

# Understanding the Impact of U.S. Business Travel



The United States has always been a global leader in business travel spend (BTS). In today's turbulent economic environment, some have questioned whether this leadership will continue. While tighter travel and entertainment (T&E) budgets, fewer business trips, and reduced expenditures resulted in a dramatic drop in BTS for the U.S. in the past, current Global Business Travel Association (GBTA) projections show that despite a still-weak economy, business travel continues an upward trend. In fact, 2011 is proving to be a very strong year for U.S. business travel, and projections for 2012 show continued growth, although at slower pace than previously projected.

This executive summary of the Global Business Travel Association (GBTA) U.S. Business Travel Quarterly Outlook Q3 2011, sponsored by Visa, projects aggregate U.S. business travel trends into 2013. This study uses an econometric model for better forecasting. It relates measures of business trip volume and spending to key economic and market drivers to provide a comprehensive view of business travel.

### Study Highlights:

- U.S. business travel has shown continued growth in 2011 and is projected to be up 6.9% over 2010, hitting \$250.2 million.
- Business travel spend will continue to grow in 2012, but not as quickly as previously expected. BTS in the U.S. is expected to increase 4.3% to a total of \$260.9 million.
- International travel is a bright spot in the Outlook, with expected growth of 7.7% and 11.9% in 2012 and 2013, respectively.

### Key Findings:

#### Increased investment in business travel

As businesses strive to grow their top-line, business travel has been an important investment. In 2011, business travel spend is expected to grow 6.9% over 2010 levels to achieve \$250.2 million in total spend. After dramatic cuts in travel during the recession, many companies were quick to put people back on the road at the earliest signs of economic improvement. We have also seen group meeting travel increase, which contributed to strong growth this year.

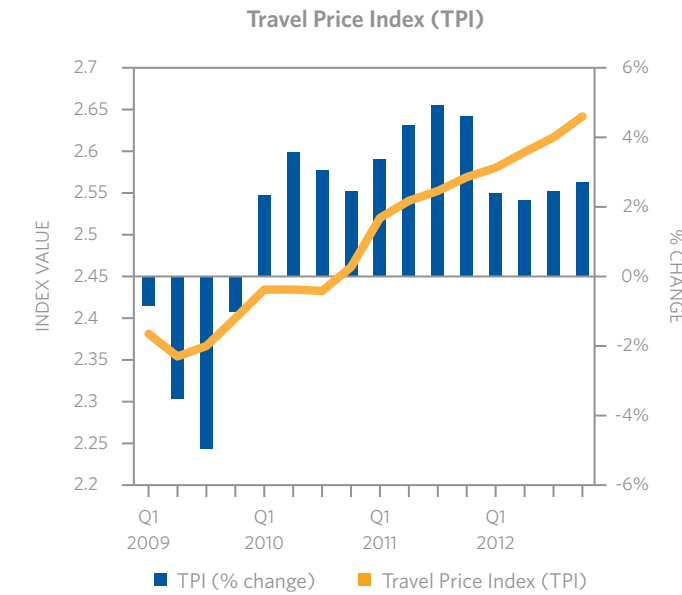
The GBTA Business Travel Index (BTI™)



GBTA developed the Business Travel Index or BTI™ to measure current and projected business travel. The BTI is derived from total business travel spend and indexed with 2005 as the base year. The BTI for Q2 of 2011 went above what was previously projected to reach 115 (Baseline of 100 = 2005) and is expected to show continued steady growth.

### Some spend growth driven by higher travel prices

While businesses are allowing more travel, some of the growth in spend is due to higher prices, which is expected to continue in 2012 and 2013. The Travel Price Index (TPI) is projected to grow 4.3% in 2011.



### Growth to continue at a slower pace

Business spending and export demand are expected to continue to push business travel spend forward into 2012, but not as strongly as previously expected. Between a lower expected inflation rate of 2.4% and a wait-and-see approach to business spending, business travel growth in the U.S. is expected to slow to 4.3% for a projected total of \$260.9 billion next year, with trip volumes down -0.8%.



### International outbound business travel growing strong

Although the drop-off in domestic GDP has resulted in a downgrade for the forecast of business travel, increased foreign trade has led to more international business travel. In 2011, outbound international business trips are expected to grow 3.3% to 6.8 million trips, with similar growth expected in 2012. Interestingly, the destinations for this travel have shifted from Western Europe and Japan to a greater emphasis on the emerging economies of China, India, Brazil and other developing nations.



### Conclusion:

#### Restrained optimism

The GBTA U.S. Business Travel Quarterly Outlook for the third quarter shows continued business travel growth, but at slower rates than previously projected. Despite healthier corporate balance sheets, the domestic economy is expected to continue to struggle. This is expected to further reduce domestic business travel growth, but has yet to cause a slowdown in the sector similar to those seen in 2008 and 2009.

#### Enhancing knowledge: Survey methodology and scope

As part of our ongoing commitment to thought-leadership and the advancement of knowledge in business travel, Visa has sponsored the GBTA's U.S. Business Travel Quarterly Outlook. Conducted by Vantage Strategy, this study is the first of its kind and is designed to provide insights into short- and long-term trends in business travel volumes and spending.

**For more information on business travel and how you can use the findings of this study, contact your Visa account executive.**

