

strategy&



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Business as usual, or  
nothing will ever be the  
same again?

*The outlook for Travel,  
by segment*

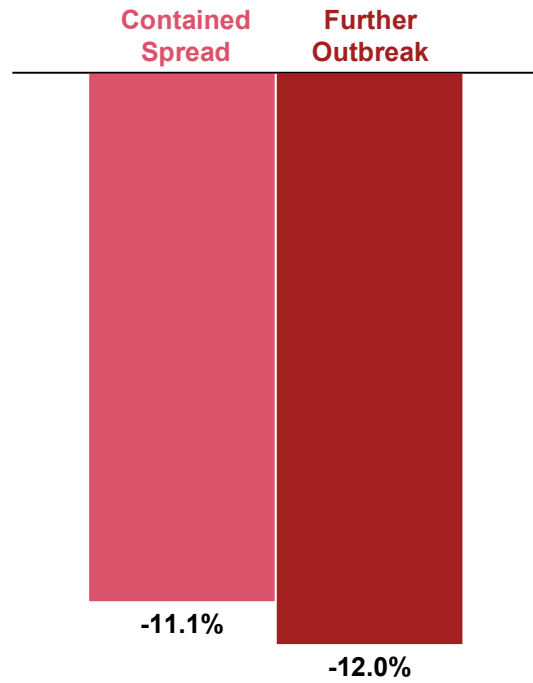
*Presentation to the  
BTA*

November 2020

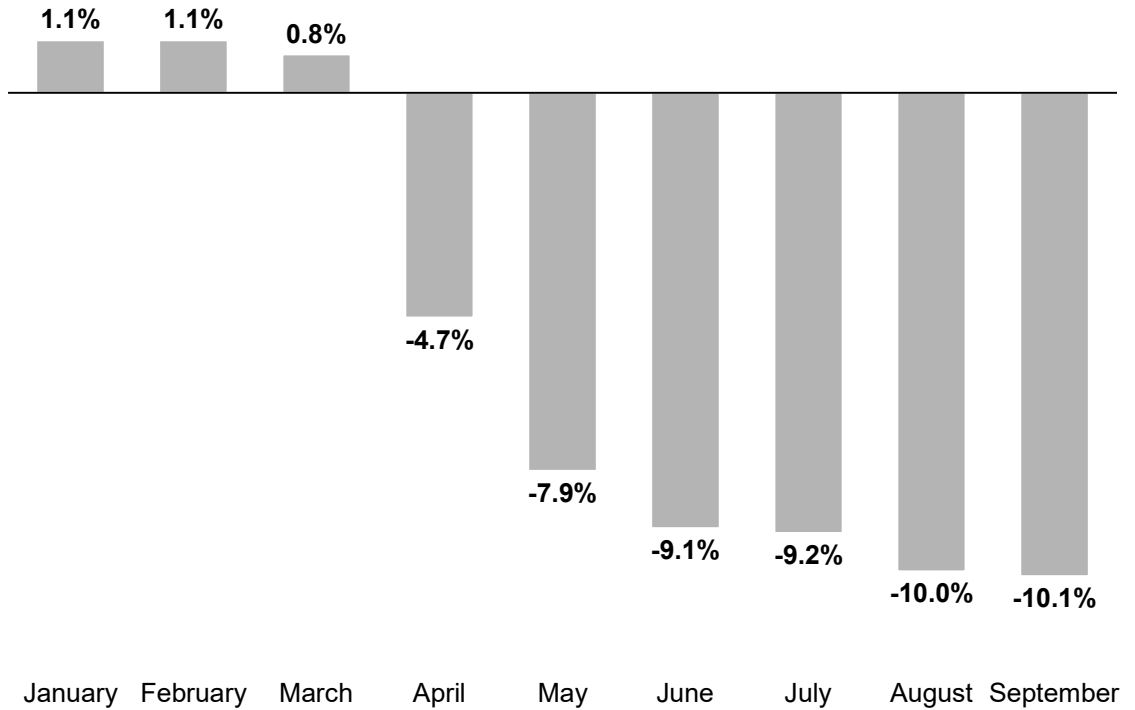


# The latest forecast for GDP in 2020 is for a decline of 11% to 12%

**PwC's 2020 GDP projections<sup>1</sup>**  
% change on previous year

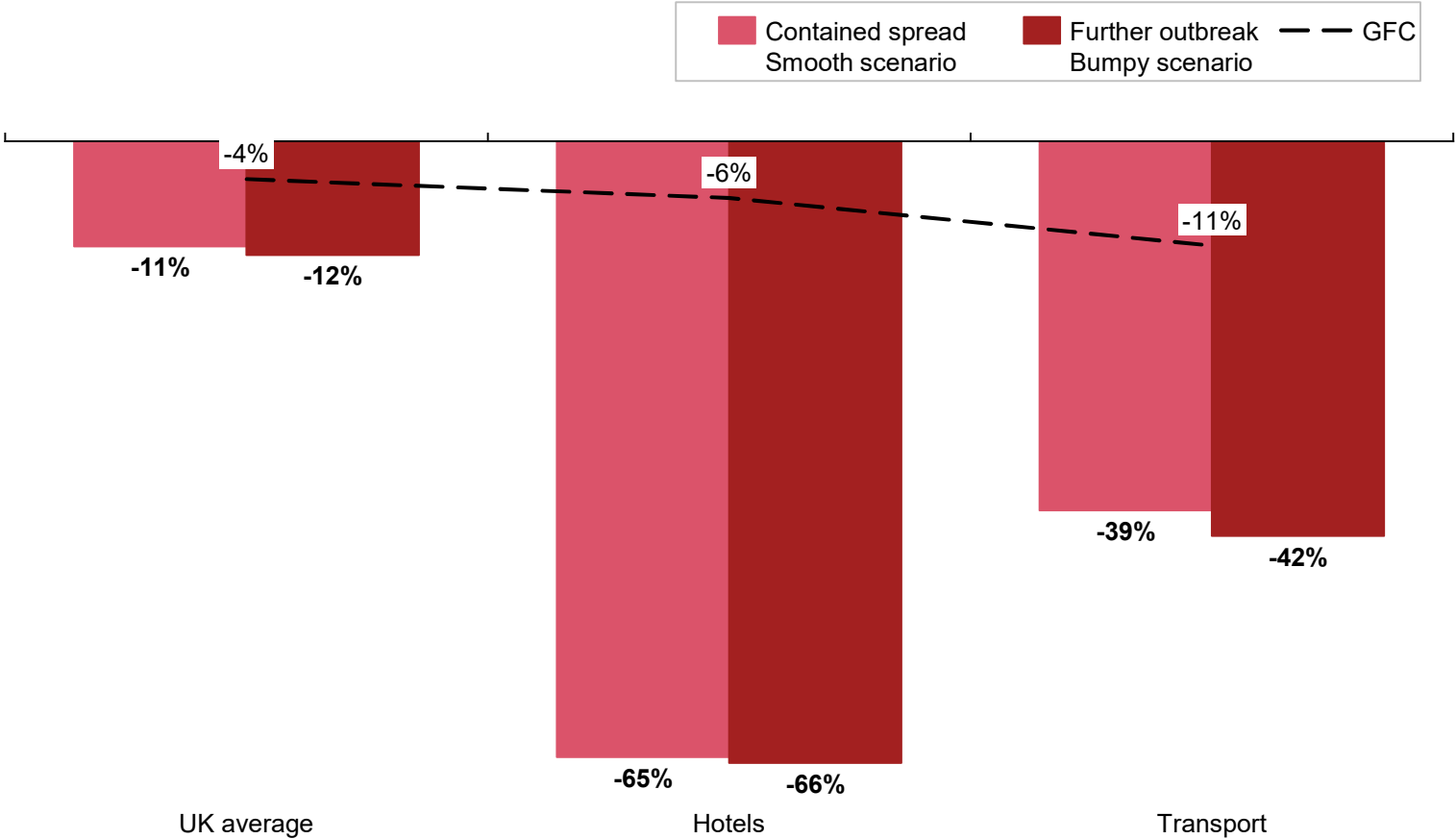


**Average of independent forecasts for UK 2020 GDP growth, by month published<sup>2</sup>**  
January to September 2020, % change on previous year



# COVID-19 is forecast to have a greater economic impact on travel in 2020 than the GFC did in 2009

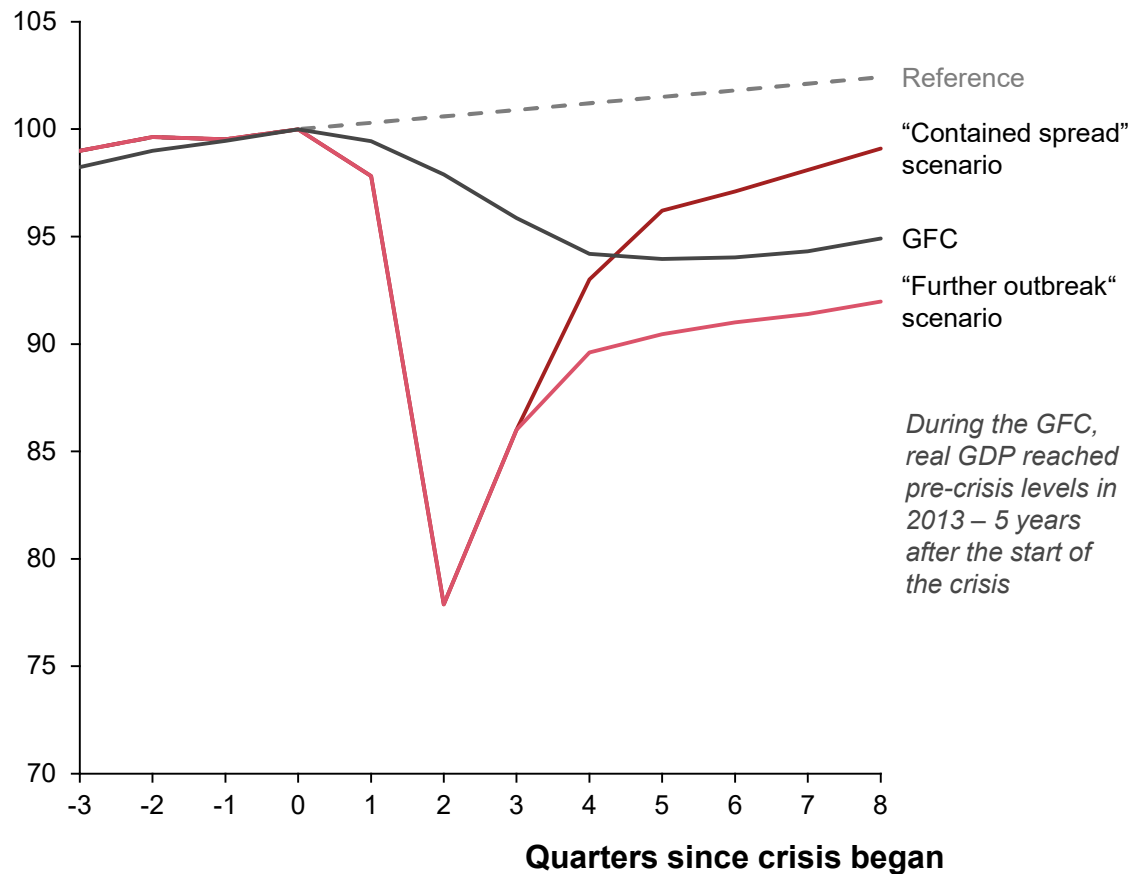
**Forecast GVA growth by sector**  
2020-21 vs 2009



# Travel tends to correlate with GDP; this suggests a continued weak outlook in 2021 given latest GDP forecasts

## Real GDP

UK, Index 100 = 2008 Q1 and 2019 Q4



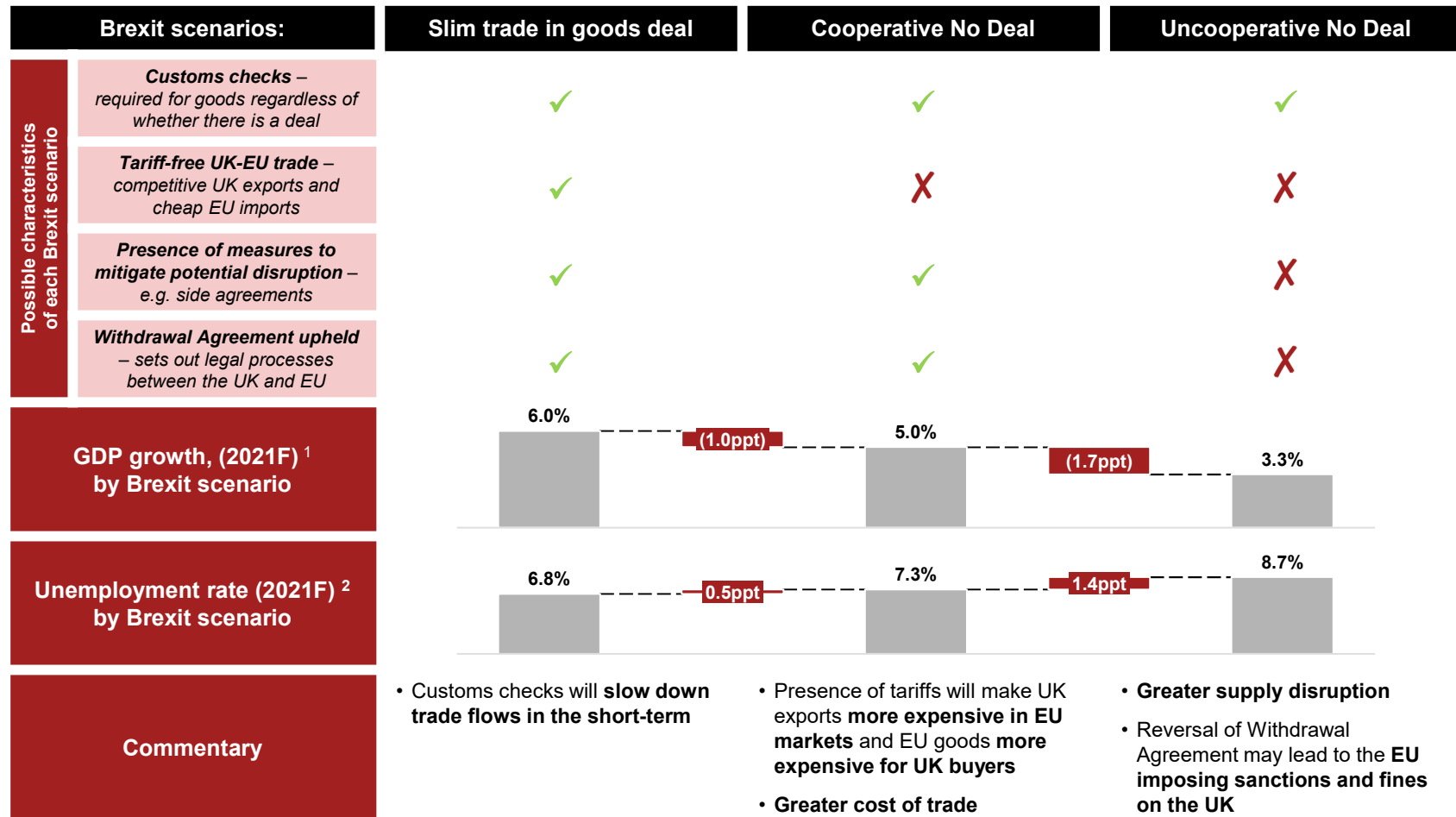
*During the GFC, real GDP reached pre-crisis levels in 2013 – 5 years after the start of the crisis*

- There is considerable uncertainty over the potential development of the pandemic, resulting in varied economic forecasts

### Comparison to the global financial crisis (GFC):

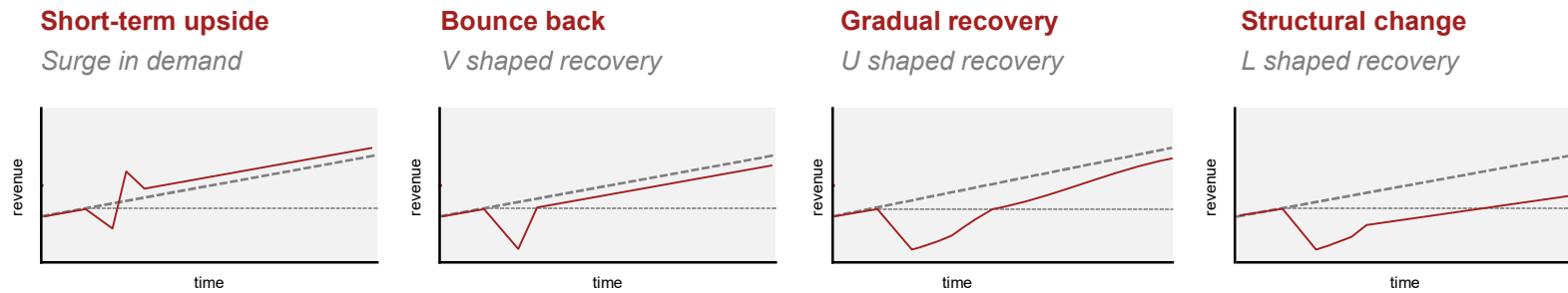
- The GFC and COVID-19 are different types of shocks and the impact on GDP and consumer spending are likely to differ
- COVID-19 is likely to cause a sharper initial downturn in GDP and consumer spending as the lockdown closed much of the economy and country borders
- The impact may also be longer, with scarring from continued fear of the virus, business failures and widespread unemployment
- This will impact consumer confidence and it is likely that disposable incomes and consumer spending will be lower for an extended period
- Unlike in the GFC, the levers to restore the economy are largely out of the Government's hands, though it can take some mitigating actions

# The economic recovery process may be delayed by a No Deal Brexit, particularly if it an uncooperative one



# There are a number of potential recovery scenarios for different travel markets

## Travel market recovery scenarios



Timeframe	2020-21	2021-22	2023-27	Ongoing
<b>What you need to believe</b>	<ul style="list-style-type: none"> <li>• Sufficient containment of virus to enable increased mobility</li> <li>• Reopening of the hospitality industry</li> <li>• Consumer appetite for travelling</li> <li>• Ability for consumers to spend on travel</li> <li>• Short term benefit from other travel markets remaining constrained</li> </ul>	<ul style="list-style-type: none"> <li>• Rapid containment of virus and reopening of markets</li> <li>• Borders reopen and travel restrictions are lifted</li> <li>• Quick economic recovery enables consumers and businesses to spend on travel</li> <li>• Travel resumes as soon as able; no change in behaviour</li> </ul>	<ul style="list-style-type: none"> <li>• Slower containment of virus with longer lockdowns or second stage of virus containment required</li> <li>• Travel restrictions gradually reduced and borders reopened</li> <li>• Economic recovery enables consumers and businesses to spend on travel, albeit in a more limited way due to economic downturn</li> <li>• No change in behaviour long-term</li> </ul>	<ul style="list-style-type: none"> <li>• Travel restrictions gradually reduced and borders reopened</li> <li>• Economic recovery enables consumers and businesses to spend on travel</li> <li>• Reduction in travel long-term, either due to business or leisure travel behaviours changing</li> </ul>

# In thinking about the outlook for market sectors, we have considered a number of factors

**1**

## **Performance during previous crises**

- Depth and length of impact on travel during and following other pandemics and the GFC
- Outlook for the macro environment and implications for travel

**2**

## **Indicators from international markets**

- Indicators from markets, including those which have controlled the virus and eased restrictions more

**3**

## **Business and consumer research**

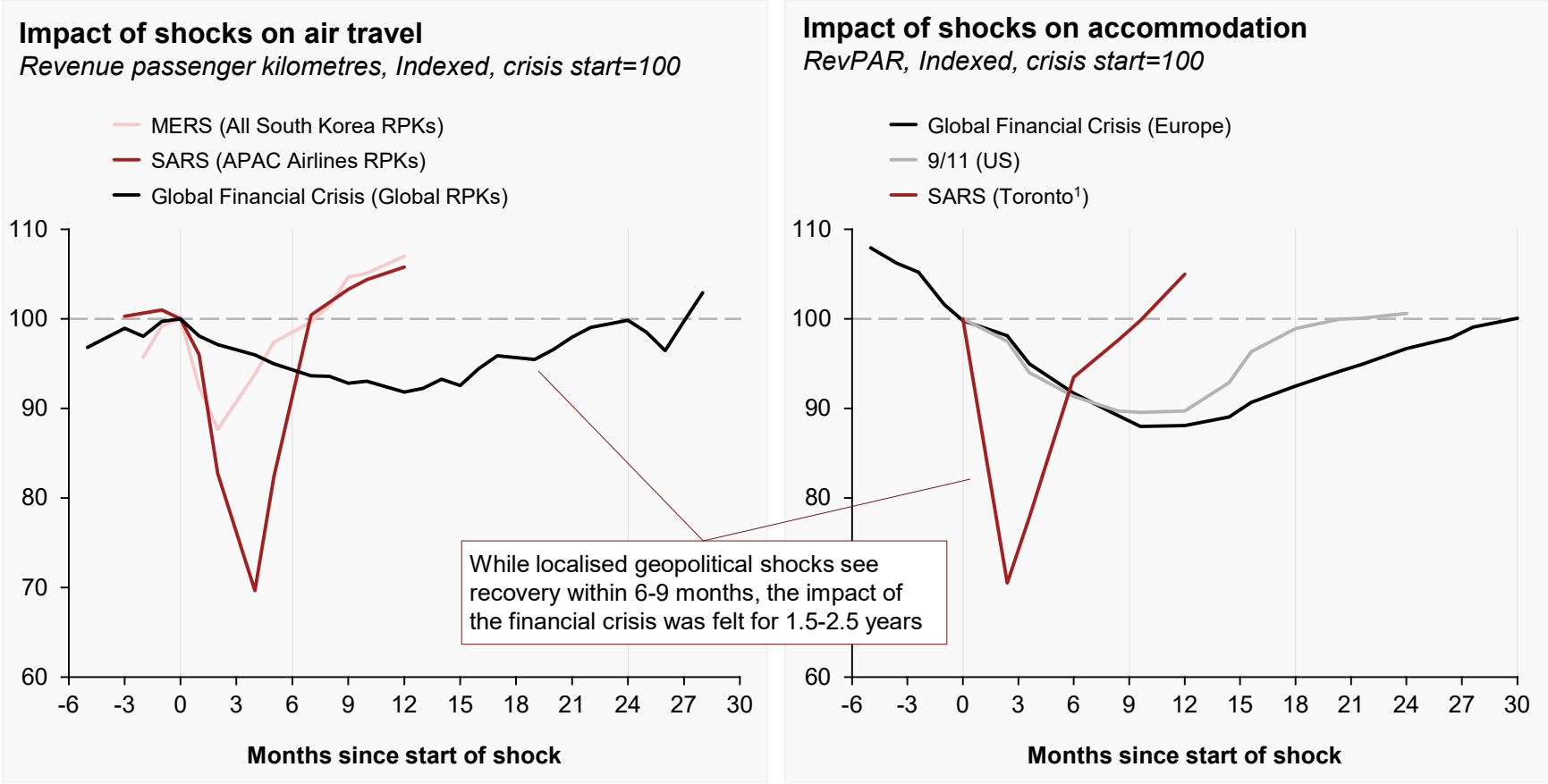
- Surveys on expected behaviours and outlook

**4**

## **Expected outlook for market segments**

- Expected outlook in the short and long term
- Expected structural changes as a result of COVID-19

# Pandemic impacts are typically deep but short, with economic downturns having longer recovery periods

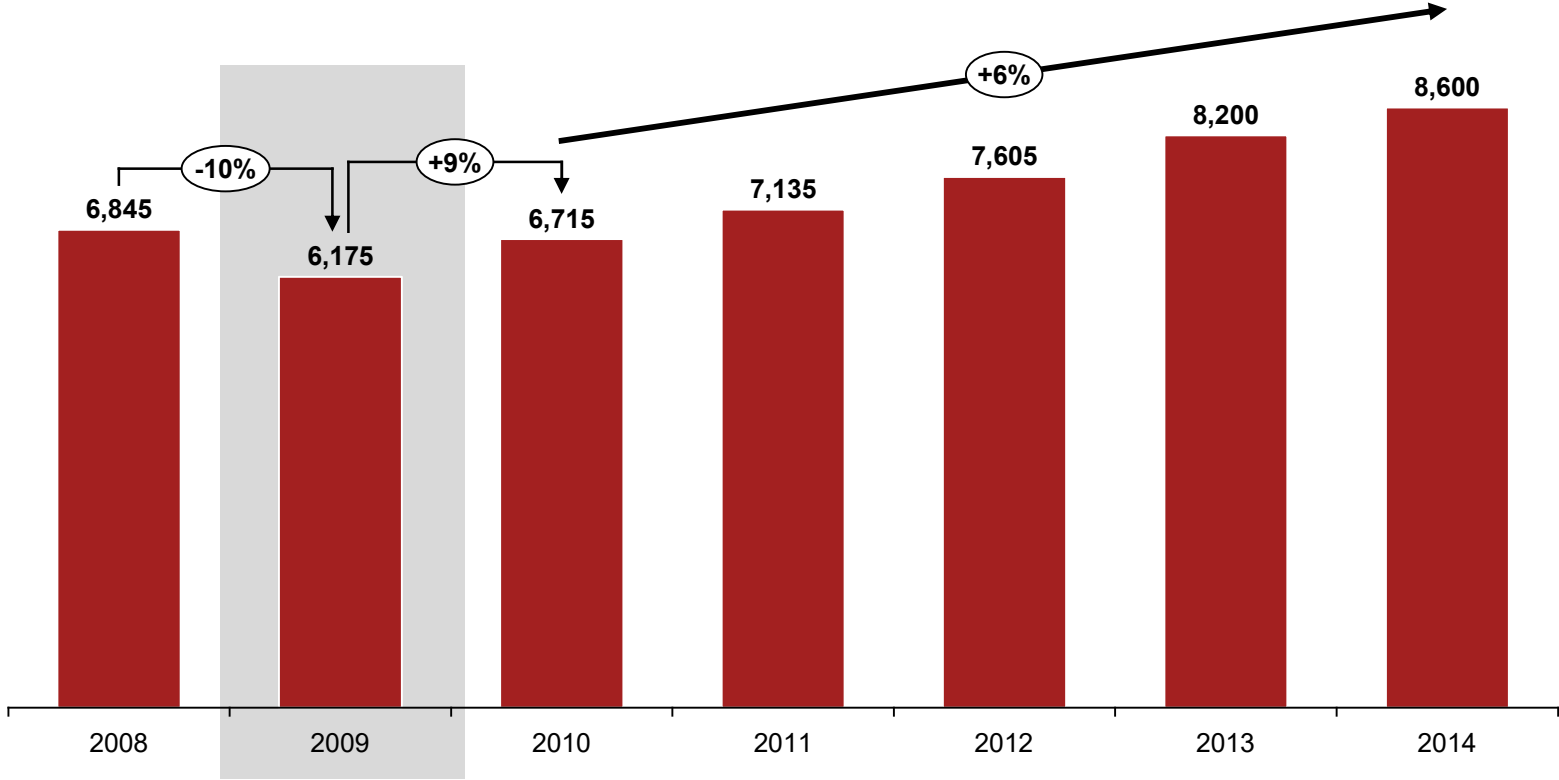


- Whereas health-related shocks are typically deep but short, travel is slower to recover from the impact of economic downturns
- In this case we may see a more prolonged dip in travel from the expected subsequent economic downturn



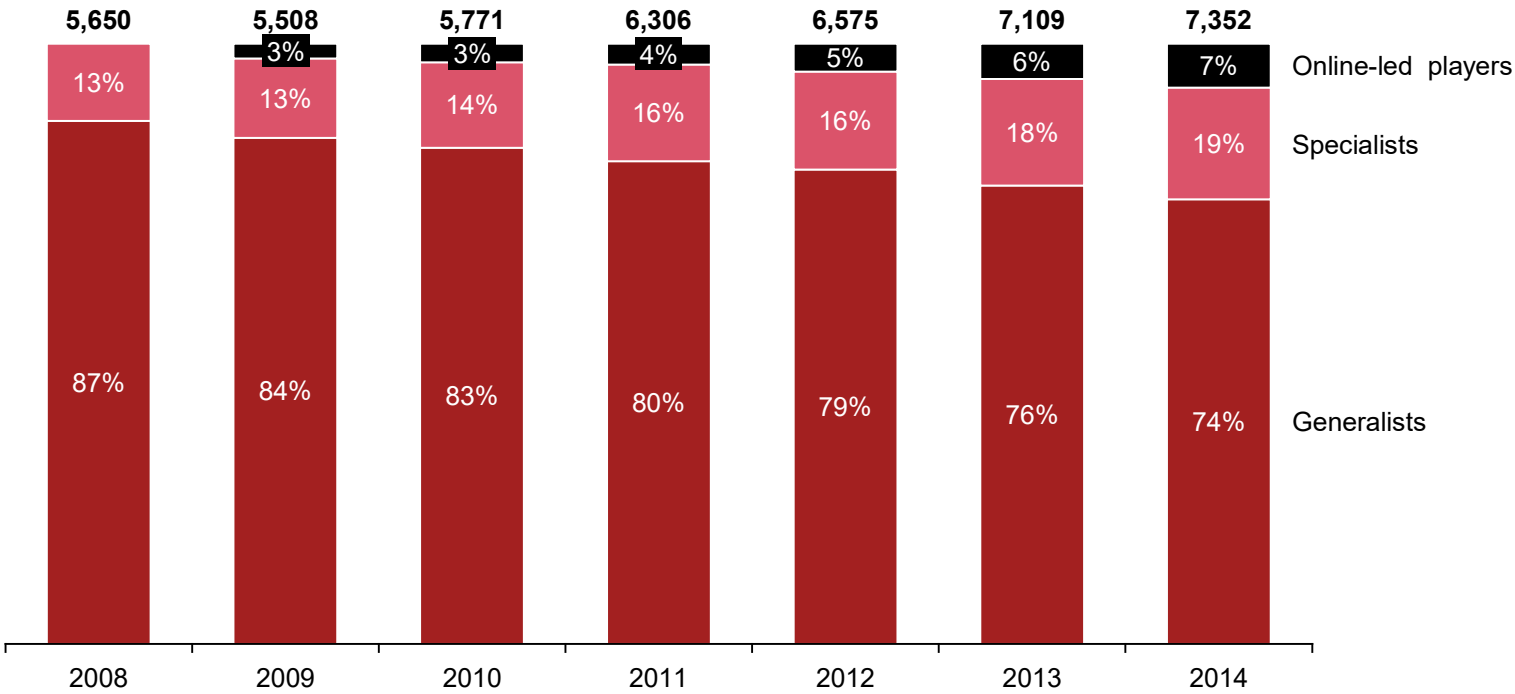
# Business travel declined by 10% in the last downturn, but returned to growth the next year

Total UK TTV for top 50 TMCs  
£m



During and post the downturn, generalists lost share to both specialists (more tailored, service-led offering) and online-led TMCs (lower service, low cost offering)

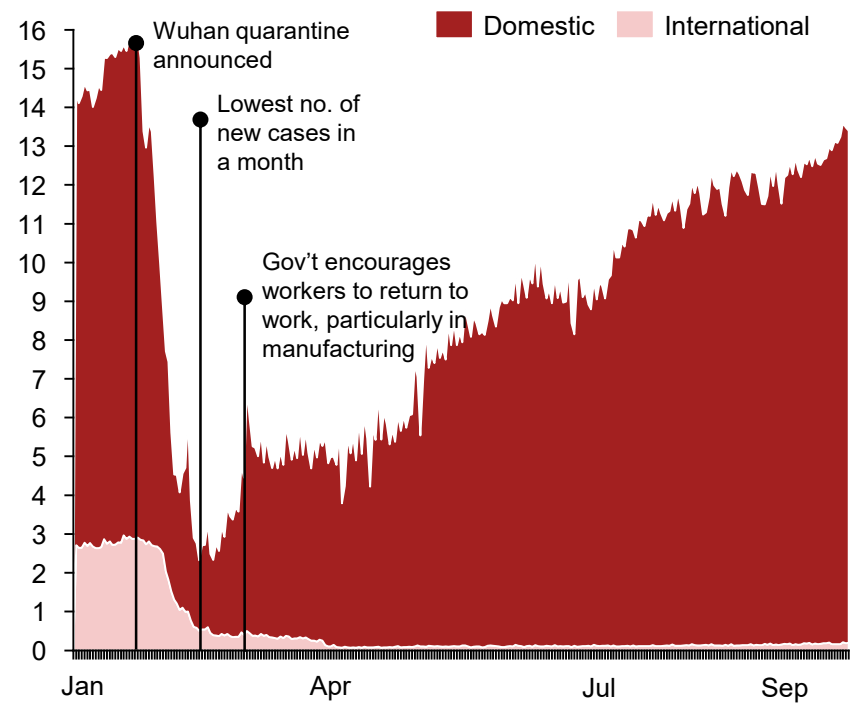
Share of UK TTV of top 50 TMCs  
% total TTV



# Using China as a lead indicator, domestic travel has broadly recovered but international remains low

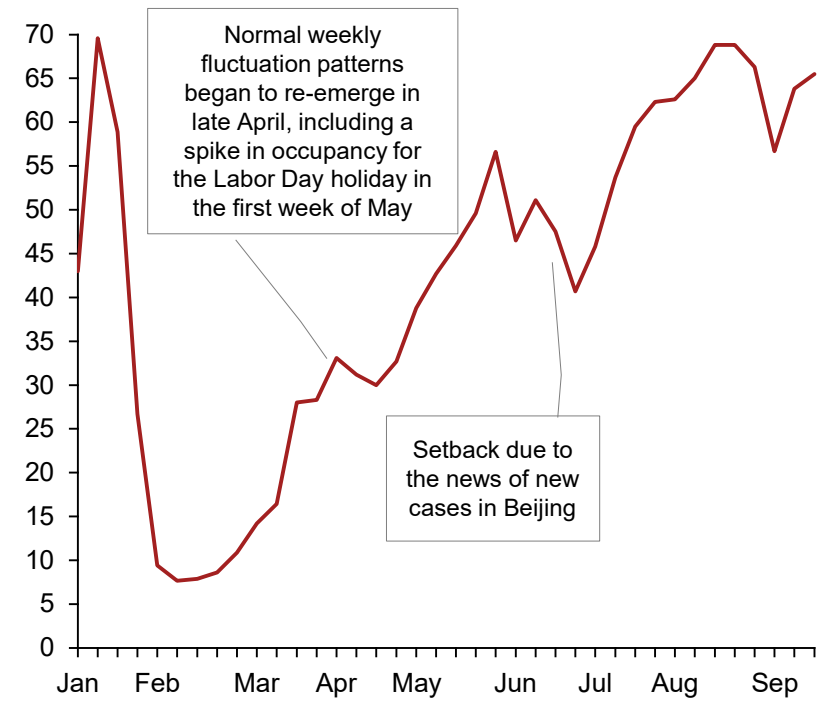
**Domestic air demand has returned to c.90% of late 2019 flight levels**

**Total no. of daily flights from Chinese airports<sup>1</sup>**  
2020, '000 flights



**Hotel occupancy has been increasing albeit not consistently**

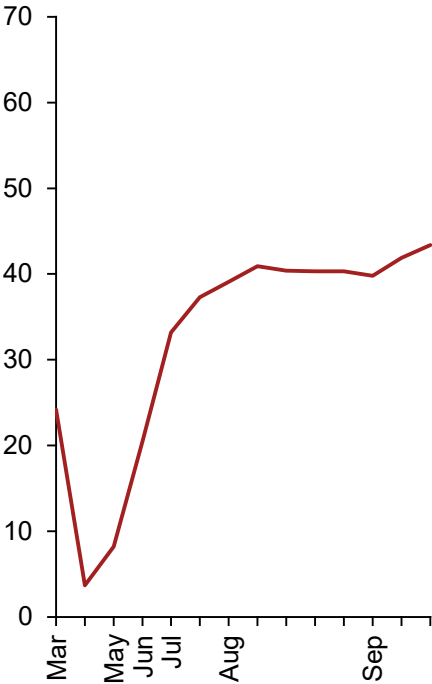
**Mainland China weekly occupancy rate**  
% of available hotel rooms



# Across Europe, there has been a gradual recovery in hotel occupancy, particularly in regional areas

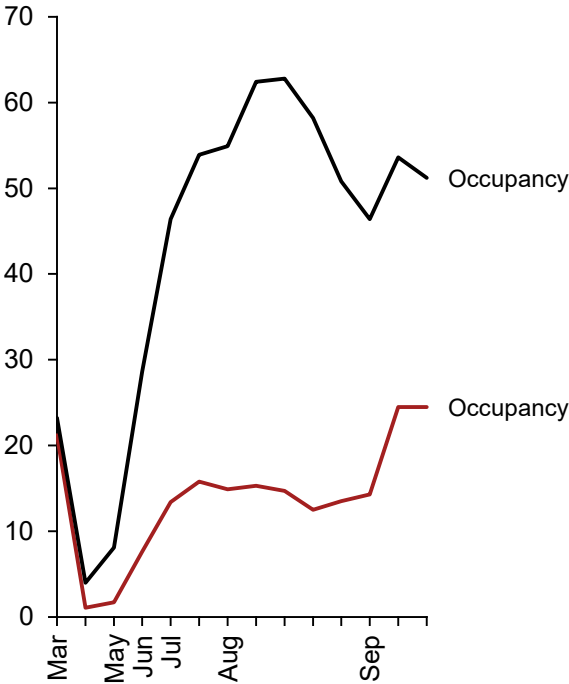
## Germany

Germany weekly occupancy rate  
% of total hotel rooms



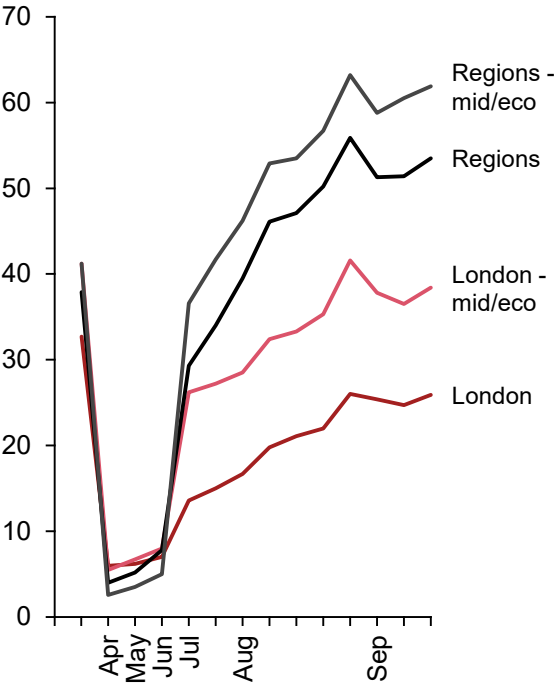
## France

France weekly occupancy rate  
% of total hotel rooms



## UK

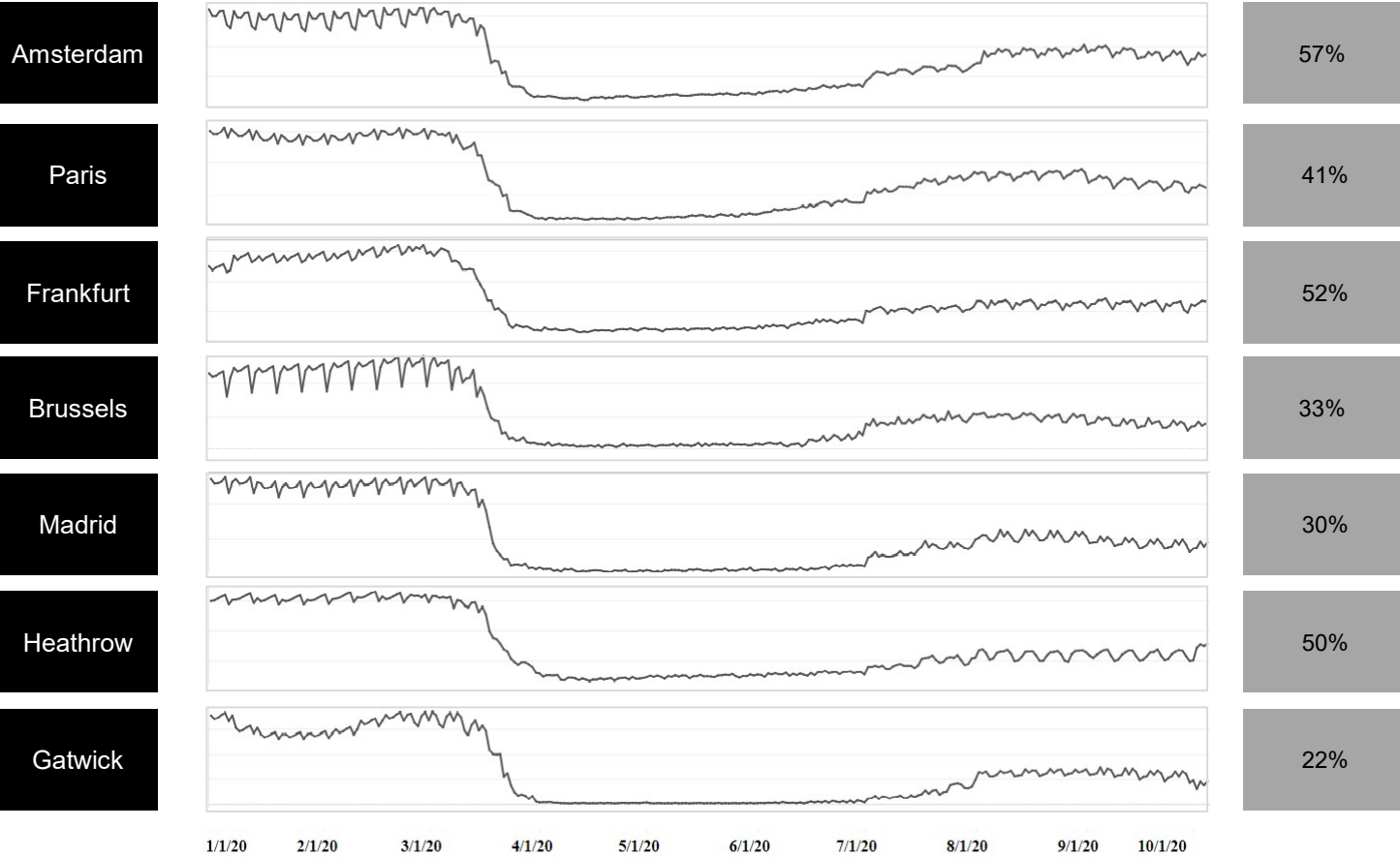
UK weekly occupancy rate  
% of total hotel rooms



# Flight traffic has recovered to a degree but remains significantly below pre-COVID levels

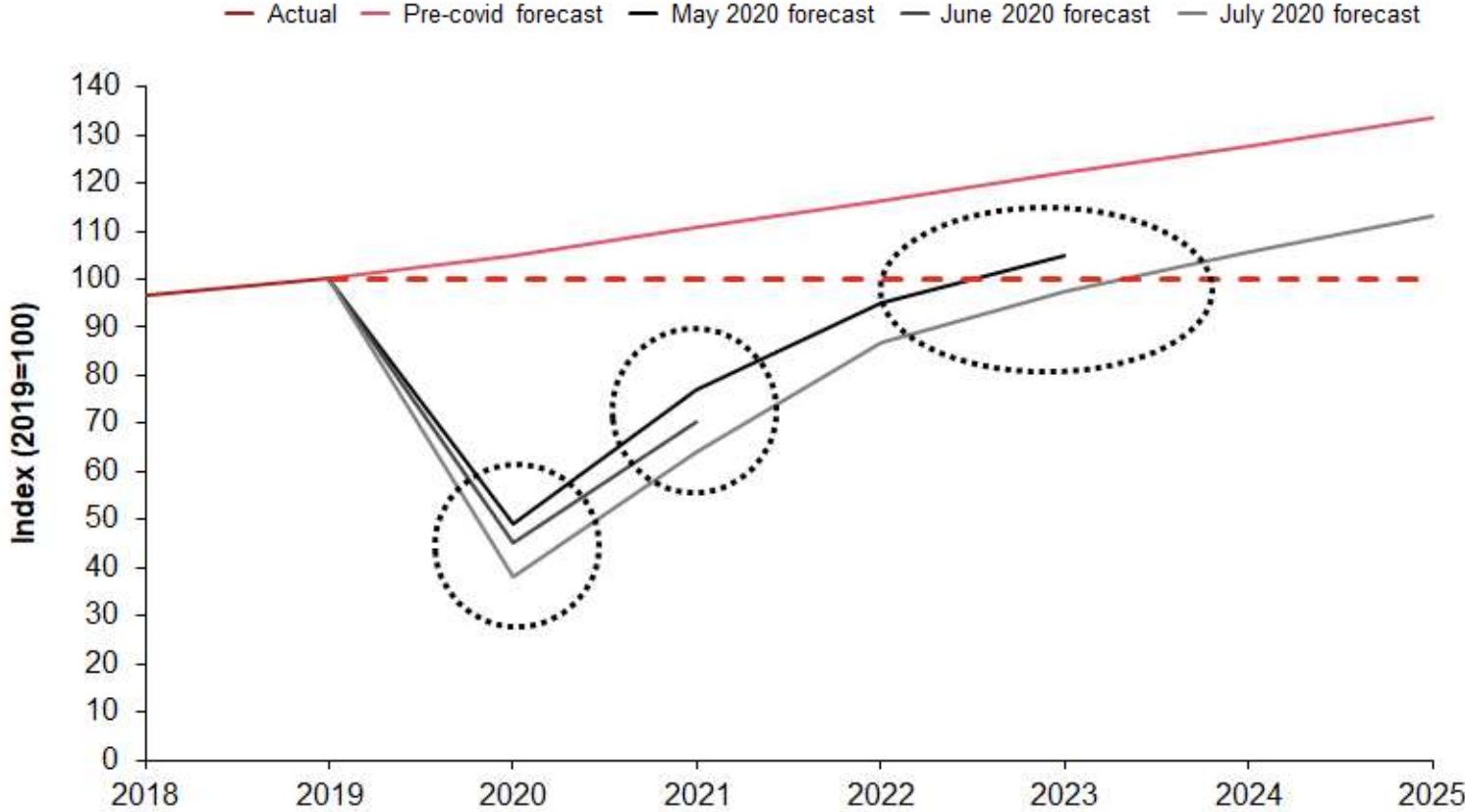
**Total no. of daily flights from selected European airports**  
2020, '000 flights

**Latest as %**  
**1/1/20**



# IATA forecasts a recovery of global air travel to 2019 levels by 2024, with international travel lagging domestic

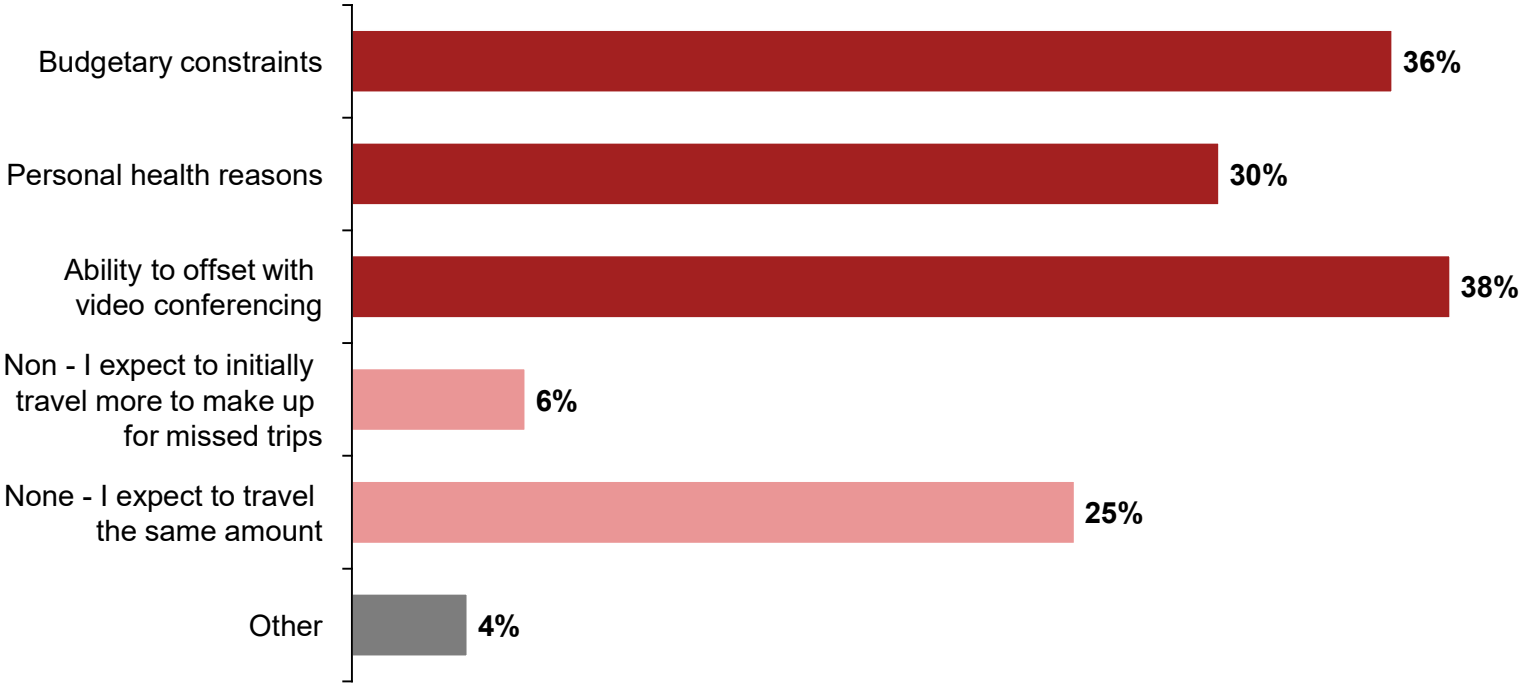
**IATA Global RPK forecasts**  
*Indexed to 2019 levels*



# There may be a structural rebasing of business travel during the current crisis period

## Potential reasons to reduce business travel post-COVID

*% of respondents; Which, if any, of the following reasons would you expect to travel less for business once the COVID-19 outbreak subsides?*

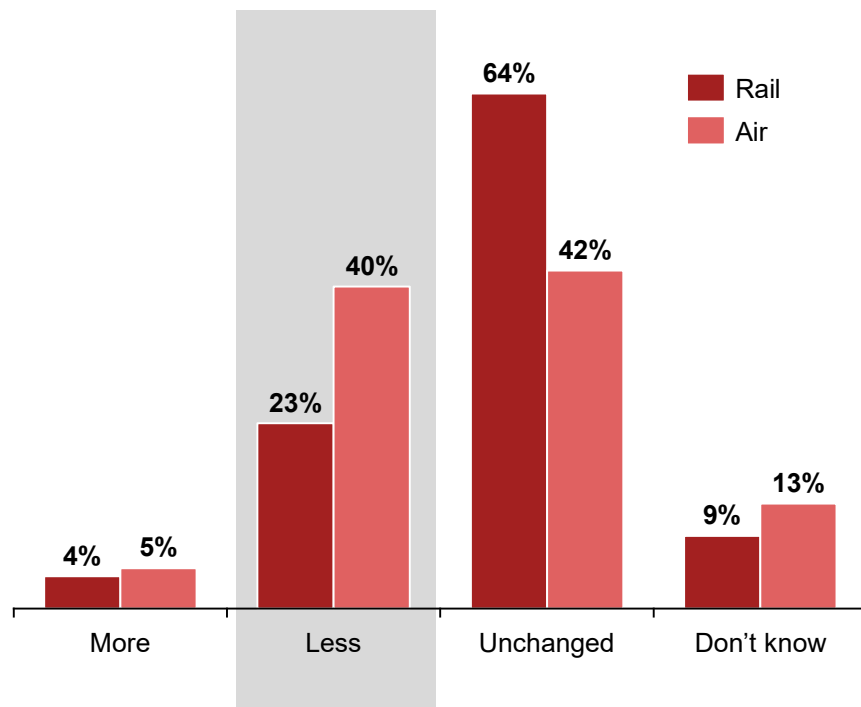


# There is expected to be less business travel in the future, particularly air travel and for certain types of meetings

**Business travel is expected to decrease post-COVID, particularly air travel...**

## Plans for business travel post-COVID

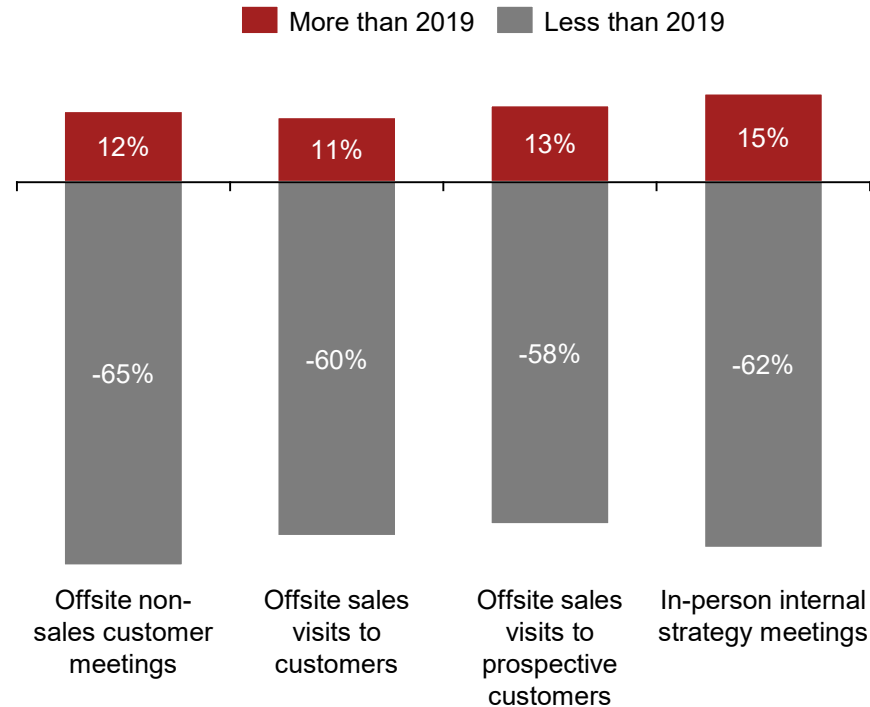
% of respondents, who take business trips by train in the UK or by air



**... Most notably for certain internal meetings and events**

## Outlook for business travel by type

% of respondents, How do you think business travel will resume at your company as the world recovers from COVID-19?

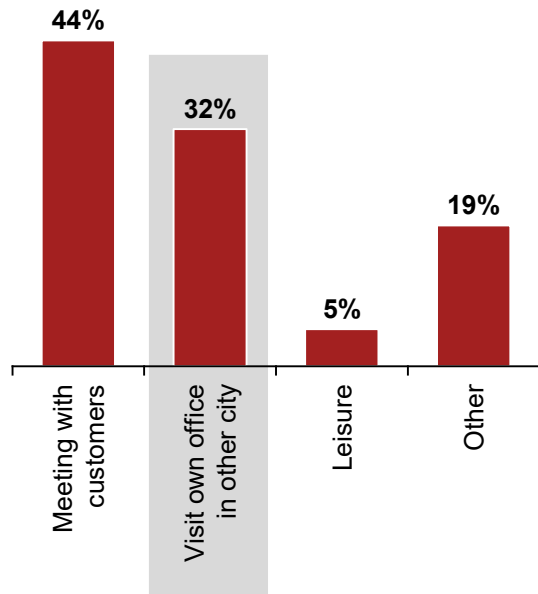




# A range of sources suggests 10-30% of business trips are for internal purposes, which are more likely to be replaced by alternatives

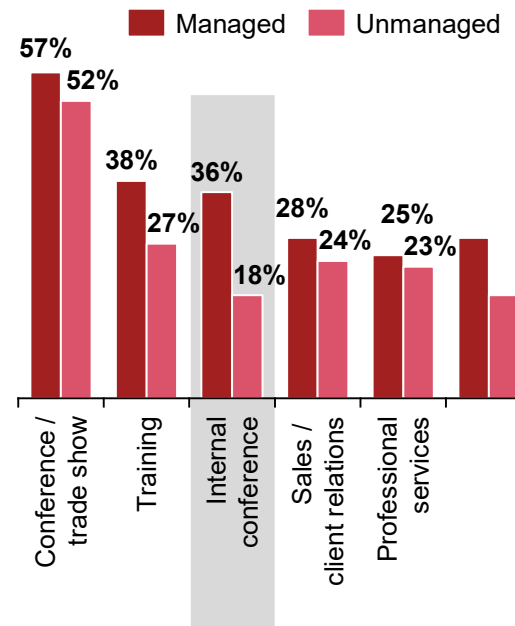
## Fly Aeolus

**Travel purpose<sup>1</sup>**  
*% of business trips by purpose*



## Phocuswright

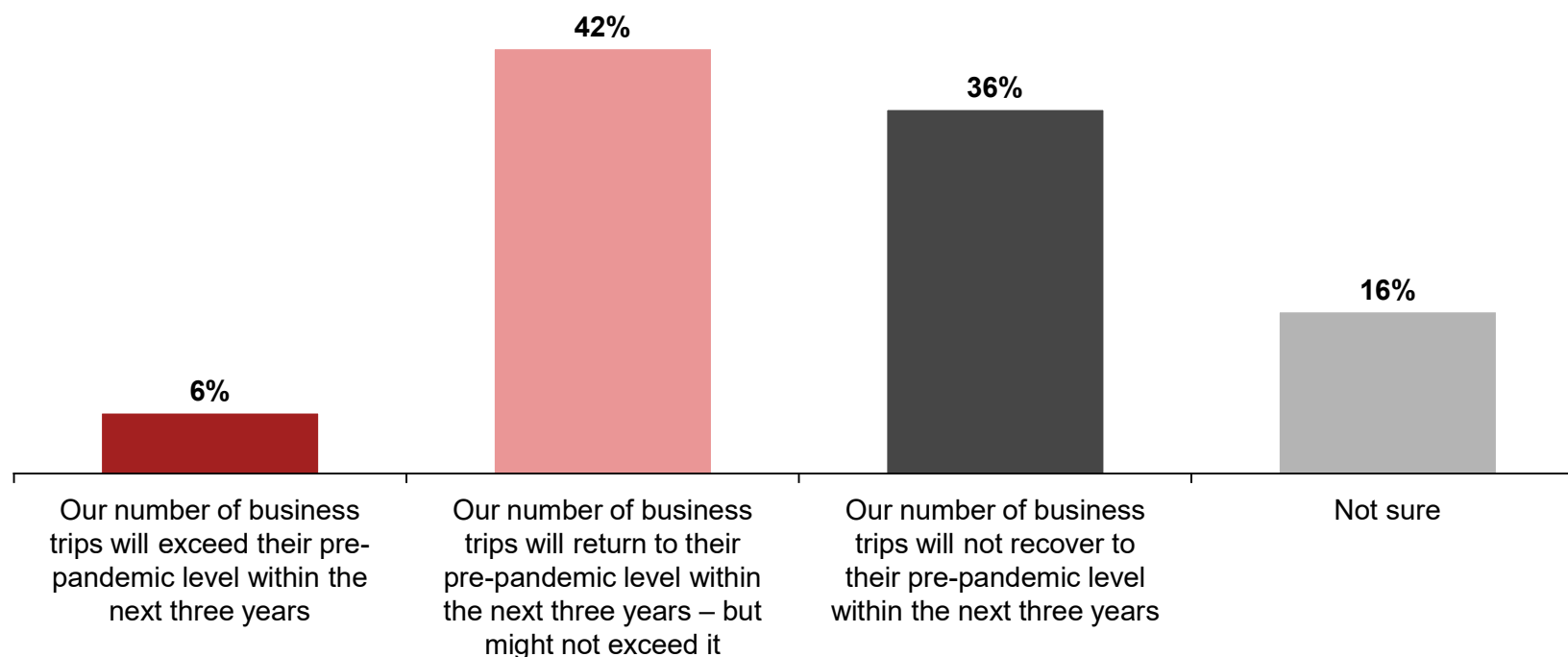
**Reasons for business trips<sup>2</sup>**  
*% of business trips by reason*



# Businesses expect travel to return in the next three years, but to varying degrees

## Outlook for business travel

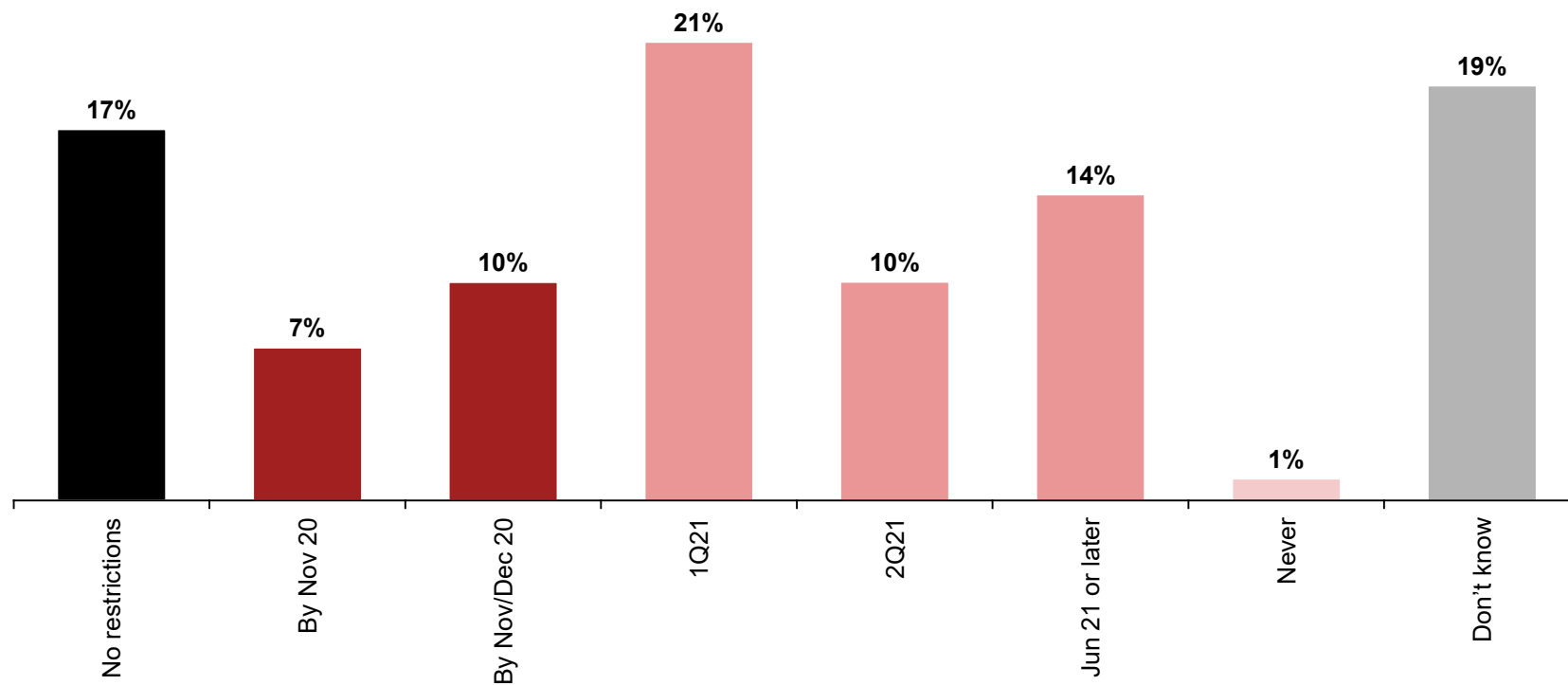
*% of respondents; Thinking about your company, how do you think the number of business trips will change in the next three years assuming a vaccine or other public health measures eliminate or greatly reduce the risk from COVID-19?*



# Most people expect corporate travel restrictions to be lifted by the first half of 2021, although there remains considerable uncertainty

## Corporate travel restriction end dates

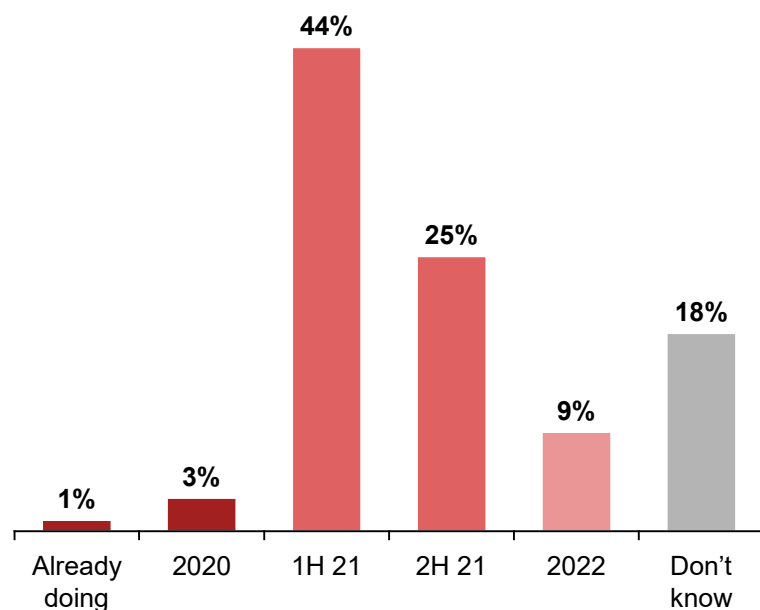
*% of respondents; When do you think your company will lift any travel restrictions currently in place on travelling for business purposes?*



# Businesses also generally expect their employees to return to in-person events in 2021

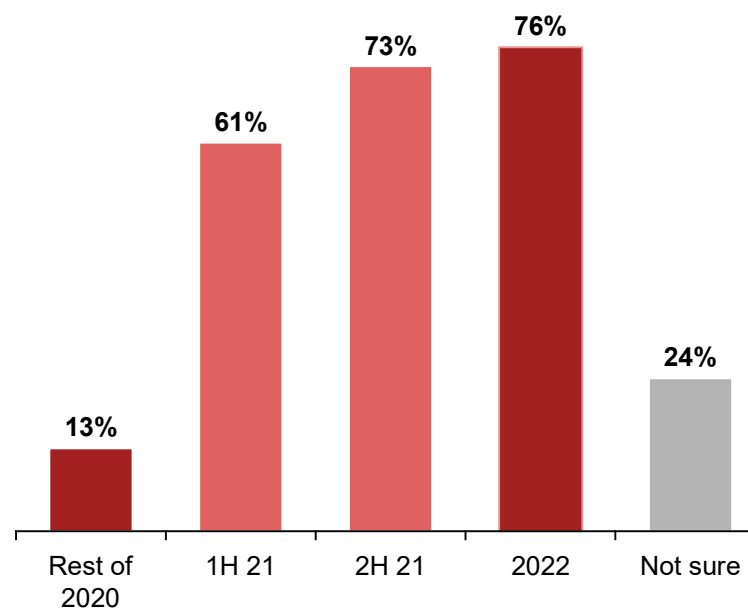
## Returning to MICE: attendance at events

*% of respondents; When do you expect your employees to attend in-person events and conferences?*



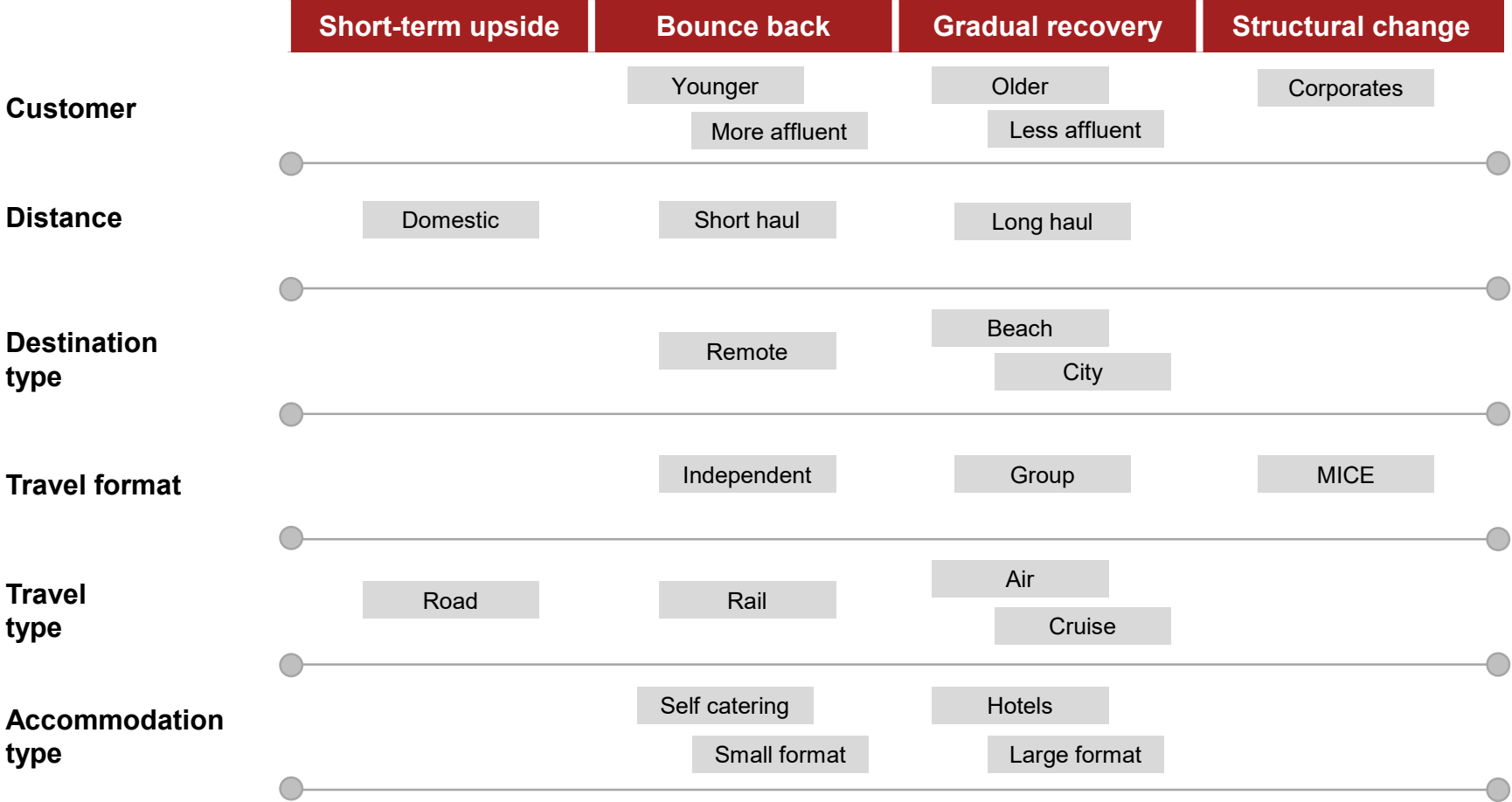
## Returning to MICE: hosting events

*% of respondents; When do you expect to host in-person meetings, events or conferences?*



# The recovery profile of different markets / companies will vary based on a number of dimensions

## Travel market recovery dimensions



# Summary of key messages

- The combination of a global pandemic and subsequent recession is likely to result in a significant impact and slow recovery for the business travel market, with considerable uncertainty over the recovery profile given its global nature and reliance on multiple governments to control the virus and lift travel
- Long term (3-5 years+), we believe many travel segments will recover and resume historical growth trajectories as the underlying drivers of travel demand will persist, and predominate as supply shocks and fear factors fade
- Business travel may be one sector which will see some structural change to its growth outlook
  - Changes to behaviours are becoming more embedded (e.g. the use of virtual forums for some internal meetings), with the current crisis setting a new benchmark for necessity of travel
  - A structural decline in corporate travel spend was also seen during the last recession as tighter travel spend policies became embedded, something which is appearing again
  - Some of this may be offset by an increased penetration of managed business travel as corporates embrace duty of care requirements highlighted by COVID-19
- Within business travel, high touch TMCs are likely to be better off as customers of low touch TMCs are generally more cost focused. Specialist TMCs targeting sectors with more necessary travel will also be less impacted

# strategy&

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