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BUSINESS TRAVEL WILL CONTINUE TO REBOUND IN 2005, ACCORDING TO AMERICAN EXPRESS RESEARCH

-- Recovering Demand Drives Air and Hotel Rates Higher Worldwide --

-- Travel Management Expertise More Crucial Than Ever in Rising Price Environment --

New York City, NY – October 18, 2004 – The American Express Global Business Travel Forecast for 2005, released today, indicates a continued steady revival of the global business travel industry.

Although the pace varies significantly by region and country, published air and hotel prices are expected to rise incrementally next year as business travel demand recovers, outpacing the growth of supply in several markets. At the same time, increased competition – particularly in the airline sector in several regional markets – is likely to dampen any significant increases in business travel costs.

For 2005, American Express forecasts that global economy/short-haul fares will rise by 0-3%, and international business fares by 2-5%. On the hotel side, room rates for both mid-range and upper-range properties will increase by 1-3%.

“Economic recovery is fueling business travel demand around the world, with particularly strong demand between Europe and North America, South America, and across the Pacific,” said Matthew Davis, Director, Global Consulting Services, American Express. “An industry-wide rebound has been dampened only by slim margins for the major North American airline carriers.”

Davis continued, “While rising passenger traffic and hotel occupancies help contribute to a healthier travel industry, forecasted price increases mean that travel managers must vigilantly maintain an effective travel management program. The careful application of technology tools and expense management solutions are critical in allowing corporations to maximize their travel investment, even in a rising fare environment.”

Forecasts for price increases in specific regions are as follows (*a breakdown by individual countries can be found in the Market Highlights section at the end of this press release*):

American Express' Regional Forecasts for Global Business Travel Prices in 2005

Region	Air		Hotel	
	Domestic/Short Haul (Economy)	International (Business Class)	Mid Range	Upper Range
North America	1-3%	2-5%	0-3%	0-3%
Asia Pacific	3-4%	4-5 %	2-3 %	3-4 %
Europe	(-3)-1 %	2-4 %	1-3 %	0-1%
Latin America and the Caribbean	2-3 %	3-5 %	1-2 %	0-2 %

Ongoing Changes to Airline Industry Due to Low Cost Carriers

Low cost carriers will continue to impact the airline industry in 2005. For example, in the U.S., typical business fares are expected to rise between 1-3% for the year, propelled by economic recovery, supplier pressure to recoup economic loss, and an increase in passenger traffic. However, price increases are likely to be tempered by intense competition, particularly from low-cost airlines as they challenge the major hub-and-spoke airlines.

In Europe, the effects of SARS and the Iraq conflict on passenger traffic have diminished, as European carriers experienced demand resurgence. At the same time, a few European network carriers are experiencing financial recovery. Attempts by the airlines to significantly increase fares, however, are likely to be dampened by competition from low cost carriers, a trend that has gathered momentum over the past two years. But the stability of the low cost model in Europe is uncertain.

Asia has also experienced phenomenal activity in the low cost arena. In India alone, ten low cost airlines are in, at least, the planning stage. Low cost activity has also been strong in Thailand, Singapore and Australia, and new entrants are making inroads in Japan, China and the Gulf States.

Hotel Trends

On the hotel front, the negotiations environment will be slightly more challenging than in recent years.

In North America, corporate hotel rates are expected to rise in 2005, driven by rising occupancies as a result of increased demand, in proportion to limited supply growth. The situation is similar in Europe, where business recovery regionally and globally, plus market specific airline competition, is expected to exert upward pressure on published rates. In addition, in Europe a new focus on dynamic pricing will enable more hotel companies to price accordingly in response to peaks and valleys in demand. This will enable suppliers to raise rates in the short term if growing occupancies are sustained.

“Now more than ever, companies need to consider the effect of foreign exchange rate changes when analyzing their global spend,” Davis continued. “These same air trends are affecting hotel occupancies around the world. Increased fare competition, rising passenger traffic and a more

stable business environment are likely to drive up hotel occupancies. It is clear that the outlook for 2005 bodes well for the hotel suppliers, and it is likely that published rates will rise globally.”

In the Asia-Pacific region, hotel rates will grow considerably, especially in comparison to other regions of the world. Economic growth rates, particularly in India and China, are driving occupancies. Supply will be limited for the short-term due to the lengthy building process. In particular, the fastest-growing economies and those most severely affected by the shocks of the past few years will be under the heaviest pricing pressure in 2005.

MARKET-BY-MARKET HIGHLIGHTS

UNITED STATES AND CANADA – Airfare and Hotel Trends and Forecasts

In the U.S, typical business fares are expected to rise by 1-3%, and international business class fares should rise by 2-5%. Canadian domestic economy class fares will stay flat or drop, from (-2)-0%, while international fares will mirror the U.S., growing 2-5%. In general, increases in trans-Atlantic traffic and an improved global business environment will generate higher airline prices internationally. Tempering this trend is increased competition and economic liberalization in the trans-Pacific marketplace.

Standard corporate rates for hotel are expected to increase by 0-3% in the United States in 2005. This will continue the upward trend in rates the industry has been experiencing for about the last 18 months. In fact, domestic booked rates rose by 7% year-over-year at the end of June 2004, while corporate rates rose 3% during the first six months of the year, according to the *American Express Business Travel Monitor*. In Canada, rates will also rise from 0-3%.

The car rental industry is experiencing a turnaround. American Express expects the average daily car rental cost to increase 0-2%. This increase could be attributed to improved demand and higher supplier costs are expected to place upward pressure on car rental rates and surcharges. However, competition – particularly on the Internet – will temper any significant price increases next year.

EUROPE – Airfare and Hotel Trends and Forecasts

Overall, economy fares for intra-regional travel are expected to range from -3 percent on the low-end to slightly up (1%) on the high end. Business Class fares on long-haul/intercontinental routes will increase by approximately 2-4%. Country by country, fares are expected to change as follows:

Country	Intra-Europe (Economy)	Intercontinental (Business Class)
France	0-2%	2-4%
Germany	(-4)-2%	1-3%
Sweden	(-4)-0%	2-4%
U.K.	(-3)-0%	2-4%
Europe	(-3)-1%	2-4%

Throughout Europe, increased traffic numbers are likely to place upward pressure on pricing premium classes of service. Pricing trends will continue to be volatile and vary significantly by country market. Intense competition in the U.K. and Western Europe, primarily driven by low-fare carriers, will continue to drive down pricing on specific short-haul, domestic and intra-European routes. Competition for market share on these routes will outweigh the impact of rising

traffic and load factors in terms of the major network carriers' ability to determine pricing in the short-term.

Hotel pricing is expected to increase from 0-3% in Mid Range and 0-4% in Upper Range hotel rates across Europe next year, barring significant political or economic disturbances. Key drivers of upward pricing pressure include a rebound in inbound, international travel to Europe, improved occupancies, hotel industry consolidation, and a shift toward a more dynamic pricing model. Strong room supply coupled with mixed increases in demand are likely to limit any dramatic price increase in 2005.

The country-by-country forecasts are as follows:

Country	Mid-Range	Upper-Range
France	0-3%	0-4%
Germany	0-2%	0-2%
Sweden	1-3%	2-4%
U.K.	2-4%	2-4%
Europe	1-3%	1-3%

LATIN AMERICA AND THE CARIBBEAN – Airfare and Hotel Trends and Forecasts

While business conditions vary significantly due to political and economic conditions in country markets, airline industry trends across South and Central America are beginning to echo the pattern in the United States and Canada, Europe, and Asia-Pacific. These include inroads made by low-cost carriers in some markets, recovery in business traffic, and expansion of capacity. Across the region, economy class intra-regional fares will rise from 2-3%, and business class intercontinental fares will rise by 3-5%.

Argentina, Brazil, and Chile are likely to see flat to some incremental growth in Economy Class fares within LA/C and Business Class to destinations outside LA/C as a result of growing traffic in proportion to current capacity levels and the emergence of regional alliances. Historically, the LA/C region has had numerous “monopoly” markets, with one or two carriers covering several routes. Today, more and more regional and global airlines are entering South and Central America.

Country	Econ Class/Intra-regional (Within S.A., C.A.,Caribbean)	Business Class/Intercontinental (From country to rest of world)
Brazil	2-3%	3-5%
Mexico	3-4%	4-5%
Argentina	3-4 %	5-6%
Region	2-3%	3-5%

On the hotel front, published rates in most of the key business markets are expected to rise incrementally during 2005. The same trends on the air side are expected to impact hotel pricing as airline competition, increased inbound travel globally, drives occupancy growth – particularly in the upper tier ranges.

The hotel industry across the region, however, continues to feel the effect of a buyers' market globally and instability in some regional markets. This is reflected in lower rates on a year-over-year basis, based on business travel through American Express in several destinations. These

destinations are likely to experience flat to negative growth for the rest of 2004. The country-by-country forecasts are as follows:

Country	Mid-Range	Upper-Range
Brazil	3-4%	0-2%
Mexico	0-1%	0-1%
Argentina	1-2%	2-3%
Region	1-2%	0-2%

ASIA-PACIFIC – Airfare and Hotel Trends and Forecasts

American Express is predicting a 3-4% increase in discount economy fares across the Asia Pacific region in 2005, along with a 4-5% increase in business class international long-haul fares. The upward pressure on airfares can be attributed to growth in travel activity, improved airline product and increasing demand across the Asia Pacific region. This upward movement will be tempered however, especially in discount economy fares. The proliferation of regional, low-cost carriers operating short-haul routings within Asia is expected to soften the upward pressure on pricing. Specific country forecasts are as follows:

Country	Intra-Regional (Economy)	Intercontinental (Business Class)
Australia	2-3%	3-4%
Hong Kong	2-3%	3-4%
Japan	4-5%	4-5%
Singapore	(-2)-(-1)%	2-3%
Region	3-4%	4-5%

Significant adoption of the low-cost airline model and the pace of liberalization are driving change in the way airlines, airports, manufacturers and other-related aviation industries do business. This trend is expected to neutralize upward pressure on discount economy fares, particularly in markets where low-cost competition is high. In addition, efforts to improve airline yield through product differentiation (direct long-haul service, flat seats) will place upward pressure on Business Class pricing on intercontinental routes.

On the hotel side, American Express forecasts a 2-3% increase in mid range hotel rates across the Asia Pacific region, and a 3-4% increase in upper range hotel rates. Key drivers behind the forecasted changes revolve around the basic principles of supply and demand. Hotels have limited capacity to increase or decrease supply in a short period of time. Events post September 11 have reduced current and future supply levels in many cities. Now, with the Asia recovery in full swing, the limit of supply in proportion to demand is expected to place upward pressure on pricing as growth in the aviation market via low-cost competition and increased liberalization will drive demand. Country-by-country forecasts are as follows:

Country	Mid-Range	Upper-Range
Australia	3-4%	3-4%
Hong Kong	2-3%	0-1%
Japan	1-2%	4-5%
Singapore	2-3%	3-4%
Region	2-3%	3-4%

Methodology

Projections were generated based on a combination of statistical forecasting, in-depth research of supplier markets, regional economic trends, interviews with American Express industry analysts, and analyses of reports generated within and outside American Express.

The global forecasts, which summarize our findings in select country markets, represent estimated projections based on in depth analyses of historical pricing and costs, including factors and variables that are likely to affect pricing. Actual changes in business travel costs could vary from forecasted data, particularly as a result of unforeseen future political, economic, and/or environmental events.

American Express Corporate Services

American Express Travel Related Services, Inc. operates one of the world's largest travel agency networks, recording \$16 billion in worldwide travel sales in 2003. Through its Corporate Services group, the company counts nearly 70 percent of the Fortune 500, along with tens of thousands of mid-sized companies, as customers of its Business Travel, Corporate Card, and Corporate Purchasing Solutions services. More information on expense management tools from Corporate Services can be found at <http://www.americanexpress.com/corporateservices>.

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