



WORLD TOURISM ALLIANCE



Horwath HTL™ 浩華

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# H1 2019

## China Inbound Tourism Market Sentiment Report



Club Med Sanya, China



## Acknowledgements



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# Foreword

Tourism has become one of the most important driving forces of China's economic development. In 2018, the country's domestic tourism market experienced rapid growth with more than 5.5 billion tourism arrivals and tourism-generated revenue totaling nearly 6 trillion RMB. Inbound tourism maintained a steady growth of 5%, indicating a sustained development pace.

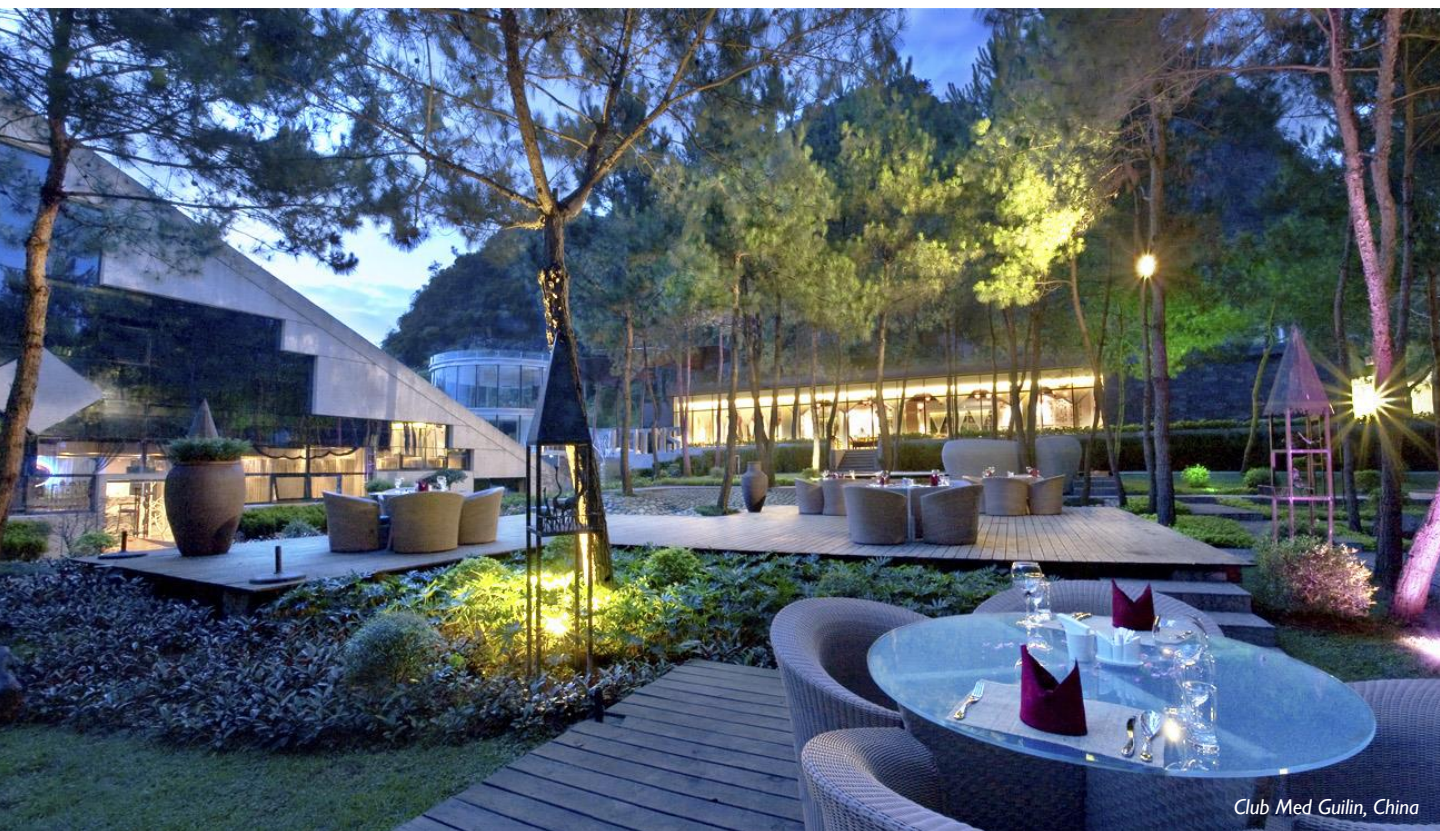
The World Tourism Alliance (WTA), a China-founded international nonprofit, non-governmental organization dedicated to uphold its mission and vision of a "Better Tourism, Better Life, Better World," is partnering with Horwath, a leading global hotel and tourism consulting company, to conduct quarterly sentiment surveys of China's domestic, outbound and inbound tourism markets starting in 2019.

One of several professional services WTA provides is high level local, regional and global tourism research and analysis for dissemination to its members, relevant organizations and institutions of learning across the world. These sentiment reports are valuable resources for tourism practitioners to gain better understanding of market trends, allowing them to make data driven decisions and forecasts.

These surveys received altogether 348 qualified questionnaires. The China Inbound Tourism Market Sentiment Report is focused on established tour operators, travel agencies and OTAs (online travel agencies) that are actively involved in this industry segment. For the H1 2019 report, we created and collected responses to a total of 91 valid questionnaires, encompassing 22 provinces and municipalities. We formulated a sentiment score model, assigning scores to each question in the survey. Based on this model, we calculated the score to each question by adding the average score and comparing it with the basic value 150.

Additionally, we conducted interviews with top level executives in the inbound tourism industry to gain deeper insights and broader perspectives. This sentiment primarily targets travel industry enterprises. Other travel behaviors generated through other channels are not within the scope of our duty.

Our special thanks go to China National Travel Service Group Corporation Limited, Ctrip.com, China CYTS Tours Holding Co. Ltd; China Association of Travel Services, Guilin Tang Dynasty Tours Co. Ltd; Guangzhou Li Zhi Network Technology Ltd; Meituan Dianping, Tuniu.com and Beijing Utour International Travel Service Co. Ltd. for their support of this study. As well, our sincere thanks go to WTA member Club Med for providing us with images for use in this report.



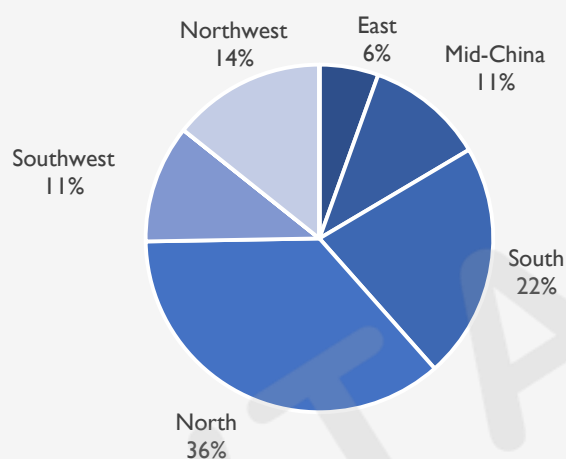
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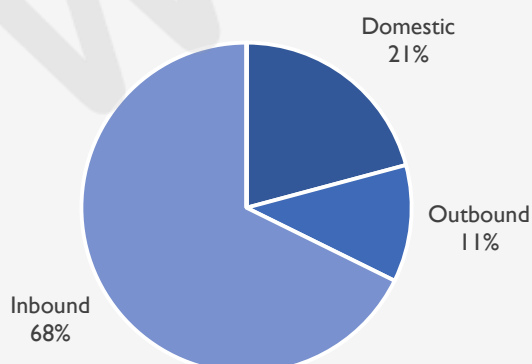


*The China Inbound Tourism Market Sentiment Report aims at providing global tourism practitioners with a reliable reference and resource for the accurate assessment of current market situations, trends and forecasts. This is the first ever report of its kind conducted by the World Tourism Alliance and Horwath HTL. One of the three-series reports on China's tourism sentiments, this is a comprehensive summary of our survey results in the first half of 2019.*

### Respondents By Region, Mainland China



### Respondents By Primary Business



The five-question survey is focused on the outlook for inbound visitation, per capita consumption and total revenue. Responses are quantified through a specific sentiment score model and presented in the form of scores to reflect the respondents' expectations for inbound tourism, measure and compare values across China's regions and cities.

A sentiment score is applied to each question, with scores ranging from negative 150 to positive 150. A negative 150 score indicates a state of absolute pessimism, while a score of zero indicates unchanged expectations. Conversely, a score of positive 150 indicates a highly optimistic sentiment.

Respondents were asked to compare the market performance in the first half of 2019 to the actual performance in 2018. They were asked to identify the factors contributing to the variance and provide their insights into tourism sources and destination markets.

# Market Sentiment Analysis

## ▲ Sentiment Score: 2

In the first half of 2019, the average sentiment score for China's inbound tourism market is 2. Although the score is positive, the small value indicates a conservative outlook for the development of this industry segment.

Majority of the respondents believe internal and external factors contribute to the downward trend. Among the internal factors mentioned include the strict Chinese visa policy that involves more complex application procedures and an extended review period. Rising tourism costs and the booming domestic tourism are also adversely affecting the experience of inbound tourists. Compared to southeast Asian countries, the inbound travel cost in China is higher.

Lack of qualified tourism specialists is also cited as one of the factors contributing to the downstream inbound trend. Tour guides with foreign language proficiency are shifting to the outbound market for a higher pay, while first generation tour guides are gradually easing their way into retirement.

Slugging global economy, unstable political environment, protracted trade conflicts are among the external factors negatively affecting China's inbound tourism market.

However, a recent development is expected to positively affect the performance of overseas visitation. For the first time, inbound tourism was included in the national strategic proposal at the 2019 Two Sessions of China. Combined with targeted overseas promotions, this can only result in improved numbers.



Club Med Sanya, China

## Question 1:

### What is your assessment of China's inbound tourism outlook for the first half of 2019 vs. 2018?

#### Inbound Tourism Arrivals

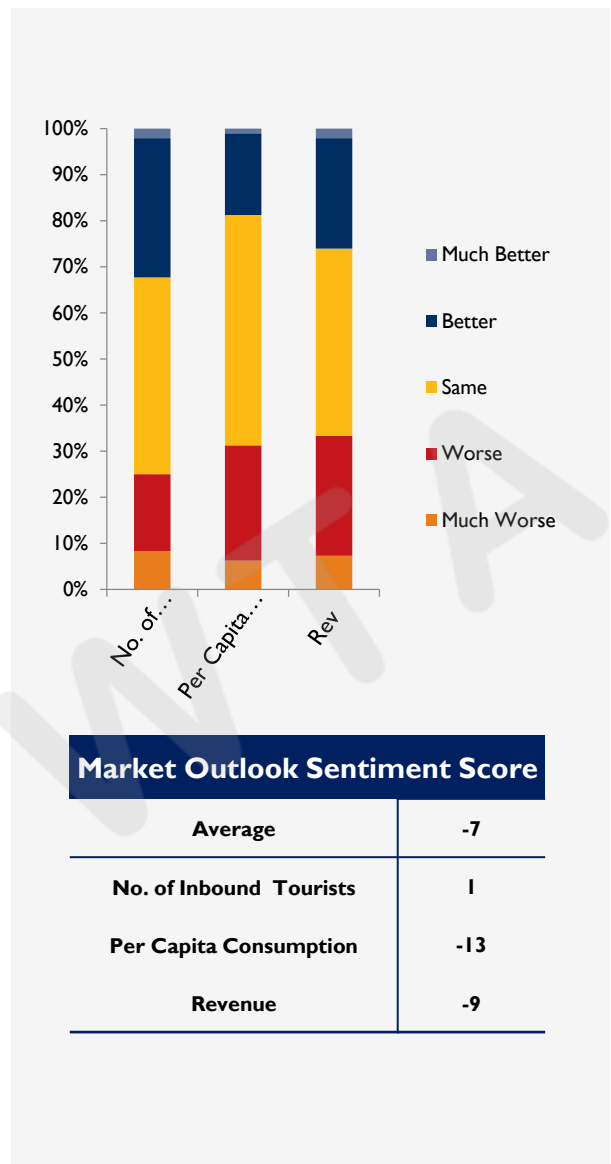
Expectation for inbound tourism arrivals tends to be conservative. Nearly 43 percent of travel agencies surveyed believe the number of inbound visitors in the first half of 2019 will be in line with 2018. 32 percent of respondents expect the number to grow, even grow significantly, compared with the same period in 2018. The remaining 25 percent believe the number will decrease, with 8 percent predicting a significant decline.

#### Per Capita Consumption (PCC)

Respondents hold a conservative expectation for per capita consumption, dropping below those of inbound tourists and total revenue. Nearly 31 percent of those surveyed expect the PCC to decrease or decrease rapidly. About half of those surveyed (50%) believe this will remain stable. Only 19 percent believe the PCC will be better or much better compared with the same period in 2018. Due to the weakening global economy and ongoing international trade disputes, we expect a sluggish growth for China's per capita consumption.

#### Total Revenue

Expectation for total revenue has dropped to below zero, a result of the conservative outlook for inbound tourism arrivals and per capita consumption. More than 30 percent of those surveyed believe a drop or significant drop in the total revenue from inbound tourism. About 41 percent expect the total revenue to remain stable compared with the same period last year. Only 26 percent expect the total revenue to increase.

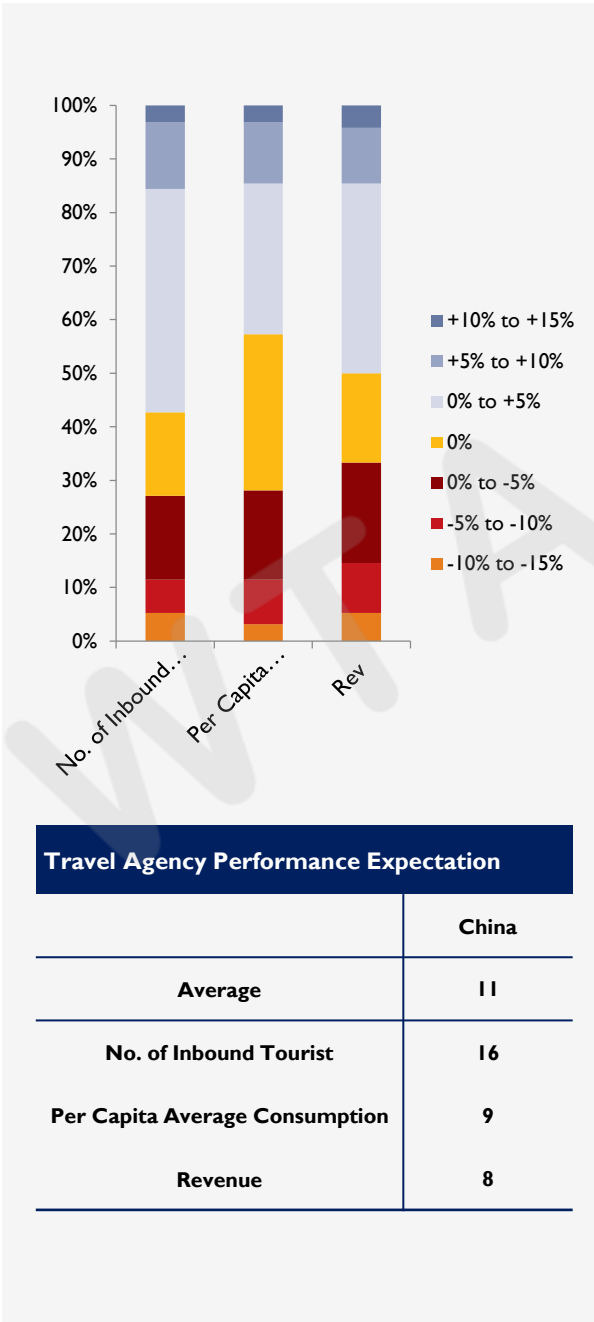


*Majority of the respondents have a negative view of the growth prospect of inbound tourism arrivals, per capita consumption and total revenue, with PCC being the lowest. They expect the market to perform worse than last year due to international trade tensions and a weakening global economy.*

Question 2:

What is your expectation for growth/decline in the first half of 2019 vs. H1 2018?

Nearly half of ground tour operators and travel agency-respondents think the inbound tourism arrivals, per capita consumption and total revenue performance in 2019 are better compared to 2018.



Inbound Tourism

Majority of the respondents believe the number of inbound tourists in the first half of 2019 will surpass that of 2018. 57 percent of travel agency-respondents think the number will increase, with 15 percent expecting the growth to exceed 5 percent and 42% to be less than 5 percent.

16 percent feel the number will be in line with the same period in 2018. The remaining 27% hold a negative view of the growth prospect of inbound tourism, with majority of the respondents estimating the decline to be less than 5%.

Although most travel agencies are concerned about the overall market, they maintain a positive assessment of their own performance.

Per Capita Consumption (PCC)

Compared to the inbound tourism indicator, the expectation for the per capita consumption tends to be more conservative. About 28 percent believe the PCC will decrease, with 11 percent expecting the decline to exceed 5 percent. 29 percent of respondents estimate the PCC to be the same as that of 2018. 43 percent anticipate an increase in PCC, with the majority forecasting a growth of less than 5 percent.

Although the respondents are pessimistic about the growth of overall PCC, they remain confident about their own company's performance.

Total Revenue

The national average score for total revenue is 8, thanks to the positive outlook for the number of inbound tourism arrival and per capita consumption. 50 percent estimate their respective company's total revenue to climb, with nearly 15% estimating the growth to exceed 5%.

The other half (50%) expect the total revenue in 2019 to remain either unchanged or decline compared to 2018. Only 15% estimate the decrease to be more than 5%. Overall, tour operators and travel agency-respondents are confident of their company's growth prospect.



### Question 3:

## How does each factor below influence the Chinese inbound tourism in the first half of 2019?

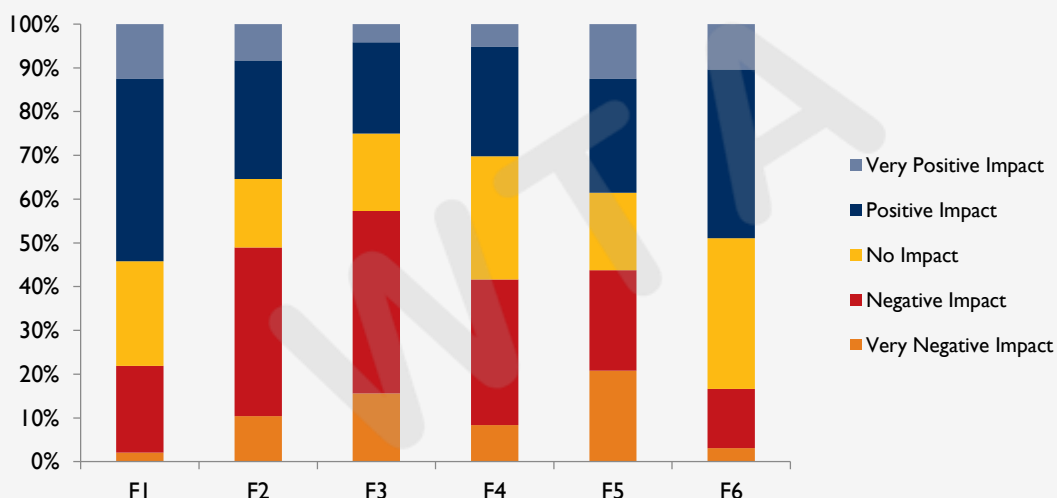
Generally, most of the factors below show negative impact on China's inbound tourism market.

- Positive Factors:** "Local Economic Growth Trend" (32) and "Change of International Air Routes" (30) are the two highest scoring positive factors. About 50 percent think the stable development of local economy and the addition of international air routes will have a favorable impact on the inbound tourism performance, with over 10% considering the impact as substantially positive.
- Negative Factors:** "International Political Environment" (-33) received the lowest score. Around 57 percent feel the unstable international political environment will bring either negative or significantly negative effects to the inbound tourism market. Only 18% believe the inbound tourism will not be influenced, indicating the downward pressure of the current global political environment on tourism in general. "Global Economic Growth Trends" (-12), "Currency Exchange Rates" (-11) and "Visa Policy" (-10) all have negative impact on the expectation for inbound tourism. China's strict visa policy is diminishing the propensity and willingness of foreign travelers to visit the country.

#### Influence Factors

Factors	Index
F1. Local Economic Growth Trends	3
F2. Global Economic Growth Trends	-12
F3. International Political Environment	-33
F4. Currency Exchange Rates	-11
F5. Visa Policy	-10
F6. Change of International Air Routes	30

*The unstable international political situation is considered the primary reason restricting inbound tourism market. On the positive side, the local economic growth trends and the addition of international air routes contribute to the development of this market.*



Question 4:

As inbound tourism source markets, how do you expect each market below to perform in the first half of 2019 vs. 2018?

Except for Southeast Asia and East Asia, ground tour operators and travel agency-respondents are pessimistic about a majority of the inbound tourism source markets.

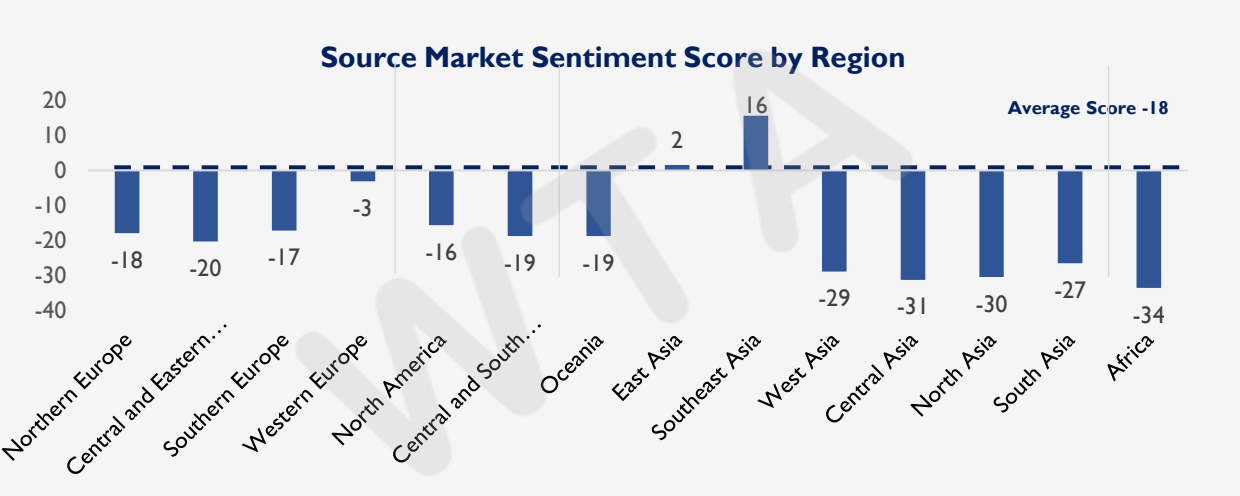
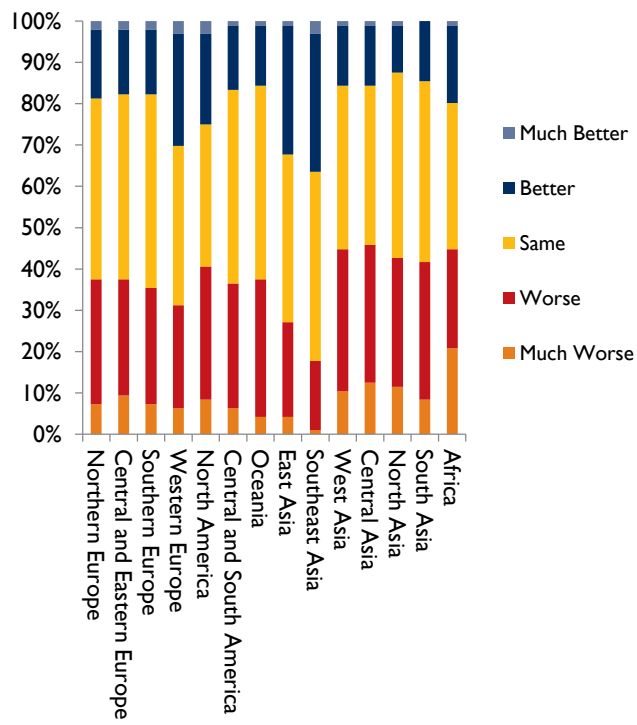
The fourth question is focused on the respondent’s expectation for different inbound source markets in the first half of 2019, including 14 regions, including Europe (Northern, Southern, Central, Eastern and Western); the Americas (North, Central and South); Asia (Southeast and East); Oceania and Africa.

The average score for all tourism generating regions is -18, indicating the respondents’ lack of confidence and negative perception of these source markets.

Our interviews indicated that inbound tourists are mainly from Europe and the Americas. Owing to the slow economic development and low disposable income of their population, Africa, Central Asia, North Asia and West Asia have historically been places that contribute low inbound tourism arrivals..

▲ Asia, Oceania and Africa:

Except for Australia and New Zealand, majority of countries in Asia, Africa and Oceania are not considered the main source markets for China’s inbound tourism. Industry practitioners have a negative outlook for inbound demand from these regions, especially Southwest Asia, North Asia, Central Asia, South Asia and Africa. Scores of the five regions are below the global average. Around 45 percent expect fewer tourism arrivals from these areas in 2019 compared with the same period in 2018. 55% estimate the inbound tourism demand to remain stable due to their slow economic growth.



## Question 4:

### ***As inbound tourism source markets, how do you expect each market below to perform in the first half of 2019 vs. 2018?***

With a relatively low disposable income, the population in these regions are not able to afford the rising cost of Chinese inbound tourism.

Although the sentiment score for Oceania is better than those of the five regions, it is still lower than the global average. Only about 15 percent of the respondents anticipate the inbound tourism demand from Oceania to increase, compared to the same period last year. 37 percent of respondents indicate the number of visitors from Oceania will decrease or significantly drop in 2019.

Southeast Asia ranks top among all regions with a sentiment score of 15. Respondents maintain a positive outlook for the performance of Southeast Asia and East Asia. Respondents are optimistic about Southeast Asia and East Asia due to the large number of inbound tourists from countries in these short-haul regions. About 35 percent of travel agency-respondents believe the performance of Southeast Asia and East Asia will exceed that of 2018. About 40 percent of the remaining 65 percent anticipate these 2 regions to perform the same as last year.

Although respondents hold a conservative view of East Asia (including Japan and Korea), the sentiment score is still positive.

#### ▲ **Europe:**

As a result of their highly developed economies, European countries have always been the main source market for Chinese inbound tourism. However, the political environment in the Euro area continues to evolve and its economic growth has slowed down in recent years. With the cancellation of monetary stimulus and decelerated growth of global trade, the economic development of European countries is expected to continue to be sluggish. Given the strong connection between economic development of tourism source markets and the performance of inbound tourism, the decline of the European economy is expected to negatively affect China's inbound visitors from Europe and their per capita consumption.

Majority of the respondents have a low expectation of the European markets, although they have a conservative outlook for the performance of Northern, Central, Eastern, Southern and Western Europe. Sentiment scores of most European regions except Central and Eastern Europe are above the global average. Over 35 percent of respondents anticipate the European market demand to decline or decline sharply. Only about 20 percent of respondents predict the European market demand to expand or expand vastly.

#### ▲ **North America and South America:**

North America and South America, particularly the United States with its large population, have always been regarded as China's main inbound tourism generating regions with the strongest consumption capacity. However, the trade tension between China and the United States and the Huawei 5G technological dispute have resulted in a significant drop of the number of visitation from the USA and Canada since 2018. Toward the end of 2018, the U.S. government updated its China travel warning to "Exercise Increased Caution," further weakening the propensity of North Americans to visit China.

According to several travel agencies and OTAs, the search volume on the websites of Chinese inbound tourism has been falling sharply since the end of 2018. Majority in the tourism industry are projecting a negative demand from North and South America. Cancellations of group reservations from these two regions have been reported this year.

About 40 percent of respondents believe the market demand from North America as well as Central and South America will drop or drop substantially compared to 2018. Only less than 25 percent of respondents have a positive assessment for the inbound tourism demand from North America. Fewer than 16 percent are predicting growth in tourism demand from Central and South America.

Generally, tourism practitioners are cautious about the performance of inbound tourism source markets. With the negative influence of external factors, namely the economy and politics, respondents have a negative outlook for the traditional source markets (countries in Europe and the Americas) with higher per capita consumption.

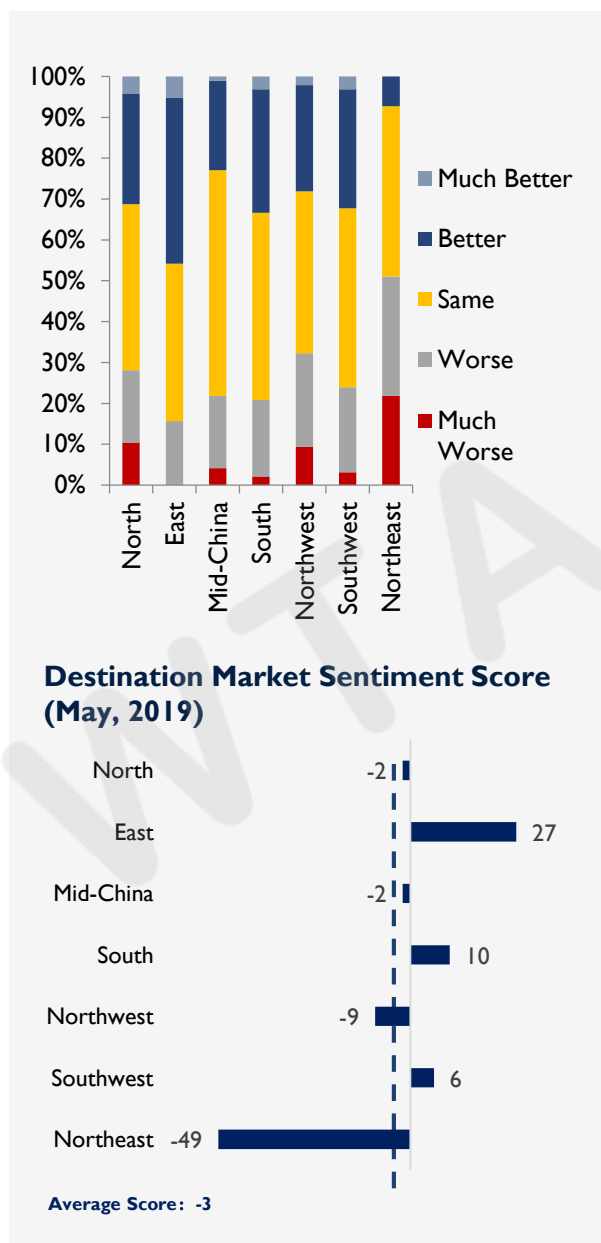




Question 5:

As an inbound tourism destination, how do you expect each region below to perform in the first half of 2019 vs. 2018?

Outlook for the market performance of inbound tourism destinations is mixed. Although East China, South China and Southwest China are reporting positive growth, the national average has declined to a minus, indicating a cautious assessment.



The fifth question is focused on the respondent’s expectation of different inbound tourism destinations in the first half of 2019, including seven regions that include North China, East China Central China, Northwest and Southwest China.

Overall, the performance outlook for inbound tourism destinations is negative, with an average national sentiment score of -3.

The ‘Golden Triangle’ of Beijing, Shanghai and Xi’an are the top choices for first time international visitors to China. Areas surrounding these three cities are also recording a robust growth due to their close proximity.

East China (27)

As the inbound tourism in East China radiates outward with Shanghai as the center, the preferred destinations of the majority of international visitors are Shanghai, Hangzhou and Suzhou. Tourism practitioners view East China’s inbound tourism destination performance positively. Nearly 46 percent of respondents anticipate an increase in inbound visitation in 2019 compared to 2018. As a result, the market performance outlook is expected to be better or much better. 38 percent of respondents expect the popularity of East China to be in line with 2018.

South China (10)

Guilin is the top inbound tourism destination in South China. Although Guilin is not a first-tier city, the city’s abundant natural resources attract repeat international visitors. Tourism practitioners have a positive outlook for South China. Nearly 33 percent of respondents believe the inbound tourism development in the region will be better or much better compared with the same period in 2018. Less than 20 percent expect South China’s popularity as an inbound destination to decline.

## Question 5:

**As an inbound tourism destination, how do you expect each region below to perform in the first half of 2019 vs. 2018?**

### Southwest China (6)

Southwest China's inbound tourism is mainly fueled by Yunnan, Chongqing and Chengdu. Although this region is not considered the first choice by first time international visitors, the region's digital marketing promotions--particularly those by instafamous Chongqing and Sichuan ---are enhancing its global brand and image. Tourism industry practitioners hold a positive view of Southwest China. It must be noted that Tibet has always been recognized as a top must-visit destination among overseas travelers. However, the complex application process for a Tibet Travel Permit is dampening the enthusiasm of potential international visitors.

Statistically, over 30 percent of respondents expect the inbound tourism performance of Southwest China to be better or much better in 2019. Nearly 44 percent of respondents think the performance will be in line with 2018, indicating a stable growth as a whole.

### North China and Mid-China (-2)

Majority of our travel agency-respondents have a cautiously negative assessment of the number of international visitors to North China and Mid-China. Except for Beijing, the majority of cities in this region are not typical inbound tourism destinations. Approximately 28 percent expect the North China performance to be worse or much worse in 2019 vs. 2018. 41 percent of respondents anticipate the performance to be the same last year's. For Mid-China, more than half of our respondents believe the market performance will remain at the same level as 2018. 23 percent expect it to be better, with only one percent having a significantly optimistic view of the 2019 performance.

### Northwest China (-9)

Northwest China's below average national score stems from the fact that it is not a traditional inbound tourism destination. Around 33 percent of respondents believe the 2019 performance will be worse than last year, with 10 percent expecting it to be substantially worse. Only 28 percent think the inbound tourism development in Northwest China will be better than last year.

### Northeast China (-49)

In the first half of 2019, the sentiment score of Northeast China ranks last among the seven inbound tourism destinations. Our respondents have a negative outlook for this region, citing the strong seasonality as the primary reason restricting tourism development. Moreover, the downward economic pressure has resulted in tighter government budget for the development of tourism resources and local tourism promotions. More than 52 percent of respondents expect this year's performance to be worse than 2018, with 22 percent anticipating the performance to drop significantly. Only 7 percent are projecting this region's inbound tourism performance to be better.



Club Med Sanya, China

# Conclusion

The average sentiment score for China's inbound tourism in the first half of 2019 is 2, indicating a conservative outlook by travel and tourism practitioners. Only Southeast Asia and East Asia are getting a score above the global average. Southeast Asia, in particular, ranks top among all source markets.

Market performance outlook for majority of the country is negative, except for East China, South China and Southwest China.

Ground tour operators and travel agency-respondents are more conservative about the growth of per capita consumption. Accordingly, a negative per capita consumption score results in a drop of the total revenue to below minus.

China's tourism industry is cautious about the inbound tourism growth owing to the fluctuating international political environment, slowdown of worldwide economic growth and China's strict visa policy. Given the country's abundant and unique tourism resources, inbound tourism has excellent growth potential in the long term. However, with the negative impact of several external and internal factors, including the economy and politics, the growth of inbound tourism is not comparable to the robust development of the domestic tourism market. As China continues to build its reputation as an international travel destination through strategic promotional efforts overseas, we can reasonably expect a steady and sustainable growth in the long term.



Club Med Beidahu, China



# Appendix

## *About World Tourism Alliance*

On Sept. 12, 2017, the World Tourism Alliance (WTA) — the world's only global, comprehensive, non-government, nonprofit tourism organization founded in China — was inaugurated in Chengdu, Sichuan Province, China. Premier Li Keqiang of the State Council of the People's Republic of China sent a congratulatory letter to celebrate the official establishment of WTA.

Upholding the vision of “Better Tourism, Better World, Better Life” as its ultimate mission, WTA is committed to promoting peace, development and poverty alleviation through tourism. It aims at driving global tourism exchanges and cooperation at non-governmental level.

To date, WTA has 182 members from 38 countries and regions. The WTA membership covers national and regional tourism associations, influential tourism and tourism-related enterprises, government tourism boards, academia, media and individuals. As a service-orientated international organization which caters to its members across the world, WTA is a vital platform for dialogue, networking, practical and authoritative information and resource sharing for integrative development.

The WTA headquarters and Secretariat are located in China.

## *About Horwath HTL*

Founded in 1915, Crowe Horwath International is an integrated professional organization of accounting and management consulting firms. Horwath also boasts the world's largest and oldest professional hotel and tourism consultancy practice. From its inception, Horwath paved the way by creating the "Uniform Systems of Accounts for Hotels", a system so successful it has become the standard in hospitality accounting around the world. Today, Horwath is a name recognized as the pre-eminent expert in the hotel and tourism sectors.

Established in Asia in 1987, Horwath HTL is the management consulting division of Crowe Horwath International that specializes in hotel, leisure and tourism industries. Our core business cover hotel investment, tourism destination investment, asset management, and strategic research. Horwath HTL now operates offices in several key cities throughout the Asia Pacific region. Our offices work closely together to ensure that our clients receive a multi-skilled international perspective for their projects.

Throughout the Asia Pacific region, Horwath HTL has consulted on over 4,000 hotel and tourism related projects throughout the region (including more than 1,600 projects in China) for clients ranging from the world's most prominent theme park operators, hotel management companies to real estate developers, lenders and investors. Horwath HTL has always been internationally recognized for its impartial and independent professional perspective in providing services.

After a long-term development, Horwath HTL has become a leading consulting company specializing in the hotel, tourism and leisure industries. Integrating local insights and global perspectives in every single project, Horwath HTL offers reliable, innovative, and efficient industry solutions and services to clients around the globe. By continuously innovating itself based on the current and future trends of the related fields, Horwath HTL strives to maintain its unique strength in the industry and keep providing quality service to the customers.

# Disclaimer

This report is prepared for general information purposes only. Information contained here is derived from reliable sources that have not been independently verified. We do not guarantee its accuracy or completeness. All opinions and estimates constitute our judgement as of the date of publication. They are subject to change without prior notice. Transactions should not be entered into in reliance upon the information, opinions and estimates set out herein. We accept no responsibility to any person in any way in respect to any action taken or any failure to act in reliance upon the information contained herein.

Any data presented from this publication should source the information as coming from the “China Inbound Tourism Market Sentiment Survey, Horwath HTL and World Tourism Alliance (WTA)”.



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