



WORLD TOURISM ALLIANCE



Horwath HTL™ 浩華

August 2020

2020/H2

China Outbound Tourism Market Sentiment Report



The Hope, Seoul, South Korea

Special Thanks To:



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
Zhejiang Provincial Department of Culture and Tourism



福建省文化和旅游厅
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Department of Culture and Tourism of Guangxi Zhuang Autonomous Region



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首尔市政府
Seoul Metropolitan Government



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Hanbok Festival, Seoul, South Korea



Noryangjin Wholesale Fisheries Market, Seoul, South Korea

2020 H2 China Outbound Tourism Market Sentiment Report

For several years, China has been the world's major outbound tourism source market. In 2019, the number of outbound Chinese tourists reached 155 million, with total consumption ranking the first in the world. However, the coronavirus outbreak and its rapid spread in regions and cities across the world has severely disrupted the global economy and our universal way of living. At the completion of this report, there were more than 13 million confirmed cases in 207 countries and nearly 600,000 fatalities. While some countries have managed to control the spread of the virus among its citizens, several others continue to struggle. China's outbound tourism has taken a huge hit by the unprecedented COVID-19 pandemic. 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 outbound 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 this particular travel segment, 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 Seoul Metropolitan Government for providing us with the images used in this report.

Introduction

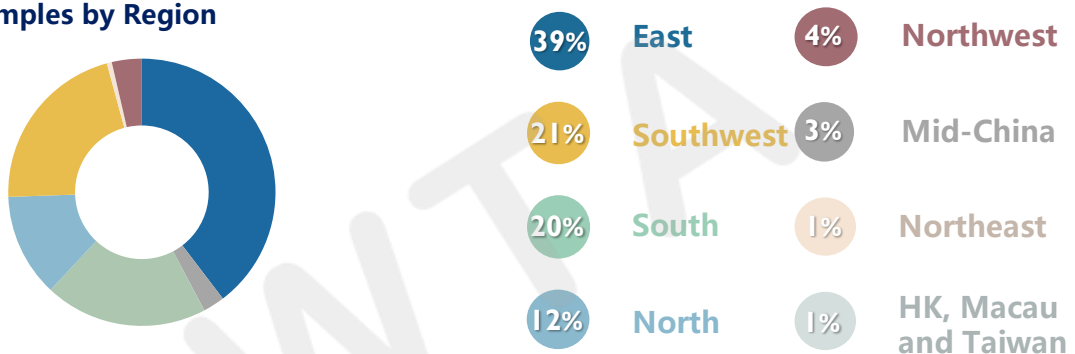
The coronavirus has sparked a global pandemic in 2020, prompting government authorities in countries across the world to impose strict travel bans in an effort to control its spread. As the pandemic wreaks havoc on the world economy, the travel and tourism industry has become the top industry most adversely affected. With border closures and suspension of international travel, the once robust outbound market came to a screeching halt. Two questions were added to the 2020 H1 questionnaire in the current version of the 2020 H2 survey to assess the impact of COVID-19 on China's outbound tourism and provide WTA's stakeholders the resources for better understanding of the situation so they can form data-driven decisions.

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.

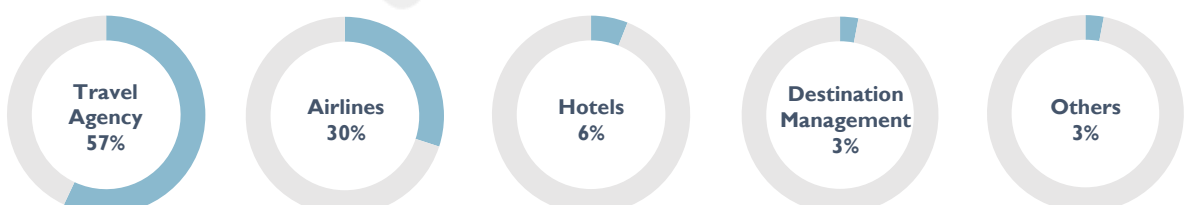
A sentiment score is assigned to each question, with scores ranging from negative 150 points to positive 150 points. A negative 150 score indicates a state of absolute pessimism, a score of zero indicates unchanged expectations and a score of positive 150 indicates a highly optimistic sentiment. Respondents were asked to compare the market performance in the second half of 2020 to the actual performance in the second 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.

This is the fourth survey conducted by Horwath HTL and the World Tourism Alliance for the China outbound tourism market. This report summarized our research results based on **1,154** valid questionnaires from 28 provinces, municipalities and autonomous regions in China, including **500** valid questionnaires for outbound tourism. Questionnaires were received by July 6th, 2020. Main conclusions are based on respondents' predictions regarding the COVID-19 at the time of the survey.

Samples by Region



Samples by Organization Type



Market Sentiment Analysis



2020 H2



2020 H1



2019 H2

The coronavirus pandemic is undoubtedly the most disruptive and biggest “black swan” of 2020. While the overall sentiment score of China’s outbound tourism in the first half of 2020 catastrophically dropped to -117, it turned for the worse in the second half of this year with a further slump to -120. Given that the minimum sentiment score is -150, the pandemic’s impact on market confidence is evidently massive.

As of mid-July 2020, the cumulative number of confirmed cases worldwide has exceeded 13 million, with various countries experiencing uneven progress. In the United States, India, Russia, and many South American countries, the pandemic is still escalating, and the turning point still not in sight. For most countries with early outbreaks, their domestic confirmed cases are largely under control. Some countries even have gradually loosened border controls to welcome international tourists. The domestic COVID-19 situation has improved significantly resulting in travel restrictions being lifted in most regions. However, the outbound tourism market is still suspended.

**Safety Concerns
Regarding the
Destination Countries**

**Massive Decreasing in
the Number of
Return Flights**

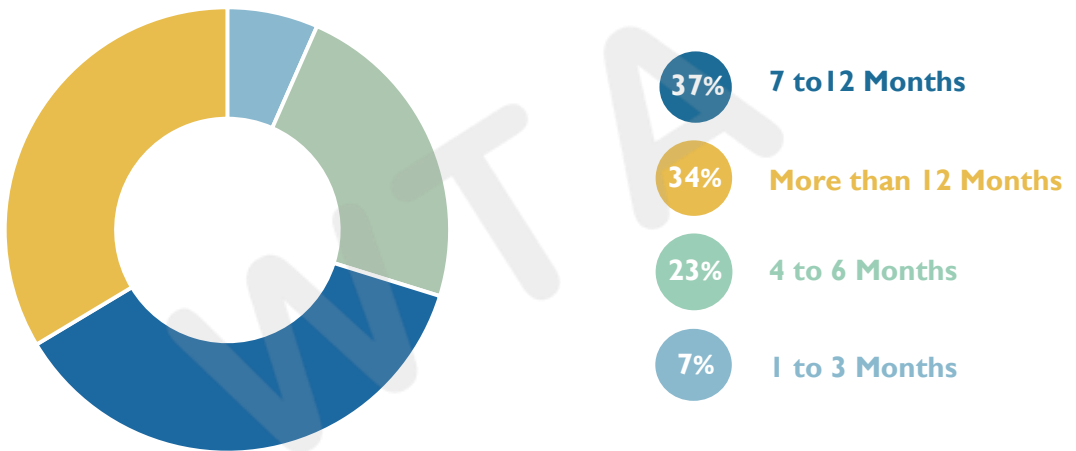
Stricter Visa Policies

**Self-Quarantine after
Returning Back to
China**

Although the stagnant domestic cross-provincial (regional and municipal) group tour has finally resumed its operation, the notice from the Ministry of Tourism and Culture on July 14, 2020 also clearly stipulated that inbound and outbound tourism would remain closed. With COVID-19 still spreading worldwide, there is little hope that outbound tourism will recover any time soon.



I. Starting from July 2020, how long do you expect the impact of the COVID-19 outbreak on the performance of China's outbound tourism market to last?



Expectations were largely different in comparison to the first half of 2020. Most respondents expect the impact of the pandemic to last for a longer period of time.

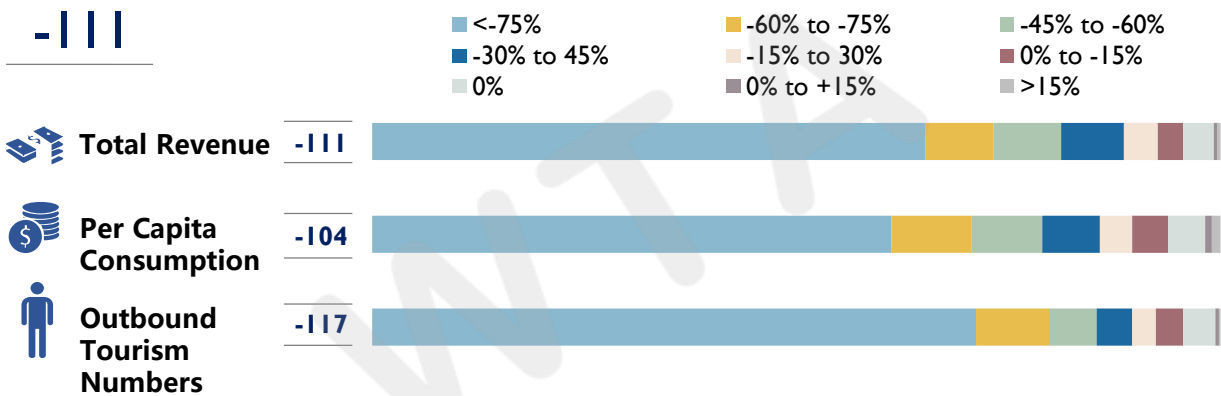
In the first half of the 2020 survey, more than half of the respondents expected the impact to last for 4 to 6 months from the Spring Festival, i.e. until August 2020 at the latest. In the previous survey, only 2% of the respondents believed the impact would last more than 12 months. However, this time around only 3% of the respondents think the impact would end by 2020. Most respondents expect the impact to last more than 7 months, while 34% of the respondents believe it would last for more than 12 months.

Although the 2003 SARS epidemic ended in the 8th month, the COVID-19 pandemic has greatly surpassed the former in the number of affected regions and confirmed cases. At the completion of this report, the pandemic situation in many countries and regions worldwide is still grave. Tourism practitioners are beginning to accept that the stagnant state of outbound tourism may become the 'new normal' for an extended period of time or in the foreseeable future.



2. In comparison to the first half of 2019, did the actual performance in the first half of 2020 increase/decline?

Sentiment Scores



To further evaluate the actual impact of the COVID-19 pandemic on outbound tourism business, this survey also added changes in the actual performance of the respondents' enterprises in the first half of 2020.

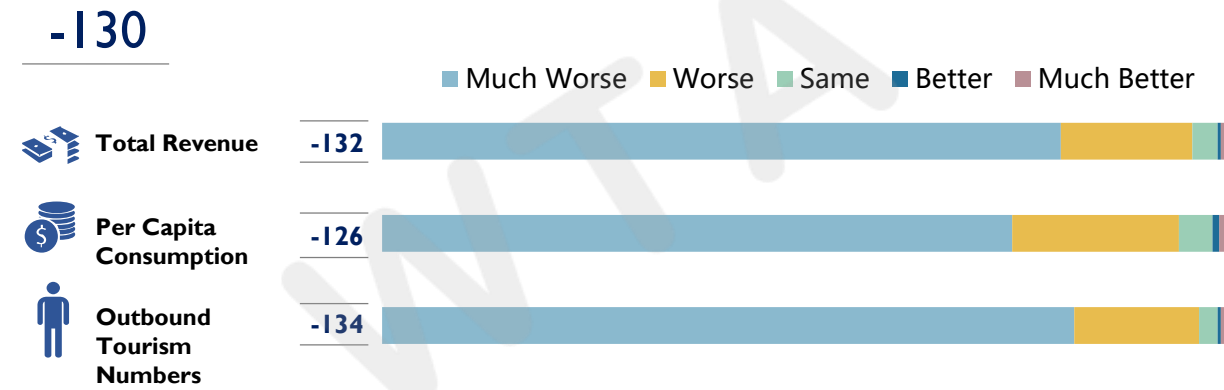
Compared to the first half of 2019, the sentiment score of the actual performance of businesses in the first half of 2020 was -111. Overall outbound tourism business was negatively affected. More than 95% of the respondents indicated the actual performance of their businesses in the first half of 2020 severely slumped compared to the same period last year. Between 60% to 70% of the actual performance declined more than 75%.

In terms of various indexes, both the outbound tourism numbers and per capita consumption endured significant declines, with the outbound tourism numbers taking the biggest hit. More than 70% of the respondents indicated the outbound tourism numbers of their businesses had declined by more than 75%.



3. What is your assessment of the China outbound tourism market for the second half of 2020 ?

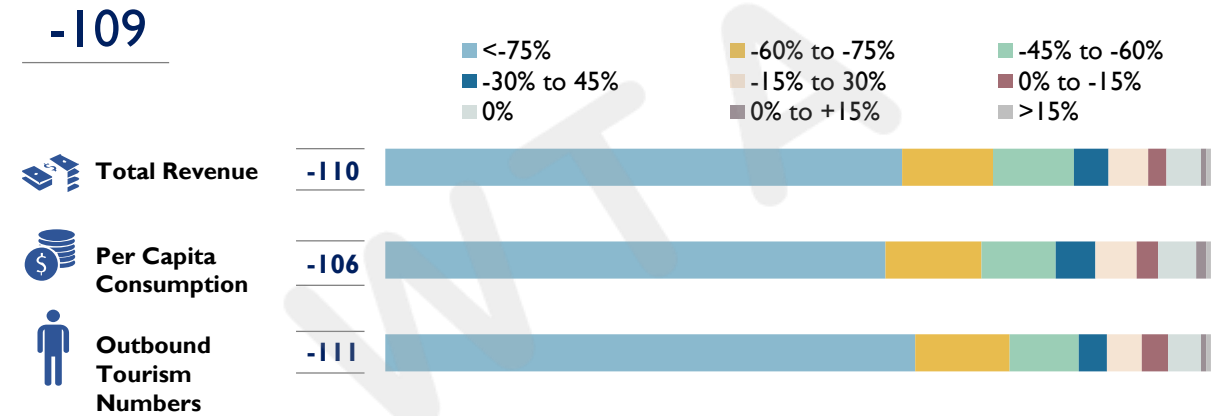
Sentiment Scores



Due to the COVID-19 pandemic, respondents were extremely negative toward the overall outbound tourism market performance in the second half of 2020. Compared to the same period last year, the sentiment score plummeted to -130. Expectations were even worse compared to the first half of 2020. All of the three indicators showed further declines compared to the first half of 2020. Respondents are most negative toward the Outbound Tourism Numbers in the second half of 2020 because of strict global travel restrictions.

4. What is your expectation on the growth/decline of the outbound tourism market for the second half of 2020 ?

Sentiment Scores

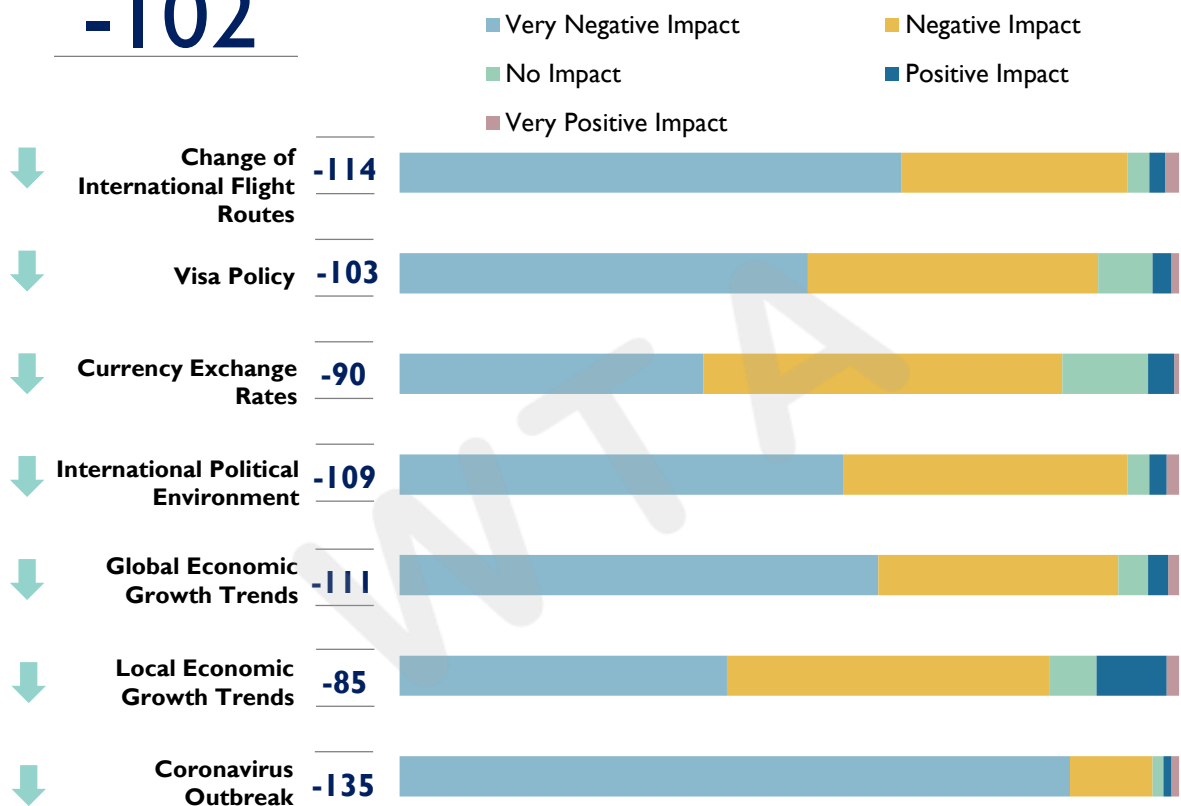


The coronavirus outbreak has shaken the confidence of survey respondents for their outbound tourism business. Sentiment score of the second half of 2019 was 12, while all of the three indicators were positive. Affected by the pandemic, the overall sentiment score dropped to -109, slightly better than the first half of 2020. Of the three indicators, Outbound Tourism Numbers also had the lowest sentiment score.

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

Sentiment Scores

-102



This survey also included the Coronavirus Outbreak as an indicator. Under the COVID-19 pandemic, all of the above-mentioned seven factors are considered to have a negative impact on China's outbound tourism market, resulting in the overall sentiment score dropping to -102. Compared to the first half of 2020, respondents believe the negative impact of external factors on outbound tourism has been escalating, since the sentiment score at that time was -86.

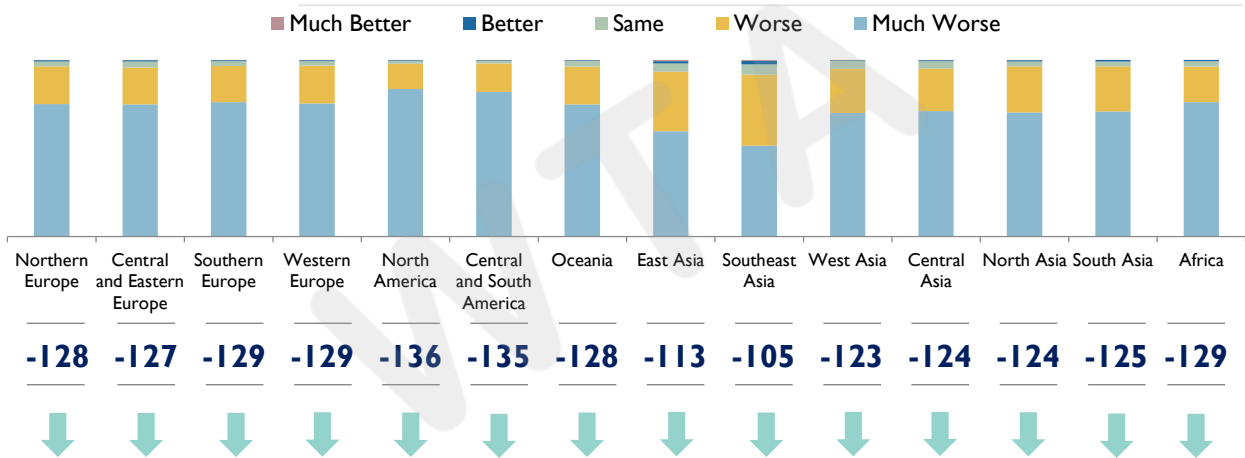


Of the seven indicators, the **Coronavirus Outbreak** remains the biggest obstacle to outbound tourism recovery, with 86% of the respondents thinking the pandemic would impose very negative impact. It is followed by the **Change of International Flight Routes**, a direct result of the outbreak control measures implemented by several government authorities across the world. More than 60% of the respondents indicated this would have a very negative impact on outbound tourism. Respondents also believe the other five factors would further negatively impact their businesses. Evidently, big challenges lie ahead for this market segment.

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

Sentiment Score
-125

With COVID-19 spreading around the globe, countries worldwide have taken cross-border control measures. Except for essential services, a large majority of businesses are also shut down to stop the spread of coronavirus. As a result, all outbound tourism destination markets sentiment scored below -100. Without exception, every regional destination market below show a downward trend.



Southeast Asia and East Asia– the market sentiment scores for these two neighboring regions are still negative. Expectations have remarkably weakened in comparison to other regions. Southeast Asia is historically the most important destination for China’s outbound tourists. Overall impact of the pandemic in the region has been relatively small. As another major outbound tourism destination, East Asia has effectively controlled the pandemic in its early phase. Daily routine for people in the region has returned to a semi-normal state. Although outbound tourism is still suspended in the short term, destinations in East and Southeast Asia may experience a quicker recovery than other regions.

North America and Central and South America– the market sentiment scores in the second half of 2020 for these regions are still in the negative territory. North America, specifically the United States, is an important destination for China’s outbound tourists. However, the escalating China-US relationship tension in recent years has resulted in a dramatic drop in non-governmental travel. Adding to this woe, is the surging number of coronavirus cases in the U.S.A. Consequently, the pessimistic expectations by respondents for North America as an outbound tourism destination dropped to an unprecedented low. Central and South America have always been hobbled by a weak economy, political instabilities and refugee issues. Unfortunately, the pandemic has not spared these two regions as countries here grapple with yet another crisis of global reach and importance. Not surprisingly, survey respondents are extremely pessimistic about the prospect of recovery for Central and South America as outbound tourism destinations.

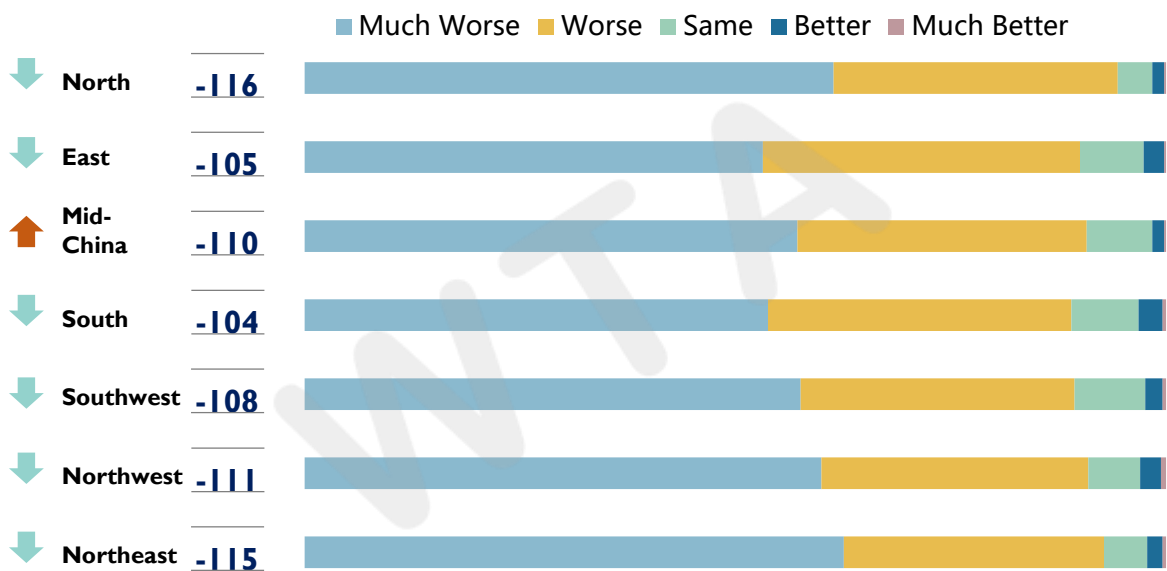
Other Regions’ market sentiment scores for the second half of 2020 hovered between -123 to -129. No apparent disparities exist among the different regions, proving without any doubt the adverse worldwide impact of the pandemic. Full recovery of cross-border tourism is not expected as only a few countries have successfully managed to control the spread of COVID-19.

7.What is the performance expectation for each outbound tourism generating regions below in the second half of 2020 ?

Sentiment Score

-110

Even though the domestic COVID-19 situation is now under control, respondents are still pessimistic about the market performance of the seven outbound tourism generating regions. The average sentiment scores dropped from -99 to -110.



Mid-China the only region among the seven generating regions that has seen an increase in the sentiment score compared to the first half of 2020. Wuhan’s sentiment score for the first half of 2020 ranked last as it is widely known it was the place where the first wave of the pandemic broke out. Now, with the pandemic in Wuhan effectively under total control, respondents have eased their pessimistic expectations regarding Mid-China as an outbound tourism generating region.

North China and Northeast China sentiment scores for the second half of 2020 ranked the lowest among all outbound generating markets. Beijing, the central city of North China, as well as Northeast China, has experienced a second round of the pandemic. Although the control measures have proven to be effective, most of the respondents expect market performance for these two regions to be “much worse” in the second half of 2020. Yet overall, there is no big difference between the sentiment scores of these two regions from the rest.

Other Regions’ sentiment scores for the second half of 2020 have all slumped in comparison to the first half of 2020. Respondents are more pessimistic about the market performance of East China, South China, Southwest China and Northwest China for the second half of 2020. Undoubtedly, the pandemic has caused a major blow to outbound tourism on a national level. Thus, the difference in the sentiment scores among the different outbound tourism generating regions is not apparent.

Conclusion

The worldwide spread of COVID-19 has lasted for more than 6 months since the beginning of 2020. Due to the uneven control measures from nation to nation, the pandemic situation in various countries and regions are distinctly different from one another. While mainland China has successfully controlled the coronavirus, others continue to struggle. Countries like the U.S., Brazil, India and Russia have total confirmed cases exceeding 500,000, with the virus showing no sign of slowing. Respondents in this survey remain pessimistic about the market performance for outbound tourism. Several sentiment scores are in free fall as they continue to drop despite already hitting historic lows.

Most respondents believe the impact of the pandemic on outbound tourism would last well into 2021, as they hold the most negative view towards outbound tourism numbers. The Coronavirus Outbreak and Change of International Flight Routes are considered to be the two most negative factors affecting outbound tourism. Sentiment scores for all of the seven outbound tourism regions continue to plummet, with North America getting the lowest score.

Although East Asia and Southeast Asia still are getting negative scores, they are expected to make the quickest recovery. The sentiment score of Mid-China as an outbound tourism source market has rebounded slightly. Other regions show further decline. North China and Northeast China have received the lowest scores due to the slight resurgence of the pandemic in the region.

While other countries struggle with the rising number of COVID-19 cases, China has essentially halted the spread of the virus within its borders. This uneven situation has resulted in a longer recovery period for China's outbound tourism compared to domestic tourism. Although the recent market performance experienced a strong hit caused by external factors, the desire to travel and explore the world by Chinese citizens has not been extinguished. There might be a reshuffling of their destination preferences, with health and safety issues becoming a top priority in their consideration. It is important for tourism practitioners to recognize and understand this change as the travel and tourism industry move responsibly toward a restart, recovery and rebound.



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.

Currently, 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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