



WORLD TOURISM ALLIANCE



Horwath HTL 浩華

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2021/H1

China Domestic Tourism Market Sentiment Report



Fotang Ancient Town, Yiwu, Zhejiang, China

Special Thanks to:



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Fenshuitang Village, Yiwu, Zhejiang, China



《2021 H1 China Domestic Tourism Market Sentiment Report》

The COVID-19 epidemic in early 2020 brought to a screeching halt China's decade-long (2010-2019) booming domestic tourism industry. The spread of the virus to countries across the world spurred restrictive travel rules and regulations by foreign governments, with several of them tightening their borders by closing them to international visitors.

Within China, cities and provinces also enforced their own travel restrictions. With the virus effectively controlled and in-country restrictions beginning to ease, there's a collective sigh of relief as the domestic tourism industry gradually recovers. However, uncertainty continues to linger with the winter surge in the number of COVID-19 infection rates in countries experiencing their second or third waves.

To track the trends and developments of China's domestic tourism market and provide its members and global industry practitioners reliable resources for better understanding and fact-based planning, the World Tourism Alliance is jointly releasing for the fifth time the **China Domestic Tourism Market Sentiment Report** with its partner Horwath HTL, the leading global hotel and tourism consulting company.

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, Fujian Provincial Department of Culture and Tourism, Gansu Provincial Department of Culture and Tourism, Huangshan Municipal Bureau of Culture and Tourism, Trip.com Group, China Air Transport Association, China CYTS Tours Holding Co., Ltd., Guilin Tang Dynasty Tours Co., Tuniu.com, and Hunan Tourism Association. As well, our sincere thanks go to Yiwu Municipal People's Government for providing us with the images used in this report.

Background

People and production began to return to normal starting in the second half of 2020 as a result of effective preventative and control measures. However, the end of 2020 saw a recurrence of domestic cases in several areas, prompting serious concerns which led to the central government issuing a stay-put order for what would've been a traditionally festive Spring Festival celebrations and family reunions. Regional markets whose businesses started picking up slackened to stagnation once again.

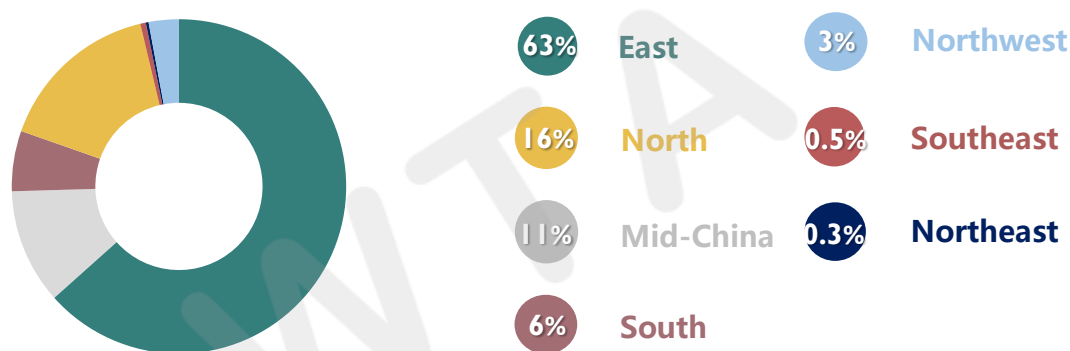
A survey on the epidemic situation that was added in the **2020 HI China Domestic Tourism Market Sentiment Report** is included in this sentiment report. Such inclusion, we hope, can provide a framework for a better understanding of the impact of the epidemic, and allow stakeholders and tourism practitioners to assess and make an educated forecast of the development of China's domestic tourism.

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.

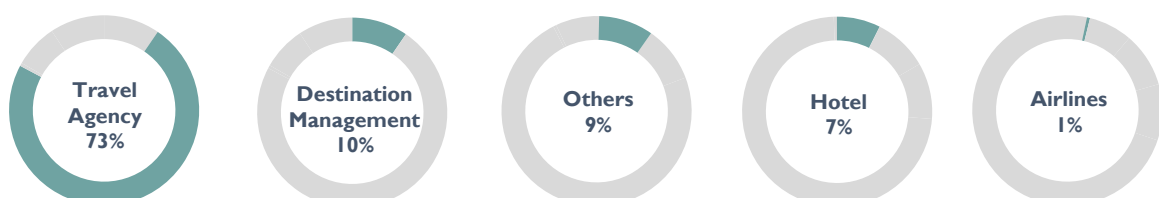
A sentiment score is applied to each question, ranging from negative 150 to positive 150. A negative 150 score indicates a state of absolute pessimism, a score of zero indicates unchanged expectations, and a score of positive 150 indicates a highly optimistic sentiment. Respondents were asked to compare the market performance in the first half of 2021 to the actual performance in the first half of 2019. Further, they were asked to identify the factors contributing to the variance and provide their insights regarding the source markets and destination markets.

This is the fifth survey conducted by Horwath HTL and the World Tourism Alliance for China's domestic travel market. This report summarizes our research results based on **377** valid questionnaires from 15 provinces, municipalities and autonomous regions in China. Questionnaires were received up to January 25, 2021. Main conclusions are based on respondents' predictions regarding the COVID-19 back at that time.

Sample Analysis by Region



Sample Analysis by Organization Type



Market Sentiment Analysis



2021 H1



2020 H2



2020 H1

The overall sentiment score of China’s domestic tourism market hit a historic low in the first half of 2020, clearly a result of the impact of COVID-19. However, with the domestic epidemic essentially controlled since the second half of 2020, China’s domestic tourism has been on the path to recovery. Combined with a strong pent-up demand, the market is growing robustly again. Though they remain pessimistic, respondents have indicated a growing confidence as shown in the overall sentiment score for domestic tourism market increasing to -29 in the second half of 2020.

However, the attitudes of respondents have suffered a setback when another round of outbreak at the end of 2020 was recorded in certain areas. Although, the domestic epidemic has been basically controlled, the cross-provincial (regional, city) travel has remained restricted. Travel plans were cancelled in the wake of the governments Celebrate on the Spot mandate, temporarily putting tourism demand on hold. As travel mobility increases, the domestic tourism market is showing a positive trend due to the following factors:

Successful control of the epidemic in China

Pent up demand for local and surrounding tours

Mass production and inoculation of the Covid-19 vaccine

Closed international borders promote domestic tourism

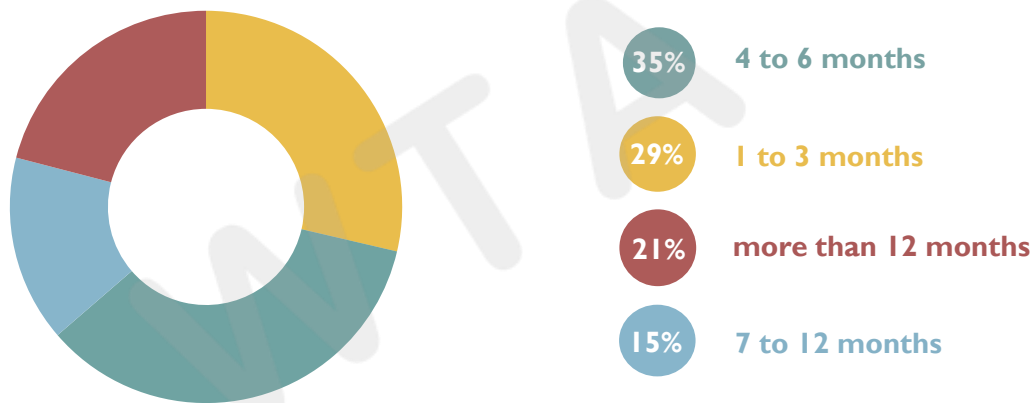
Gradual recovery of domestic tourism continues and there is reason for optimism even with the occasional outbreak of the epidemic in certain parts of the country. With the effective control of the epidemic, pessimism among our survey respondents has considerably weakened. A comprehensive recovery of domestic tourism is expected.



Hesilu Village, Yiwu, Zhejiang, China

Respondents’ expectations turn more cautiously conservative. The domestic market will continue to be affected in the short and medium terms.

Q1. Starting from January 2021 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?



Respondents showed optimism at the beginning of the epidemic. In the 2020 H1 sentiment survey, nearly 80% of the respondents believed the impact of the pandemic was not going to last more than half a year. Yet in the following year, although the pandemic has been effectively controlled, the negative influence on the domestic tourism has not stopped as expected. Uncertainty of a small-scale outbreak increases the risk exposure of the tourism industry to instant stagnation. **Consequently, our survey respondents are adopting a more cautious and conservative attitude towards the pandemic over the past year from 2020.**

27% of the respondents believe the impact on the domestic tourism market is short-term (1 to 3 months). Even with the pandemic under control nationwide, the number has only increased a little compared to the previous year. 35% of the respondents expect the impact to continue 4 to 6 months. About 35% of the respondents believe the pandemic impact to remain more than 6 months. The ratio of those who predict the situation will not improve within a year is as high as 21%, representing a significant increase compared to the previous survey. Many tourism practitioners are mentally prepared for a protracted battle with Covid-19.

The unprecedented socio-economic scope of the Covid-19 pandemic has been staggering. As of press time, many are still going through repeated outbreaks. Full resumption of domestic tourism remains uncertain.



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Expectation remains pessimistic, with the respondents expressing stronger confidence in the performance of their own institutions. Recovery of Domestic Tourism Arrivals receives the highest expectation, while recovery of Per Capita Consumption is relatively weak.

Q2. Compared to the first half of 2019, what is your assessment of China's domestic tourism market for the first half of 2021?

Sentiment Score

-45

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



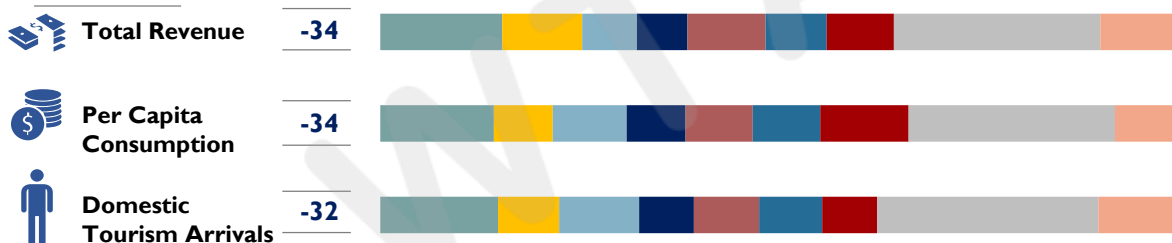
Due to the recurrence of epidemic cases and the economic downturn, the overall performance expectations of the domestic tourism market for the first half of 2021 remains pessimistic. But the good news is that comparing this with the sentiment score of -120 in the same period last year, there are indications confidence has rebounded among our respondents. Expectations for the three indicators--domestic tourism arrivals, per capita consumption and total revenue--have significantly improved. With the tightened travel restrictions of international destinations, outbound tourists are returning to the domestic market, resulting in the expectation of Tourism Arrivals to recover first. Economic downturn, income reduction, job security anxiety and concern about their financial future have resulted in a cautious purchasing behavior. Hence, the expected recovery confidence on Per Capita Consumption and Total Revenue is relatively weak.

Q3. Compared to the first half of 2019, has the performance of your organization / region improved or not in the first half of 2021?

Sentiment Score

-33

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



Respondents are also cautious about the recovery of their own domestic tourism business in the first half of 2021. Their expectations reveal a large gap compared with the first half of 2019. However, compared with the same period in 2020, the overall score shows an 88-point increase. More than 30% of the respondents have predicted a positive growth for all 3 indicators, with the ratio much more than that of the same period in 2020(5%). Similarly, the domestic tourism arrivals indicator shows the highest sentiment score among all. Compared with the performance expectations of the overall market, respondents are more confident in the recovery of their own institutions. This may be due to the impact of the epidemic having lasted for a whole year. Tourism organizations can be more confident in responding to the normalization of epidemic prevention and control and changes in tourism demand. Even if the overall market is unlikely to recover comprehensively in a short time, individual institutions still have the opportunity to adapt to the situation, explore market breakthroughs and survive through the crisis.

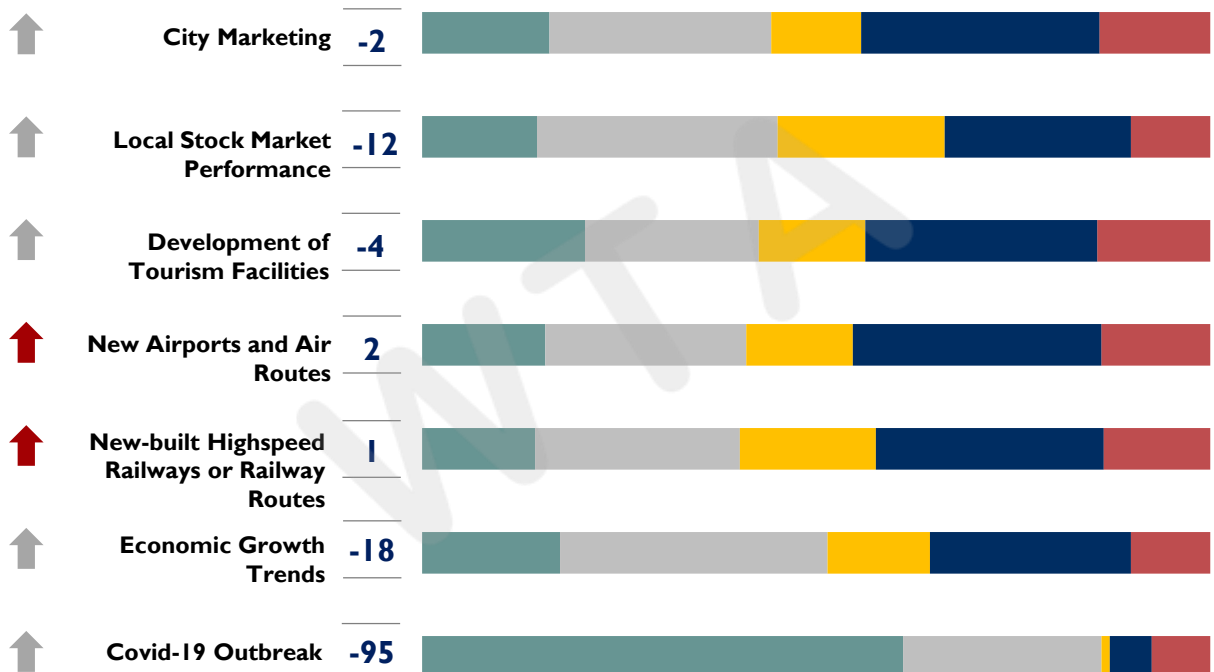
The epidemic remains the biggest obstacle. Improvements in transportation are expected to significantly drive the growth of the domestic tourism market. The overall situation is steadily getting better.

Q4. How do you expect each factor below to influence China's domestic tourism market performance in the first half of 2021?

Sentiment Score

-18

Very Negative Impact Negative Impact No Impact
Positive Impact Very Positive Impact



Note: The arrows represent the changing trend of the sentiment score in the first half of 2021 compared with the same period last year. The red arrow highlights the factors with positive scores.

This report continues to include the COVID-19 pandemic as an influencing factor. Compared with the last survey, the sentiment scores of many factors in the first half of 2021 have shown a sharp rebound. Although the COVID-19 pandemic continues to affect the domestic tourism market, it is gratifying to see the sentiment scores of some factors turning positive for the first time since the outbreak of the epidemic.



Among these factors, the **Covid-19 pandemic** is still considered the biggest obstacle to the domestic tourism: 61% of respondents believe the pandemic will continue to negatively impact the market in the first half of 2021. They are also worried about the negative impact of the epidemic on **domestic economic development** and the volatility of **China's stock market**. On the other hand, most respondents believe the **continuous improvements of public transportation, such as high-speed railway and airports, are recovery boosters**. Overall, the effective prevention and control of the pandemic has led to the return to normal of economic and social activities across the country. Compared with the uncertainty of the inbound and outbound tourism markets, the domestic market is steadily improving.

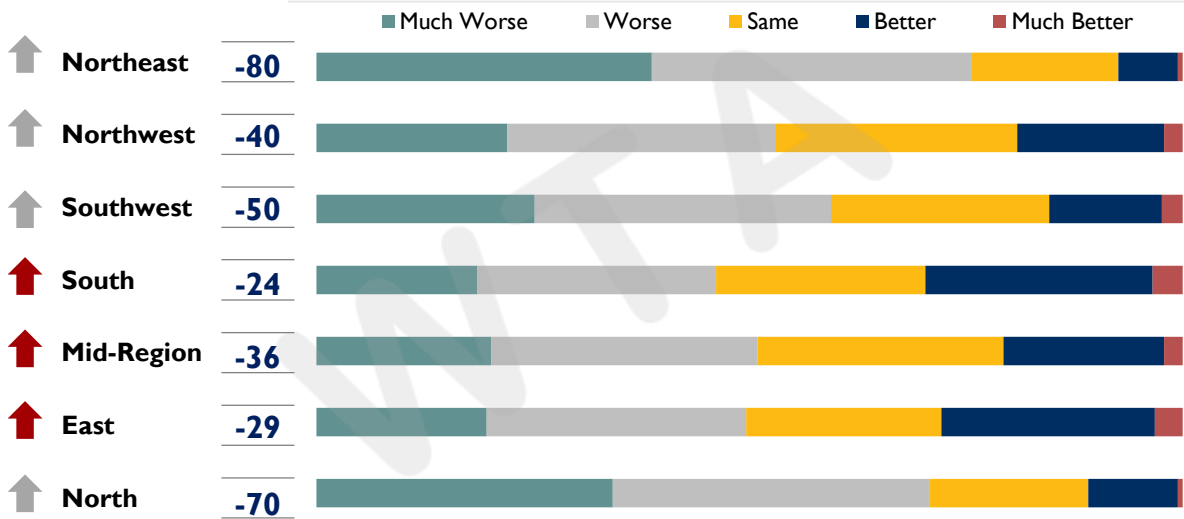
Expectations for each generating region have decreased substantially. As they are affected by new domestic cases, our survey respondents express less confidence in the Northeast and North markets.

Q5. Compared to the first half of 2019, how do you rate the performance for each domestic tourism generating region below in the first half of 2021?

Sentiment Score

-47

Although the impact of COVID-19 has not been eliminated, our respondents are becoming more confident. The sentiment scores of all generating regions have shown notable increase compared to the previous survey. The average score has been increased from -97 to -47.



Note: The arrows represent the changing trends of the sentiment score in the first half of 2021 compared to the same period of last year. The red arrow highlights the region with a significant change.

Northeast and **North** China rank last among all regions. Beijing, the central city of North China, and Northeast China have experienced a winter resurgence of the epidemic. Travel restrictions and preventative measures vary. The respondents are pessimistic about the performance of these two regions.

South and **East** China, as the domestic tourism source markets, are seen as the most promising. As the regions with the highest economic output and largest population size in China, people here have strong purchasing power and high propensity to travel. As well, they are surrounded by rich tourism resources. Thus, even with travel restrictions, the local tours, self-driving trips, and provincial travel remain active here. Though they have the highest sentiment score, a rebound to the pre-epidemic level is not expected to happen overnight or in a short period of time.

Mid-Region market has shown the largest growth in tourism-generating sentiment score among all 7 regions. Wuhan, an important city in central China, was the worst hit in the first round of the pandemic. The Hubei region was the top priority of the national pandemic prevention and control. With the epidemic being effectively controlled, life in the mid-region has gradually resumed. Although the respondents continue to hold cautious expectations for the recovery of the mid-region as a source market, their pessimism has eased significantly.

Northwest and **Northeast** tourism-generating sentiment scores in the second half of 2021 have increased to varying degrees compared to the first half of the year. However, they lag behind the South, East and Mid regions. The economy of Northwest and Northeast are far behind that of the eastern coastal areas. Transportation in these two regions is not convenient and the local people's purchasing power is weaker than the eastern regions. Thus, the respondents expect a better performance compared to the same period of 2020. A wide gap still exists compared to 2019.

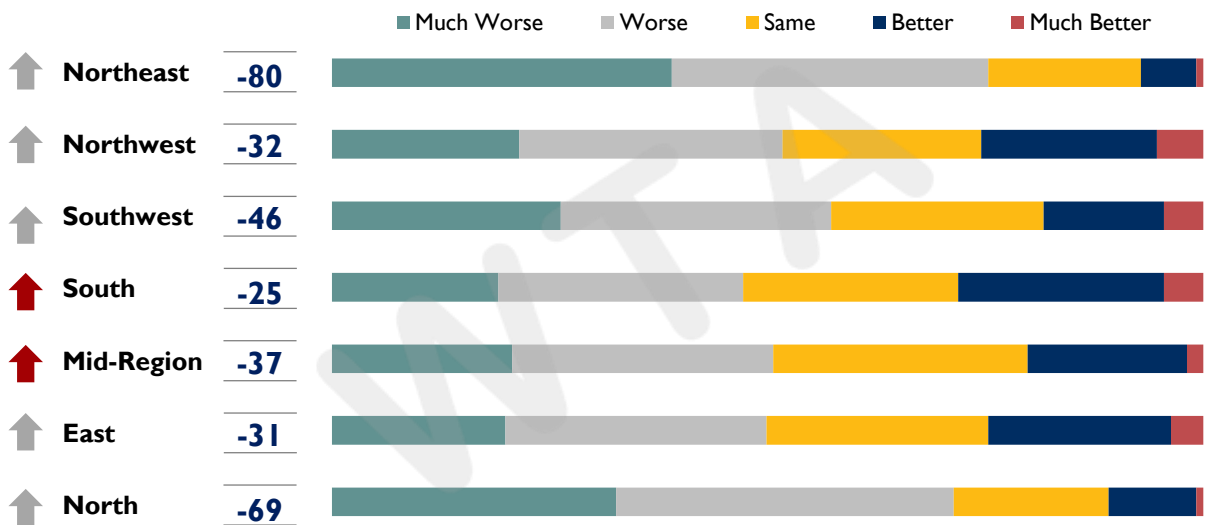
The sentiment score of each destination has increased, but there are differences: the South and East are the market leaders among the regions, while the Northwest shows the biggest potential.

Q6. Compared to the first half of 2019, how do you expect each domestic tourism destination below to perform in the first half of 2021?

Sentiment Score

-46

The average sentiment score rebounds notably to -46 from -97 compared to the same period last year. The respondents show different levels of confidence for each destination market below.



Note: The arrows represent the changing trends of the sentiment score in the first half of 2021 compared to the same period last year. The red arrow highlights the region with a significant change.

South region has the highest sentiment score among all seven destinations. The epidemic did not spread on a large scale in South China. The warm climate and seaside resort resources are the core advantages of South China. However, due to the recurrence of the epidemic in inland areas, non-essential travel is still not encouraged. The Celebrate on the Spot initiative has negatively impacted the traditional peak season in the South. Its sentiment score is still negative.

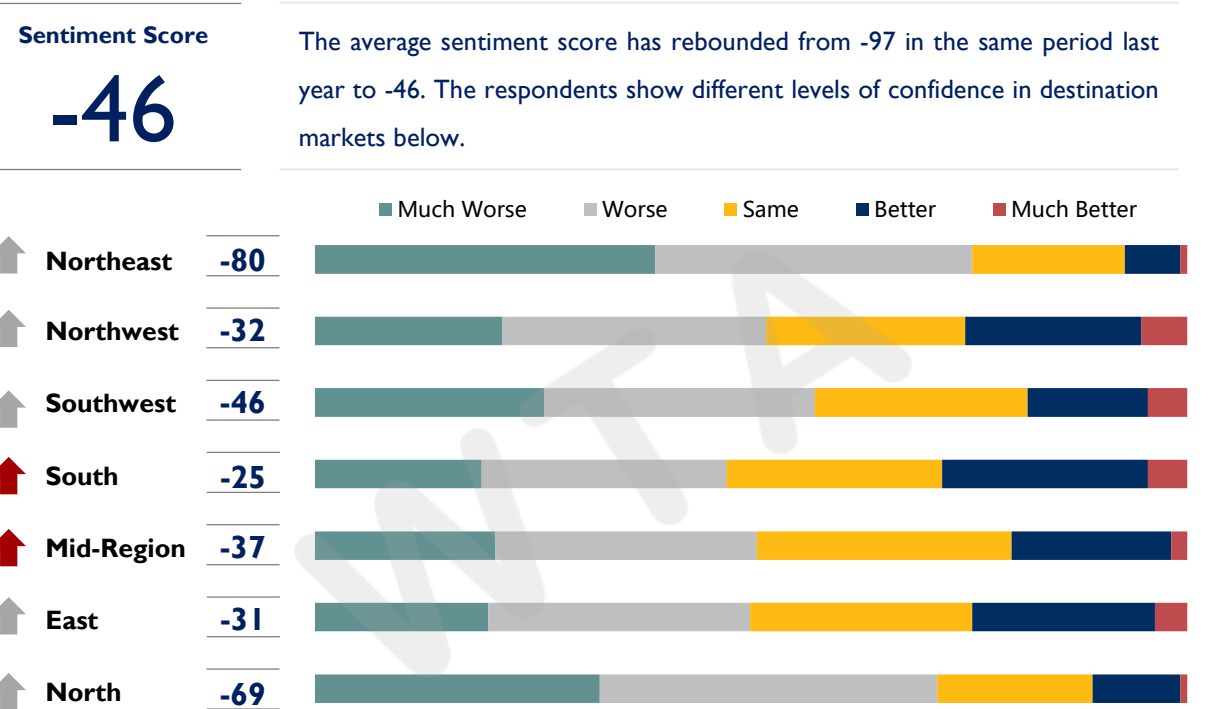
East region ranks second after the South. The Yangtze River Delta has always been an important tourism destination due to its rich tourism resources, comfortable climate and well-developed economy. However, the recurrence of the epidemic in Shanghai at the time of our survey has influenced the confidence of our respondents.

Northwest region ranks third in the sentiment report for the first time. After the outbreak, the Northwest region has become the destination with the most potential. Though the Northwest region has rich tourism resources, it used to be a niche destination. As restrictions on outbound tourism are relaxed, more people are expected to consider the Northwest for their vacation plans. Our survey respondents are optimistic about this region.

Southwest region's sentiment score has increased, but not as much as the other regions. The Southwest has always been an important tourism destination, but the respondents are passive about its performance. Two reasons might be behind this: (1) The epidemic in Chengdu is still influencing confidence of industry practitioners, (2) Compared to the new and explorable Northwest region, the destinations in the Southwest are more mature and well-known. They need to provide new products and experiences for the repeat tourists.

The sentiment score of each destination has increased but there are differences: the Mid-Region achieved the most improvement, but expectation for North and Northeast markets is still at its lowest level.

Q6. Compared to the first half of 2019, how do you expect each domestic tourism destination below to perform in the first half of 2021?



Note: The arrows represent the changing trends of the sentiment score in the first half of 2021 compared to the same period last year. The red arrow highlights the region with a significant change.

Mid-Region has the largest increase in sentiment score among all regions. Currently, with the COVID-19 epidemic completely under control, their pessimism has been greatly eased. Stimulated by a number of favorable policies, people are actively traveling to surrounding and in-province destinations. Changsha and Wuhan have become popular destinations. Although it is still difficult for the Mid-Region to obliterate the impact of the nationwide epidemic control, the signs of recovery are very clear.

North region's sentiment score ranks second from the bottom. At the time of our survey, Hebei and Beijing are experiencing another round of the outbreak, resulting in a negative expectation for the region from our respondents. The recurrence of the pandemic has effectively canceled the winter tourism peak which would have been enhanced by outstanding tourism resources and the Winter Olympics. The difficulty of thoroughly controlling the pandemic remains the biggest obstacle restricting the North region as a tourism destination.

Northeast region's score ranks last among all. In past surveys, this region has long been a low-ranking state as a destination market. Although the Northeast has topnotch tourism resources, lack of top quality development and popular tourist attractions has hindered its prospect. Except for ice and snow tourism, the region has few tourism products to offer. Tourism industry in this region has become more sluggish with the recurrence of COVID-19 in Heilongjiang, Jilin, and Liaoning. Not surprisingly, nearly 75% of our respondents expect this region's market performance to be "worse" or "much worse".

Conclusion

One year after the first reported outbreak of COVID-19 in early 2020 and even with the promising vaccine development and program, the impact of the pandemic continues to be felt in China and across the world. The country's domestic tourism had experienced a precipitous drop. Further worsening of the domestic tourism industry has been averted by effective control and preventative measures by the central government. This has resulted in a remarkable turnaround for the industry as a positive sentiment score was achieved in the second half of 2020. Rising with it is the increase in the confidence level. But dark clouds continue to hover in the horizon as the pandemic continues its disastrous grip in several countries across the world, upending lives and livelihoods. The recurrence of domestic cases in some parts in China at the end of 2020 continues to hinder the full recovery of its tourism market. Although **sentiment scores of all indicators in this report are higher than the same period last year, there's still a gap compared to the pre-epidemic level.**

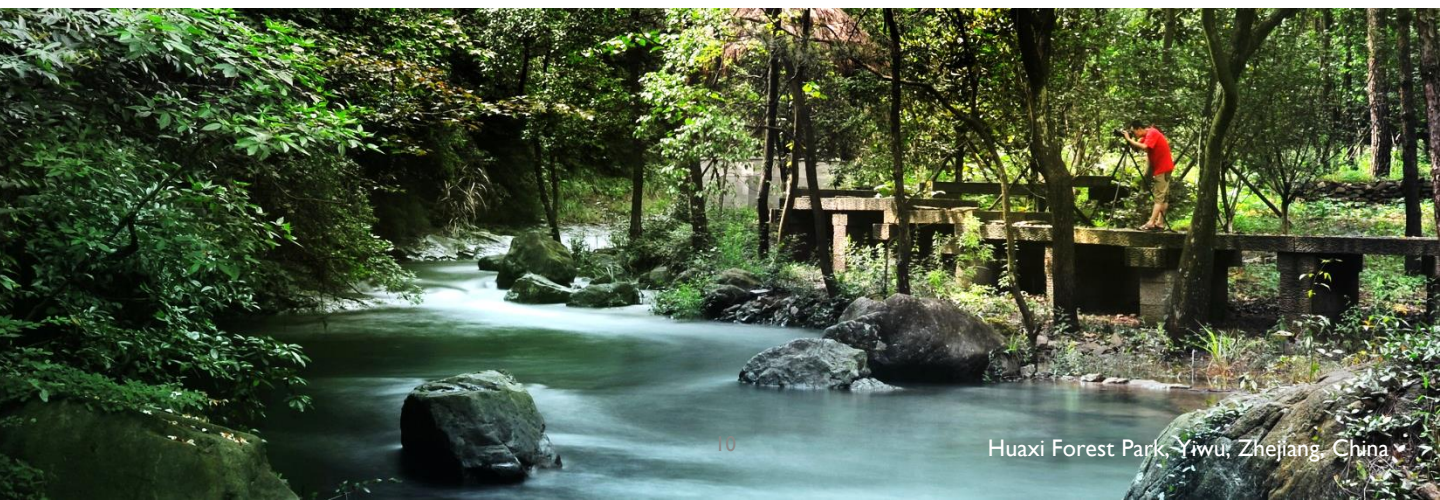
More than 60% of respondents believe the impact of the epidemic will stop within half a year, while a considerable ratio of respondents expect the impact to last longer. According to performance indicators, respondents generally have positive expectations for the recovery of domestic tourism arrivals and their own tourism business. Undeniably, COVID-19 remains the biggest threat to a tourism restart, recovery and rebound. The expected recovery of regional tourism is closely related to the efficiency of the local epidemic prevention. The recovery of the East and South regions is seen as the most promising because of their developed economy and effective control and prevention. The expectations towards the Northeast and North regions are the most pessimistic because of repeated outbreaks.

Thanks to the success of preventative measures and vaccination initiative, **the domestic tourism market has a good chance of experiencing a steady recovery.** However, it should be noticed that tourism demand has been suppressed yet again for a short period of time with the Celebrate on the Spot mandate during the Lunar New Year. Once the pandemic is completely under control, the pent up tourism demand is expected to drive the industry on a path to recovery and rebound. **The Inner Circulation model is expected to be the future norm for China's tourism industry.**

Inbound and outbound tourism markets, however, might experience a sustained downturn. **The Inner Circulation model will be the norm of China's tourism industry in a period of time.**

With the pandemic still very much around us, travelers' decisions weigh more on health and safety protocols. Increasing focus on short haul trips to neighborhood and local leisure destinations is expected to fuel the growth of domestic tourism. Since the outbound tourism has essentially halted, travelers are giving local destinations a long, hard look.

The impact of the epidemic will eventually pass. After experiencing the ordeal of this global health crisis, China's tourism industry must restructure and reorganize to adapt to the new normal. Close to home, its huge endogenous market provides a strong impetus for a scaled up development.



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 a non-governmental level.

To date, WTA has 211 members from 40 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.

Disclaimer

This report is prepared solely for general information purposes. The information on which it has been based has been derived from sources which we believe to be reliable. We have not independently verified such information and we do not guarantee its accuracy or completeness. All opinions and estimates included in this report constitute our judgment as of the date of publication. They are subject to change without notice. Transactions should not be entered into in reliance upon the information, opinions and estimates set out herein. We accept no responsibility to any person in any way in respect of any action taken or any failure to act in reliance upon the information contained herein.

Any data presented from this publication should attribute the information to the “2021 HI China Domestic Tourism Market Sentiment Report, World Tourism Alliance (WTA) and Horwath HTL”.

