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Trends Watch Report 2016

Dr Rob Davidson,
ibtm world
Industry Analyst

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INTRODUCTION

In the current market environment, uncertainty is everywhere: in unexpected polling results from Brexit to Trump; in rising protectionist and populist sentiments; in disruptive and fast-moving technological advances; and in the geopolitical and social turmoil that is threatening to create fundamental shifts in the world order, trade and investment flows.

Today's most formidable challenge for the global meetings and events industry is to learn how to adapt to this uncertainty and how to operate effectively within these new and emerging elements of the market environment. Understanding the trends in the meetings and events industry is key to anticipating the opportunities and challenges in the global market for our services and facilities. This year's Trends Watch report has been produced to help you recognise those opportunities and challenges, by providing you with valuable market intelligence upon which to base your critical business decisions and to gauge your own performance.

It has been compiled from data gleaned from the growing number of surveys and studies produced by our industry's professional associations and related sources, making the Trends Watch report the most comprehensive annual synthesis of the current intelligence relevant to the meetings and events sector.

I hope that you find it insightful and useful.

Dr Rob Davidson
IBTM Industry Analyst
Managing Director, MICE Knowledge
www.miceknowledge.com

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THE GLOBAL ECONOMIC SITUATION IN 2016

Global economic performance has been lacklustre in 2016. While performance varies for major global economies, weaker-than-expected performance is a major theme for all.

The International Monetary Fund forecast is for global growth stands at 3.1 percent for this year and 3.4 percent for 2017. The forecast, which was revised down by 0.1 percentage point for 2016 and 2017 relative to that of April, reflects a more subdued outlook for advanced economies following the United Kingdom's (UK) vote in favour of leaving the European Union (Brexit) and weaker-than-expected growth in the United States (US).

But the International Monetary Fund's *World Economic Outlook* indicates that prospects differ sharply across countries and regions, with emerging Asia in general and India in particular showing robust growth, and sub-Saharan Africa experiencing a sharp slowdown. The largest economies in sub-Saharan Africa (Nigeria, South Africa, Angola) are experiencing considerable slowdowns or recessions as lower commodity prices interact with difficult domestic political and economic conditions. Brazil and Russia continue to face challenging macroeconomic conditions, but their outlook has strengthened somewhat relative to last year.

Although financial market reaction to the result of the UK referendum appears to have been largely contained, the increase in economic, political, and institutional uncertainty and the likely reduction in trade and financial flows between the UK and the rest of the European Union over the medium term is expected to have negative macroeconomic consequences, especially in the UK itself. As a result, the 2016 growth forecast for advanced economies has been marked down, by the IMF, to 1.6 percent.

Growth in emerging market and developing economies is expected to strengthen slightly in 2016 to 4.2 percent after five consecutive years of decline, accounting for over three-quarters of projected world growth this year. However, the outlook for these economies is uneven and generally weaker than in the past.

CORPORATE MEETINGS – PERFORMANCE OF KEY MARKET SECTORS

Our industry derives a significant proportion of its corporate business from a small number of key market sectors that, between them, create a substantial source of demand for meetings venues and all of the other facilities and services that constitute the supply side of the meetings and events industry. Consequently, our annual performance is heavily dependent upon how these key market sectors themselves perform over the year. How have they fared in 2016?

CONSTRUCTION

From a worldwide perspective, there is a strong probability that continuing global economic instability will drive construction sector revenues down in 2016 compared to the year before, stalling the recovery that followed the previous collapse in spending in the sector during the 2008-09 financial crisis. That's the analysis given by PwC Strategy& in its *Engineering and Construction Industry Trends* report. But the same source – and several others – also suggests that this overall situation does not mean to say that there are no bright spots for construction companies. For example, in the US, construction starts were up about 15 percent in 2015 and are forecast to advance another 6 percent this year. Also, infrastructure spending has been neglected since the 2008 recession and some analysts believe that worldwide annual infrastructure spending will grow to more than US$9 trillion per year by 2025, from a little over US$4 trillion now — that is, if the political will can be mustered to support much-needed improvements.

This optimism is also reflected in Lucintel's report, *Growth Opportunities in the Global Construction Industry 2016-2021*, which forecasts that the global construction industry will grow at a CAGR (Compound Annual Growth Rate) of 5.5 percent from 2016 to 2021. The major drivers of growth for this market are the increasing rate of urbanisation and rising population numbers. Of the three types of construction projects identified - residential, commercial, and infrastructure - the report forecasts that infrastructure will remain the largest segment during the forecast period. Increasing rate of urbanisation in emerging economies such as China and India and development of new cities are the major drivers for the growth in infrastructure segment. Asia Pacific and North America are expected to witness good growth over the forecast period with growing housing starts and infrastructural development. However, the Asia-Pacific construction market is expected to remain the largest market due to rapid growth in rising per capita income along with increasing urbanisation in the region.

KPMG's report, *10 emerging trends in 2016*, notes that over the past year, it is becoming increasingly clear that China and India are successfully making the leap from 'emerging' construction markets to 'developed' construction markets. China is showing signs of opening its domestic infrastructure market to international investors and has published a pipeline of more than 2,000 public-private partnership (PPP) projects. And internationally, China is shifting from bilateral (government-to-government) deals to competing in open market tenders instead. India, following the election of Modi, is also becoming a force to be reckoned with in the global infrastructure market. India's ongoing program of urban renewal, energy and transport development will help make that country the world's third-largest construction market by 2018, just behind the US (second) and China (first).

Yet while India is the fastest growing large economy in the world, it is also 142nd in terms of 'ease of doing business'. Positive change in this measure would be transformative, particularly because, by 2025, a quarter of the world's working age population will be located in India and this workforce is well educated, multilingual, highly skilled and lower cost.

PHARMACEUTICALS

A snapshot of the pharmaceutical market is given in the latest Kable *Pharmaceutical Industry Business Confidence Report*, which states that the existing economic environment is stable for the pharmaceutical industry, and that customer confidence levels will remain constant throughout the second half of 2016. Pharmaceutical companies are slightly optimistic about economic conditions in North America and the Asia-Pacific due to positive momentum in the US, firm domestic demand, and strong government expenditure in India. According to the same source, the pharmaceutical industry will record higher expenditure towards new product development and mergers and acquisitions in the latter half of 2016 as compared to the first six months of the year.

According to Market Data Forecast's analysis of the pharmaceutical excipients market, the global pharmaceutical excipients market is estimated to be growing at a CAGR of 6.1 percent, to reach US$7.64 billion by 2020. The major driving forces of this market are: increasing incidences of chronic diseases owing to sedentary lifestyles; substantial investments by the pharmaceutical companies in development of medicines; and the implementation of new techniques such as nanotechnology. However, the major challenges currently faced by the pharmaceutical industry are: decreasing the side-effects of drugs; and developing environmental-friendly manufacturing processes.

Ever-increasing demand in the emerging markets such as Asia-Pacific and Latin America is proving to be a lucrative opportunity for the pharmaceutical market players, on condition that they can plan suitable expansion strategies and introduce new and innovative products. Nevertheless, one should keep in mind that the growth of this market is restrained to a certain degree by two factors: the fact that investments in Research & Development by major companies are not up to the essential level; and increasing regulatory requirements, which are making it progressively difficult to get new manufacturing facilities approved.

INFORMATION AND COMMUNICATIONS TECHNOLOGY

Worldwide spending on information and communications technology (ICT) is forecast to be flat in 2016, totaling US$3.41 trillion, according to Gartner's *IT Spending Outlook*. New options are disrupting established ICT markets, as a new range of alternatives to traditional ICT products is fundamentally reshaping what is bought, who buys it and how much is spent.

According to Gartner, 2016 is the year that business focus turns to digital business, the Internet of Things and even algorithmic business. To fund these new initiatives, many businesses are turning to cost optimisation efforts centering around the new digital alternatives. For example, SaaS (software as a service) instead of software licenses and VoLTE (voice over LTE) instead of cellular, in order to save money and simplify operations. Table 1 gives details of the areas of growth and areas of shrinking in worldwide IT spending for this year and last year.

TABLE 1: Worldwide IT Spending Forecast (Millions of U.S. Dollars)

	2015 Spending (million)	2015 Growth (%)	2016 Spending (million)	2016 Growth (%)
Data Center Systems	171	2.9	175	2.0
Software	314	1.1	332	5.8
Devices	662	-4.6	627	-5.3
IT Services	866	-3.4	898	3.7
Communications Services	1,400	-9.2	1,381	-1.4
Overall IT	**3,413**	**-5.5**	**3,412**	**0.0**

Source: Gartner - IT Spending, Worldwide, 2Q16 Update

The lacklustre economic issues surrounding Russia, Japan and Brazil has also held back demand and the worldwide personal computer (PC) recovery in 2016. Additionally, Windows 10 upgrades have further led to PC buying being delayed — consumers are willing to use older PCs longer, once they are upgraded to Windows 10.

AUTOMOTIVE

Overall, the global market for automotive products has been favourable in 2016.

According to PwC Strategy&'s *Auto Industry Trends* report, US markets are peaking at historic levels, after setting a sales record of just under 17.5 million vehicles in 2015, up 5.7 percent from the year before and topping the high-water mark of 17,402,486 in 2000. But the same source predicts that US sales are likely to be relatively flat in the next two years and may face a moderate downturn in 2018, the victim of economic cycles, higher auto loan interest rates as the Federal Reserve raises overnight rates, and an expected flood of vehicles into the used car market.

Within the European Union nations, automotive sales have improved since the financial downturn. In 2015, new car registrations in the EU rose 9.3 percent year-on-year, to 12.6 million units. But that is still well below the record year of 2007, when more than 18 million vehicles were sold in the region. The upward trend is also indicated by data from the ACEA (European Automobile Manufacturers Association), which show that over the first nine months of 2016, the European passenger car market grew by 8.0 percent, reaching 11,243,263 units. The overall increase through the first three-quarters of the year showed the market's ongoing recovery with all of the big five markets posting solid growth rates. Italy (+17.4 percent) and Spain (+11.5 percent) recorded double-digit growth over the period, followed by Germany (+6.1 percent), France (+5.7 percent) and the UK (+2.6 percent).

But perhaps the biggest downward macroeconomic force in the automotive industry today is the underperformance of emerging markets, which not too long ago represented a significant opportunity for major gains in the global auto sector. PwC Strategy&'s *Auto Industry Trends* report shows that India's sales remained roughly flat in 2015, year-over-year growth in China, the world's largest auto market, slowed to 7.3 percent from a 10 percent gain in 2014 and 16 percent gain in 2013. New vehicle ownership restrictions in China's largest cities are expected to further curtail sales in the coming years. Russia had its second straight year of precipitous decline; sales were almost 50 percent below the 2012 peak. And Brazil's sales fell by nearly 1.3 million units, or 30 percent, from its record high in 2012, a drop that was larger than the entire Mexican car market.

Over the next five years, the Middle East and Africa (ME&A), a laggard, relatively un-motorised region, will likely see strong and consistent automobile sales growth; the biggest improvements are expected in Iran, Egypt, South Africa, and Nigeria. Along with this growth, automaker factory activity in the region will increase significantly. By 2021, nearly 3 million cars will be built yearly in the ME&A, an output increase of about 50 percent, according to PwC Autofacts®.

Other emerging markets are highlighted in KPMG's *Global Automotive Executive Survey*, which notes that while growth in the past few years has been predominantly in the BRIC nations, the global automotive market is still far from being saturated, and a new wave of growth is expected in the coming years. The automotive industry executives surveyed expressed the view that these countries will be mainly located in South-East Asia, with Thailand and Indonesia being of particular importance. South Africa, Turkey and Argentina also appear in the executives' top 5 emerging markets for the automotive industry.

Mark Cooper - CEO of IACC (International Association of Conference Centres)

"What clearly emerged from a panel discussion of venue operators at the IACC-Europe Knowledge Festival at the end of September was that it is still pretty tough out there for many of our members, but maybe more so for those who have venues in cities that have suffered terrorist attacks of late. On the opposite side of the coin, those IACC members in cities that are not affected in that way are seeing increased demand for their venues. Our Central European members are still having to take rather more transient/leisure business than they would like, as the volume of the meetings business is still low, even though rates for meetings bookings are satisfactory.

There are many pressures which still exist, including the need to invest and provide more stimulating meeting environments, which is a challenge for venues which find themselves servicing too much low-margin transient business. City centre venues are increasingly popular which means if you are a residential property, you may be losing out to some meetings planners who choose to stay in a central location rather than travel to a rural venue. Nevertheless it is encouraging that we are seeing growing numbers of our members investing in their facilities and also attending our conferences in order to invest in their own skills and knowledge."

ASSOCIATION CONFERENCES

By way of contrast with the, at times, volatile corporate meetings market, association conferences continue to represent a more stable and consistent segment of the meetings market and a source of considerable economic benefits for the destinations and venues that host them.

Moreover, the growth in the number of associations – in particular *international* associations – continues, year-on-year. The 53rd edition of the Union of International Associations (UIA) *Yearbook of International Organisations* includes 68,576 international associations, 547 more than the 52nd edition. The 1909 edition of the *Yearbook* included 213 organisations.

The choice of the appropriate destinations for the conferences of international associations is a major factor in determining the success of such events. Table 2 shows the most recent figures indicating the countries and cities selected as destinations for international association conferences.

TABLE 2: Destinations for international association conferences

RANK	CITY	NUMBER OF MEETINGS
1	Berlin	195
2	Paris	186
3	Barcelona	180
4	Vienna	178
5=	London	171
5=	Madrid	171
7	Singapore	156
8	Istanbul	148
9	Lisbon	145
10	Copenhagen	138
11	Prague	123
12	Amsterdam	120
13=	Brussels	117
13=	Seoul	117
15	Hong Kong	112
16	Bangkok	103
17	Rome	99
18	Dublin	97
19=	Beijing	95
19=	Budapest	95

RANK	COUNTRY	NUMBER OF MEETINGS
1	USA	925
2	Germany	667
3	UK	582
4	Spain	572
5	France	522
6	Italy	504
7	Japan	355
8=	China	333
8=	Netherlands	333
10	Canada	308
11	Brazil	292
12	Portugal	278
13	S. Korea	267
14	Austria	258
15	Australia	247
16=	Belgium	216
16=	Sweden	216
18	Turkey	211
19	Denmark	204
20	Switzerland	194

Source: ICCA Statistics Report

The dominance of European countries and cities (highlighted) is clear. 15 of the top-ranked 20 cities were European, the same number as the previous year. And 13 of the top-ranked 20 countries are European, one more than the previous year.

In terms of the venues that benefit from the hosting of the most sizeable conferences in the association market, many of the largest are members of the AIPC (International Association of Convention Centres). That organisation's most recent *Member Survey Report* indicates that 'Association conferences and meetings' and 'Association conventions with exhibits' are two of the three strongest client segments for AIPC venues. Association conventions are particularly strong in Asia and North America, ranked 92 percent and 75 percent respectively as the segments with the best current growth or near-term prospects.

The buoyancy that has characterised the association conference market over the past few years has no doubt contributed to the successful performance of many AIPC member venues. The *Member Survey Report* indicates that a total of 72 percent of members say they are experiencing either strong or moderate economic growth in their region. This year 21 percent of members say economic growth is strong compared to 13 percent in 2015.

AIPC members collectively experienced strong revenue growth of 8 percent in 2015, the fastest growth ever tracked by this survey, which was first conducted in 2010. However, the growth rate expected for 2016 on average worldwide is a more subdued 4.2 percent.

Attendance growth for the events hosted by AIPC members worldwide was healthy in 2015 at 4.9 percent, which was the fastest attendance growth since 2011. AIPC members are forecasting 4 percent overall expansion in attendance this year.

Geoff Donaghy – President of AIPC (International Association of Convention Centres)

"The big and largely consistent issues facing centre managers today are competition, adaptation, revenue enhancement and demonstrating relevance to owners and communities. Competition and revenue challenges are clearly closely linked, and require innovative approaches to business development and product differentiation. At the same time, adaptation has become an important preoccupation with rapidly changing event formats, technologies and delegates demands creating a range of new expectations amongst clients. Finally, with industry economics becoming more challenging due to heavy competition and new expectations for concessions in many areas, the importance of being able to demonstrate a broader value proposition is becoming increasingly important for many centres."

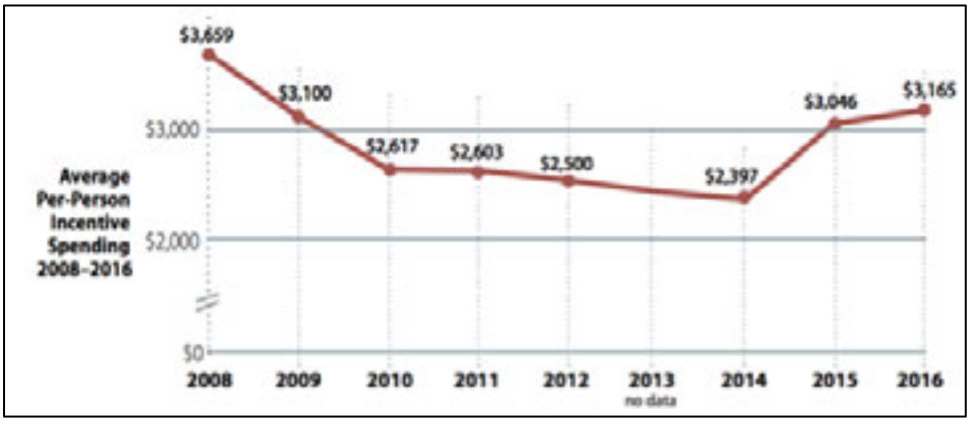
INCENTIVE TRAVEL

One of the most authoritative annual surveys of the incentive travel market is that conducted jointly by MeetingsNet and the Incentive Research Foundation (IRF). Most of the planners surveyed are North-America based, but given the international importance of that market, the survey's findings are of interest to suppliers worldwide.

This year's survey points to a continuing rally in demand for incentive travel, as it indicates that budgets are expanding and incentive programmes are growing, building on the turnaround in the market seen in 2015.

That resurgence of spending on incentive travel was a long time coming. In 2008, the MeetingsNet/IRF survey marked the average per-person spending on incentive travel programmes at US$3,659, but it was all downhill from there. For seven years, spending took a steady dive, hitting a low of US$2,397 in 2014. Finally, last year, things started to change in a positive direction, with rising budgets and rising per-person spending on incentive trips. This year the recovery continues, with respondents' 2016 average per-person incentive spending at US$3,165. This represents the largest year-over-year jump since the recession, an average incentive budget change in 2016 of + 2.69 percent. Table 3 charts the long road to recovery in this market.

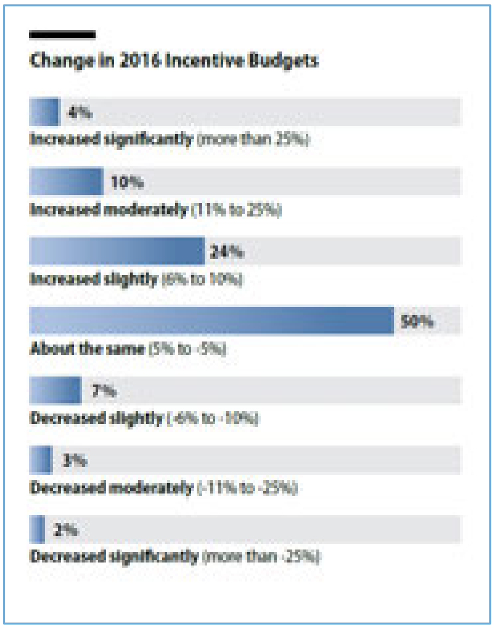
TABLE 3: Average per-person incentive spending 2008-2016



Source: The MeetingsNet/IRF 2016 incentive travel survey

Incentive budgets overall, have also increased, with most planners reporting 2016 budgets that are stable or that have grown over 2015. But the mood is not quite as upbeat as it was last year when almost 54 percent of planners saw increases in their budgets (and half those increases were more than 10 percent). For 2016, planners whose budgets are up (about 38 percent of respondents) are typically working with slight or moderate increases, as indicated in Table 4.

TABLE 4: Change in 2016 incentive budgets



Source: The MeetingsNet/IRF 2016 incentive travel survey

It is interesting to note how planners use the extra resources when their incentive travel budgets grow. Table 5 offers useful insights into how planners spend – or save – money as they adapt to changes in their budgets.

TABLE 5: Incentive travel planners' strategies for dealing with budget changes

WHEN BUDGETS INCREASE	WHEN BUDGETS ARE CUT
1. Add WOW elements 2. Choose a more deluxe property 3. Increase the F&B budget 4. Accept more qualifiers 5. Add more off-site events 6. Develop an App 7. Include on-site merchandise	1. Shorten the trip (55 percent) 2. Book shoulder or off-season 3. Have fewer qualifiers attend 4. Avoid five-star properties 5. Cut the F&B budget (without cutting meal functions) 6. Use second-tier cities/avoid "glamour" destinations 7. Offer fewer meal functions

Source: The MeetingsNet/IRF 2016 incentive travel survey

This year's MeetingsNet/IRF 2016 incentive travel survey provides us with useful data on the trends concerning the most popular destinations for such events. It is not surprising that domestic (US) destinations remain the most common choices, and will be used by almost eight out of 10 incentive planners this year. But the rich cultural experiences offered in Asia and Africa, coupled with increasing budgets for longer-haul flights, mean that planners now have more options to offer demanding attendees looking for authentic and unique experiences.

In response to the question, 'Where will you take your incentives in 2016'? planners identified the range of destinations shown in Table 6. Respondents could choose multiple destinations.

TABLE 6: Incentive travel destinations in 2016

Ranking	Destination	Mentioned by respondents	Change from 2015 survey
1	US	78.6%	0.5% ↓
2	Caribbean	47.8%	9% ↓
3	Mexico	47.3%	3.7% ↑
4	Europe	40.7%	2% ↓
5	Canada	25.3%	2.9% ↓
6	Asia	19.8%	9.8% ↑
7	Central America	16.5%	8% ↓
8	South America	13.7%	1.8% ↑
9	Africa	11.5%	5.1% ↑
10	Middle East	6.6%	3% ↑

Source: The MeetingsNet/IRF 2016 incentive travel survey

In terms of individual country destinations, it is significant that with its ongoing rapprochement with the US government, Cuba leads the list of *emerging* destinations that have respondents' attention in this year's survey. It moved up from third place on last year's list, followed by (in order) Panama, Costa Rica, Colombia and Iceland.

An additional perspective on most-favoured incentive travel destinations is provided by this year's Advito Industry Forecast, which lists the most popular destinations for Asia-based companies' incentives as follows. For India-based companies: Europe or Dubai. For Singapore-based companies: Europe. For Australia-based companies: Pacific islands such as Tahiti, Samoa, Fiji and the Cook Islands - and growing interest in the US, thanks to increased flights.

Finally, a recent development that stands to have a potentially negative impact upon part of the all-important US incentive market is worthy of note here: the fiduciary rule, which, it is believed, could affect the market for incentive travel clients in the financial services sector.

It is the view of US regulators that incentives are unduly influencing the recommendations made by financial advisers to their clients when selling them retirement products. As a result, the US Department of Labor has issued a ruling that requires such financial advisers to act in their clients' best interest (that is, as *fiduciaries* - A fiduciary is required to put a client's interest first, to avoid conflicts of interest, and to disclose any potential conflicts of interest) when offering them investment advice, to disclose any conflicts of interest, and to be completely transparent about how they are compensated.

According to the US Department of Labor, advisers must begin acting as fiduciaries in April 2017 (one year from the release of the rule), while full corporate compliance is required by January 2018. So it is still too early to tell how this ruling will affect the use of incentive travel by financial services companies, but there has been some speculation that, for the sake of compliance, some companies may eliminate some incentive conferences altogether, offer fewer incentive events, or offer smaller incentive events?

There has been an upbeat response from the incentive travel and conference industry, with leaders from organisations including the Financial & Insurance Conference Planners and SITE (the Society for Incentive Travel Excellence) suggesting that we use the release of this new rule as a rallying cry for the industry to come together and make the case more strongly for the intrinsic value of business events such as incentive trips and conferences. This development has been portrayed as an opportunity for corporate incentive and meetings planners to get involved in conversations within their companies, about the strategic importance of the events they organise.

Kevin M. Hinton - Chief Excellence Officer of SITE (Society for Incentive Travel Excellence)

"While 2016 has been a year of unique geo-political events in various countries that have directly impacted incentive travel, our business remains strong and growing. According to the recent SITE Index of 599 respondents in 62 countries, 60% of buyers plan to increase incentive eligibility in the next 12 months; 49% of buyers plan to increase incentive travel budgets. Airline costs, safety and security and potential threats posed by terrorism top the list of things that have the most direct negative effect on incentive travel. SITE's overall membership is stable in Europe with 500 members and global membership is up 7% from 2015. We are planning to conduct incentive travel spend studies in 4 countries in Europe in 2017 to better support the sector."

REGIONAL VARIATIONS

Regional variations in the development of the global economy are to some extent reflected in this year's performance of the meetings and events industry along broad geographical zones. This section analyses the regional trends that emerged in 2016.

EUROPE

The Advito Industry Forecast confirms that European demand for meetings and events has grown in 2016, noting that one development of particular note is the boom in 'kick-off meetings', such as the meetings held at the beginning of a financial year or to inspire employees. Advito also confirms that demand for incentive travel is experiencing a revival.

However, the report draws our attention to the fact that although the number of European meetings is up, companies are being very careful about how much they spend. They are shortening travel times - which usually rules out trips beyond Europe - and rolling multiple meetings into a single event. In terms of venues for meetings and events, supply is not keeping pace with demand. There has been little new capacity, and with many clients still booking at short notice, they are increasingly failing to find space where and when they want. This is especially true for larger events.

On the sellers' side, limited availability also means that venues are increasingly pressing clients to confirm bookings quickly, because they are confident of selling the space. Clients able to confirm quickly are well-placed to negotiate better terms and conditions plus extras such as refreshments.

The Advito Industry Forecast also notes that terror incidents over the last year in Paris, Brussels, Istanbul, Munich and Nice have pushed security to the top of meeting planners' agendas. Many place it ahead of cost, accessibility and quality of venues in their selection process. Nevertheless, the French and Belgian capitals are still highly popular for conferences, remaining in Cvent's list of Europe's top ten meeting destinations, according to *Conference & Incentive Travel*, 17/05/16.

The success of Europe as a whole, as a destination for the conferences of international associations, was noted earlier in this report, with reference to this continent's dominance of the list of top destinations as shown in the most recent ICCA Statistics Report.

Union of International Associations (UIA) uses a different methodology to collect its data on conference destinations, but Table 7 shows that, once again, European countries account for more than half of the ten most popular destinations for international association meetings. Between them, these ten countries hosted half of all the world's international association meetings in 2015.

Martin Sirk - CEO of ICCA (International Congress and Convention Association)

"Our expectation is that 2016 will be another strong year for the international association meetings sector, ICCA's area of specialisation, reflected in our association's continuing membership growth (we now have over 1,050 member companies and organisations from 95 countries, all targeting this sector of the market). We are now tracking over 20,000 regularly occurring association meetings that rotate between at least three countries, and the long-term growth trends are showing no signs of ending, as new scientific fields, technical innovation, and regional growth in established topics continue to drive new event creation. There were short-term impacts on Brussels and Paris caused by terror attacks, and longer-term business disruption in Turkey, but association meetings remain far more stable and resilient than the corporate meetings sector. One worrying trend ICCA has noted is an exponential growth in "fake" or "sub-standard" meetings, designed to mimic legitimate, established association meetings, which range from legal but unethical through to entirely fraudulent activity. These present a real risk to the reputation of our industry as a driver of societal and economic progress, and should stimulate us all to think more seriously about quality assurance and ROI issues."

TABLE 7: The ten most popular destinations for international association meetings

RANK	Country	Percentage
1	USA	8.1
2	S. Korea	7.2
3	Belgium	6.7
4	Singapore	5.9
5	France	4.5
6	Germany	4.0
7	Japan	4.0
8	Spain	3.8
9	Italy	3.5
10	UK	3.2

Source: UIA International Meetings Statistics Report, 57th edition

The outstanding performance of one European country in particular is worthy of note. Germany is second only to the US in the ICCA list of top destination countries, and Berlin is in first place in the ICCA list of top destination cities. In the UIA list, Germany is the third most successful European destination.

According to the *Meeting- & EventBarometer*, the German meetings industry is still growing with a total of 393 million participants attending events held in the country last year – an increase of 2.6 percent from the previous year. Germany's popularity as a meeting and events destination is increasing, particularly on an international level. The number of international visitors rose significantly last year by 8.3 percent to 27.7 million and the number of international visitors travelling to events has almost doubled in ten years (in 2006, there were 14.3 million).

On the supply side, Germany's meetings industry benefits from a steady stream of new venues. For example, Marriott International opened its Marriott Bonn World Conference Hotel in May. Located on the banks of the Rhine River, the 17 floor, 336 room hotel is one of the largest in Germany, with a room count that includes 30 suites and two presidential suites. The hotel has over 7,100 square feet of conference and banquet space, including three private dining areas on the top floor of the hotel.

But other European countries are not standing still, and new infrastructural projects are constantly being added to boost the supply of meetings venues. For example, Rome's latest convention centre opened in autumn 2016, located in EUR, a historic district of the Italian capital. New convention bureaus are also being created in European countries, one example of which is the Lublin & Region Convention Bureau, created this year in order to promote that area of Eastern Poland.

NORTH AMERICA

The US economic recovery — a story of slow and steady gains — continues to be reflected in that country's meetings industry. The robust economy has created increased demand for hotel rooms and meeting space. This factor, coupled with the tighter availability of accommodation for such events, has created a sellers' market in this region, with rates going up and planners finding themselves in a weaker negotiating position.

The GBTA/CWT *Global Travel Price Outlook* confirms that in North America meeting demand continues to climb overall, and there have been stronger-than-expected group size increases in 2016 (+10 percent, year-on-year). According to the latest PCMA *Meetings Market Survey*, attendee and exhibitor numbers (the leading economic indicators that meeting professionals use to assess the state of their events) have increased year over year, and they expect that growth will continue throughout 2016. With demand so buoyant, and supply has been struggling to keep up with such levels of business. The Advito *Industry Outlook* notes that most recent hotel construction in the US has been in lower-tier categories, which are aimed at transient business and leisure travellers. On average, hotels built over the past six years have 24 percent less meeting space than those built between 2000 and 2009. Given this mis-match between supply and demand, price rises were inevitable. The Advito *Industry Forecast* estimates that US hotel meetings rates have risen by between 3 and 6 percent in 2016.

On the supply side, the MPI *Meetings Outlook Summer Edition* notes that the sellers' market is changing in North America, with hotels and venues getting clearer on the sectors of clients with whom they want to do business and more precisely targeting their marketing to reflect this. Sometimes, properties are turning away bookings from clientele who no longer fit their business model well. Hotels and venues becoming more sophisticated in their target market definition and doing a better job of tracking their target market customers and accepting the types of business for which they are best suited. They are even turning away customers with whom they used to work in favour of customers for whom they can do a better job or possibly enjoy a higher yield. The authors of the MPI *Meetings Outlook Summer Edition* believe that this bodes very well for the meetings industry long term because the hotels and venues are taking time to better define and understand whom they want to work with and better understand whom they serve the best.

On the demand side, current market conditions are leading to frustrating situations for planners. On the one hand, many of the organisations they work for are asking them to cut back on meetings expenses. The PCMA *Meetings Market Survey* found that 60 percent of planners say that they have been asked to focus on reducing F&B expenses. On the other hand, as shown in the MPI *Meetings Outlook Summer Edition,* in some cases planners are having to work particularly hard to show venues the value of their meeting, in order to be considered for space. Faced with such challenges, planners are adopting a number of strategies, including booking repeat programmes, considering second-tier cities, or changing the pattern of an event to times that are in less demand. For instance, an event traditionally held Monday through Thursday might be held from Saturday to Tuesday instead.

At the same time, budgets appear to be rising – although many planners would argue that the increases are insufficient to enable then to meet their leaders' and organisations' growing expectations of what they want in terms of event execution. Table 8 indicates US meeting planners' expectation of how their budgets and spending will change in the year ahead.

TABLE 8: Projected Budget/Spend Over Next Year

FAVOURABLE budget/spend	**54%**
FLAT budget/spend	**29%**
NEGATIVE budget/spend	**18%**

Source: MPI Meetings Outlook Summer Edition

There is growing evidence that some of those North American meetings planners with increased budgets are increasingly holding their events outside the US, in order to grow globally and attract more international attendees. In the latest PCMA *Meetings Market Survey*, 50 percent of respondents (up from 47 percent in the 2014 survey and 42 percent in the 2013 survey) reported that they will be holding meetings outside the US in the future. Of those who hold meetings in international destinations, 54 percent (compared to 44 percent in the 2014 survey) report that their attendees participate in pre- and/or post-trips abroad.

On the infrastructure front, the US meetings industry is benefiting from a number of renovations and expansions to existing convention centres. For example, the New York Governor Andrew Cuomo announced a major US$1 billion expansion of the Javits Center in Manhattan, New York, with construction expected to begin in late 2016. The proposal will provide Javits with an additional 1.2 million square feet of event space, including a 60,000 square foot ballroom, which will be the largest such space in the Northeast. Towards the west of the US, Nevada's General Assembly approved a bill that supports a project to expand the Las Vegas Convention Center. The project will add 600,000 square feet of new meeting space to that venue. According to the Las Vegas Convention and Visitors Authority, the convention centre district development, combined with the 65,000-seat football stadium that can be used for special events will attract a million additional visitors, and add US$1.4 billion to the local economy.

Paul Van Deventer - President and CEO of MPI (Meeting Professionals International)

"Respondents to our quarterly MPI Meetings Outlook survey project moderate growth in overall business conditions for the foreseeable future. This finding has been consistently positive in prior editions of the survey as reported throughout 2016, but the perspective is softening. At the same time, live and virtual attendance at events is expected to grow 1.9 percent and 2.4 percent, respectively. Meeting professionals also anticipate an increase in budget of 1.6 percent—not sufficient to keep up with the growth, but still representing stable, moderate growth."

ASIA PACIFIC

According to this year's Advito *Industry Forecast*, Asia is emerging as a dynamic, well-balanced meetings market, with both demand and supply growing steadily. Even cities where space is normally hard to find, such as Singapore and Shanghai, have seen new properties with meeting facilities opening over the past year. The *Forecast* notes that demand for meetings is growing particularly fast in China, in spite of its slower economic growth, and is spreading beyond Beijing and

Shanghai. But an increased focus in Asia on cost transparency means that companies are feeling more pressure to show that they are buying responsibly and trying to control meeting costs. As a consequence of this trend, the Advito *Industry Forecast* shows that some buyers in this region are keeping average rates under control by moving their business from five-star hotels to a new generation of 4- and 4.5-star properties. These hotels offer both quality and value, and are emerging especially strongly in India (in cities such as Delhi and Bangalore) and in resort destinations (Bali and Phuket). Five-star hotels in this region are responding to the competition by keeping price increases to a minimum.

In terms of meetings destinations, Thailand is becoming popular again following the end of civil unrest in the country. Vietnam is also surging in popularity. Both countries offer good availability, reasonable pricing and a broad selection of venues ranging from economy to luxury hotels.

The Advito *Industry Forecast* also notes a trend whereby Asian meeting planners are becoming more adventurous in their destination choices. The opportunity to take their events further afield has been boosted by the region's strong growth in airline capacity which grew by 7.6 percent in the first five months of 2016, according to the International Air Transport Association. Asia's fast-expanding middle classes have acquired an insatiable appetite for leisure travel, and this is driving a rapid increase in new direct routes, which are stimulating more demand. India is replacing China as Asia's major economic success story, as it continues to grow at 7 percent+. This strong performance has led to a boom in air travel.

An interesting example of regional cooperation for the meetings industry deserves a mention here: a combined regional entity, tentatively named the Asia-Pacific Federation of MICE Associations, is in the pipeline. The Korea MICE Association (KMA) is collaborating with its individual Asia-Pacific counterparts in a long-term project to serve Asia-Pacific countries by enhancing collaboration between them. From one Memorandum of Understanding (MoU) that it signed with the Japan Convention Management Association back in 2013, it now has an MoU with the Singapore Association of Convention and Exhibition Organisers and Suppliers, signed in 2014, and another with the China MICE Committee, signed in 2015. The latest MoU was signed this year with the Thailand Incentive and Convention Association (TICA). The KMA hopes to continue signing one MoU each year in the hope of achieving its goal of forming the region-wide MICE association for Asia-Pacific in the near future, and has set a rough timeline of 2020 for the new federation.

Within the region, intra-Asia Pacific business events account for a large share of the market. For example, New Zealand represented the largest market for international business events visitors to Australia in 2015, and New Zealand business events visitors have a higher average spend than the total market average. For these reasons, Tourism Australia has committed itself to promoting business events to the New Zealand market and is looking to grow this high-yielding segment through a number of trade and marketing programmes designed to show New Zealanders the advantages of Australia as a destination for inspiring and innovative business events.

Australia will be helped in this objective by the country's new infrastructural developments for the meetings industry. Foremost among these is the ICC (International Convention Centre) in Sydney's Darling Harbour, which will open its doors in December 2016, as one of the Asia Pacific's principal integrated convention, exhibition and entertainment precincts, underlining Sydney's place as a highly desirable meeting and event destination. At the same time, existing venues are building on their successes. For example, the Brisbane Convention & Exhibition Centre (BCEC) was named as the

World's Best Convention Centre at the 2016 Annual General Assembly of the International Association of Congress Centres (AIPC) in Nantes, France.

LATIN AMERICA

In this region, major political and economic problems, particularly in Brazil and Venezuela, have dominated the headlines in 2016, leading to softened demand for domestic business travel and business events, even though Latin America's appeal as an international conference destination remains undiminished.

Within Latin America itself, the GBTA/CWT *Global Travel Price Outlook* highlights the fact that most companies are trying to reduce their meeting costs, holding meetings locally either to save money or to enable more participants to attend, or both. Brazil's hosting of the World Cup and the Olympic Games has created a solid infrastructure including new hotels that is expected to create a surplus in supply and lead to lower prices after these two global events.

But taking the region as a whole, the Advito *Industry Forecast* notes that in spite of current challenges, Latin America still needs more high-end properties to meet the region's underlying demand. International chains have long expressed an interest in the region and there are now signs that they are investing while costs are low due to favourable exchange rates.

Cuba has already been mentioned in this report as leading this year's list of emerging destinations for incentive travel. The country will receive a boost to its business events industry generally from the decision of the US Department of Transportation to give eight airlines approval to launch non-stop flights from ten airports in the US to Havana. The decision comes one year after the US and Cuba formally re-established diplomatic relations for the first time in half a century. The deal allows up to 20 daily flights to Havana. Most will operate from airports in Florida – largely Miami and Fort Lauderdale – but there will be daily services from Atlanta, Charlotte, Los Angeles and New York City. Six US carriers have also won approval to fly to nine other Cuban cities.

Elsewhere in Latin America, Bogota, Colombia, is rising fast as a meetings destination. The capital city has undergone a revitalisation in past years with an assortment of hotels and meetings venues recently opened or coming soon. These include the new 700,000 square feet Agora Convention Center. This five-story venue will be the largest in Colombia upon its completion in April 2017, and one of the largest in Latin America. Surrounding Agora will be a 200-acre convention and business zone that is part of a grand city-wide urban development programme known as Project INNOBO. After Agora is complete, an adjacent 411-room major brand hotel is expected to open by mid-2018. The campus-like area will also include retail shops and cafés, green space, and a walking bridge to the existing Corferias Convention Center, which will undergo a major renovation of its own following the opening of Agora (*Prevue*).

MIDDLE EAST

This year has seen the region's flagship destination, Dubai, go from strength to strength, assisted in part by the growth in air travel capacity, which continues to grow at very high rates – up 14.6 percent in the first five months of 2016, according to the International Air Transport Association. One example of the power of the Gulf carriers to pour capacity into the market is Emirates' expansion of services between Dubai and the UK. Starting in October 2016, the airline alone will offer ten daily services from Dubai to London, using the Airbus A380 on all but one of these flights. That means Emirates could carry nearly 35,000 passengers per week each way between the two cities. In total, Emirates operates 126 flights weekly from the United Arab Emirates to the UK, while five other competitors operate another 91 departures between them.

But as well as benefiting from European source markets such as the UK, the Middle East is also enjoying a thriving intra-regional business travel and meetings and events industry. What is most remarkable is the speed with which this region has asserted itself as a destination for business events. Speaking at this year's ibtm arabia Abu Dhabi, Rob Nicholas, MD of *meetme* highlighted the fact that 80 percent of the region's infrastructure is less than two decades old. And yet, this year the Middle East has continued to add to its wide range of venues for meetings and incentive events.

Dubai welcomed three new world-class venues: Dubai Opera, Dubai Parks and Resorts, and IMG Worlds of Adventure, which will provide the emirate with important new venues for the hosting of conferences, team-building experiences and other corporate events. Together they will give a significant boost to the region's meetings, incentives and events industry. Other venues are in the pipeline. Dubai has announced plans to build a new convention centre in Al Jaddaf near Dubai Creek. The new facility, which will span 55,000 square meters and provide space for 10,000 people, is scheduled to be completed in two years at a cost of Dh1.8 billion. The new convention centre is part of the city's run-up to World Expo 2020, which will take place in Dubai.

But Dubai is not alone in attracting meetings and events in the region. Qatar and Oman have embarked upon the same journey towards Dubai's success, by developing their infrastructure for business events. Qatar has been present in this market for some time, with its Qatar National Convention Centre (opened in 2011) and on the 15th August 2016 the Oman Convention & Exhibition Centre (OCEC) opened its doors, heralding a new era of opportunity for the Sultanate of Oman as a destination for business events. It will be a hub for sharing knowledge and driving commerce, as well as attracting investment, creating jobs, contributing to the economy and powering growth. The OCEC's inaugural event was Infra Oman 2016, one of the largest building and construction exhibitions in the Middle East.

The Middle East's hotel stock is also growing, with new properties opening across the region - not only in Dubai, Abu Dhabi and Qatar, but also in Saudi Arabia, Oman, Bahrain and Kuwait. Starwood is among the fastest-growing chains, while Carlson Rezidor, Hilton and Mövenpick have been active too. Most new hotels continue to be in the upscale to luxury categories, according to the Advito *Industry Forecast*.

AFRICA

This year, Africa has presented a mixed economic picture. Insecurity and political instability afflict the North, while growth has slowed in sub-Saharan oil-producing nations such as Nigeria and Angola. However, solid growth continues in much of the rest of the continent, and that means travel demand in most countries is firmly on the rise, according to the Advito *Industry Forecast*.

The same source notes that the continent's airlines are expanding their networks in response to the intensifying demand. Other nations' carriers are also increasing their capacity, with Turkish Airlines being perhaps the most ambitious of all. It has grown its African network from 13 to 44 destinations since 2009, including secondary markets like Benin and Madagascar.

The supply of hotel rooms designed to western standards is increasing as chains such as Marriott expand their presence in Africa. Merger partner Starwood is expanding too, with an African pipeline that includes new properties in countries including Ethiopia, Kenya, Senegal and Tanzania. Other global chains, including Carlson Rezidor and Hilton, are also investing in the region, increasing consumer choice.

Adding to these infrastructural developments is the growing supply of convention centres in this continent. For example, the Centre International de Conférences d'Alger (CICA) is North Africa's newest and largest venue for conferences, exhibitions, weddings and special events. Opened in the second quarter of 2016, this 270,000 square metre venue is situated in the exclusive Club des Pins area of Algiers, and is expected to welcome hundreds of thousands of guests each year.

At the Southern end of Africa, Cape Town's new Century City Conference Centre is located in the city's northern suburb, complementing the renowned Cape Town International Convention Centre (CTICC) and intensifying the drive to market the Western Cape as a global destination for business events. From March 2017 onwards, the CTICC itself will benefit from additional capacity when its CTICC East expansion comes on stream, offering an extra 10,000 m2 of multipurpose space.

As Africa's meetings and events flagship, South Africa is set to benefit from the current low value of the Rand, which offers the potential of positioning South Africa as an excellent value-for-money destination.

Joachim Koenig – President of JMIC (Joint Meetings Industry Council)

"Based on the premise that industry credibility demands hard measures to support our value claims, JMIC has initiated a programme to identify and document case studies that illustrate the broader economic, academic, professional and business outcomes that arise from conferences, conventions, trade shows and other business events to support our advocacy programmes. Curated by an academic committee assembled to ensure good and defensible measurement methodologies, the results of this programme will be delivered widely both within and beyond the industry via a new platform that has been created expressly to promote industry values to governments and the broader business communities worldwide."

OUTLOOK FOR 2017

THE ECONOMIC OUTLOOK

The general tone of most forecasters is one of quiet optimism for the 2017 economic outlook.

The International Monetary Fund's latest prediction is that recovery is projected to pick up in 2017 as the outlook improves for emerging market and developing economies. The Economist Intelligence Unit agrees, noting that the outlook for emerging markets in 2017-18, while still subject to risks, has improved. Stronger capital inflows are supporting currencies and helping central banks to tame inflation. Over the next two years a slow rise in prices of commodities will suit the large number of emerging markets that export raw materials, while importers will still be able to buy commodities at prices that are cheap in historical terms.

Regarding the developed economies, the Economist Intelligence Unit forecasts two more years of respectable growth in the US economy in 2017-18. And KPMG International's *Global CEO Outlook* indicates that the vast majority of CEOs are confident in future growth over the next 3 years, with 89 percent feeling confident in their own company's growth, 86 percent confident in their home country's growth, 85 percent confident in the growth of their industry and 80 percent confident in the global economy.

The Advito *Industry Forecast* predicts that the world economy should regain some momentum in 2017. The outlook for advanced economies remains steady, as a stronger US performance offsets slower European growth. Emerging markets will make a bigger contribution to the global economy in 2017, particularly as Latin America returns to growth after two years of contraction. Asia will remain the main source of emerging market activity, expanding, on aggregate, by 5.6 percent in 2017. The Indian economy continues to expand at more than 7 percent, even as China's GDP growth rates slow down.

However, commentators are eager to highlight the risks inherent in the uncertain global economy in the year ahead. Table 9 compares the risks listed by Advito and by the Global Business Travel Association and Carlson Wagonlit Travel. Clearly some of these – such as oil prices – have a direct bearing on the performance of the meetings and events industry.

TABLE 9: Key risks ahead

Advito Industry Forecast	GBTA/CWT Global Travel Price Outlook
1. Brexit	1. Emerging market performance
2. EU exit contagion	2. Financial market turbulence
3. Italian banking crisis	3. Geopolitical risks
4. China's unsustainable debt burden	4. Brexit
-	5. The US Federal Reserve and impact of rising US interest rates
-	6. Oil Prices

Sources: Advito Industry Forecast and GBTA/CWT Global Travel Price Outlook

THE OUTLOOK FOR THE MEETINGS AND EVENTS INDUSTRY

Regardless of the economic risks that are present in the market environment within which our industry operates, most surveys of meetings and events professionals suggest moderate growth for the year ahead.

The forecasts for group sizes and cost per attendee per day in the GBTA/CWT *2017 Global Travel Price Outlook* are given in Table 10.

TABLE 10: Global Meetings and Events – Previewing 2017

Region	Group size	Cost per attendee per day
Asia Pacific	+5 %	+3 %
Europe, Middle East & Africa	+6 %	0 %
Latin America	0 %	-10 %
North America	+3-5 %	+3-5 %

Source: GBTA/CWT 2017 Global Travel Price Outlook

The same source predicts that in the Asia Pacific region, the transfer of knowledge, technology, and expertise from more mature regions will be key to advancing meetings and events programmes in 2017. Advito's outlook for the meetings market in Asia is that the introduction of new supply will slow in 2017, while demand will continue to grow. But the *Industry Forecast* adds that there has been so much capacity added in recent years that price increases will not be particularly steep. That said, availability will tighten once again and lead to sharper increases in high-demand cities like Hong Kong, Singapore, Shanghai and Tokyo. Average spend could also move up as customers consider budget increases and holding higher-quality meetings. But they will look at a wider range of destination options than their usual conservative choices, thanks to expanding airline networks and better flight frequencies.

For the EMEA region, the GBTA/CWT forecasts that mid-scale hotels are likely to lead meetings and events bookings in the year ahead, due to strict company guidelines, reduced budgets, and increasing industry regulations.

In the US, there is growing expectation that 2017 will bring a change in the balance of power from sellers to buyers, in terms of corporate and contract rate negotiations between hotels and planners. Among those commentators who foresee a shift from a seller's market to one that favours buyers in 2017, is Bjorn Hanson, PhD, clinical professor at the NYU School of Professional Studies at the Jonathan M. Tisch Center for Hospitality and Tourism. In his recent *Trend Analysis Report*, he highlights the four factors that he believes will have the greatest effect to shift the balance of power from sellers to buyers:

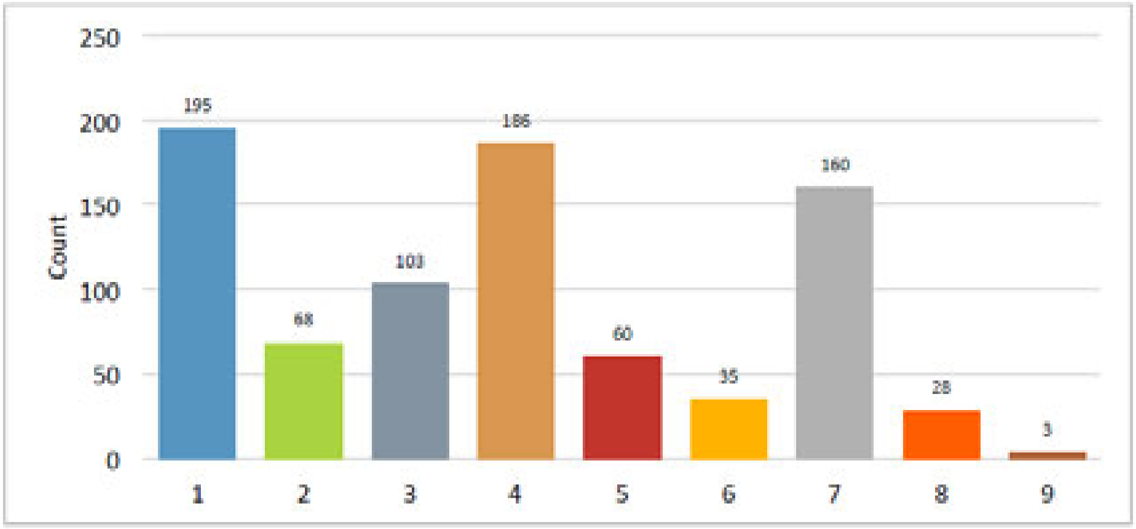
- Although 2017 US lodging industry occupancy will be high relative to long term averages, it is forecast to be lower than it was in 2016, which was lower than occupancy in 2015.
- The negotiations for corporate rate increases in 2016 were at a time when there was an expectation for larger rate increases than actually occurred; many corporate travel managers and convention planners believe they have been overpaying in 2016 and will seek to recover some of that 'overpayment' in 2017.
- Some corporate travel managers and convention planners have been surprised at the published 'member rates' and non-refundable rates published on brand websites because they can be lower than the corporate, contract or convention rates that were expected to be lower than rates available to the public.
- Airbnb, which – until now - has not generally been embraced by corporate travel managers and convention planners, has been 'endorsed' through business relationships with American Express Business Travel, BCD Travel, and Carlson Wagonlit Travel. Also, Airbnb has announced and promoted its Airbnb for Business and Business Travel Ready programmes, and Airbnb's head of Global Hospitality & Strategy, has made public comments about that company's new focus on group and convention demand.

In the US, many corporate meeting planners are attempting to control travel costs, especially for hotels, when these costs, including hotel room rates, are increasing at approximately double the rate of inflation. Time will tell whether 2017 will be the year when the balance of power in negotiations moves back to buyers.

Risk factors

But while the future may bring its own opportunities for our industry, it undeniably also presents a number of risks. Looking ahead, some insights about the main anxieties of association conference planners are provided by the latest *Associations Survey* of the Union of International Associations. Respondents' answers to the question, '**What are your specific concerns about the impact of the current global economic situation on your current and future meeting activities?'** are shown in Table 11.

TABLE 11: Association conference planners' perceptions of risks



	Name
1	Reduced participant numbers
2	Exchange rate impact on local costs
3	Transportation costs
4	Funding / finance: lack of sponsors / exhibitors or reduced sponsorship
5	None / not applicable
6	Safety concerns: health, terrorism, political violence
7	Travel issues: budget reductions, travel costs or visa problems
8	Unable to locate local partner for the event
9	Other

Source: UIA *Associations Survey*

But risks arising from the global economic situation account for only one element of the challenges inherent in the market environment of 2017. The GBTA/CWT *Global Travel Price Outlook also* focuses on the geopolitical risks that may lie ahead:

> *There has been heightened unrest around the globe with terror events in Istanbul, Paris and Brussels and other major terror events across Asia, The Middle East and Africa. Political risks will have an impact in 2017, including results of the 2016 US elections, political scandal in Brazil, and the rise of anti-establishment parties throughout Europe. Refugee flows and global epidemics are also threatening economic stability in some countries and regions.*

Clearly, the need to educate ourselves in order to be able to minimise the risks to those who attend business events as well as to ourselves as meetings and events professionals is essential in these times of growing uncertainty. That was the conclusion of the International Live Events Association 2016 ILEA Global Events Summit in Edinburgh, which was attended by industry leaders with an acute understanding of the major challenges our industry faces in the global landscape of the 21st century. In response to the question, '**What keeps you awake'**? there was no hesitation among attendees. *Security* was right at the top of their list.

Brexit

Following the momentous decision of the majority of the citizens of the UK to leave the European Union, no review of market trends for 2016 and 2017 can be complete without some reflexion on what could be the impact of Brexit on the meetings and events industry in the UK, Europe and beyond.

For although Brexit is still very much an unfolding event with many unknowns as to its implementation, there is no doubt that it will have the most pronounced impact on Western European economies and could have ripple effects on the broader global economy. As noted by the GBTA/CWT *Global Travel Price Outlook*, there are many uncertainties as the UK formulates its withdrawal strategy and its future relationship with the EU. Depending on those results, the UK may need to also negotiate new trade relationships with both the remaining EU countries and non-EU countries, negotiations that could take years. The uncertainty will likely impact consumer and business confidence, impacting investments and employment. More immediate concerns include currency fluctuations and the devaluation of the pound sterling, which could make it more expensive for UK consumers when traveling or purchasing outside the UK as early as this year.

The Advito *Industry Forecast* tells us that right up until the Brexit vote, the UK was leading European growth in demand for meetings, and forward bookings for 2017 and 2018 were strong. Following the vote to leave, some meetings agencies have reported cancellations. Others believe there may be a short-term increase in meetings business as companies bring staff together to reconsider their strategies post-Brexit. Because of the devaluation of the pound, UK companies may be more inclined to hold meetings in the UK, rather than travel to Europe. At the same time, currency weakness will make the UK a more attractive option for meeting planners based in other countries.

An example of this impact was reported in October 2016 by Greg Oates of *Skift*, who highlighted the sharp fall in the value of the British pound against the US dollar as the key factor in boosting London meetings bookings by North American clients. At the time of writing, the pound was at a 31-year low against the dollar, prompting US-based conference organisers to jump at the chance to lock in lower rates for their large events for years to come. During the two calendar months following Brexit, the London & Partners convention bureau fielded 66 percent more inquiries from US conference organisers than the same time last year. Overall, among all international source markets, there was a 41 percent rise in inquiries from business event planners from June through September.

London & Partners sees this fall in the value of the pound as an opportune strategy to drive new conference business, the real attraction being that organisers can book conference venues and business hotels at today's rates for the next few years. The effect has been felt by venues throughout the capital. For example, Brona Kelly, Director of Sales & Marketing at the Maybourne Hotel Group reported:

> 'Following Brexit, London hotels have seen a surge of bookings across the city. Regarding MICE business, we have also seen a demand with clients preferring to pre-pay for their event booking in order to lock in competitive exchange rates'.

James Rees, Executive Director of the ExCeL London convention centre, noted the same effect:

> 'The weaker pound has been positive for our North American clients, a number of whom have called us to arrange early payments for their events in order to take advantage of the preferential exchange rate'.

But the question to be answered is how long will this boost in demand as a result of the weak pound actually last? Simon French, writing in *The Times*, is not optimistic:

> 'The bad news is that this boost from currency depreciation will be temporary. It will wane early in 2017. Near-term momentum will be replaced by a cut in real incomes as inflation makes a spectacular return, spurred on by the weaker pound. Inflation significantly above the Bank of England's 2 per cent target is expected by next summer. The cost of inputs — already growing at an annual rate of 7.6 per cent — is set to accelerate further'.

Part of the problem is that the majority of raw materials used by British manufacturers and supporting the large service sector – including our own industry - are priced in dollars and euros. Therefore, as contracts with suppliers are renegotiated in the future they are set to become much more expensive for UK businesses, due to the weakness of pound. The higher costs of all of the inputs that are required for meetings, from transport to food and beverage, will inevitably lead to price rises for those purchasing such events.

But while a number of such predictions can be made with near-certainty, what is most evident of all is that the consequences of Brexit for our industry will not be fully clear for some time to come.

CONCLUSION

In these times of growing uncertainty, one thing is clear: the meetings and events industry, which has repeatedly demonstrated its resilience in the past, will be once more obliged to show that it is capable of prospering in the face of new challenges, some of them as yet unknown.

On the positive side, we are now much better placed to respond to those challenges, even compared with 12 years ago when I wrote the first Trends report. Our industry is now robustly underpinned by widespread professionalism and a sound education and training system that supports our human infrastructure. Technological advances have provided us with effective tools for instantaneously sharing our expertise, knowledge and solutions with each other, at the press of a button. The meetings industry associations play an invaluable role in the education of their members at conferences; and the seminar programmes offered by meetings industry exhibitions provide additional opportunities for learning.

But most of all, we are more confident about our values and importance than at any time in the history of our industry.

One key to surviving and thriving in the current challenging market environment must be to demonstrate our confidence in our industry by using every available opportunity to make the case – loud and clear - for the intrinsic value of business events. There has never been a more important time to advocate the value of meetings and events to the greater economy as well as to all of our stakeholders. This is a task that is incumbent upon every man and woman working in our industry today. Our tomorrow may depend on it.

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MEET IN SRI LANKA
Choose the location
for a true meeting experience