



Strategic Travel Symposium: Sharp Economic Recovery Will Further Boost Travel, Predicts Economist

By Michael B. Baker

MARCH 15, 2010 -- The U.S. economy has better than even odds of a swift recovery, which will lead to a slower but steady level of recovery for business travel, Economic Outlook Group chief global economist **Bernard Baumohl** said today at the opening session of the *Business Travel News*/National Business Travel Association Strategic Travel Symposium in New York.

"I think the worst is over for business travel, which came to a screeching halt in 2008 and 2009," **Baumohl** said. "There is a recovery underway, but there's going to be a longer lag time between when the economy comes back and how soon we'll see a recovery in business travel."

Economists are divided among three scenarios for the economy, according to Baumohl: a "double-dip" back into a recession, a drawn-out, anemic recovery and a quicker recovery. **Baumohl** gave the best odds, 55 percent, to the latter scenario, pointing to such metrics as recovery in manufacturing orders, capital spending and pent-up demand indicated by a boost in consumer debt.

The United States, along with Canada and Australia, will be among the quickest to recover of the developed countries, while Europe and Japan will experience a slower comeback, he said. China, India, Brazil and Peru also will have a robust recovery.

Even under that scenario, business travel's recovery would be at a slower pace because of continued cost-cutting measures at corporations as well as increased reliance on such technology as remote conferencing, according to Baumohl. Service industries, including hotels and airlines, also will continue to

face pricing difficulties, and upscale hotels in particular will have to consider further discounting, he said.

Baumohl gave a slower recovery, the so-called "new normal" that would require five to 10 years to reach pre-recession levels, about one-in-three odds of occurring. A dip back into a recession has only about a 15 percent chance of occurring, though the results would be catastrophic, he said. "It would be a shutdown in business spending and leisure travel, hotel prices would plummet, there'd be a rise in personal and business bankruptcies, joblessness would depress spending and the dollar would decline," **Baumohl** said.

Though his forecast leaned on the side of optimism, **Baumohl** also cautioned about several disruptive factors that could change the odds. These include, on the domestic side, a significant uptick in commercial real estate defaults and tight credit, and internationally, the bursting of China's credit bubble, Greece's debt crisis spreading across Europe and inflated oil prices due to Iran's developing nuclear capabilities.

"There are clearly economic risks and geopolitical events could throw everything off-kilter," **Baumohl** said. "This is a year we'll have to be exceptionally vigilant and quite nimble as business managers."