



WORLD TOURISM ALLIANCE



Horwath HTL™ 浩華

August 2020

# 2020/H2

## China Inbound Tourism Market Sentiment Report



Old City Scenery, Qingdao, China

## Special Thanks To:



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Shanxi Provincial Department of Culture and Tourism



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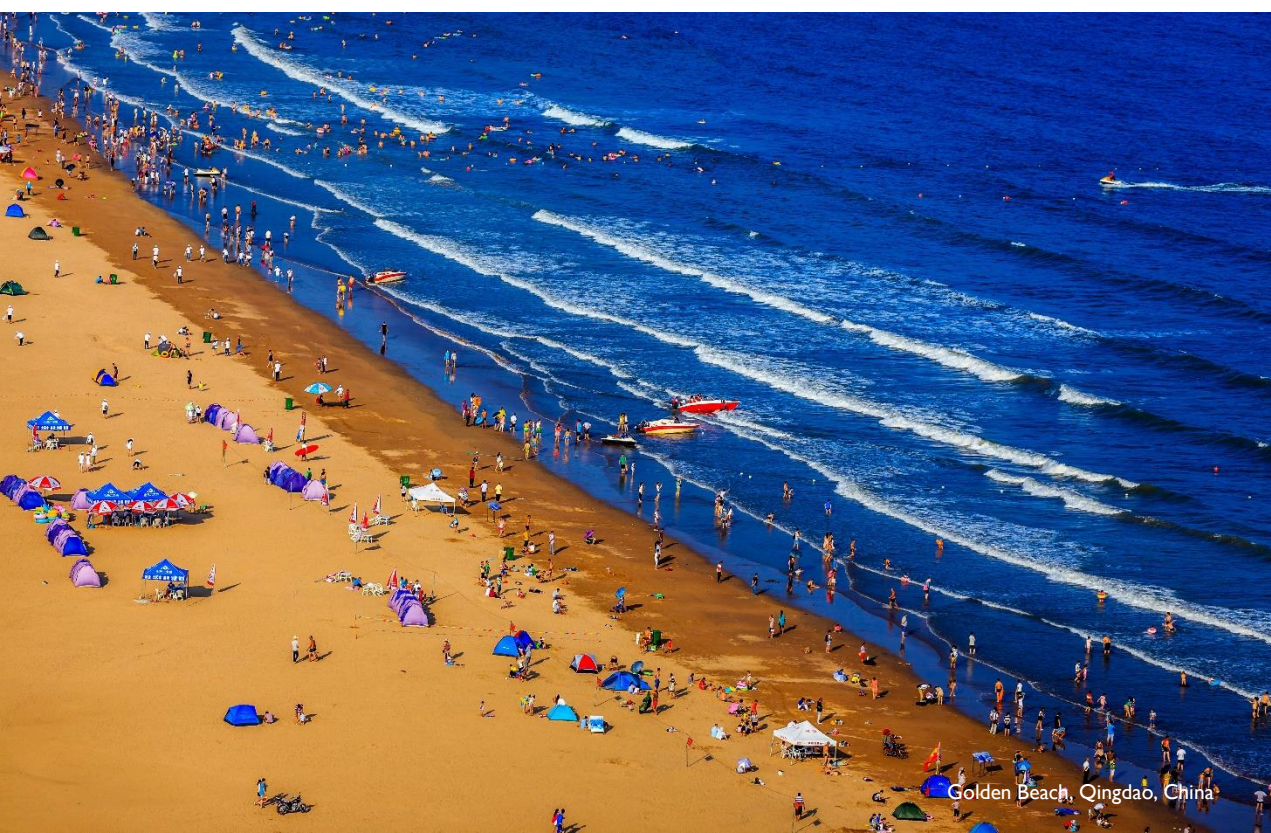
青岛市文化和旅游局  
Qingdao Culture and Tourism Bureau





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Golden Beach, Qingdao, China



Qingdao International Conference Center, China

## 2020 H2 China Inbound Tourism Market Sentiment Report

First identified in China in the beginning of 2020, COVID-19 has subsequently spread around the world. Millions of cases have been reported in more than 188 countries and territories, sparing no major region of its devastating grip. While certain countries and regions continue to struggle in getting the epidemic under control, others have started easing on COVID-19 related travel restrictions. The global pandemic has upended lives and livelihoods. Not surprisingly, China's inbound tourism is adversely affected as it faces unprecedented challenges.

Since 2019, the World Tourism Alliance (WTA) has been partnering with Horwath HTL, a leading global hotel and tourism consulting company in conducting sentiment surveys of China's inbound tourism. The fourth report of its kind, this survey is aimed at providing WTA members and global stakeholders with a better understanding of the key trends of China's inbound tourism, the factors driving the market to enable them to make informed, fact-driven decisions.

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 WTA member Qingdao Culture and Tourism Bureau for providing us with the images used in this report.

# Introduction

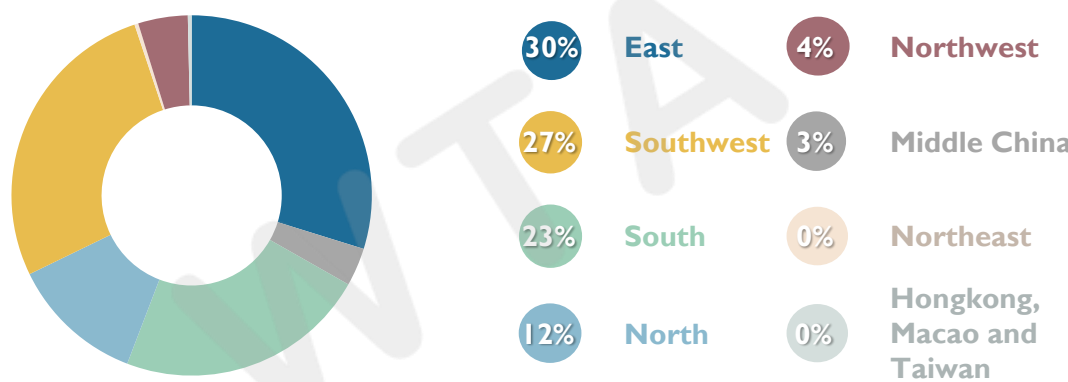
China's inbound tourism has been stagnant since the coronavirus broke out in early 2020. Although the epidemic in the country is under control in the second half of the year, the outbreak continues its spread around the world, resulting in an unprecedented global economic fallout, massive losses of livelihoods in the travel and tourism industry. While a few destinations have relaxed and reopened to tourism in July, a great majority of countries around the world continue with their pandemic-related travel restrictions that include flight suspensions, lockdowns and quarantines. Inbound tourism recovery is expected to be a long process, potentially taking months or even years.

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

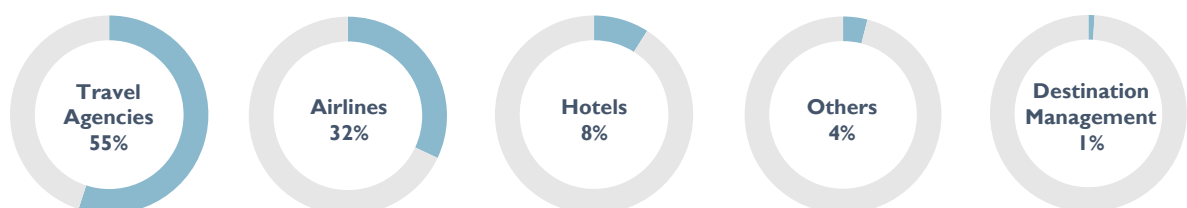
A sentiment score is assigned to each question, with scores ranging from negative 150 points to positive 150 points. A negative 150 score indicates a state of absolute pessimism, a score of zero indicates unchanged expectations and a score of positive 150 indicates a highly optimistic sentiment. Respondents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

This is the fourth survey conducted by Horwath HTL and the World Tourism Alliance for the Chinese inbound travel market. This report summarized our research results based on **1,154** valid questionnaires from 28 provinces, municipalities and autonomous regions in China, including **292** valid questionnaires for inbound travel. Questionnaires were received by July 6, 2020. Main conclusions are based on respondents' predictions regarding the COVID-19 at the time.

## Samples by Region



## Samples by Organization Type





# Market Sentiment Analysis



2020 H2



2020 H1



2019 H2

The uneven spread and control management of COVID-19 across the world in mid-July 2020 has made the travel and tourism restart and recovery very challenging. While some countries have reopened to tourism, several other destinations continue to shut their borders. China, the world's first country to effectively control the pandemic, continues to implement border control measures to protect its hard-won accomplishment and prevent large-scale imported cases.

Pre-COVID 19, the development of inbound tourism in China was already slow. Although hopeful signs of recovery have emerged in domestic tourism after the epidemic eased, inbound tourism has remained woefully stagnant.

Overall sentiment score of the inbound tourism in the second half of 2020 is -113, similar to the sentiment score of -127 in the first half of 2020. Clearly, pessimism is still predominant. Although the results of the two surveys were similar, the reasons were different. Pessimistic expectations in the first half of the year were mainly caused by concerns about the safety of China as a tourist destination. The second half, on the other hand, was mainly caused by the uncertainty of the international situation and the rising cases in other parts of the world. The following factors below contribute to the expected slow recovery of China's inbound tourism.

**The Global  
Recession Caused  
by the Pandemic**

**The Possibility that  
Epidemics Relapse**

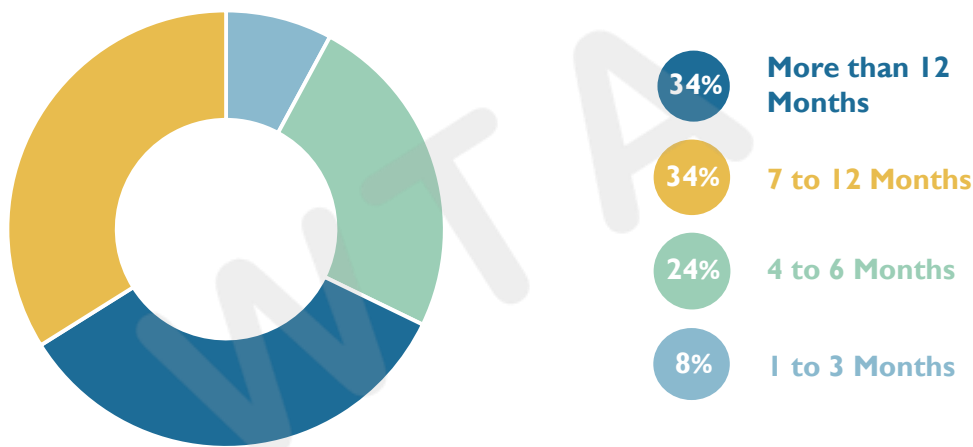
**More Complex and  
Changeable  
International  
Political Situation**

**Uncertainty of Visa  
Policy and  
Resumption of  
International  
Flights**

It is worth noting that on July 14, 2020, the Ministry of Culture and Tourism issued a notice that inbound and outbound tourism is temporarily closed.



# I. From July 2020 and in the context of China’s inbound tourism market, how long do you expect the impact of the epidemic to last?



A precipitous drop in inbound tourism immediately followed the outbreak of COVID 19. As of the completion of this report, inbound and outbound tourism has not yet resumed. In a comparison of the survey results in 2020H1, it is revealed in the 2020 H2 survey that respondents are significantly extending the impact cycle of the epidemic.

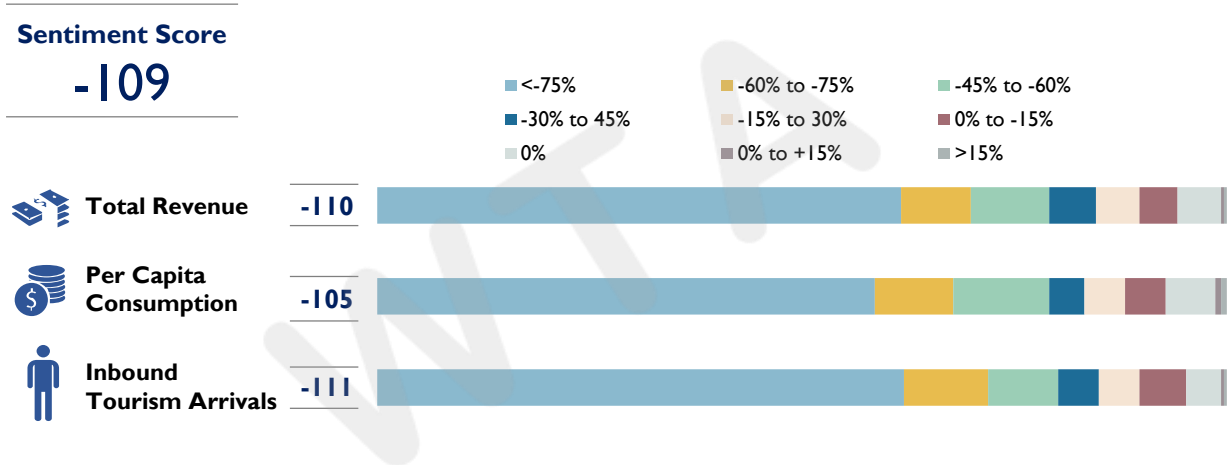
In the survey conducted in 2020 H1, nearly half of the respondents believed that the epidemic would last 4 to 6 months from the Spring Festival. Only 7% of respondents in the previous survey believed the impact cycle would last for more than 12 months from the Spring Festival. However, in the survey conducted in the second half of 2020, only 30% of the respondents considered the impact of the epidemic would have a chance to end this year. 34% of the respondents believed that the impact would continue for more than 12 months. Overall, the majority of respondents are anticipating the impact would last for more than 7 months.

Tourism industry leaders are realizing that a slowdown, or even stagnation, is becoming the normal state for inbound tourism in the foreseeable future not only in China but in destinations across the world. The recovery of cross-border tourism hinges on the global community to unite as one in fighting and ultimately eradicating COVID-19.



Cross-sea Bridge, Qingdao, China

## 2. Was the market's year on year performance in the first half of 2020 better or worse than the actual performance in 2019?



This survey is specifically focused on the impact of the outbreak on the actual performance of inbound tourism agencies in the first half of 2020.

Compared to 2019 H1, the actual performance and sentiment score in 2020 H1 dropped significantly to -109. Respondents were uniformly reporting the precipitous decline of their inbound business. Only two respondents experienced a small improvement in actual performance, while about 5% said their respective key company indicators were flat compared to the same period last year. The rest of the respondents experienced significant declines, with more than 60% reporting a drop of more than 75%.

Both Inbound Tourism Arrivals and Per Capita Consumption recorded unprecedented sharp declines, particularly the Inbound Tourism Arrivals. 64% of those surveyed reported a drop of more than 75% in Inbound Tourism Arrivals.



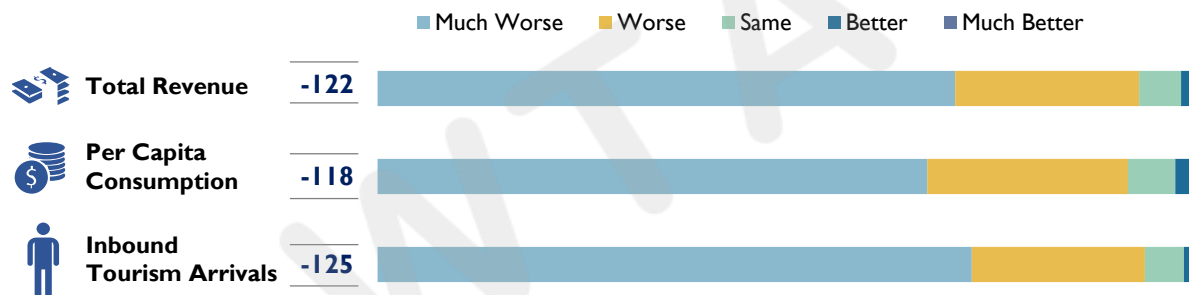
International Sailing Competition. Qingdao, China



### 3. What is your year on year assessment of inbound tourism market performance in the second half of 2020 vs. 2019?

Sentiment Score

**-122**

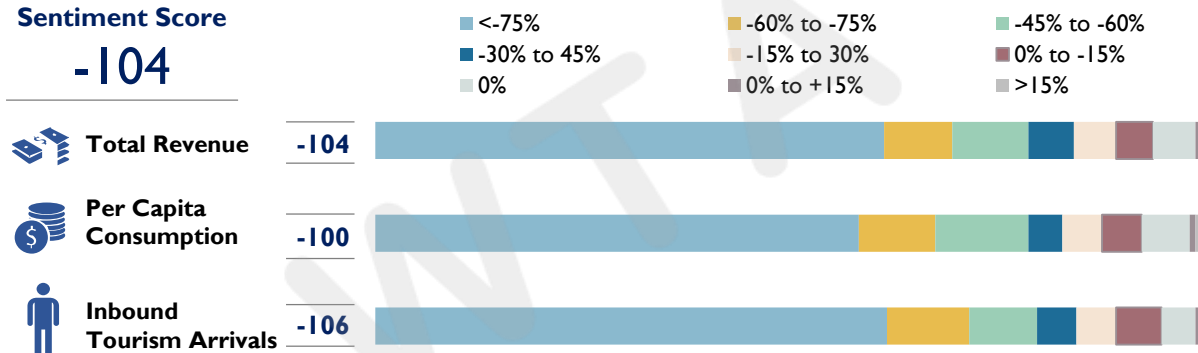


Respondents are generally very pessimistic on the prospect of the overall performance of inbound tourism in 2020 H2. The sentiment score fell sharply to -122 compared to the same period last year. As in 2020 H1, the negative trend continues. Expectations for Inbound Tourism Arrivals, Per Capita Consumption and Total Revenue have dropped sharply compared to 2019 H2. The global epidemic has prompted countries to tighten their visa policies and reduce cross-border travel, resulting in respondents scoring the highest negative expectations for Inbound Tourism Arrivals.

### 4. For your business, what is your year on year expectation on the growth/decline for the second half of 2020 compared to 2019?

Sentiment Score

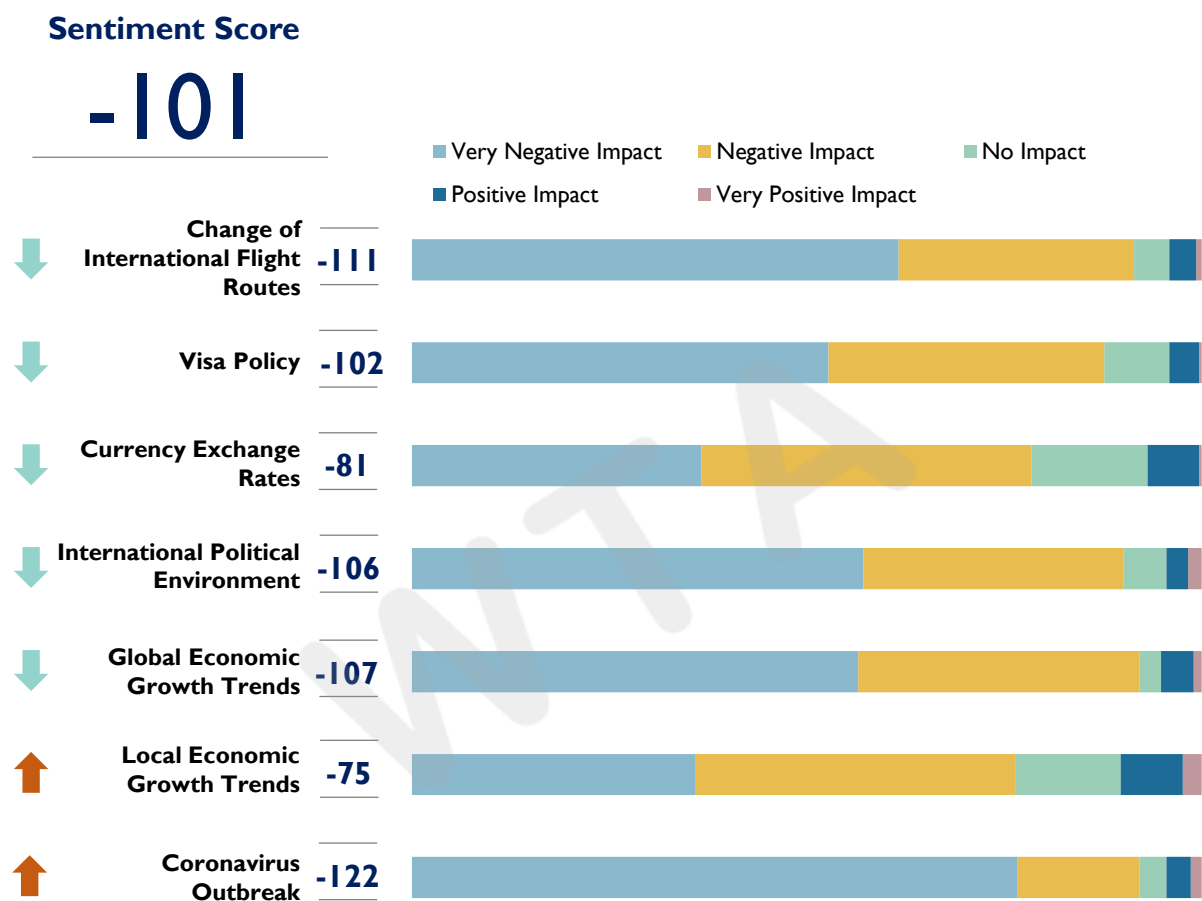
**-104**



Respondents have similar negative expectation for the performance of their own businesses in the second half of 2020. China's inbound tourism market has been tepid for a long time. In the same period of last year, the sentiment score of this index was 0. The epidemic has further diminished confidence in inbound tourism, with the sentiment score dropping to -104.

Equally, respondents believe Inbound Tourism Arrivals would face the most obvious decline in the second half of the year. As Per Capita Consumption and Total Revenue are interlinking indicators, these are also expected to decline in 2020 H2.

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



All of the above seven factors, including the newly added Coronavirus Outbreak, have negative impact on China’s inbound tourism in the second half of 2020, leading to a record slump of -101. Compared to the overall sentiment score of -93 in the first half of 2020, respondents expect the negative impact of the external factors will intensify.



Although respondents still held a negative sentiment of the **Coronavirus Outbreak** and **Local Economic Growth Trends**, the sentiment score of the two has rebounded compared to the first half of 2020. Two of the above-listed factors - **International Political Environment** and **Global Economic Growth Trends**--show a marked decline in their sentiment score. Although the domestic situation has improved significantly, the negative impact of the international situation on China’s inbound tourism market continues to be a threat to its recovery.

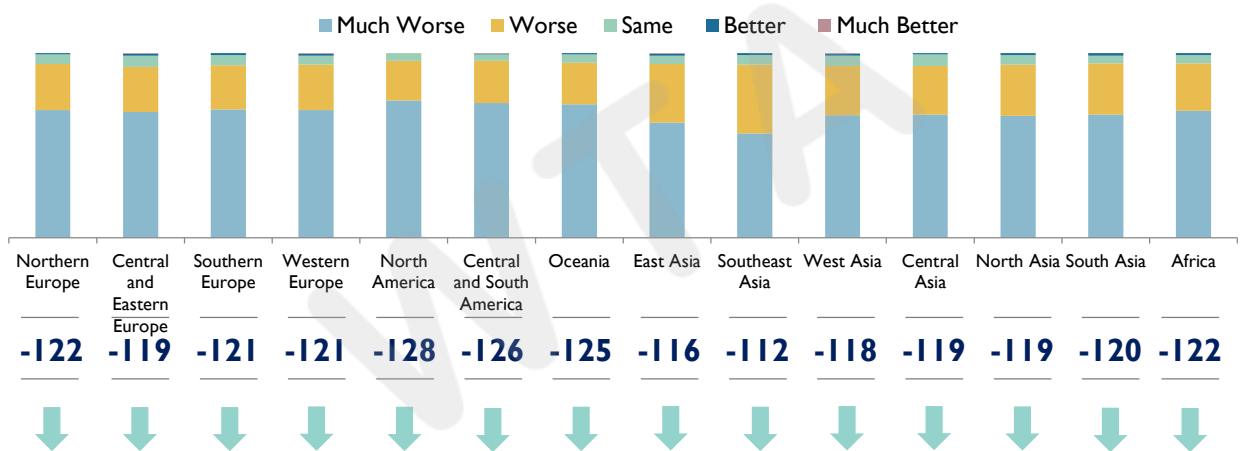


## 6. What is the performance expectation for each inbound tourism generating region below in the second half of 2020?

### Sentiment Score

-121

As COVID-19 continues to spread globally, countries across the world have implemented varying degrees of restrictions to control cross-border tourism and business activities in an effort to slow the spread of the virus. Thus, the sentiment score of all inbound tourism generating regions fell below -100. Compared with the first half of the year, all 14 inbound tourism generating regions showed a continuing downward trend.



**East Asia and Southeast Asia** recorded a substantially negative and declining sentiment score. However, as China's inbound tourism generating regions, the decline is relatively small compared to other regions. Due to their geographical proximity, East Asia and some Southeast Asian countries have always been China's main inbound tourism source markets. East Asia has successfully managed to control the outbreak at its early phase. The overall impact of the epidemic in Southeast Asia is also small. Although inbound tourism in China is still restricted in the short term, inbound tourism from East Asia and Southeast Asia is expected to resume sooner when travel restrictions are eased. In South Asia, where the epidemic is raging and geopolitical tensions with other countries are escalating, a quick recovery is not expected.

**North America and Central and South America** scored the lowest among the inbound tourism generating regions. Led by the United States, North America has always been a key source market with the strongest inbound consumption power for China's inbound tourism. However, the China-US trade war, geopolitical frictions and many other factors have greatly diminished the number of tourists from the US and Canada. As the epidemic spikes in the United States, pessimistic expectations for the North American market has elevated. Contribution to China's tourism arrivals from Central and South America market has been historically limited due to the region's weak economic foundation and political instabilities. Combined with the coronavirus pandemic, expectation for inbound tourism from Central and South America is also at its lowest.

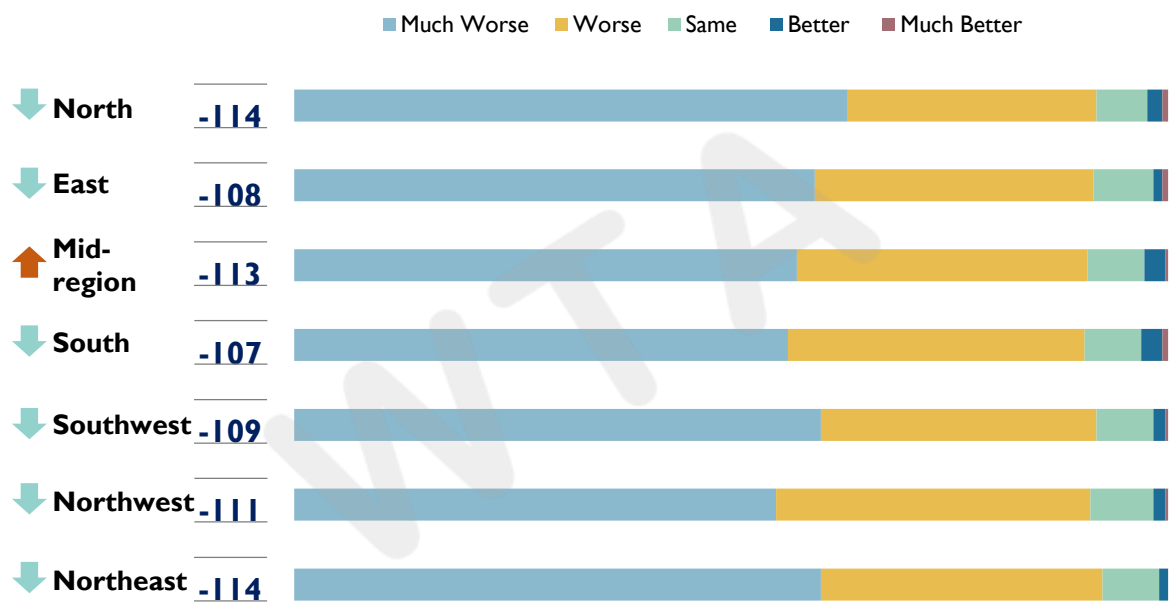
For **all the other Chinese inbound tourism generating regions**, the sentiment score in the second half of 2020 are not significantly different, ranging from -125 to -119. The COVID-19 epidemic continues to have an unprecedented impact on the world's tourism industry. Economic fallout and its impact on corollary industries are in the billions of dollars. Full recovery of inbound tourism is expected to take years.

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

### Sentiment Score

- |||

Although China has successfully controlled and managed the epidemic, expectations for the performance of the seven major destinations are still negative, with the sentiment score dropping from -105 to -111.



As an inbound tourism destination, the **Mid-Region** is the only region to see an increase in the sentiment score compared to the first half of 2020. As the first city to experience the epidemic outbreak, Wuhan's external traffic was halted, resulting in the lowest sentiment score for the Mid-Region in the first half of the year. With the epidemic under complete control in Wuhan, expectations for the inbound tourism market in Mid-Region have improved, and the sentiment score has rebounded to a level similar to that of other regions.

In the second half of 2020, the sentiment score of **North China and Northeast China** as inbound tourism destinations ranked last. Beijing, the central city in North China, and the northeast region have all experienced the second wave of the epidemic. Although proper follow-up prevention and control have not caused a large-scale spread, the return of cases has significantly increased safety concerns among tourists. However, the difference in sentiment between the two regions and the rest is modest.

**Other regions** as inbound tourism destinations all saw their sentiment score decline in the second half of 2020 compared to the first half of the year. Evidently, the epidemic has dealt a major blow to inbound tourism on a macro level across the country. Along with visa policy tightening and international flight suspension, China's inbound tourism market as a whole is showing a significant drop. Differences in sentiment score among regions are not markedly significant.



# Conclusion

2020 is unequivocally an unusual year, with COVID-19 gripping the world, one country and region at a time for more than six months. While China has essentially achieved domestic control of the epidemic, it continues to spread unevenly elsewhere. The economic fallout has been staggering and the loss of livelihoods and revenue are enormous. Efforts to control the virus through border closures and shutdowns have severely impacted the global travel and tourism industry.

China's inbound market is no exception. A pessimistic expectation for this segment of the travel industry is pervasive, with several tourism practitioners predicting a negative downturn well into 2021.

Elsewhere and in China, the coronavirus is the most disruptive and damaging to the global economy, particularly the travel and tourism industry. By far it is the singular factor adversely affecting the sentiments and expectations for future recovery. The domino effect of COVID-19 has negatively impacted The International Political Environment and Global Economic Growth Trends.

The sentiment score of all inbound tourism generating regions continues to decline, with the expectation for North America getting the highest negative score. For inbound tourism destination, the sentiment score of the Mid-region—the most seriously affected in the early stage of the epidemic—rose slightly. North China and Northeast China, which had the second wave of the epidemic, had the most pessimistic expectation. Overall, however, the sentiment score of each destination in the inbound tourism region did not differ much.

Minor domestic spikes of the epidemic, uncertain development of COVID-19 in countries across the world, lack of open policies on inbound tourism, and the tension between China and the United States are important factors contributing to the pessimistic outlook.

As one of the world's oldest surviving civilizations, with its modern development, and brand new national image, China has the assets and arsenal that can help in the country's eventual restart, recovery and rebound of its tourism industry. The inbound tourism market is full of potential. Although the epidemic continues to restrict the development of inbound tourism in the short term, it is an opportunity for inbound tourism to pause, readjust, and thrive.



# 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](http://www.horwathhtl-cn.com) and [www.chatchina.com.cn](http://www.chatchina.com.cn), as well as follow the official Wechat account of CHAT by Horwath HTL.



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