



WORLD TOURISM ALLIANCE



Horwath HTL™ 浩華

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2020/H2

China Domestic Tourism Market Sentiment Report



Canyon View, Sichuan, China

Special Thanks To:



山西省文化和旅游厅
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Hunan Tourism Association



中国航空运输协会
China Air Transport Association

Photo Courtesy:



四川巴山大峡谷
Sichuan Bashan Grand Canyon



Contents

Introduction	01
Background	02
Market Sentiment Analysis	03
Conclusion	10
Appendix	11
Disclaimer	12



Intangible Cultural Heritage
"Tujia Drum Performance", Sichuan China



Winding Mountain Road, Sichuan, China

《 2020 H2 China Domestic Tourism Market Sentiment Report 》

2010-2019 was the golden decade of development for China's domestic tourism. Robust growth and structural optimization marked this golden period that propelled the travel and tourism industry to a vitally important sector in the national economy. But the rising trend was abruptly halted by a tiny invisible virus that caused visibly massive devastation to lives and livelihoods. Heavy losses followed the COVID-19 outbreak in China, and eventually throughout the world as the pandemic stubbornly spread, sparing no country or region. By mid-July 2020, the domestic epidemic situation in China was largely under control, Cross-provincial tourism gradually reopened. Domestic tourism is slowly but surely starting its path to recovery and rebound. To track the development and trend of China's domestic tourism and provide WTA members and global practitioners the resources to understand and anticipate the prospects of domestic tourism, the World Tourism Alliance (WTA), in partnership with Horwath HTL, a leading hotel and tourism consulting company in the world, is jointly releasing the "China Domestic Tourism Market Sentiment Report" for the fourth time.

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, Gansu Provincial Department of Culture and Tourism, Huangshan Municipal Bureau of Culture and Tourism, 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, Guilin Tang Dynasty Tours Co., Ltd., Tuniu.com, TURESPAÑA, Hunan Tourism Association and China Air Transport Association. As well, our sincere thanks go to Sichuan Bashan Grand Canyon for providing us with the images used in this report.

Introduction

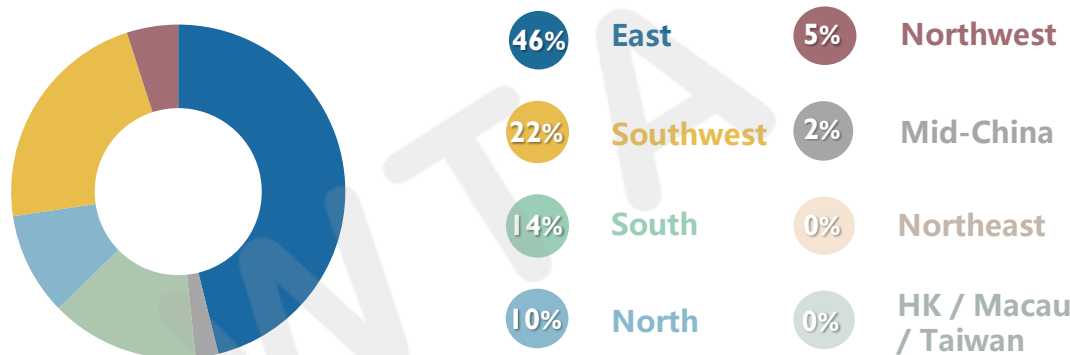
As the epidemic weakened significantly in the beginning of the second half of 2020, life began to return to normal as production and people resumed their daily activities. Domestic tourism also began to recover. Encouraging signs of recovery were further bolstered with the arrival of the traditional tourism peak season in summer and the forced return of outbound tourists. A survey on the epidemic situation that was added in the “2020 HI China Domestic Tourism Market Sentiment Report” is included in this sentiment report. Such inclusion, we hope, provides a framework for a better understanding of the full impact of the epidemic and allow stakeholders and tourism practitioners to accurately assess the current state of China’s domestic tourism, its development and future.

As well, we use a specific sentiment score model to quantify the respondents’ feedback for better analysis and comparison of the domestic tourism markets of various regions and cities in China. These are presented in the form of an index to reflect the respondents’ expectations.

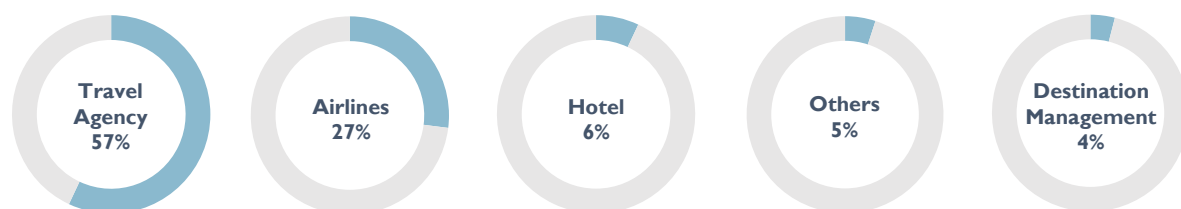
A sentiment score is applied to each question, with scores ranging from negative 150 to positive 150. A negative 150 score indicates a state of absolute pessimism, while a score of zero indicates unchanged expectations. Conversely, a score of positive 150 indicates a highly optimistic sentiment. Respondents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

This is the fourth survey conducted by Horwath HTL and the World Tourism Alliance for China’s domestic travel market. This report summarizes our research results based on **1,154** valid questionnaires from 28 provinces, municipalities and autonomous regions in China, including **362** valid questionnaires for domestic travel. Questionnaires were received up to July 6th, 2020. Main conclusions are based on respondents’ predictions regarding the COVID-19 back at the time.

Sample Analysis by Region



Sample Analysis by Organization Type



Market Sentiment Analysis



2020 H2



2020 H1



2019 H2

Overall sentiment score of China's domestic tourism market in the first half of 2020 hit a historic low at -121, clearly a result of the impact of COVID-19. However, except for sporadic concentrated cases in some areas, the domestic epidemic has been basically controlled in the second half of 2020, resulting in the gradual recovery of domestic tourism.

Though they remain pessimistic, respondents have indicated a growing confidence as shown in the overall sentiment score for domestic tourism market increasing to -85 in the second half of 2020.

According to a notice from the Ministry of Culture and Tourism on July 14, 2020, the domestic cross-provincial (regional, city) group tourism has resumed, sending a positive signal to the local tourism sector. However, the development of domestic tourism is still greatly inhibited by the impact of the epidemic on China's economy. A rebound to the pre-epidemic level in a short period of time will not happen overnight or in a short period of time. Some have reduced or canceled their travel plans, while some enterprises and institutions are restricting business trips for their employees. However, in the medium to long term, the domestic tourism market shows a robust potential due to the following factors:

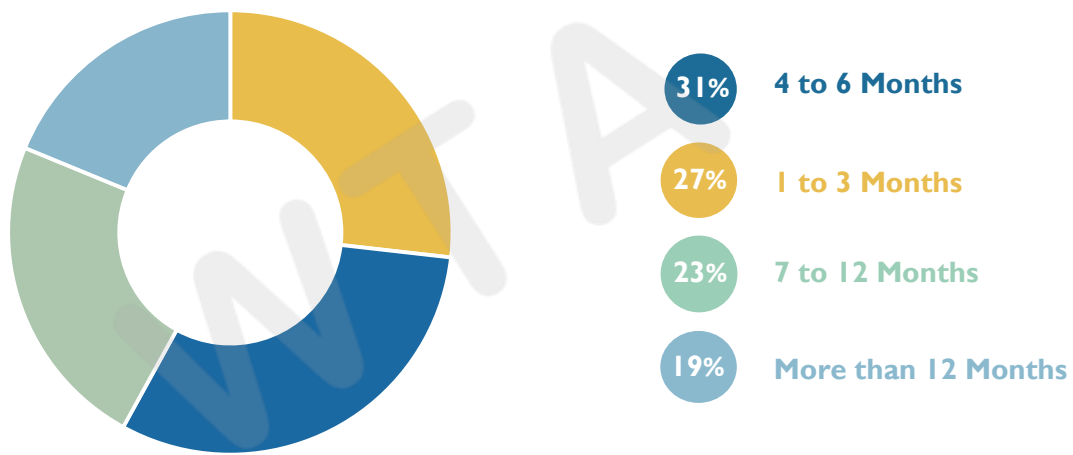
The domestic epidemic situation is basically under-control	Residents' pursuit of a better life never change	The depressed tourism demand after the epidemic needs to be released	Unavailable international tourism promotes domestic tourism market
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Domestic tourism is in the process of gradual recovery. After a period of unprecedented downturn and uncertainty, domestic tourism practitioners are regaining confidence and are ready to face the challenges ahead.



Snow Mountain, Sichuan, China

I. Starting in July 2020 and based on the current situation, how long do you expect the impact of the outbreak on the performance of China’s domestic tourism market to last?



In 2020 H1 survey, more than half of the respondents believed the impact of the coronavirus outbreak on the overall performance of the domestic tourism industry would last for 4-6 months. Nearly 80% of the respondents expected the impact cycle to not exceed 6 months. Although China successfully controlled the epidemic within its borders six months later, the impact of the epidemic on domestic tourism did not stop immediately.

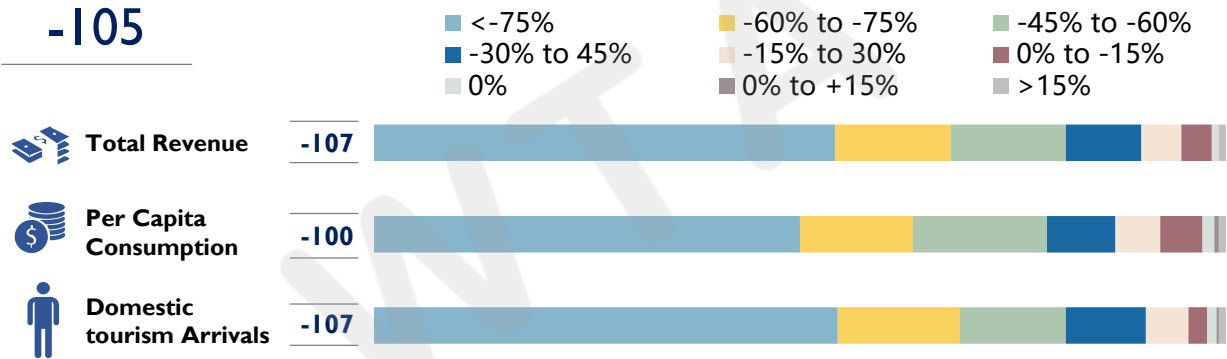
In 2020 H2 survey, respondents' expectations turn cautiously conservative. 27% of the respondents expected the impact of the epidemic on the domestic tourism market to continue for 1-3 months. 31% of the respondents believed the impact to last for 4-6 months. More than 40% of the total respondents anticipate the impact to remain for more than half a year. The ratio of those who believe the situation will not improve in a year is 19%, a significant increase from the previous survey—a clear indication of the pandemic-caused uncertainty among the respondents.

Although the SARS epidemic in 2003 ended in the eighth month, COVID-19 has far exceeded SARS in both the scope of the infection and the number of infected people. At press time, the epidemic continues its grip in many countries and regions around the world. Uncertainty of the international epidemic situation also restricts the further opening of domestic tourism. Promoting tourism development and ensuring the health, safety and wellbeing of travelers are challenges facing the travel and tourism industry worldwide.



2. Compared to the first half of 2019, did the actual performance of your business increase or decline in the first half of 2020?

Sentiment Score
-105



This survey has assigned a numerical value to the changes in the actual performance of respondent-owned or operated businesses in the first half of 2020 to accurately determine and assess the impact of COVID-19 on domestic tourism businesses.

Compared to the first half of 2019, the sentiment score of the actual performance of respondent-owned or operated enterprises in the first half of 2020 is -105, indicating the huge impact of the epidemic on domestic tourism. According to the survey, less than 3% of the respondents said that in the first half of 2020, the actual performance of their domestic tourism business was the same, or slightly increased, compared to the same period of last year. The performance of others showed a sharp decline, with more than half declining by more than 75%.

Domestic tourism arrivals and per capita consumption indicators decreased significantly. Impact of the epidemic on domestic tourism arrivals was particularly prominent. 54% of the respondents revealed the number of domestic tourists served by their businesses dropped by more than 75%.



3. Compared to the second half of 2019, what is your assessment of China's domestic tourism market for the second half of 2020?

Sentiment Score

-80

■ Much Worse ■ Worse ■ Same ■ Better ■ Much Better



Concerns about a possible recurrence of the epidemic and uncertainty over China's economic recovery have impacted the overall performance of the domestic tourism market in the second half of 2020 which is expected to drop to -80 compared to the same period of last year. Compared to the sentiment score of -120 in the first half of 2020, there are indications confidence has rebounded among our respondents. Market expectations for domestic tourism arrivals, per capita consumption and total revenue have increased significantly compared to the survey in the first half of the year. Among all indicators, per capita consumption is expected to recover first. As outbound tourists travel domestically out of concern for the epidemic outbreak outside of China, per capita consumption is expected to increase.

4. Do you expect a growth or decline in the China's domestic tourism market for the first half of 2020?

Sentiment Score

-89

■ <-75% ■ -60% to -75% ■ -45% to -60%
 ■ -30% to 45% ■ -15% to 30% ■ 0% to -15%
 ■ 0% ■ 0% to +15% ■ >15%

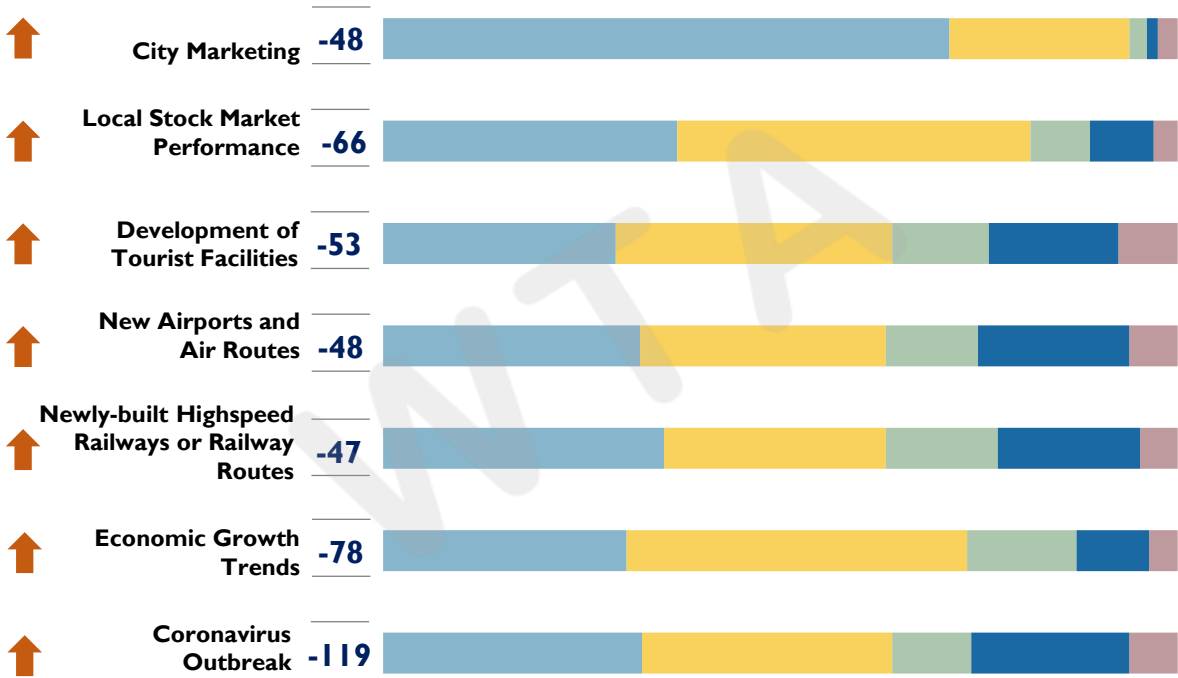
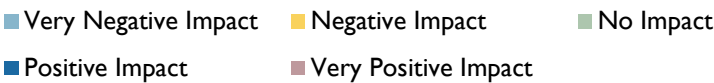


Respondents are cautious about their domestic tourism business in the second half of 2020. Although the overall sentiment score has rebounded compared to the first half of the year, more than 50% expect all 3 indicators to decline by more than 75% in a year-on-year comparison. A detailed breakdown of the 3 indicators shows a relatively higher sentiment score for domestic per capita consumption. In comparison to the performance expectation of the overall market, respondents are less confident in the performance recovery of their own businesses. This can be explained, in part, by the differences in the tourism recovery progress in different regions.

5. How do you expect each factor below to influence China's domestic tourism market in the second half of 2020?

Sentiment Score

-66



This survey includes the new Coronavirus Outbreak factor. Respondents expressed severe pessimism for all seven factors listed in the survey as shown in the drop of the overall sentiment score to -66. The prosperity index of various factors, however, has rebounded compared to the first half of 2020. Respondents believe the negative impact is weakening, and domestic tourism has the opportunity to return to normal as soon as possible.



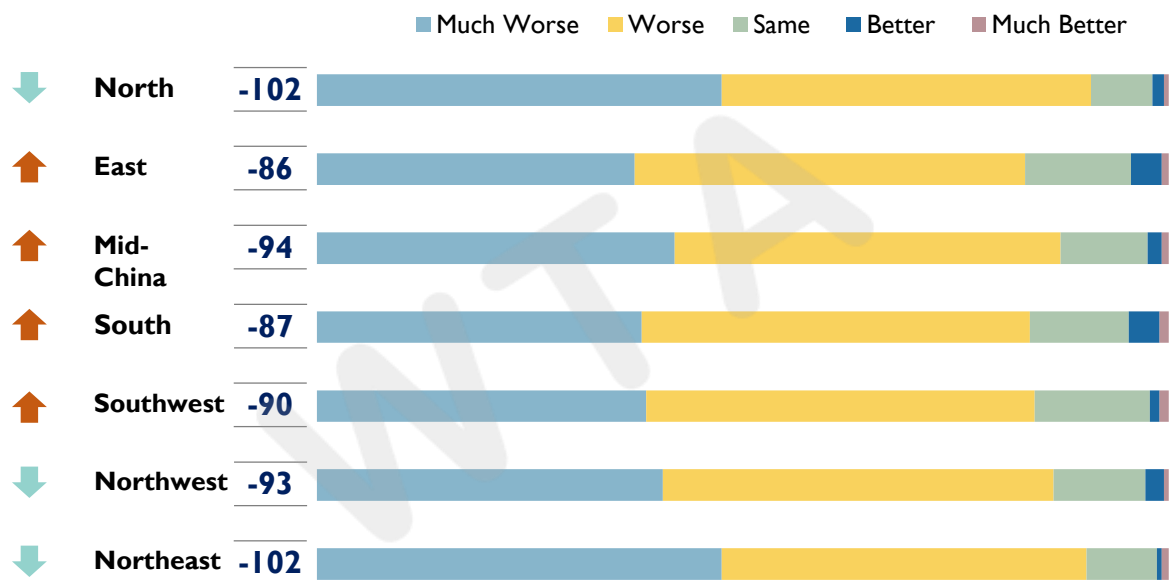
Among all factors, COVID-19 is still considered the biggest hurdle to domestic tourism as 71% of respondents expect the epidemic to continue to inflict damage in the second half of the year. They are also worried about the lingering negative impact of the epidemic and the volatility of China's stock market. Negative effects of the other 5 factors, they believe, are gradually diminishing. Compared to the inbound/outbound tourism market, which are still long ways from recovery, the domestic tourism market is developing steadily.

6. What is the performance expectation for each domestic tourism generating region below in the second half of 2020?

Sentiment Score

-93

The domestic epidemic situation has been under-controlled. Although the respondents remained pessimistic about the performance of the 7 major domestic tourism generating regions, the average sentiment score has been increased from - 97 to - 93.



North and Northeast China markets ranked last among all regions in the second half of 2020. Beijing, the central city of North China, and Northeast China have experienced a slight resurgence of the epidemic. Majority of the respondents remain pessimistic about the two regions as source markets for domestic tourism in the second half of the year. As the survey was conducted at a time when the second round of the COVID-19 epidemic peaked in Beijing, we can safely assume this development have influenced the expectations of our respondents.

Mid-China ranked 1st in tourism generating sentiment score among the 7 major regions. Wuhan, one of the key cities in Central China where COVID-19 first broke out, has successfully controlled the epidemic through unremitting rigorous efforts. Although respondents are still cautious about the recovery of domestic tourism with central China as a tourism source, their pessimism has eased significantly.

Northwest market's tourism generating sentiment score in the second half of 2020 slightly declined compared to the previous survey. Due to the different phases of epidemic spread and control in different regions, the travel restrictions and preventative measures vary. Main cities in Northwest China have imposed tighter travel restrictions. At the completion of this survey, the second round of the epidemic occurred in Xinjiang, further affecting the domestic tourism market in Northwest China

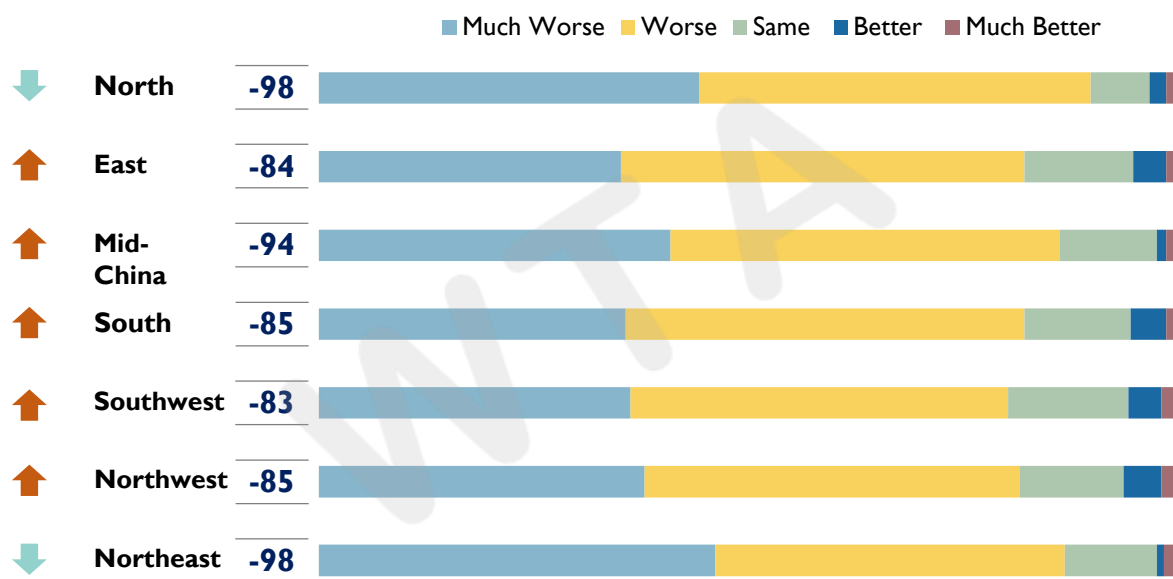
Other regions' tourism generating sentiment scores in the second half of 2020 increased to varying degrees compared to the first half of the year. Generally, the respondents' pessimistic expectation for the development of domestic tourism market in East China, South China and Southwest China in the next half year has eased slightly. Undoubtedly, the epidemic has caused a major national blow to domestic tourism on both macro and micro levels.

7. How do you expect each domestic tourism destination below to perform in the second half of 2020?

Sentiment Score

-90

The respondents remained pessimistic about the performance of the 7 major domestic tourism destinations, the average sentiment score has been increased from - 97 to - 90.



Mid-China market has shown the largest growth in tourism destination sentiment score among all 7 destinations. For a considerable length of time, Mid-China’s tourism destination sentiment score has been hovering at mid-level. In the first half of 2020, the tourism sentiment score suffered the largest decline due to the epidemic. Currently, with the COVID-19 epidemic completely under control, the pessimism among our respondents has been alleviated and guarded expectation for the recovery of domestic tourism has set in.

North and Northeast markets’ tourism destination sentiment score in the second half of 2020 ranked bottom among all regions. Although the second round of outbreaks in both regions have been effectively controlled, most of the respondents, out of prudence, still maintain a conservative expectation for these two regions as domestic tourism destinations in the second half of the year. Due to the outstanding tourism resources in Beijing, North China has always been one of the mainstream destinations for domestic tourism. However, the pandemic-caused absence of the summer tourism peak has been damaging to the region.

Other regions’ tourism destination sentiment scores in the second half of 2020 have all increased while remaining in the negative territory. The prospect of a recurrence of the epidemic is prompting several essential and non-essential enterprises and businesses to continue to impose travel limits on their employees, negatively affecting the recovery expectation for domestic tourism. On the whole, respondents remain pessimistic about the complete recovery of domestic tourism market in East China, South China, Southwest China and Northwest China in the next six months. Evidently, the epidemic has dealt a major blow to domestic tourism on a micro and macro level.

Conclusion

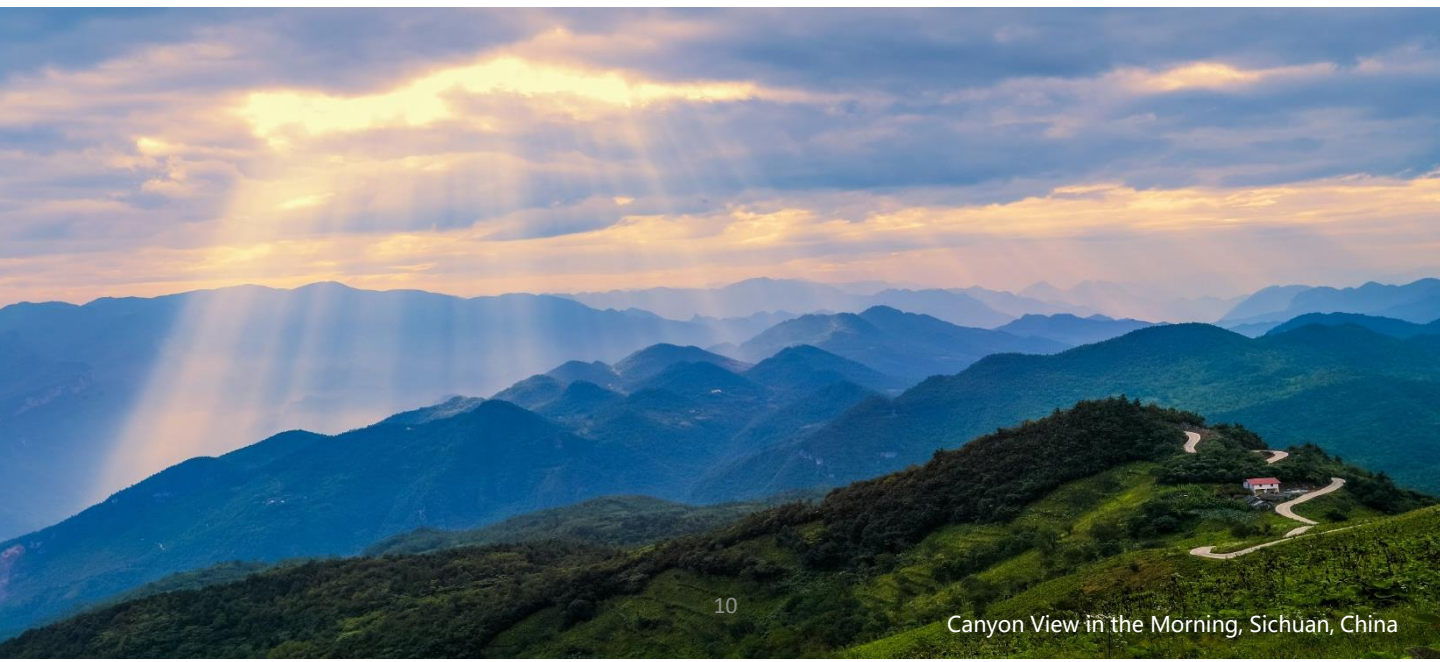
Six months after the first reported outbreak of COVID-19 in the beginning of 2020, the epidemic has shown no sign of stopping. While China has successfully controlled its spread and has since reopened to domestic tourism, the situation in other parts of the world is drastically different, with cases in the tens and hundreds of thousands.

While tourism authorities and practitioners based their expectation of the duration and scope of COVID-19 on their SARS experience several years ago, it did not take long for them to be proven wrong. The pandemic has spread globally at a much rapid pace, sparing no country or region. The economic fallout, the loss of livelihoods especially in the travel and tourism industry have been staggering.

Although China's effective and successful management of the virus within its borders have somewhat eased the pessimistic expectation of our respondents, there is no denying that COVID-19 remains the biggest threat to a tourism restart, recovery and rebound. Concerns for its resurgence or reoccurrence in a second wave remain high. Pessimism is high for regions in China that are experiencing a second round, particularly the North and Northeast for which sentiment scores have declined.

While domestic tourism recovery is expected to happen sooner, there will also be a heightened competition as those originally focused on the inbound/outbound tourism business have shifted their focus to local or domestic tourism. Long-distance vacation will take time to recover as health, safety and wellbeing concerns intensify during the pandemic. Staycations or staying close to one's home for a much-needed break will be the norm in the second half of the year and well into 2021.

With its rich natural heritage, centuries-old culture, breathtaking attractions, stunning sceneries and irresistible blend of old and new, China's tourism industry—domestic, inbound and outbound—is poised to rebound and even exceed the heights it achieved pre-COVID 19.



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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