March 2020

2020/HI

China Outbound Tourism Market Sentiment Report

Special Thanks：

山西省文化和旅游厅
Shanxi Provincial Department of Culture and Tourism

上海市文化和旅游局
Shanghai Municipal Administration of Culture & Tourism

江苏省文化和旅游厅
Jiangsu Provincial Department of Culture and Tourism

浙江省文化和旅游厅
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福建省文化和旅游厅
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Sichuan Provincial Department of Culture and Tourism

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东盟旅游协会联合会
The Federation of ASEAN Travel Associations (FATA)

文莱初级资源与旅游部
Brunei Tourism

新加坡旅游局
Singapore Tourism Board

泰国国家旅游局北京办事处
Tourism Authority of Thailand Beijing Office

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2020 H1 China Outbound Tourism Market Sentiment Report

Due to the downward pressure of the economic slowdown, China's tourism market maintained its gradual but slower growth rate in 2020. According to the National Bureau of Statistics, the number of outbound tourism arrivals reached 170 million in 2019, with a year-on-year growth rate of 4.5%. However, the outbreak of coronavirus as 2020 ushered in, upended lives and livelihoods. The pandemic has prompted countries across the world to impose strict travel restrictions. Effects on China's outbound tourism were immediate, with non-essential businesses facing temporary shutdown.

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 HTL, a leading global hotel and tourism consulting company, to conduct sentiment surveys of China's outbound tourism market. This is in keeping with WTA's goal to provide its members and stakeholders with the tools to better understand China's tourism industry, extract key trends and enable them to make data driven decisions. This is the third report of its kind conducted by WTA and Horwath HTL.

Our special thanks go to Shanxi Provincial Department of Culture and Tourism, Shanghai Municipal Administration of Culture & Tourism, Jiangsu Provincial Department of Culture and Tourism, Zhejiang Provincial Department of Culture and Tourism, Fujian Provincial Department of Culture and Tourism, Department of Culture and Tourism of Guangxi Zhuang Autonomous Region, Department of Tourism, Culture, Radio, Television and Sports of Hainan Province, Sichuan Provincial Department of Culture and Tourism, Department of Culture and Tourism of Shaanxi Province, Air China Limited, China Tourism Group Corporation Limited, China Association of Travel Services, Los Angeles Tourism & Convention Board, China CYTS Tours Holding Co., Ltd., Trip.com Group, Guangzhou Li Zhi Network Technology Ltd., Guilin Tang Dynasty Tours Co., Ltd., Joyu Group (Lvmama), Tuniu.com, Nankai University College of Tourism and Service Management, TURESPAÑA, Hunan Tourism Association. As well, our sincere thanks go to WTA member The Federation of The Federation of ASEAN Travel Associations (FATA), Brunei Tourism, Singapore Tourism Board, Tourism Authority of Thailand Beijing Office for providing us with images in this report.

Introduction

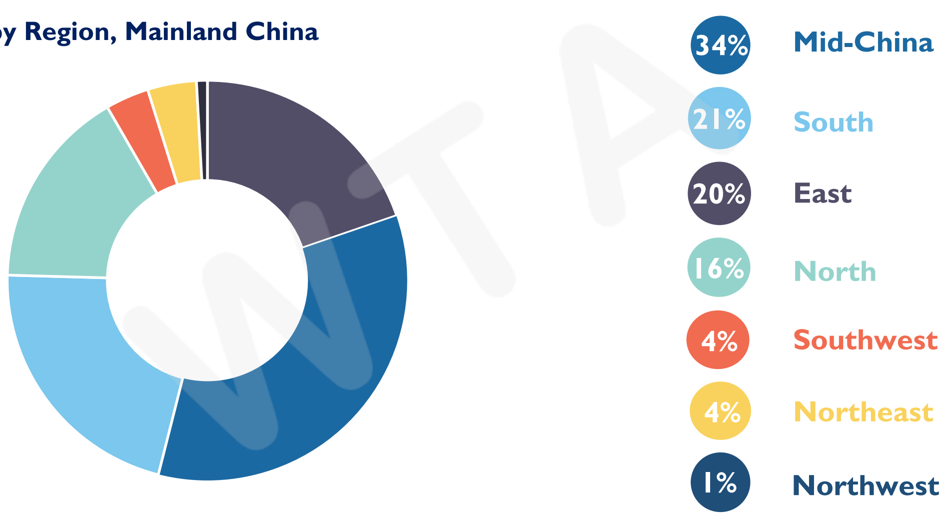
This is the third survey conducted by Horwath HTL and the World Tourism Alliance for the Chinese outbound travel market. This report is a summary of the results of our research based on **1,058** questionnaires from 28 provinces, municipalities and autonomous regions in China, with **228** questionnaires focused on outbound travel. Responses to the questionnaires were received on March 2, 2020 and conclusions were drawn based on the sentiments and projections on COVID-19 from the respondents.

Two questions were specifically included to assess the impact of COVID-19 on China's outbound tourism for better understanding of the current situation and market outlook.

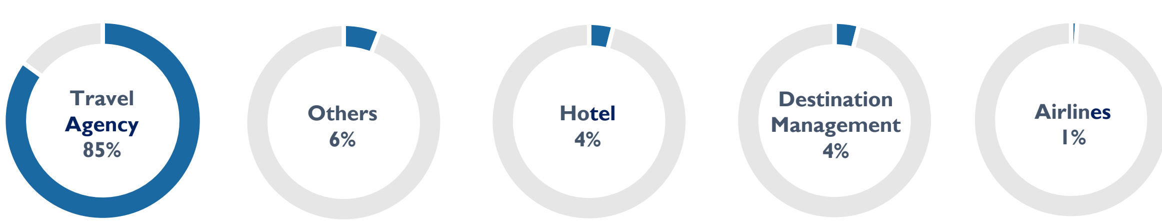
Responses are quantified through a specific sentiment score model and presented in the form of scores to reflect the respondents' expectations on outbound tourism. The scores were measured and compared across China by different regions and cities.

A sentiment score is assigned to each question, with scores ranging from negative 150 points to positive 150 points. A negative 150 score indicates a state of absolute pessimism, a score of zero indicates unchanged expectations and a score of positive 150 indicates a highly optimistic sentiment. Respondents were asked to compare the market performance in the first half of 2020 to the actual performance in the first half of 2019. Further, they were asked to identify factors contributing to the variance and provide their insights on the tourism source markets and destination markets.

Samples by Region, Mainland China



Samples by Organization Type



Market Sentiment Analysis

2020 H1	2019 H2	2019 H1
Sentiment Score -117	Sentiment Score 12	Sentiment Score 7

Due to the COVID-19 outbreak in early 2020, the overall sentiment of the Chinese outbound tourism market hit a historical low of -117. This is a precipitous 124-point drop compared to the first half of 2019. With the minimum sentiment score of -150, the impact of this pandemic on market confidence is undeniable. Upon completion of this project, the number of new daily coronavirus cases in China has dwindled significantly. However, the situation has intensified globally. As of press time, more than 80,000 COVID-19 cases have been reported outside of China-- with Italy, South Korea and Iran becoming the new pandemic epicenters.

China's outbound tourism market has maintained a gradual but slower growth because of COVID-19. Remarkably, it achieved a year-on-year growth rate of 4.5% in 2019 as influenced by the following factors:

Rising Market Penetration into third-tier cities and below

Loosening of Visa Policies

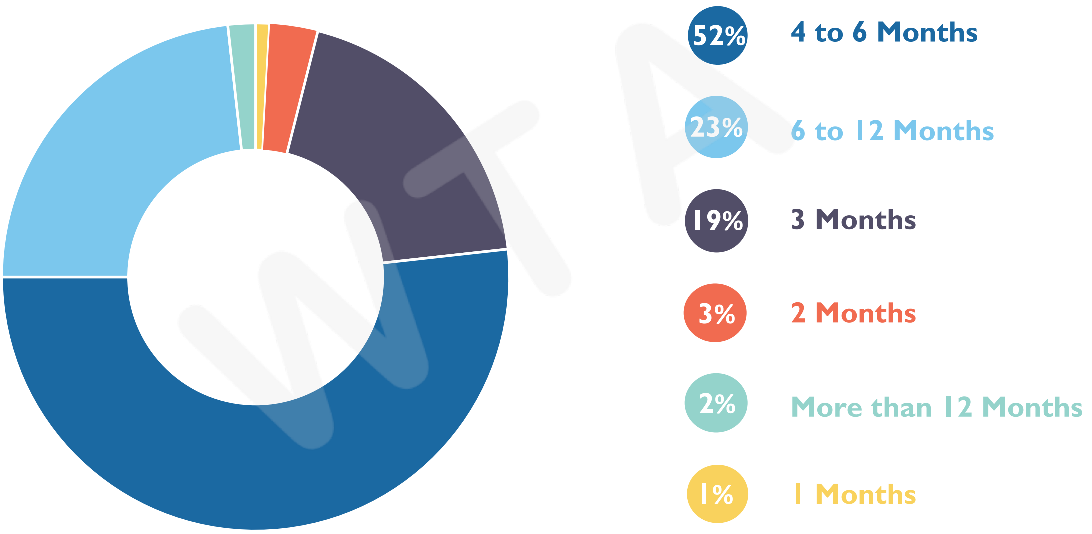
Optimization of Cross-Border Transportation Networks

Innovative Travel Products

Unfortunately, with COVID-19 declared a global pandemic by the World Health Organization (WHO) and the uneven country-to-country control measures, a longer recovery period is expected for China's outbound tourism compared to domestic tourism market.

Bangkok-Grand Palace, Thailand

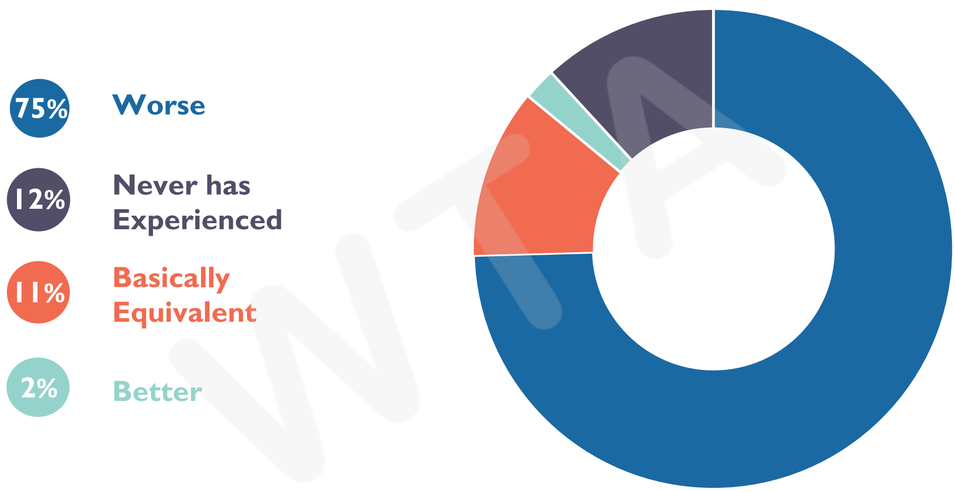
1、From this year's Spring Festival, how long do you expect the impact of COVID-19 on the performance of China's outbound tourism market?



Only 23% of respondents believe it would last for 3 months or less, while more than half expect it to last for 4-6 months. 23% and 7% believe the impact to last from 6-12 months and more than 12 months respectively. Nearly 80% of respondents believe the impact would last more than four months.

Comparison: The first SARS confirmed case was announced in Dec. 2002 followed by a massive outbreak in April 2003. The epidemic was essentially contained by July 2003. A total of 8 months from confirmation to eradication. Based on the forecasts by the majority of respondents, the impact of COVID-19 on the Chinese outbound tourism market is expected to last way into summer, from June or even August.

2、 Compared to the SARS outbreak in 2003, do you think the impact of COVID-19 will be better or worse on outbound tourism?



12% of respondents have not experienced the SARS outbreak, making it difficult for them to make a comparison between the two. 75% believe the influence of COVID-19 on outbound tourism would be worse than that of SARS. 13% consider the impact of COVID-19 almost equal to or better than that of SARS.

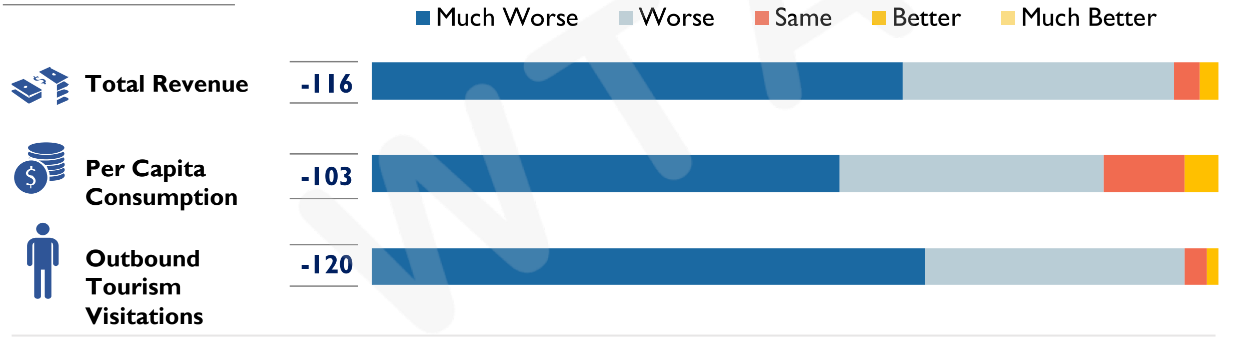
As of March 17, 2020, the number of worldwide confirmed COVID-19 cases has exceeded 180,000—far beyond the 8,000 confirmed SARS cases. COVID-19 has a longer incubation period and is more infectious than SARS. Optimization of global transportation networks has facilitated the faster and wider spread of coronavirus. Since COVID-19 has been declared a pandemic, international tourism has a long road to recovery. Its impact is considered to be worse compared to SARS.

Mabul Island Sabah, Malaysia

3、 What is your assessment of the Chinese outbound tourism market for the first half of 2020 ?

Sentiment Score

-113

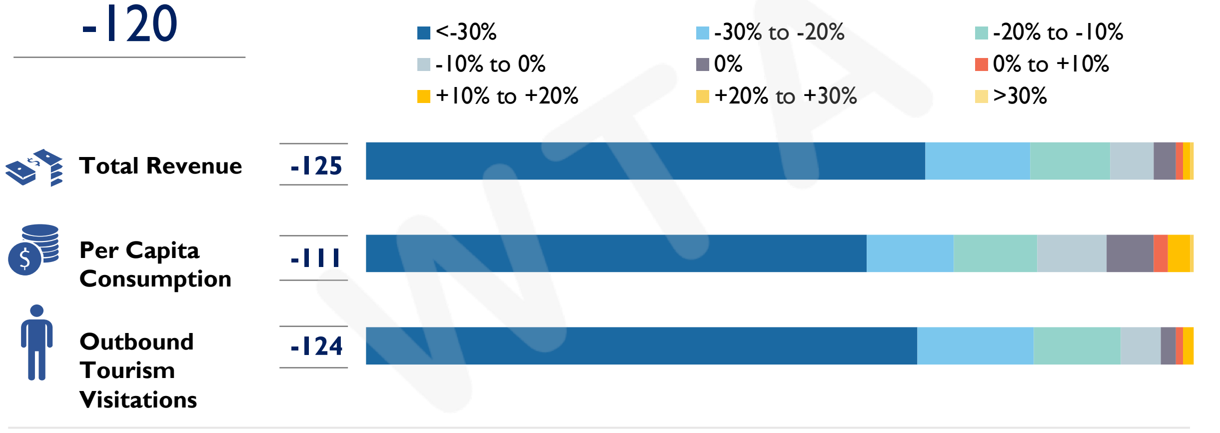


Due to the coronavirus outbreak, the overall expectation on the inbound tourism market has slumped significantly. The sentiment score drops by 113 points compared to that of the first half of 2019. In the meantime, the scores of all three indicators also have shown notable decline, and respondents indicated the lowest confidence on Outbound Tourism Visitations.

4、 What is your expectation on the growth/decline of domestic tourism market for the first half of 2020 ?

Sentiment Score

-120

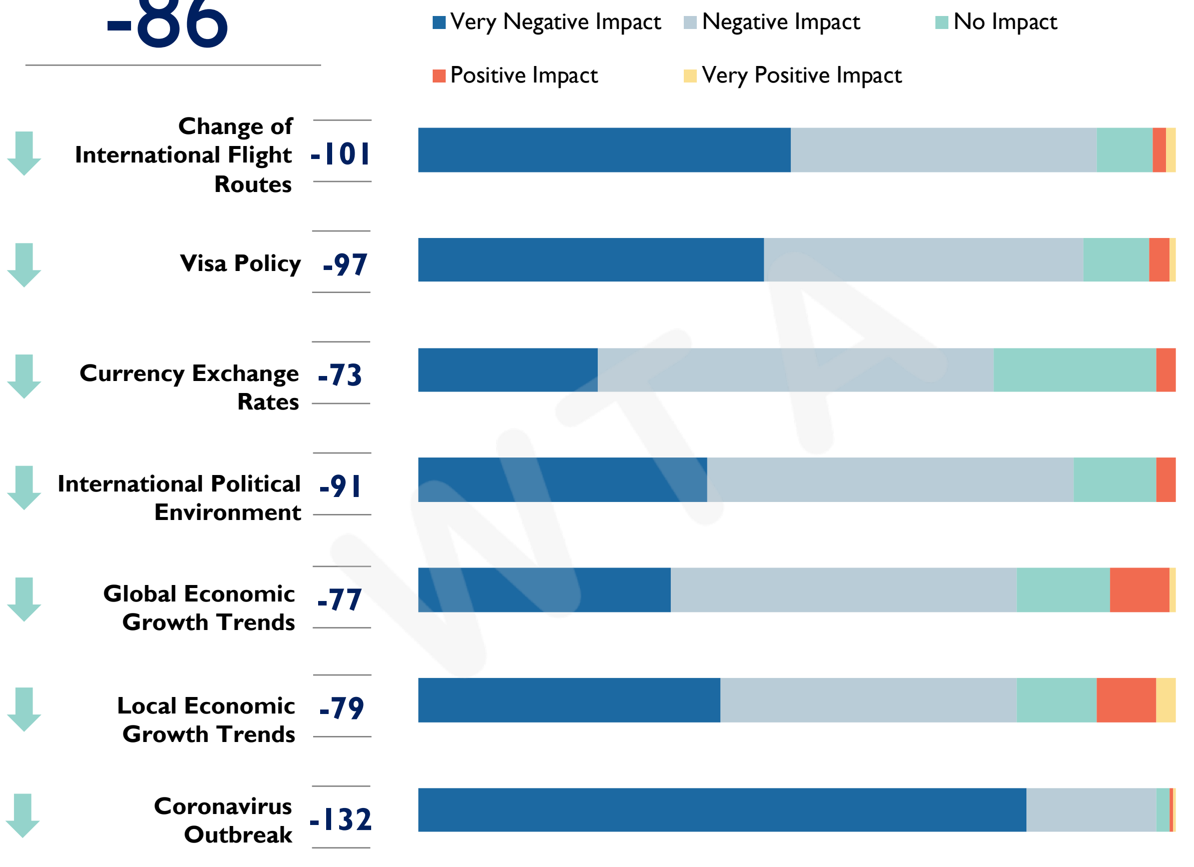


The COVID-19 pandemic has also damaged the respondents' confidence on their outbound tourism business. Compared to the first half of 2019, the overall sentiment score dropped by 134 points, indicating a more negative attitude toward the performance of their own businesses compared to the market average. Among the three indicators, Total Revenue and Outbound Tourism Visitations have the lowest sentiment scores.

5、 How do you expect each factor below to influence the Chinese outbound tourism market in the first half of 2020？

Sentiment Score

-86



Including the newly added COVID-19 pandemic, all of the above-mentioned seven factors have negatively impacted the Chinese outbound tourism market in the first half 2020, resulting in an overall slump of the sentiment score to -86. More significantly, COVID-19 has been identified as the most important factor leading to the downturn of the Chinese outbound tourism.

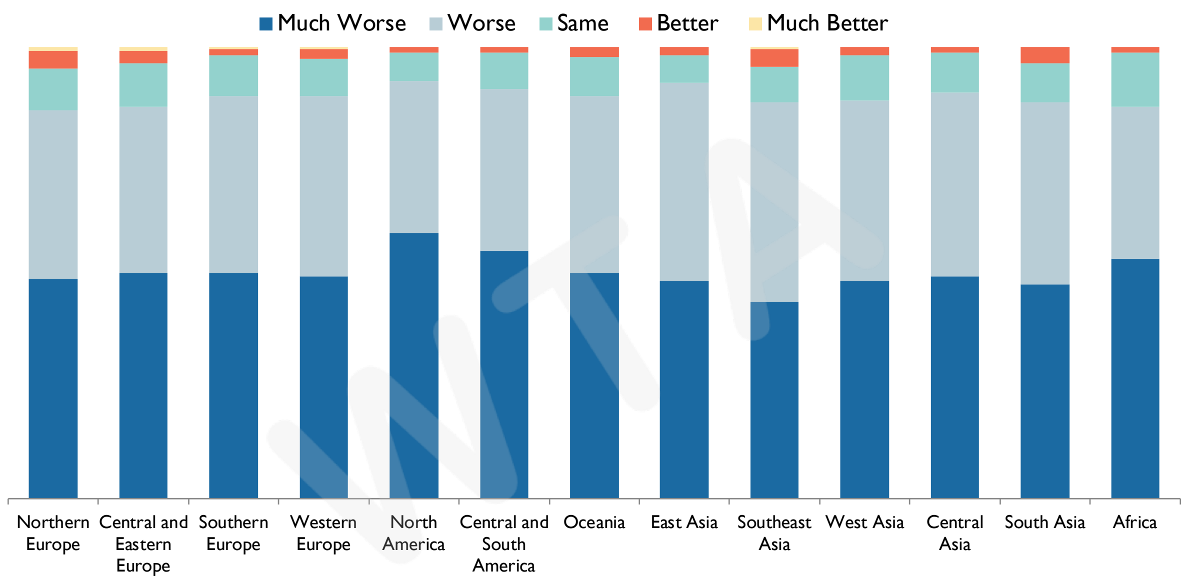
Respondents are negative and pessimistic about all of the seven factors. More than 80% consider the COVID-19 pandemic as the most important factor hindering the development of outbound tourism, followed by the change of international flight routes caused by control measures enforced by governments and countries to stop the spread of coronavirus. Although the sentiment scores of the rest of the factors are slightly higher, the overall score is still lower than -80.

6、How do you expect each outbound tourism destination below to perform in the first half of 2020？

Sentiment Score

-102

With the downward pressure of the COVID-19 pandemic, respondents have indicated a similar level of negative expectations for the outbound tourism of 13 international destinations, with sentiment scores all below -95. North America has scored the lowest among all, with a sharp drop of 106 points.



Northern Europe	Central and Eastern Europe	Southern Europe	Western Europe	North America	Central and South America	Oceania	East Asia	Southeast Asia	West Asia	Central Asia	South Asia	Africa
-97	**-99**	**-103**	**-101**	**-113**	**-108**	**-103**	**-104**	**-95**	**-101**	**-103**	**-99**	**-104**

Asia is experiencing a drastic decline in the first half of 2020. As the dominant destination for outbound Chinese tourism, East Asia (including Japan and South Korea) and Southeast Asia's sentiment scores have significantly dropped by **130** and **135** points respectively. As of March 17, 2020, South Korea reported more than 8,000 confirmed COVID-19 cases. Furthermore, the 2020 Tokyo Olympics is already postponed. Other countries in Asia are not popular Chinese outbound tourism destination due to the lack of transportation facilities or political stability.

Europe is also heavily impacted by the COVID-19 pandemic, with its overall sentiment score down to **-100**. Within the region, respondents are most worried about the Southern Europe submarket. As of March 17, the total number of confirmed COVID-19 cases in Italy has exceeded 30,000. A nationwide border shutdown has been activated since March 10. Western Europe, including France and Spain, is also hit hard. As the major long-haul destination market for the outbound Chinese tourism, Europe is expected to face unprecedented challenges in the first half of 2020.

6、How do you expect each outbound tourism destination below to perform in the first half of 2020？

Oceania's sentiment score has dropped to a historic low at **-103**, a **113**-point deficit. Although the number of confirmed COVID-19 cases in Australia and New Zealand has yet to reach 600 on March 17, the pandemic still affects the confidence for this region. Adding to its pandemic woes, Australia was hit by a major bush fire in July 2019. More than 11 million hectares of bush, forest parks burned down while tens of thousands of wildlife were killed.

Africa's sentiment score has dropped by **124** points compared to the first half of 2019. Although Africa is gradually gaining recognition in recent years as an emerging outbound tourism destination, it still lacks comprehensive tourism infrastructures and tourism facilities. In the midst of the global battle to contain the coronavirus pandemic, Africa is struggling to become a popular tourism destination due to health and safety concerns.

North America, the sentiment score for this region has been on a continuous decline since 2019. It has recorded a **94**-point drop. As of March 17, with over 6,000 confirmed cases, more than 10 states in the U.S.A. have declared states of emergency over the COVID-19 pandemic. Canada has also reported nearly 600 confirmed cases. The China-US trade war, Huawei trade ban, stricter American and Canadian visa policies and the recent stock market volatility, all have contributed to the major challenges facing the region.

Central and South America, the region's sentiment score shows a **105**-point drop compared to the first half of 2019. Due to the political instabilities, refugee and migrant issues in several of its countries, this region has always been a niche destination for outbound Chinese tourism. Combined with the COVID-19 pandemic, the sentiment score has dropped further down. More than half of the respondents believe the year-on-year market performance would be significantly worse in the first half of 2020 compared to the period in 2019.

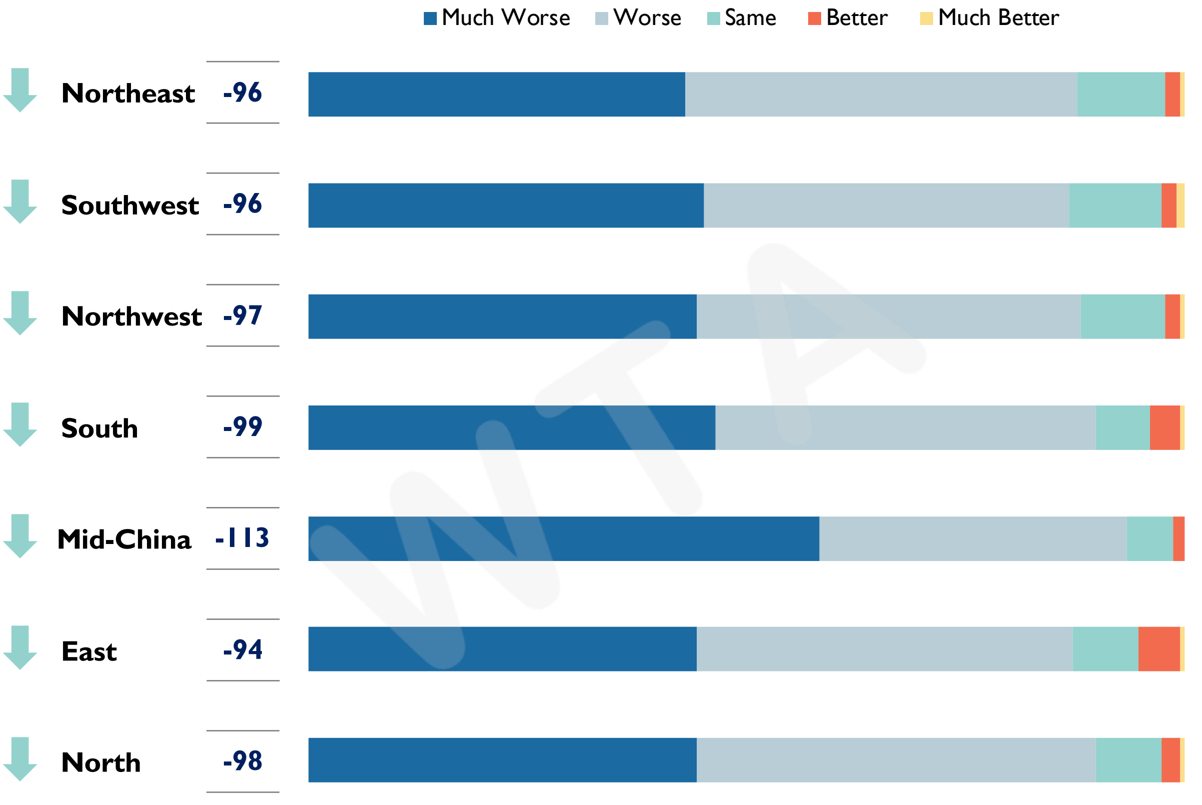

Royal Regalia Students, Brunei

7、What is the performance expectation for the first half of 2020 for each of the Chinese outbound tourism generating regions below?

Sentiment Score

-99

With COVID-19 pandemic pulling down all benchmarks, respondents have indicated a similar level of negative expectations for the seven outbound Chinese tourism source markets. Sentiment scores have all dropped below -99, with the Mid-China's sharp 125-point fall as the lowest.



Although the sentiment score for **East China** is slightly higher than the other six markets, it is still recording a **129**-point drop compared to the first half of 2019. As China's financial hub, Eastern China is home to a number of highly developed coastal cities such as Shanghai. The region, as with every city, is also struggling with the COVID-19 pandemic. Reliance on scientific measures and actionable city management regulations must be adopted. Nevertheless, Eastern China is expected to be the first to recover from the coronavirus pandemic.

The sentiment score for **Southwest China** has dropped by **96** points. Although Chongqing, Chengdu and Kunming—progressive second tier cities—continue to grow as outbound tourism source markets, other provinces are hampered by imbalances in its regional development. Several face economic and transportation development shortages. COVID-19 is adding to the bleak outlook for this market.

7、What is the performance expectation for each outbound tourism generating region below in the first half of 2020？

Northeast China, the sentiment score for this region has dropped **87** points compared to first half of 2019. Although it is traditionally an industrial area, Northeast China minimally contributes to outbound tourism because of its disadvantaged economy compared to the other economic zones, Mid-China and Western China. Although it benefits from being adjacent to Russia, a major outbound destination, Northeast China remains one of the weaker outbound tourism source markets.

The sentiment score for **Northwest China** has dropped **88** points compared to the first half of 2019. Respondents are pessimistic due to the COVID-19 outbreak, the region's fragile economic foundation and limited international flight routes. Xi'an, however, has added several international commercial aviation services since last year. The third phase of Xi'an Xianyang International Airport will be completed in 2021. The region's outbound tourism is expected to take off into a new era of development.

North China, the sentiment score for this region reveals a **119**-point year-on-year drop. China's capital, Beijing, has always been the main source market for the country's outbound tourism. Although nearly 90% of the respondents expect this region's performance to be worse compared to the same period last year, the continuous growth of North China as an outbound tourism source market will not change in the future.

The sentiment score for **South China** has dropped by **128** points compared to the first half of 2019. Next to the Mid-China, South China is the most severely affected area by the coronavirus pandemic. Not surprisingly, respondents are pessimistic about its prospect as an outbound tourism source market. However, given the advanced economic development in the Pearl River Delta Region, the large tourism base and the convenient cross-border transportation system, South China, with the help of first tier cities of Guangzhou and Shenzhen, is expected to continue to prosper after the COVID-19 pandemic.

Mid-China, the market sentiment score for this area has dropped to a catastrophic **-113**. Nearly 60% of respondents believe this region's performance would be significantly worse year on year. A lengthy recovery period is expected after the pandemic.


Gigantes Island, the Philippines

Conclusion

The overall sentiment score of China's outbound tourism market is experiencing a free fall in the midst of the COVID-19 pandemic, dropping to a historical low of -117. Respondents are pessimistic about the prospects for all of the seven domestic regions. Not surprisingly, the Mid-China has scored the lowest.

Sentiment scores for 13 outbound tourism destination markets plunged below -95, with North America getting the lowest score. Nearly 80% of respondents believe the impact of the pandemic would last a minimum of four months from this year's Spring Festival. Majority think the impact of COVID-19 is more challenging compared to the SARS outbreak in 2003.

With the declaration by the World Health Organization (WHO) of COVID-19 as a pandemic, respondents are pessimistic about outbound tourism. All seven factors affecting this market have received negative sentiment scores. The Coronavirus Outbreak and Change of International Flight Routes are considered the top influential factors leading to the unprecedented downturn of outbound tourism.

As of the completion of this report, the coronavirus outbreak in China has been largely under control while the rest of the world faces an intensified battle. China's outbound tourism is expected to have a longer recovery period than domestic tourism. Although outbound tourism went through a massive hit in the first half of 2020, we believe the strong fundamentals for the market's development will not change. Looking into the future, the outbound tourism market is expected to be bolstered by the continuing growth of the Chinese economy and purchasing power, increasing penetration into third tier cities and below, the relaxation of visa policies, optimized cross-border transportation networks and innovative products tailored to the needs of Chinese travelers.


Sultan Abdul Samad Building, Malaysia

Appendix

About World Tourism Alliance

On Sept. 12, 2017, the World Tourism Alliance (WTA)—the world's global, comprehensive, non-government, nonprofit tourism organization founded in China—was inaugurated in Chengdu, Sichuan Province, China.

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 198 members from 39 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 firm. 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. Horwath HTL is also supported by the Horwath database, the largest and most complete hotel and tourism related database in the world.

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 individually held businesses to the world's most prominent operators, developers, lenders, investors and industrial corporations.

No other firm is better positioned to meet today's and tomorrow's industry challenges than Horwath HTL - experts in the hotel, tourism and leisure industries.

For more information, please get access to www.horwathhtl-cn.com and www.chatchina.com.cn, as well as follow the official Wechat account of CHAT by Horwath HTL.

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Any data presented from this publication should source the information as coming from the "2020 H1 China Outbound Tourism Market Sentiment Survey, World Tourism Alliance (WTA) and Horwath HTL".

Brunei Culture