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EIBTM 2013 TRENDS WATCH REPORT BY ROB DAVIDSON

EIBTM Industry Analyst



EIBTM 2013 TRENDS
WATCH REPORT Official
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INTRODUCTION

Regular readers of the EIBTM Trends Watch report will instantly notice a difference in tone in this year's edition. The mood of our industry, as reflected in the conclusions of the vast majority of the surveys used in the compilation of this report, has changed to one of quiet optimism. This change comes about in recognition of the fact that the move from the fragile recovery of 2012 to a more sustained upturn in the world economy of 2013 has been reflected in growing global demand for meetings, events and business travel. Similarly, almost all forecasts for 2014 indicate increasing levels of optimism and growth in these three sectors, albeit modest.

A consensus is forming that, leading into 2014, meetings, events and business travel will continue to remain critical drivers assisting organisations in their efforts to reach their strategic business objectives and effectively communicate with their employees, customers and partners worldwide.

A growing body of robust and reliable data is emerging, as our industry increasingly understands the importance of undertaking rigorous research into the changing trends and influences that affect demand for our facilities and services. A key purpose of the EIBTM Trends Watch report is to synthesize this information and share the collective findings in a succinct document designed to inform you of the recent performance of our industry and the projected situation for the year ahead.

I hope that you find it useful in the work that you do.

Rob Davidson
Senior Lecturer in Business Events Management
University of Greenwich Business School
EIBTM Industry Analyst



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THE ECONOMIC SITUATION IN 2013

2013 witnessed a significant inversion of the growth patterns that had become the norm ever since the global economic downturn that hit the world in 2008. Advanced economies are gradually strengthening, while, at the same time, growth in emerging market economies has slowed down. The balance of world economic growth is tipping in another direction, as described by the New York Times:

‘Just as economists have begun lowering their forecasts for China and many other developing economies, the American economy is bouncing back. Japan appears to have turned a corner and is ending almost two decades of grinding deflation’.

It adds that economic data coming out of Europe is providing the first solid indication that many countries in the Eurozone may be escaping the clutches of recession. Spain is the latest country to announce the return to a post-recession economy.

The US retains its position as the world’s economic powerhouse, but its recovery is progressing slowly. According to Deloitte, ever since recovery in the US began in June 2009, the country’s economy has been growing 2.2 percent on average with no emerging pattern of acceleration, and this rate of growth has not been sufficient to recover the jobs lost during that period. Employment has increased by 6.8 million since the low point reached in early 2010, but the United States still has 1.8 million fewer jobs than it did prior to the downturn.

A more marked change in fortunes has been witnessed this year in Europe, where increases in consumption, investments, and exports by the core economies have produced signs of a recovery that is enabling the Eurozone to emerge slowly out of the recession. But European economic growth remains a two-tier, two-speed story, with the Northern markets showing positive growth in corporate profits which are not yet enough to compensate for the still-negative performance of the Southern tier.

The International Monetary Fund notes that in the Eurozone, business confidence indicators suggest that while activity is already recovering in the core economies and is close to stabilizing in the periphery, this is not the result of recent major policy changes but rather of a change in mood - which nonetheless could be largely self-fulfilling if consumers and firms continue to increase their spending. Southern periphery countries are still struggling, however, with progress on improving competitiveness and increasing exports not yet strong enough to offset depressed internal demand.

Deloitte’s research indicates that since April, economic sentiment in the Eurozone has improved across the board, coming much closer to the threshold of 100, which separates negative from positive expectations, as shown in Figure 1.

Figure 1. Economic sentiment indicator (ESI)



Source: European Commission

Graphic: Deloitte University Press | DUPress.com

BRIC is the acronym created to describe the four emerging market countries, Brazil, Russia, India and China, that have been critical to driving the global economy in recent years. The BRIC nations generally fared better than most other countries during the global economic downturn, but the economic outlook for developing economies in general has changed over the past 12 months amid the end of a commodities boom and a slowdown in Chinese growth. According to the International Monetary Fund, India has been the biggest disappointment among the BRIC countries. In that country, economic growth continues to decline, inflation remains too high, fiscal discipline is declining, the external deficit is widening, and business confidence is poor.

Brazil has become the most volatile of the BRIC nations in terms of investor perceptions. The EU accounts for a fifth of Brazil's exports, and forging a Free Trade Agreement with the EU has acquired an immediate urgency for Brazil. The urgency arises from Brazil's recent classification by the World Bank as an upper-middle income country, which makes the country lose the EU's preferential trade status in 2014.

Research by Deloitte concludes that in Russia, slowing growth, weakening investments, and poorly performing exports are weighing down on that country's economy. Moreover, excessive reliance on hydrocarbons means that falling energy prices are harmful to Russia's growth.

In China, however, the economic slowdown of the past few years appears to be over—at least for now. According to Deloitte the Chinese government's modest stimulus aimed at stabilizing growth appears to be working. The stimulus included extra spending on infrastructure and easing of credit conditions. China's industrial production was up 10.4 percent in August versus a year ago, and this was the fastest rate of growth in 17 months. In August, China's exports were up 7.2 percent from a year earlier.

Another acronym that is creating excitement at the moment is the CIVETS. The CIVETS countries are six emerging market nations - Colombia, Indonesia, Vietnam, Egypt, Turkey and South Africa – of which some have sizable, young populations and others have a wealth of natural resources. According to John Bowler, director of Country Risk Service at the Economist Intelligence Unit, these countries could be the economic boomers of the next decade. Most of the countries in the group are posting growth rates higher than 5 percent and trending upwards. Their young, dynamic population base, with the average age being 27, coupled with soaring domestic consumption and more diverse opportunities for businesses seeking international expansion are all factors that point to the CIVETS countries having a much larger influence on the world stage in years to come. Nevertheless, for now, global growth remains in low gear, partly due to a slower pace of expansion in emerging economies such as Brazil, China and India. The International Monetary Fund now expects a global growth rate of 2.9% this year, a cut of 0.3% from its July estimate.

To summarise, even if there appears to be little prospect that the BRIC economies will ever return to the roaring levels of growth that had come to seem normal a few years ago, there is growing evidence of improved economic sentiment in global markets as a whole, and the recovery from the crisis continues, albeit at a frustratingly slow pace.

PERFORMANCE OF KEY MARKET SECTORS

In the context of corporate events in particular, our industry's fortunes largely depend upon the performance of a number of key sectors in the economy, as the volume of meetings, product launches, incentive trips and training sessions generally reflects the levels of activity and profitability of these market segments.

All of those key client sectors are included in the data produced by the Euler Hermes Economic Research Department's annual Economic Outlook, which examines the state of health of individual industry sectors on a global and country-by-country basis. For 2013, Food & Beverages, Chemicals, and Pharmaceuticals were the only three sectors to have been assigned the status of "positive fundamentals and outlook" in most countries, although the assessment for Information Technology (equipment and services) and Distribution was also found to be "positive" in a great number of countries. For most sectors (12 out of the 17 in the sample), however, the most common situation was found to be one of "signs of weaknesses". Transport and Construction stood out as being the two sectors with the most frequent "structural weaknesses", although the latter is also the sector that registers a situation of "imminent or recognized crisis" in the largest number of countries.

However, Euler Hermes caution that this overall picture needs to be adjusted according to the relative weight of each country in the global economy and by the fact that some industries and sectors exist only marginally or not at all in certain countries. After making these adjustments, the international outlook paints a slightly less overcast picture. Seen in this light, two sectors now present a particularly more positive outlook: Aeronautics and Automobiles.

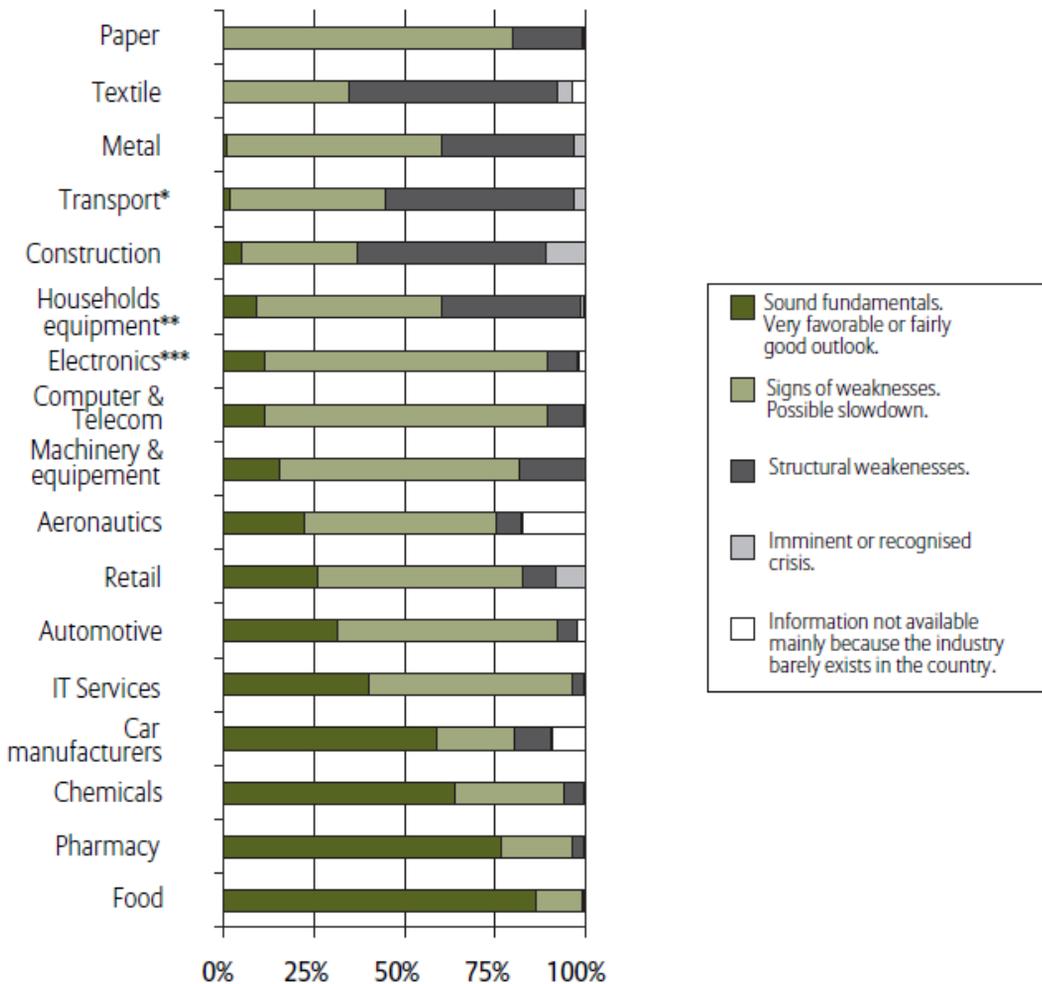


Figure 2 shows Euler Hermes' global assessment of the 17 selected sectors. The current situation and outlook for some of these sectors will now be examined in greater detail.

Figure 2. Euler Hermes International Business Sector Forecasts.

Mid-2013 international business sector forecasts

For each sector, breakdown by the % of the number of countries
(countries weighted by their share in 2012 world GDP)



* Focus on air transport ** Focus on consumer electronics

*** Focus on semi-conductors and components

Source: Euler Hermes

Information and Communications Technology

According to the 2013 KPMG Technology Industry Outlook Survey, growing global adoption of mobile and cloud technologies is creating significant revenue expectations in the ICT industry. Just under 80 percent of the executives surveyed expected their company's revenue to increase this year. The growing importance of markets such as Brazil, Canada, Mexico and South Korea contributed to this positive outlook. This optimism is leading to further investments by ICT companies in products and service development, core Research & Development, acquisitions and geographical expansion.

The US, China and India remain the leading countries for employment growth in this sector, but executives also indicated plans to expand their workforces in Canada, Brazil, the UK, Mexico and South Korea.

Automotive

AlixPartners' Global Automotive Review and Outlook estimates that, globally, the industry is likely to experience a growth of 3 percent this year, before entering into a period of over 4 percent growth per year between 2014 through 2018. However, those global figures mask widely divergent performances of the automotive sector in different world regions. Put simply, the global industry's success is being driven by BRIC countries and by the recovering US market.

According to Deloitte, in the US, the recovery in autos and auto parts is noteworthy, given the taxpayer investment and government-sponsored reorganisation that turned around two of the big three US automakers. In 2011 and 2012, all three companies made profits for the first time since 2004. Even though employment in auto and auto parts accounts for less than 7 percent of manufacturing employment, this sector alone accounted for 31 percent of the 503,000 manufacturing jobs created since manufacturing employment's low point in February 2010.

AlixPartners' Global Automotive Review and Outlook predicts that China, despite some cooling down in the past year, is set to continue to be the global pace-setter in this sector for the foreseeable future. In 2012, the study notes, the country produced 18.3 million light vehicles, compared to 10.2 million in the US, the second largest production region globally. Chinese production, which was 1.85 million units in 2000 (just one tenth of today's output), is expected to grow to 28.8 million by 2018. Two other winners in the emerging markets in 2012 are India, with 3.7 million vehicles produced (now ranked sixth among global automotive producers), and Thailand, with 2.8 million vehicles produced (ranked ninth). Both countries were well below one million vehicles in 2000. Brazil has doubled its annual car production since 2000, to 3.2 million units, thus becoming the world's seventh largest car producer and the biggest in South America.

The same source contrasted these countries' success with the situation in the European automotive sector. Last year's AlixPartners study noted that an already-discomforting 40 percent of the top 100 plants across Europe were operating below 75 percent capacity utilization. In 2013, the number of plants operating below this level is forecasted to increase to 58 percent, a sharp rise of 50 percent within just two years. With so many of the top 100 European assembly plants being under-utilized, the issue of overcapacity has increased at an alarming pace. Europe has also seen major shifts in car production in the past 12 years. France, Italy, Spain and Belgium saw shrinking production volumes ranging from 34 percent to 62 percent, while the Czech Republic was able to more than triple its output to 1.2 million units since 2000. Italy, which was ranked 11th in 2000, has slipped out of the top 20, down to rank 22 in 2012. Germany, on the other hand, has been able to hold its ground and slightly increase its car production, by a moderate 16 percent over the past 12 years.

Pharmaceutical

Europe also appears to buck the trend in terms of the burgeoning global pharmaceuticals market.

The European Federation of Pharmaceutical Industries and Associations quotes EURO STAT data showing that the pharmaceutical industry is the technology sector with the highest added-value per person employed, significantly higher than the average value for high-tech and manufacturing industries. The pharmaceutical industry is also the sector with the highest ratio of R&D investment to net sales. According to the 2012 EU Industrial R&D Investment Scoreboard the pharmaceuticals and biotechnology sector amounts to 17.7 percent of total business R&D expenditure worldwide.

But despite its importance for Europe as a whole, the rapid growth being witnessed in the market and research environment in emerging economies such as Brazil, China and India, is leading to a gradual migration of economic and research activities from Europe to these lucrative markets. In 2012 the Brazilian and Chinese markets grew by 16 percent and 21 percent respectively compared to an average market growth of minus 2 percent for the five major European markets and minus 1 percent for the US market (IMS Retail Drug Monitor – February 2013)

Construction

According to research undertaken by Timetric, growing optimism among a number of surveyed executives in the global construction industry suggests that 2014 will be a better year for construction than 2012. The optimism is supported by a growing number of

projects in the pipeline worldwide. Within the global construction industry, 53 percent of survey respondents are 'more optimistic' about revenue growth expectations over the next 12 months as compared to the previous 12 months. Twenty-four percent of the respondents are 'less optimistic', while 22 percent expect 'no change' in revenue growth. Executives from the global construction industry also expect to see increased levels of consolidation, with 50 percent of the respondents anticipating an increase in mergers and acquisition activity in 2014. Slow recovery in the global economy and weak market conditions, a growing desire for large construction companies to increase their global presence and increased pressure of rising costs on small and medium-sized construction companies are considered the key drivers for mergers and acquisitions.

The forecast report identifies India, Brazil, the UAE, China and Saudi Arabia as promising emerging markets for 2014. India particularly has been identified as a key emerging market in the global construction industry due to growth in infrastructure development in housing, roads, ports, aviation infrastructure and power generation. The US, Canada, Singapore, Australia and the UK were also identified as primary growth markets, whereas France, Italy and Spain are expected a lower growth potential.

The morose character of parts of continental Europe's construction sector is also highlighted by the Ifo Center for Industrial Organisation and New Technologies, whose research suggests that residential construction in Europe remains on course for cutbacks and looks set to plunge to its lowest level for 20 years. The experts of the European research and expert network "EUROCONSTRUCT" do not expect any clear upturn in residential construction activity until 2015. The network does not expect a modest recovery of 1 percent until 2014, and believes that growth should subsequently reach almost 2½ percent in 2015.

Wherever in the world economic activity in any of these key sectors is found to be growing, the benefits for the meetings and events industry will naturally follow. Expansion into new markets means a boost for international business travel. New products need to be launched and staff trained and incentivised to sell them.



CORPORATE MEETINGS

Much of the cause for optimism in our industry has come as a result of recovery in the corporate meetings sector. We have known for several years that corporate organisations all over the world have been sitting on a stockpile of cash, unwilling to spend it in case it should be required in the event of a repeat of the 2008 economic crisis.

Over the past 12 months, there have been numerous indications that companies are increasingly loosening their purse-strings and boosting their spending on corporate events. MPI's Business Barometer is among the many sources to underline this trend, noting that 'meetings industry business conditions continue to gradually improve due to perceived economic stability' and adding that the improvements in domestic corporate business are global.

Another useful indicator of the strength of the demand for corporate meetings is the annual survey of its members undertaken by the International Association of Conference centres (IACC), as their clients are largely drawn from corporate organisations. The association's 2013 report on Trends in the Conference Centre Industry provided ample evidence of improving margins and greater stability in the marketplace, with clear signs that IACC venues are experiencing recovery. Demand for conference centres grew, as did average rates, with Executive style Conference Centres performing better than average - an ADR increase of 5 percent over the previous year. The report, compiled by PKF Hospitality Research on behalf of IACC, showed that Executive Conference Centres enjoyed the greatest gain in occupancy during 2012, growing on average 7.3 percent. Dave Arnold, CEO of East PKF Consulting commented "Our results this year indicate that a long awaited recovery is taking place for those centres positioned to do so. Corporate meetings have proven to be the last segment of the market to claw back to some semblance of former glory".

In the UK, positive results for providers of meetings facilities for the corporate market were also found in a 2013 survey on 'Future Trends in Meetings and Accommodation', conducted in association with the Hotel Booking Agents Association and Conference Centres of Excellence. The results showed that a total of 83 percent of respondents were optimistic about the trading outlook for the remainder of 2013, while 82 percent felt the same about 2014. Almost half of the venues polled predicted growth of 5 percent in the next year – with financial and pharmaceutical sectors expected to be among the strongest-performing.

The Advito 2014 Industry Forecast contrasts the corporate rates situation in Asian markets with that found in North America and Europe, noting that as more meeting space is becoming available in markets such as China, India, Malaysia and Indonesia, this increased

capacity has led to softer rates. In contrast, the absence of new supply amid rising demand in North America and Europe has inevitably shifted the meetings market in favour of the seller in 2013. However Advito research suggests that while prices in those regions have increased, they have not done so outrageously— just 3-5 percent in Europe, for example.

The shortfall in meeting space capacity has led to shorter lead times. But fuller venues in 2013 have seen buyers increasingly missing out on preferred places and dates. Hotels in the US in particular have responded by reducing the time they will hold provisionally booked space. Today, only 30 days is typical, and hotels are more likely to cancel a booking option if a firm reservation comes in from another client. They are also allowing less time—30 days at most—for a contract to be signed.

However, according to Advito, clients who got used to recession-era pricing levels are still trying to keep their total meeting costs down. They are responding to venue price rises by seeking savings in other ways, such as spending less on guest speakers, traveling shorter distances or reducing the number of nights away.

Providing further detail on the levels of corporate demand for European venues, the Grass Roots Meetings and Events mid-year report on European meeting rates showed that growth remains linked to geography and market positions, and the agency anticipates a 6 percent increase in meetings spend in Europe by the end of 2013.

A number of European cities have experienced healthy growth according to Grass Roots. Day delegate rates (DDRs) in Berlin's five-star market grew by 23 percent on 2012; and Paris continues to be the most expensive city outside of Switzerland with average DDR of €147.50 - a 7.6 percent growth on 2012. By way of contrast, the economic crisis in Greece has meant that DDRs in Athens have reduced by almost 15 percent in the four-star market and 11 percent in the five-star market.



ASSOCIATION CONFERENCES

The state of the market for association conferences was best summarised by the authors of this year's June Business Barometer, published by Meeting Professionals International. Their data pointed to the fact that European meeting professionals were seeing "significant increases in international association business while their peers in the US cite significant increases in the domestic association market".

According to the Business Barometer's authors, the outlook of European industry professionals became markedly more optimistic in the two month period following their previous survey in April. In that earlier survey, industry professionals in Europe predicted that business levels would grow at a rate of about 2 percent. Just two months later, that prediction had increased to 4 percent. US meeting professionals, who predicted a 3.5 percent increase in April 2013, predict a 4.25 percent growth rate in the June survey. The authors' conclusion is that "signs of improved economic stability and increased meetings activity in the domestic corporate and international association sectors have bolstered stronger confidence in the European market".

A valuable insight into how the destinations most frequently chosen for international association conferences is provided by the annual International Meetings Statistics Report published by the Union of International Associations. The most recent report shows Singapore, Japan and the US holding the top places for the country rankings and Singapore, Brussels and Vienna for city rankings. The top 10 country rankings show little change from the year before, except for the departure of the UK from the top 10. In the city rankings Copenhagen, Madrid and London returned to the top 10, displacing competitors Berlin, Geneva and Budapest. There is also evidence of growth in the number of association meetings being held worldwide, as the total number of meetings in the UIA database for 2012 and those included in the report grew four percent year-on-year, compared with 2011, with 116 countries and 1,374 cities represented.



Figure 3. UIA Top International Meeting Countries and Cities

Top international meeting countries in 2012:

Country	Number of meetings	Percentage of all meetings
Singapore	952	9.5
Japan	731	7.3
USA	658	6.6
Belgium	597	6
Korea Rep	563	5.6
France	494	4.9
Austria	458	4.6
Spain	449	4.5
Germany	373	3.7
Australia	287	2.9

Top international meeting cities in 2012:

Country	Number of meetings	Percentage of all meetings
Singapore	952	9.5
Brussels	547	5.5
Vienna	326	3.3
Paris	276	2.8
Seoul	253	2.5
Tokyo	225	2.3
Barcelona	150	1.5
Copenhagen	150	1.5
Madrid	149	1.5
London	119	1.3

Source: **UIA International Meetings Statistics Report for the Year 2012**

(Meetings taken into consideration include those organised and/or sponsored by the international organisations which appear in the Yearbook of International Organizations and in the International Congress Calendar, i.e. the sittings of their principal organs, congresses, conventions, symposia, and regional sessions grouping several countries, as well as some national meetings with international participation organised by national branches of international associations).

The CIVETS nations, Colombia, Indonesia, Vietnam, Egypt, Turkey and South Africa are increasingly making their presence felt in the international conference sector. For example, this year, Istanbul was listed for the third consecutive year in the ICCA Rankings for the Top 10 cities, strengthening its position with 15 more congresses compared to the previous year. Other CIVETS countries look set to expand in this market. A promising example is oil-rich Indonesia with its low levels of public debt and a population of more than 200 million people. Bolstered by a strong tourism industry overall last year, the Indonesian Ministry of Tourism and Creative Economy now plans to focus on the business events sector, through the creation of a dedicated Directorate of Special Interest Tours, Convention, Incentive and Events Development, which will continue to work on existing mature destinations, such as Bali and Jakarta, but also develop new destinations for this sector.

BUSINESS TRAVEL

One of the most respected sources of data on global business travel is the research conducted for the GBTA BTI™ Outlook reports for various world regions.

The GBTA BTI™ Outlook – Western Europe report is 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 the region, nearly 70 percent, and act as a good barometer of the health of the entire European business travel market.

Growth and contraction levels for these five markets are shown in Figure 4. For 2013, a north-south divide in the Eurozone is still as apparent as it was last year, with negative performances in Italy, Spain and France contrasting with the growth rates of Germany and the UK. Germany remains the largest business travel market in Europe reaching \$50.5 billion USD in 2012. This is expected to increase 5 percent in 2013 to \$53 billion USD.

The UK has the second highest level of spending on business travel in Western Europe – \$40.6 billion USD in 2012 – expected to advance 1.6 percent in 2013 to \$41.3 billion USD. Spain, Italy and France will all see their business travel markets contract in 2013 by -6.7 percent, -3.9 percent and -2.3 percent respectively.

Figure 4. Analysis of Business Travel in Key European Markets

	UK		GERMANY		FRANCE	
	BTS \$billion	Y/Y %	BTS \$billion		BTS \$billion	
2010	38.687	5.3 %	48.057	4.8 %	35.647	9.0 %
2011	40.162	3.8 %	49.976	4.0 %	36.494	2.4 %
2012	40.631	1.2 %	50.517	1.1 %	35.676	-2.2 %
2013	41.273	1.6 %	53.054	5.0 %	34.860	-2.3 %

	SPAIN		ITALY	
	BTS \$billion		BTS \$billion	
2010	19.936	7.2 %	34.298	-9.3 %
2011	19.420	-2.6 %	35.324	3.0 %
2012	17.990	-7.4 %	32.573	-7.8 %
2013	16.787	-6.7 %	31.289	-3.9 %

Source: GBTA Foundation, Rockport Analytics

In 2013, according to the same survey, domestic business travel fared better than international outbound business travel in all five of these European markets except for the UK, where international outbound business travel was predicted as being likely to outperform domestic spending.

Another key market in which domestic business travel continues to outperform outperform international outbound is China. According to the GBTA BTI™ Outlook – China, in 2013, China’s domestic travel spend should grow 14.3 percent to US\$224 billion (RMB 1,371 billion). Outbound travel is clearly driven by China’s trade performance, and lower levels of trade activity to and from China have caused international outbound forecast growth rates to be revised slightly downward in 2013, to 12.8 percent.

INCENTIVE TRAVEL

Optimism abounds among professionals operating in the global incentive travel sector, according to some key research reports published in the past twelve months. In the SITE Index published by the Society of Incentive Travel Executives in December 2012, respondents said that the overall use of motivational travel experiences was on an upswing. Eighty-six percent (86 percent) predicted that it would increase or substantially increase in the next 1 to 3 years. Moreover, respondents were significantly more positive about the short term (the following 6 months) than they had been in previous years.

Respondents in the Incentive Research Foundation’s Spring Pulse Survey of April 2013 indicated that they were displaying more signs of optimism and considering the economy as having a more of a positive impact on their ability to plan and implement incentive travel programs when compared with the previous result in September 2012. Responses to the question of how they perceived the impact of the economy on their ability to plan and implement incentive travel programmes are show in Figure 5. All ‘positive’ responses accounted for 56 percent of the total given in April 2013, compared with 43 percent of the total given in September 2012. All ‘negative’ responses accounted for 31 percent of the total given in April 2013, compared with 36 percent of the total given in September 2012.

Figure 5. Perceived Impact of the Economy on Ability to Plan and Implement Incentive Travel Programs

	September 2012	April 2013
Strongly positive	5 %	7 %
Somewhat positive	38 %	49 %
Have no impact	20 %	13 %
Somewhat negative	31 %	28 %
Strongly negative	5 %	3 %

Source: Incentive Research Foundation Spring Pulse Survey 2013



The Advito 2014 Industry Forecast notes that incentive travel has grown even faster than regular meetings over the past year – perhaps in part due to the fact that as a business events sector, it suffered more cutbacks than others at the height of the financial crisis. Advito attributes this rebound to the fact that companies are increasingly recognising the importance of motivating their best salespeople. Now, according to the Forecast, purse strings are noticeably being loosened and long distance travel is returning, although companies are still cautious with extravagance for fear of bad publicity. In the past, US companies that might have ventured no farther than the Caribbean, are now considering regions such as Europe or South America as destinations for their incentive travel programmes. Advito also notes that there is a growing trend to stage incentives in cities instead of resorts and highlights Rome, Paris, London and Prague as popular European destinations for US-originating incentive trips.

OUTLOOK FOR 2014

Economic outlook

Looking forward, the authors of the International Monetary Fund's World Economic Outlook expect global economic activity to strengthen moderately, but recognise that the risks to the forecast remain to the downside. The IMF expects that this year's global growth rate of 2.9 percent will be followed by global growth of 3.6 percent in 2014. The main impulse towards expansion is projected to come from the advanced economies, where output is expected to expand at a pace of about 2 percent in 2014, about $\frac{3}{4}$ percentage point more than in 2013. Drivers of the projected upturn are a stronger US economy, an appreciable reduction in fiscal tightening (except in Japan), and highly accommodative monetary conditions. However, according to the IMF, growth in the euro area will still be held back by the very weak economies in the periphery. Emerging market and developing economies are projected to expand by about 5 percent in 2014, as fiscal policy is forecast to stay broadly neutral and real interest rates to remain relatively low.

The contribution to global prosperity of the developed economies versus the emerging economies is succinctly explained by the New York Times: "Even the most optimistic forecasts do not see the United States or Europe reaching the double-digit levels of growth that China and India have enjoyed over the last decade. Analysts are expecting that growth in the United States will rise from less than 2 percent this year to nearly 3 percent next year.

Because the developed economies still account for nearly 60 percent of the global economy, even a slower pace of growth can provide more economic activity than faster growth in the developing world."

On the downside, the International Monetary Fund notes that the political situation in the US is creating uncertainty, and that and conflicts around increasing the debt ceiling could lead to another bout of destabilizing uncertainty and lower growth. US growth prospects will continue to be beset by a lack of confidence, particularly for the early part of next year, since the current budget agreement only funds the government through January 15 and extends the debt ceiling until February 7.

Also creating a drag on global prosperity, according to the International Monetary Fund, is the likelihood that unemployment will remain unacceptably high in many advanced economies as well as in various emerging market economies, notably those in the Middle East and North Africa.

A number of commentators offer some room for optimism about the state of the economy in Europe. After two years of contraction, the EIU expects growth in the region to finally resume in 2014, although at just 0.6 percent. Deloitte's Global Economic Outlook celebrates the end of the Eurozone's long recession, but notes that growth remains less than spectacular and suggests that given various risks and obstacles, it is likely that Eurozone growth will remain "slow and bumpy." Among the risks to Europe are a slowdown in emerging markets, continuing troubles in Europe's credit markets, and persistently high unemployment. The Eurozone's recovery takes place against a background of a relaxation in the Euro crisis. But as many of the reasons for the Euro crisis and the recession are not solved yet—unstable banking systems, over-indebtedness, the architecture of the Eurozone, and difficult access to credit in southern Europe— Deloitte believes that it is far from impossible for the Euro crisis to return. The Global Economic Outlook notes that in order to substantially reduce European unemployment, much higher growth rates are needed, but adds that since southern European labour markets are highly regulated, there is no straight relationship between growth and employment. Therefore, growth must be substantial before it spills over to the labour markets.

Meetings

The consensus on the global outlook for the meetings sector may be summed up by the conclusion of the Advito 2014 Industry Forecast that demand for meetings remains strong, and will grow, but steadily rather than spectacularly in 2014. The Advito research predicts moderate meeting price increases across the board, adding that, with a year of improved demand under their belts, hotels will look to increase meeting rates more sharply in 2014 than in 2013 and rates will rise faster in first-tier cities than elsewhere. Grass Roots goes as far as to forecast that there will be less availability for key dates, earlier client scheduling and planning, increased lead times, a greater need for client flexibility on dates and higher rate increases at the end of this year and into 2014.

The American Express Meetings & Events 2014 Global Meetings Forecast includes a key trend identified by planners for 2014: companies are expecting to keep meetings closer to home by looking to hold more meetings within their region and/or their own facilities. Compliance, cost, and travel time are all noted as top drivers of this trend, as companies likely continue to seek alternative ways to control costs and reduce time away from the office.

Meeting planners surveyed for the 2013 American Express Meetings & Events Forecast revealed that they were considering more non-traditional properties as locations for meetings such as outdoor venues, universities and aquariums. The 2014 survey results predicted similar trends, with Europe and Asia leading the charge with a 2.5 percent increase in the use of alternative properties. In North America, the use of non-traditional facilities is expected to increase as a result of a stronger desire for locations that are considered 'hip and trendy' for more promotional events.

Europe

The Carlson Wagonlit Travel (CWT) Forecast includes the view that ongoing economic concerns throughout the Eurozone are making meeting planners cautious and challenging meeting providers, particularly hotels. This environment will result in decreases in group sizes as planners exercise restraint on attendee counts; meanwhile, daily attendee costs will be flat as suppliers are forced to reduce prices to stimulate demand. According to the American Express Meetings & Events 2014 Global Meetings Forecast, in Europe, the number of meetings overall for the region is expected to remain flat, while overall meetings spend within organizations and the number of attendees per meeting are each expected to slightly decrease by 1.8 percent. Exceptions to these trends at a country level are likely to include the UK and Germany, two bright spots in the region, which are expected to see increases in all three categories as a result of relatively stronger economies.

North America

The Carlson Wagonlit Travel (CWT) Travel Price Forecast predicts that in this region, meeting group sizes will increase slightly in 2014, while daily attendee costs will rise up to 5.5 percent as meeting planners are forced to pay more for sleeping rooms and food and beverage. Demand for meeting space will continue to outpace limited increases in supply, adding to suppliers' pricing power. In the American Express survey, nearly half of North American planners polled predicted a slight increase (+1.5 percent overall for the region) in the number of meetings they expect in 2014. The number of attendees is also expected to increase slightly as companies try to maximize the overall value of each event and reduce the average cost per attendee.

Asia Pacific

The Carlson Wagonlit Travel (CWT) Travel Price Forecast estimates that the strongest overall meetings and events growth will take place throughout Asia Pacific in 2014, as both group sizes and daily attendee costs will increase modestly. It predicts that demand will remain

strong in general, though demand vs. supply varies greatly across the region given significant hotel investment in countries such as India and China. This echoes the findings of the Advito Forecast which expressed the view that in parts of the Asia Pacific region, supply of hotels and meetings facilities has grown too fast to support rate hikes.

Central and South America

The American Express data concluded that In Central and South America, the number of meetings overall for the region is expected to remain flat, while overall meetings spend per organization is expected to slightly decrease by 1.4 percent. Central and South America are expected to see slight overall increases in the number of attendees for meetings in the region. Brazil's major sporting events scheduled for next year are expected to be key drivers of the likely increased local meeting activity in the region.

Business Travel

Noting that, globally, stock prices and corporate profits are up, Advito's 2014 Industry Forecast predicts moderate growth in business travel for 2014, but highlights the fact that businesses remain extra cautious about loosening their purse strings. It predicts that pent-up demand will eventually create a major surge in travel to secure new customers, but speculates that companies may choose to prioritize cost control over investment for yet another year.

A prediction of modest growth levels for business travel in Europe is provided by the Global Business Travel Association's outlook which forecasts that business travel will see expansion in the key European economies. For example, in the UK, growth in both domestic and international outbound travel spending is set to accelerate in 2014, with international outbound growth doubling to 3 percent reaching \$13.7 billion and domestic travel growing at a rate of 4.4 percent to \$28.3 billion. France also shared a positive outlook for 2014, with

international outbound business travel growing by 3.3 percent to \$13 billion and domestic travel spending growing 5.4 percent to \$23.8 billion. For Italy, growth of 1.4 percent in domestic travel spending and a rise of 1.9 percent in international outbound travel spending is predicted for 2014.

Overall, the GBTA BTI™ Outlook – Western Europe report's key projection is that business travel spending among the five major markets is expected to hit \$183 billion, (€144.7 billion) 3.3 percent growth over 2013. This projected gain would be the largest in Western Europe since the Great Recession. The results are summarised in Figure 6.

Figure 6. GBTA BTI™ Outlook – Western Europe projections of business travel spending in key economies

	UK		GERMANY		FRANCE		SPAIN		ITALY	
	BTS \$billion	Y/Y %	BTS \$billion		BTS \$billion		BTS \$billion		BTS \$billion	
2013	41.273	1.6 %	53.054	5.0 %	34.860	-2.3 %	16.787	-6.7 %	31.289	-3.9 %
2014	42.453	2.9 %	56.278	6.1 %	35.784	2.7 %	17.052	1.6 %	31.676	1.2 %

Source: GBTA Foundation, Rockport Analytics

For the US market, the final GBTA BTI™ Outlook - United States report of the year, forecasts that total US business travel spending should grow by 7.2 percent in 2014, reaching \$288.8 billion. Reversing a 2013 decline in trip volume, total trips taken should grow by 1.6 percent to 459.2 million.

However, the headline prediction may be that included in the GBTA BTI™ Outlook – China. According to that report, China, led by anticipated strong growth of domestic business travel, should overtake the US as the world’s most dominant business travel market as early as 2016. The projected expansion of total Chinese spending on business travel of 17.2 percent in 2014 is more than twice the rate of the US. Linked to this rapid expansion, Beijing Capital International airport is set to overtake longstanding incumbent, Hartsfield-Jackson in Atlanta, as the world’s busiest airport.

Although diminished trade activity to and from China, particularly in Europe and North America, has undermined the demand for long-haul business travel from China in 2013, the GBTA BTI™ Outlook – China forecasts that annual growth in that sector will push back towards 20 percent over the next few years.

CONCLUSION

2013 may be remembered as the year when optimism returned to the meetings and events industry worldwide, as positive economic indicators followed each other in rapid succession. But the economic recovery, if that is what it is, seems too tentative and patchy for us to expect instant benefits for our industry.

For example, it is clear that meetings budgets will remain under pressure and the approval process for meetings will likely continue to be stringent, as companies worldwide scrutinise their meetings strategies in order to achieve meeting objectives, increase efficiency and control costs.

Most suppliers of meetings and events facilities and services still have a long way to go, to return to the levels of business they enjoyed in pre-recession years. Nevertheless, the data included in this year's EIBTM Trends Watch report is more favourable than it has been for several years, and to that extent we can all glean some reasons to be more cheerful about the year ahead. One constant imperative remains however, to guide us in the work we do: success in our industry, as ever, will have to be based on innovation, flexibility and an ability to be competitive in a highly contested market.



SOURCES

All 2013, unless otherwise stated.

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