good. Companies are wary of reputational damage, and thanks to Twitter and social media, they know that 'what happens in Vegas no longer stays there'. As a consequence of companies' concern over their public image, educational briefings, team-building exercises and charitable work are all becoming more popular.

However, the results of the Incentive Research Foundation's (IRF) Fall Pulse Survey, based on slightly later data than that used by Advito, paints a less optimistic picture of the incentive travel sector, from a largely US perspective, with falls in confidence levels among stakeholders in this industry: Respondents in the September 2012 survey indicated that they were less optimistic and considered the economy as having a more negative impact on their ability to plan and implement incentive travel programs when compared with the results of the IRF's previous survey in March 2012.

Moreover, 16 percent of the respondents indicated that they anticipated a change from 'International to Domestic' incentive travel destinations, with 15 percent saying that they 'will pick locations closer to home' with regards to their incentive travel programme destinations. Procurement involvement in the purchasing process for incentive travel also proved to be a significant factor, with 38 percent of respondents indicating that procurement and purchasing involvement will 'Slightly Increase' in the coming year, and 13 percent indicating that procurement and purchasing involvement will 'Significantly Increase' in 2013.

Finally, regarding budgets, 48 percent of the respondents anticipated budgets for their incentive travel programmes to 'Remain Unchanged' during this coming year, while 21 percent indicated that budgets would decrease by some degree in 2013. 31 percent indicated that their budgets for incentive travel programs would slightly increase in the coming year.

OUTLOOK

The Global Economy

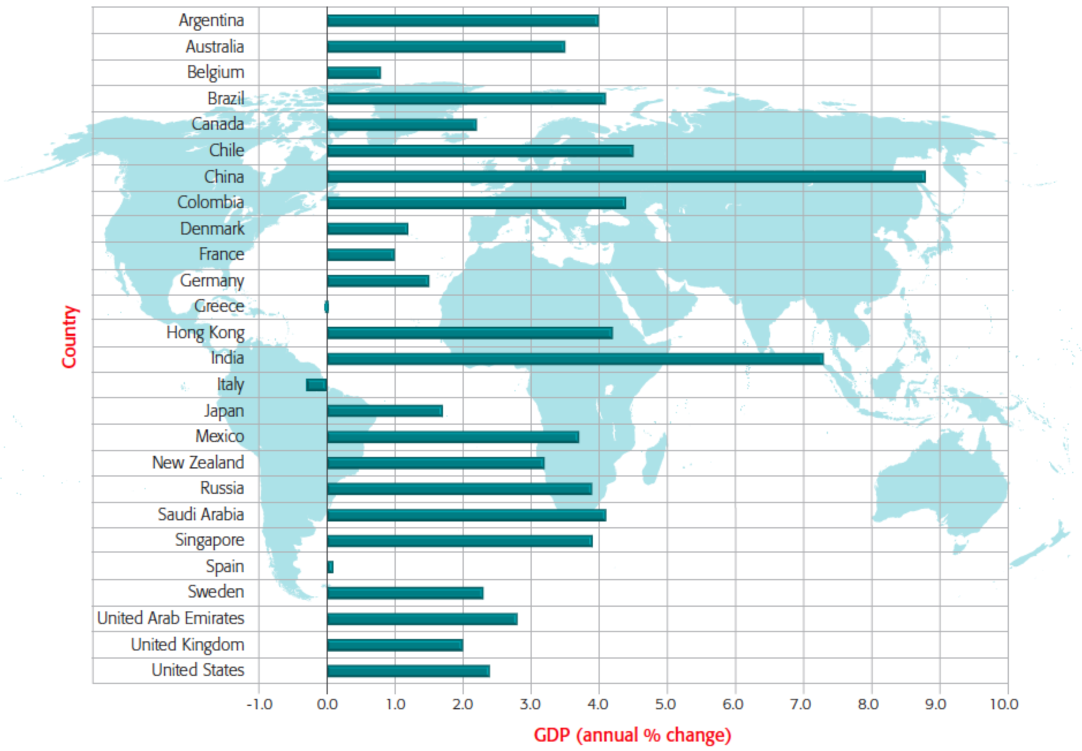
With regards to the state of the world economy over the next 12 months, there would appear to be two main preoccupations. According to the OECD, a further intensification of euro area instability could have significant impacts on the levels of global demand. The IMF is also of the opinion that uncertainty over the debt crisis in the eurozone is the greatest risk to the world economy.

The second preoccupation is that US failure to avoid the looming 'fiscal cliff' could derail an already weak recovery. To explain this, there are widespread and deep concerns in the US over the impact of up to $600 billion of expiring tax cuts, new taxes, and automatic spending cuts that are all set to take effect at the end of 2012 or the beginning of 2013. If they hit all at once, the impact could amount to as much as 4 percent - 5 percent of GDP, according to some sources, the equivalent of falling off a 'fiscal cliff'. Some experts anticipate that the economy would experience a significant slowdown and there would be major consequences for financial markets.

Given these uncertainties, many of the world's financial institutions have revised downwards their predictions for global growth levels for this year and next. In September, the head of the IMF announced that the organization was set to cut its July forecast for global growth, saying 'We continue to project a gradual recovery, but global growth will likely be a bit weaker than we had anticipated even in July, and our forecast has trended downward over the last 12 months' (The Independent). In July, the IMF cut its global growth projection for 2013 to 3.9 per cent, but its latest forecast for global output growth for 2012 is 3.3 percent, split between 5.3 percent expansion in the emerging world and 1.3 percent growth in the developed world.

Projected real GDPs per country are shown in the table below.

Projected 2013 real GDP by country



Source: International Monetary Fund's World Economic Outlook April 2012

Faced with such an unclear economic outlook, the eyes of the world are focusing on leaders in the US and the eurozone, waiting for them to take the steps that will remove the ongoing uncertainty that is preventing so many companies from investing and households from spending.

The Meetings, Events and Business Travel Sectors – Supply-side

For forecasters, there appears to be a general consensus that over the next 12 months the cost of business travel will generally continue to increase, either in line with or a little faster than inflation. However, this general picture can be nuanced by the words of the Senior Vice President and General Manager, Global Business Partnerships & Premium Services, American Express Global Business Travel: 'We are expecting a dynamic landscape for business travel in 2013, with prices likely rising to reflect companies' interest in doing business in growing economies such as Brazil, India, and Russia, but staying flat or even declining in those markets where growth is stagnant'.

The CWT Travel Price Forecast and the American Express (Amex) Global Business Travel Forecast both predict robust increases in business travel pricing in the Asia Pacific and Latin America regions. Within the latter region, the Amex forecast predicts that hotel rate increases will be highest in Brazil and Argentina. However, business travel rates will vary significantly by country in the Asia Pacific region. Amex expects to see the greatest increases in India, where airfares could shoot up by as much as 8 percent. In China, rates are forecast to remain flat or even decrease, due to slowing construction and manufacturing as well as decreased investments from Europe.

Despite growing economic uncertainty throughout Europe, prices in that region are also expected to increase, as still-strong demand continues to outpace limited supply, particularly in Eastern Europe. The Advito Industry Forecast predicts that average air fares have risen 3 percent to 5 percent in Europe in 2012 and similar increases can be expected again in 2013. The Amex forecast concurs with this, but warns that those countries hardest hit by the economic crisis could see price drops.

In North America –assuming that the economy keeps moving steadily in a positive direction – suppliers will enjoy modest price increases as well, with the exception of car rental providers, who for the past many years have been forced to reduce prices in a hyper-competitive environment, according to the CWT forecast. The Amex forecast expects airfares in North America to rise by between 1 and 3 percent for business-class travel, while short-haul economy fares could climb by 2 to 4 percent. Upper-range hotels in the same region could climb by as much as 4 to 9 percent.

The Meetings, Events and Business Travel Sectors – Demand-side

- Europe, Middle East and Africa (EMEA)

In Europe, meeting planners will plan more meetings - and spend more on those meetings - in 2013, according to the latest Meeting Professionals International's (MPI) Business Barometer forecast. The survey predicted that the number of meetings in Europe will rise by 3.2 percent, in 2013. Meeting budgets, meanwhile, will increase by 0.7 percent.

Strong business travel demand is still expected for Germany and the United Kingdom next year, as their economies should perform better than the region overall. In fact, 2013 business travel spending growth should reach 5.4 percent in Germany, according to the GBTA Foundation's spring 2012 outlook for Western Europe.

But strong competition from low-cost carriers (LCCs) easyjet and Ryanair, particularly on continental routes to and from Germany, is holding down expected rate inflation to around 2 percent. Competition from LCCs and high-speed rail on intercontinental routes to and from France is expected to result in only minor price inflation of about 2 percent in that country throughout 2013.

The CWT Travel Price Forecast maintains that Russia is a market to watch in 2013 and beyond. It remains attractive to investors, and much like Brazil, it will host both the Olympic Games and the FIFA World Cup over the next six years. This will prompt strong construction pipelines to increase supply in preparation for the events, creating increased competition that will keep rate growth down until closer to the events and again after the crowds have subsided.

According to the CWT Travel Price Forecast, meetings and events spending throughout EMEA as a whole will increase less than in other regions, with flat to 2 percent increases in average costs per attendee per day. As a result, there is less pressure on organizations to reduce group sizes to offset higher prices, which will produce slight increases in group size next year. More broadly, CWT is observing that many EMEA-based planners are containing costs by planning meetings closer to home, with international bookings expected to decrease. This is likely given the economic uncertainty in the region. Planners in the region are advancing their meetings and events programmes by consolidating spend with fewer suppliers, increasingly outsourcing small meeting and venue sourcing services, and incorporating virtual meetings and telepresence into their overall strategies. These trends are expected to continue throughout 2013 as planners remain under pressure to get the most impact for every meetings and events dollar spent, particularly if economic conditions worsen.

The survey notes that the UAE has experienced decreased hotel pricing for the past several years, but the continued appeal of Dubai, particularly for an increasing number of Chinese leisure travelers, should improve the country's outlook for 2013, although soft business travel demand could keep prices down.

The 3-crown/economy hotel category is expanding in Saudi Arabia, with these midscale properties presenting a viable alternative for many international business travelers. This will put pressure on competing 3-crown properties, as well as on 4-5 crown properties, which could lose some business to these more affordable competitors. Rate increases of 1-2 percent are expected in Saudi Arabia, depending on the class of hotel.

- Asia Pacific and China

Australia, China, and Singapore are among the countries that will experience the most significant growth next year, according to the CWT Travel Price Forecast. Although it is a major focus for international expansion, India will face challenges in 2013 as its airline and hotel industries navigate some of the effects of rapid expansion in recent years.

In terms of air travel within this region, international capacity growth is the headline for China in 2013, with carriers like Air China, China Eastern, and China Southern focusing on expanding their global footprints by offering services to more foreign markets. Based on its location, China continues to serve as a gateway between Asia and the European and North American continents, and Chinese national carriers are increasingly positioning themselves to capitalize on this market. More broadly, as

China's economy has slowed compared to its performance over the past few years, this has prompted more measured airline price increase expectations for 2013 than in 2012.

The Advito Industry Forecast expects demand for hotel services to grow steadily in the Asia Pacific region, and the CWT Travel Price Forecast maintains that hotels will achieve modest price inflation overall throughout the Asia Pacific region in 2013, but specific results vary widely by country. Singapore will lead the way with increases topping 8 percent in 2013, as business travel demand continues to be very strong there and available supply is not keeping up with demand. Given its proximity to China, Hong Kong in particular is benefiting from the growing middle class in China, many of whom are traveling to Hong Kong for business or pleasure, which helps push prices up across the board. Depending on crown category, travel buyers will find some price relief from hoteliers in China and India in 2013, with each group expected to offer some declining rates. This is due to the dramatic influx of new hotel construction in each country as global brands expand their presence there; however, demand, albeit strong, does not appear to be keeping pace with supply, forcing hotels to lower rates to keep rooms full. India's 4-5 crown properties are expected to be most impacted, with decreases in the 6-8 percent range, given the bulk of new hotels coming online fall into that category.

Meeting and event cost per attendee per day costs will increase 5-7 percent throughout the Asia Pacific region in 2013, though conditions will vary considerably by country based on the pricing power of local suppliers, particularly hoteliers. Group sizes are expected to decrease as organizations there opt for a larger number of smaller meetings over a shorter duration.

- Latin America

The Advito Industry Forecast indicated that it expected demand for hotel services to grow rapidly in Latin America, and this was echoed by the CWT Travel Price Forecast:

The healthy economies of Brazil and Chile are expecting noteworthy airline price increases in 2013. Both countries' booming economies are driving hotel prices up significantly compared with other countries in the Latin America region. Brazil leads the way as the only nation in CWT's entire 48-country forecast expected to see double-digit hotel price increases next year, which causes significant challenges for travel budgets. Brazil is among only a few markets globally where significant new hotel construction is expected, as the country prepares to host two global sporting events - the FIFA World Cup in 2014 and the Olympic Games in 2016. While buyers will not be able to take advantage of that new inventory until it comes online in the next several years, it may eventually help alleviate some of the price increases they are forced to endure right now.

- North America

According to MPI's Business Barometer forecast, the number of meetings in the United States and Canada will rise by 2.8 percent and 3.3 respectively, in 2013. Meeting budgets, meanwhile, will increase 1 percent and 0.1 percent respectively. This will add to the level of demand for hotel services in the US, where, according to the Advito Industry Forecast, growing demand with little increase in supply to balance it will lead to above-inflation rate increases for meetings, especially in New York and luxury destinations.

The CWT survey anticipates cost per attendee per day will increase in the 4 - 5 percent range in the US, adding that ‘ returning demand for meetings at upper-upscale and luxury properties is expected to result in price inflation of up to 5.5 percent throughout next year, directly impacting per-attendee costs’.

In particular, domestic bookings for North America remain strong. International demand for North American-based meetings is also performing well, though this could change given the declining strength of the euro over the US dollar, as well as the overall economic uncertainty throughout Europe. The combination of increased demand and tight supply will enable suppliers to continue to hold their ground when negotiating contract terms such as attrition and cancellation clauses, though organizations with centralized sourcing and contracting practices have been able to secure more favorable terms than those working with a property on an ad hoc basis.

According to the Global Research and Intelligence Network, over the next decade we will continue to see the rise of second-tier cities in the US and beyond, and with this increased competition for some of the larger first-tier cities, that will need to continue to be creative to avoid being overpriced and out strategized by these new destinations.

Risk outlook for 2013

Demand for travel is influenced by three main areas of risk: the state of the global economy, the price of oil and security. For 2013, the outlook for oil and security seems stable, but once again the state of the economy is creating some serious concerns.

According to the Advito Industry Forecast, if the worst fears of the euro collapsing or a significant slowdown in the Chinese economy have not come true by the end of 2012, steady growth in corporate business travel and meetings activity will likely resume in 2013 as corporations realize they must keep traveling to expand their businesses.

With little new capacity forecast in terms of either airline seats or hotel accommodation, the Forecast predicts that the cost of travel will continue to rise in 2013, either in line with or just ahead of the rate of inflation. However, it adds that 2013 looks set for the fiercest negotiations between hotel companies and their corporate clients in many years. The gap in expectations between seller and buyer is extremely wide. On the supplier side, Marriott and others have warned that they plan to push up rates significantly in their Request for Proposal responses because corporate rates are still 'meaningfully lower than they were in 2007'. On this issue, the Forecast concludes that 'On average, we believe hoteliers will look for 8 percent to 9 percent negotiated rate increases but will end up with 5 percent to 7 percent. Africa and Europe will be lower'.

CONCLUSION

It is clear that 2012 was a year dominated by ongoing challenges in the global economy, with the much hoped-for recovery stubbornly failing to appear in some world regions, while others continued in their progress towards modernization and prosperity. The high levels of optimism of the early months of the year evolved, by the summer, into the realization that the 'new normal' was still exactly that.

However, there are reasons for optimism. With each year that passes, our industry becomes more adept at operating within the conditions that have prevailed since the onset of the financial crisis; and in terms of demand, there is a widespread conviction that the corporate market in particular has come to understand that there are limits to the amount of cutbacks that can be made in terms of meetings, events and business travel before business performance is adversely affected.

Most indicators cited in this Trends Watch report point to at least a modest increase in demand and prices in 2013, while in those world regions with fast-expanding economies, much greater growth can be expected. The inter-connectedness of our industry has never been clearer than it is today. There is clearly ongoing demand for meetings and business travel services and facilities. The challenge for the year ahead will be identifying this business and satisfying the demands of customers, wherever they are to be found.

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