

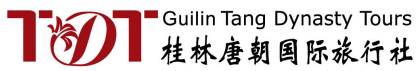
April 2023

2023/H1

China Domestic Tourism Market Sentiment Report



Sincere Thanks to:



Special Thanks to:



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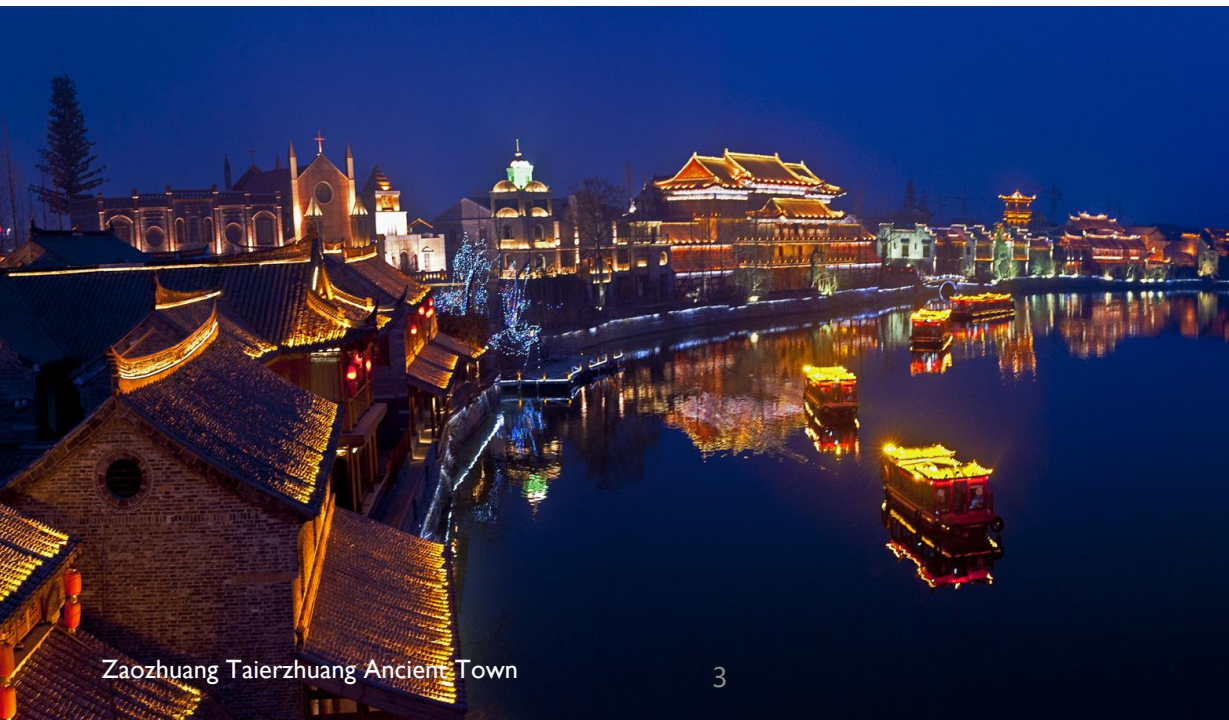
Mount Tai rises here

Introduction

Since 2020, China's once fast-growing tourism industry has been hit hard by the epidemic and in a “historically difficult time”. Admittedly, the domestic travel market has seen a slow recovery in stages due to the Chinese government's strong control over the risk of the epidemic and the return of outbound demand. However, under the sporadic outbreaks and stringent control policies around the country, the domestic travel market has been in a state of distress and depression. Along with the gradual optimization and adjustment of national measures to control the epidemic, the issue of Notice on Further Optimizing the Implementation of COVID-19 Prevention and Control Measures on December 7, 2022 has undoubtedly become one of the most substantial boosts to the domestic tourism industry in the past three years. Prevention and control policy shift has brought a significant and fundamental turnaround in market recovery. By the end of this survey, the country was also gradually passing the peak period of COVID-19 infection, which further accelerates the long-suppressed demand for travel. The domestic tourism market, which has been ravaged by the three-year epidemic, started to be expected to truly usher in a full recovery.

To track the development trend of China's domestic tourism market, and provide the World Tourism Alliance (WTA) members as well as the global practitioners the resources to understand and anticipate the prospects of the domestic tourism market, WTA and its partner Horwath HTL, the global leading hotel and tourism consulting company, are jointly releasing the “China Domestic Tourism Market Sentiment Report” for the ninth time.

Our special thanks go to Ministry of Culture and Tourism of People's Republic of China, Zhejiang Provincial Department of Culture and Tourism, Gansu Provincial Department of Culture and Tourism, China Tourism Association, China Air Transport Association, China Tourism Group Corporation Limited, Trip.com Group, Qyer, Tuniu.com, China CYTS Tours Holding Co., Ltd., Guilin Tang Dynasty Tours Co., Ltd, Shanghai Spring International Travel Service (Group) Co., Ltd., Tourism College of Zhejiang. As well, our sincere thanks go to Shandong Provincial Department of Culture and Tourism for providing us with the images used in this report.



Zaozhuang Taierzhuang Ancient Town

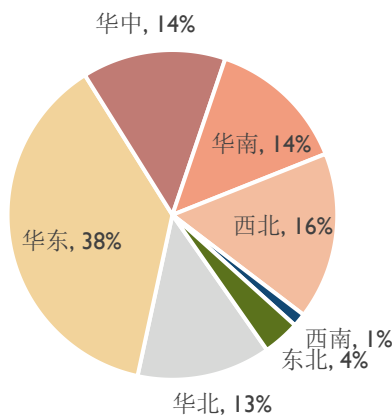
Background

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 2023 to the actual performance in the first half of 2022. Further, they were asked to identify the factors contributing to the variance and provide their insights regarding the source markets and destination markets.

This report summarizes our research results based on 305 valid questionnaires from 25 provinces, municipalities and autonomous regions in China. Questionnaires were received up to February 7, 2023. Main conclusions are based on respondents' predictions regarding the market situation at that time.

By Region



By Organization Type

34%	Travel Agency	18%	Social Organization
16%	Destination Management	4%	Hotels
1%	Airlines	27%	Others

Note: The questionnaire was collected from January 5, 2023 to February 7, 2023.



Binzhou Wudi Shell Beach

Market Sentiment Analysis

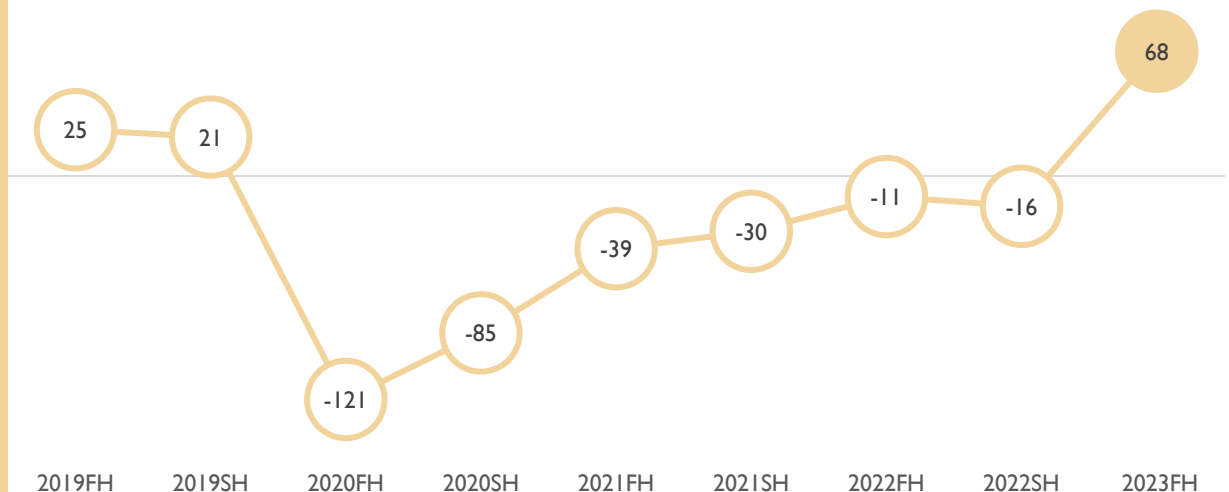
Market confidence rebounds sharply as recession reverses.

The market sentiment index in 2023 H1 went high to a positive value for the first time since the epidemic and hit a record high due to the significant impact of the liberalization policy on epidemic prevention and control. It is a testament to the strong confidence and positive expectations that respondents hold for the industry to resume development.

Before this questionnaire was collected, the epidemic control policy had been optimized, the obstacle of cross-regional movement dissipated, and the first wave of peak infection had gradually subsided, people's travel mentality after recovery from COVID-19 tended to be more eager and optimistic. The booming performance of the travel market on New Year's Day and during the Spring Festival not only confirms the trend of strong market recovery, but also people realize that the immunity barrier is gradually forming, which undoubtedly gives respondents a "shot in the arm" for the return of market confidence. In addition, the expected growth of China economy has also set a positive tone for the revival of the tourism market.

However, it should be highlighted that even though respondents are confident in the domestic tourism market in 2023 H1, with the index performing even higher than in 2019 H1, this does not mean that actual performance will quickly return to pre-epidemic levels. The strong rebound in the sentiment index can be attributed to the fact that the domestic tourism market has been at a low ebb for the past three years, and any significant good can bring a significant boost to market expectations. Nonetheless, it should be noted that confidence in the consumer market still needs to be further built, with some families and individuals experiencing a significant shrinkage in income during the epidemic, discounting travel budgets for non-immediate needs. In addition, the public's concern and proactive avoidance of the potential mutation risks of COVID-19 will affect the short-term scale recovery of tourism. Third, after three years of continuous pressure, all segments of the tourism industry chain have been hit hard. In the face of the sudden change in policy on epidemic prevention, operating conditions, hospitality capacity and resource allocation on the supply side of the tourism industry cannot immediately return to the pre-epidemic state. To meet the relatively faster demand rebound, the supply market still needs certain time to heal itself.

Historical Domestic Tourism Market Sentiment Index



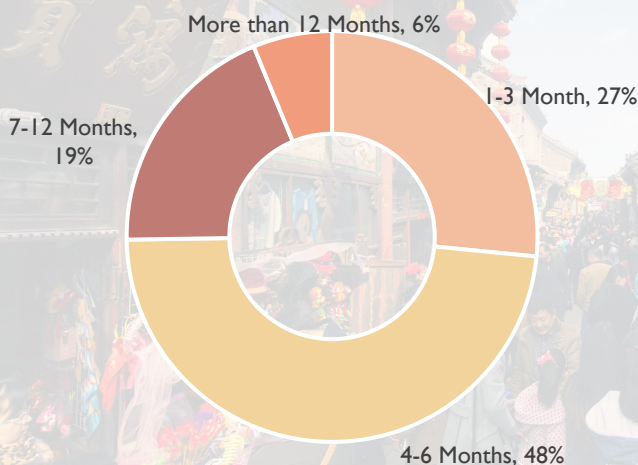
Expectations for full recovery

Expectation of a full recovery in a short period of time dominates the judgment.

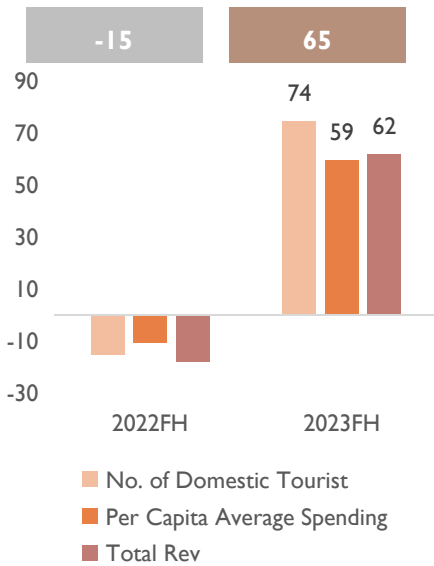
Since the government decided to adjust the epidemic prevention and control policy, various optimal measures have been introduced one after another, marking a new phase of "normalization". For domestic tourism, the removal of barriers to the movement means that the national tourism market has the fundamental prerequisites and clear prospects for recovery. Therefore, for the first time, this year's report changed the specific question on the epidemic - "how long the epidemic is expected to continue to have an impact" - to "when a full recovery is expected".

Respondents are generally optimistic about the time expectation of full recovery. 48% of respondents judged that it would take 4-6 months from January 2023 for the domestic tourism industry to achieve full recovery, meaning it is expected that some key time points such as Labor Day and summer vacation will really show the trend of full recovery. This is a result of the policy shift, the infection's earlier passage of the peak and the sharp upturn in the travel market during the Chinese New Year period giving a huge boost of recovery confidence with the industry. However, there are still some respondents who believe that the pace of recovery is relatively steady. This is not only due to a wait-and-see approach to the national preparedness situation in the early stages of the policy shift, but also because there will be reaction lags and repair periods for the various segments of the tourism chain. At the same time, there may be some destinations and market players take a "jumping the gun" behavior to quickly recoup losses from the epidemic, creating a short-term boom at the cost of tourist satisfaction, which does not truly reflect the market recovery.

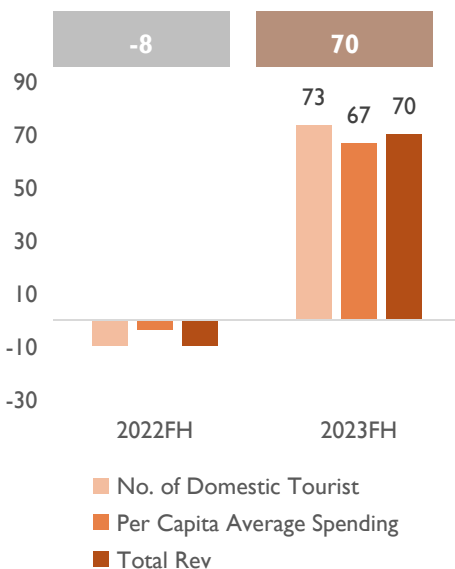
Starting from January 2023 and based on the current situation, how long do you expect the impact of the outbreak on the performance of China's domestic tourism market to last?



Domestic Tourism Performance Sentiment Score



Your Institution / Region's Tourism Performance Sentiment Score

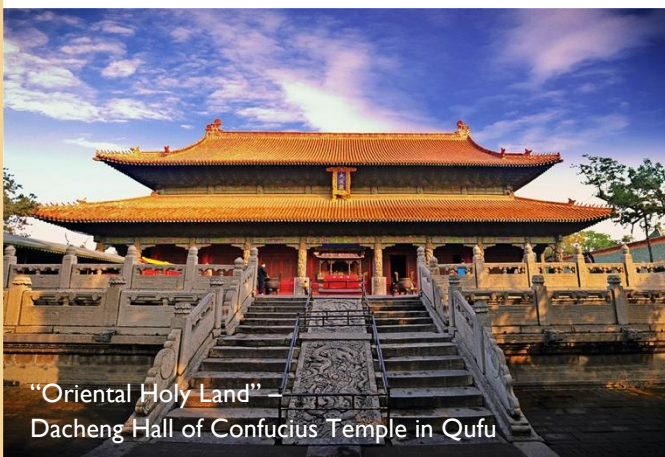


Tourism Performance Sentiment Score

Performance sentiment scores are strongly positive. The recovery of tourism arrivals is more promising.

Given that the current domestic epidemic situation is stable, and policy restrictions on travel have been eliminated, respondents are confident in the rebound of the three major performance indicators of domestic tourism. All three sentiment scores are strongly positive. In addition, respondents are more confident in their own regional performance improvement than the national overall, which is mainly related to the survey sample, with the respondents in East China accounting for nearly 40%. East China itself can generate strong endogenous consumption support, which also brings more confidence to local respondents.

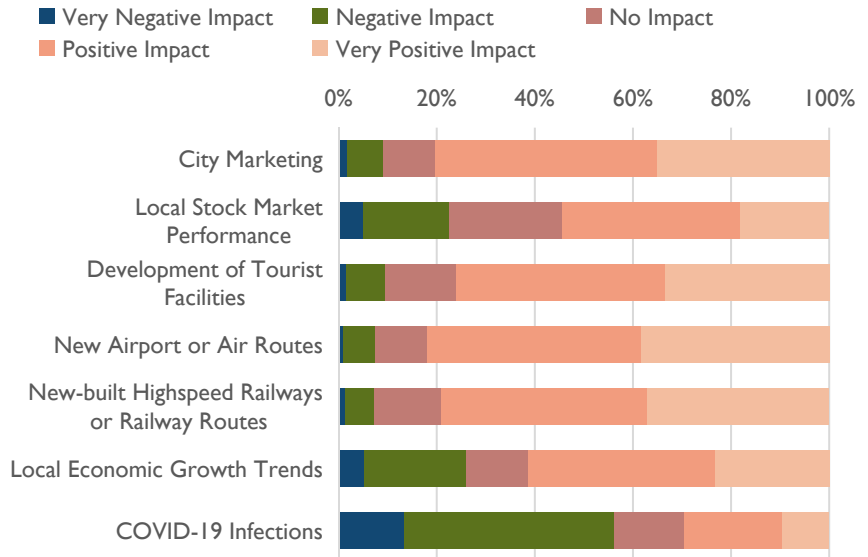
Among the three indicators, respondents were more positive and optimistic about the recovery of tourism arrivals, with the highest index. In contrast, expectations for per capita consumption and total revenue are significantly lower than for tourism arrivals. For the full recovery of the tourism market, it depends more on that of the leisure market, as the demand for travel suppressed by the three-year epidemic is rapidly released. However, in the past some people have experienced a decline in income and may have seen a degree of contraction in spending power. Also, domestic business travel demand will be prioritized to recover compared to leisure travel demand, and such travelers will have budget constraints on their spending. On the other hand, from the supply side, in order to promote the recovery of the tourism market, major scenic spots and tourism enterprises have carried out strong promotions, such as the implementation of free tickets, discounts or the issuance of consumption vouchers, as well as the launch of cost-effective products. Mobilizing enthusiasm for travel and improving traffic is the main strategy now.



"Oriental Holy Land"
Dacheng Hall of Confucius Temple in Qufu

How do you expect each factor blew to influence China's domestic tourism market performance in 2023 H1?

Influencing Factors



Influencing factors generally gained positive expectations, with the epidemic's negative impact and intensity contracting. The development of transportation and tourism facilities, as well as proactive city marketing, had a stronger positive impact on performance.

COVID-19 Infections



-23

This sentiment score improved from -87 to -23 in 2023 H1 compared to 2022 H1. The negative impact of COVID-19 infections has contracted significantly, and the proportion of respondents who believe that it has no impact and a positive impact on the tourism market has increased significantly.

On the one hand, thanks to the full liberalization of the domestic prevention policy, the peak of infection that has passed all around, and the gradual establishment of the immunity barrier, the market will be activated rapidly. On the other hand, the market has also sought to survive and think about changes in the past two years of normalized prevention of epidemics. This change has to a certain extent promoted the reform and upgrading of the industry as a whole, which is more conducive to the development of domestic tourism in the long run.

More than half of the respondents still hold negative sentiment towards this factor. With COVID-19 not yet completely over, and the potential risk of subsequent virus mutation and infection still present from foreign experience, people's willingness to travel will still be subjectively apprehensive, which in turn will bring some uncertainty to the recovering domestic tourism.

Local Economic Growth Trend



40

Local Stock Market Performance



34

Respondents' expectations for China's economic development have changed from a negative attitude to a substantial increase back to positive in 2023 H1. In January, the International Monetary Fund (IMF) released an update to its World Economic Outlook report, which significantly raised China's economic growth forecast to 5.2% this year, much higher than its global economic growth forecast of 2.9%. Benefiting from the proactive optimization of epidemic prevention measures and successive macroeconomic control policies, China's economy has maintained its long-term positive fundamentals.

Stocks are inextricably linked to the economic, political and investment environment. The stock market has stumbled over the past year under a mix of internal and external factors, and this year the world has raised its economic expectations for China. Influenced by the Chinese New Year travel recovery, the Hong Kong travel sector has soared after the market opened, with shares of Ctrip, Huazhu and China CDF hitting new stage highs, and the A-share travel sector is expected to be driven, laying a good foundation of confidence for travel practitioners.

New-built Highspeed Railways ↑

81

New Airport or Air Routes ↑

84

Respondents believe that the new-built highspeed railways and airports has the most boosting effect on the development of domestic tourism, and these two factors have the highest sentiment score.

The opening of new routes in some tourist destinations and the liberalization of epidemic prevention policies have restored liquidity to the market, which in turn has led to an effective recovery and increase in traffic capacity. Vacation sightseeing, business travel, and MICE events are no longer blocked, helping to channel traffic to tourist destinations. In addition, the choice of destinations has changed since the epidemic, with more and more people traveling to niche destinations and some alternatives to traditional popular destinations. However, this does not mean that people will lower their requirements for travel experience, and good accessibility and convenience are expected to be higher in promoting market recovery.

Development of Tourism Facilities ↑

74

76% of respondents believe that the development of tourism facilities has had a positive, significantly positive impact on domestic tourism.

The public's travel preferences and perceptions have gradually changed in recent years. In addition, the return of high-end outbound demand during the epidemic has also placed higher demands on market supply and service standards. The change in demand has prompted tourism market players to turn to innovative iterations of traditional product formats, business segments and business models. Examples include upgrades to traditional scenic/destination service packages, new play experiences such as themed tours with strong local characteristics, city vacations, and social tours, along with an increase in niche destinations.

Respondents indicated that it would be more helpful to stimulate a rapid market recovery if they could quickly adapt to changes in demand and actively seek a shift in destination value focus to connotation and experience, thereby responding to personalized, quality and diverse travel needs.

City Marketing ↑

78

In the mobile Internet era, there are precedents of short video marketing in Chongqing and Xi'an, and then the phenomenon of Ding Zhen in Litang County and Liu Hong, the "most handsome director", who made a city famous. Active online city marketing plays a key role in increasing the exposure of the destination and its huge incremental value. It has also become a major means of creating a recovery momentum to the public and rebuilding confidence in travel. Respondents therefore have a high expectation that this factor will play a positive role in the tourism market.



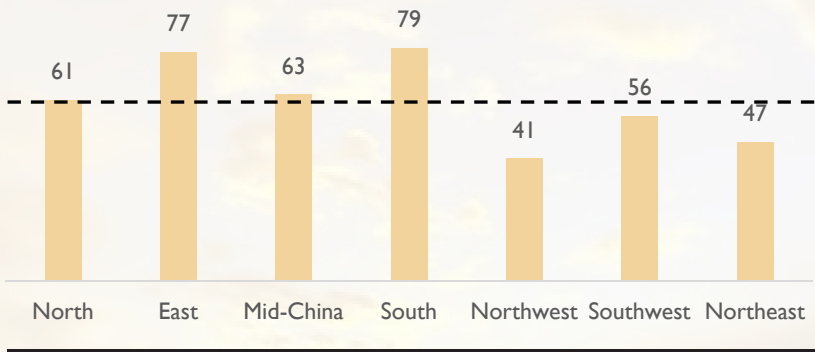
Regional Sentiment Score

Confidence in all regions was boosted across the board, with East China as well as South China leading the country and Southwest China being favored as a tourist destination.

Compared to that in 2021 and 2022, respondents' expectation for tourism across all regions in 2023, both as a source and a destination, have risen significantly and have rebounded from a negative to a strong positive sentiment score. This is mainly contributed to the full liberalization of domestic epidemic control policies, the gradual resumption of the movement, and the recovery of various economic activities across the country. However, there is still an obvious gap between the regions, which is inextricably related to the level of local economic development, the richness and attractiveness of tourism resources, as well as the residents' awareness and ability of tourism consumption.

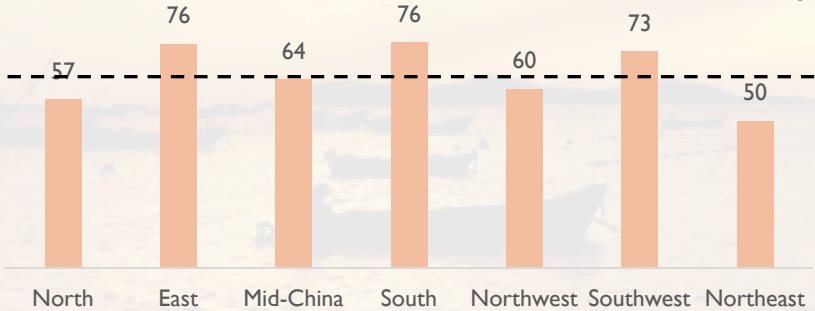
Sentiment Score as Source Markets

Source Market Average: 61



Sentiment Score as Tourist Destinations

Destination Market Average: 65



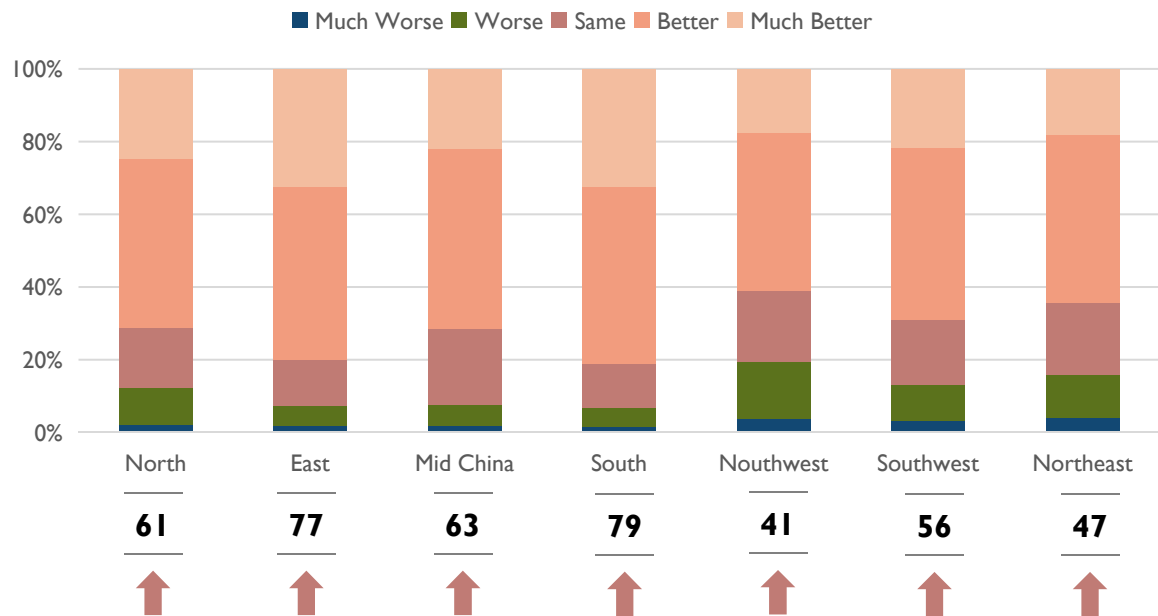
Source Market Sentiment Score

How do you expect the market performance of each region below as a source market in 2023 H1 vs. 2022 H1?

Sentiment Score

61

Expected Performance as Source Markets



East China and **South China**, represented by the Yangtze River Delta and the Pearl River Delta, are currently the most active and market-oriented regions of China's economic development, with strong spending power among residents. In addition, residents also generally have a deep sense of travel and a strong willingness to travel. Therefore, the two regions are very important source of tourists in China. In Shanghai, for example, although the epidemic had brought its tourism market to a standstill for a long time, the huge tourism demand released along with the city's unsealing further confirms the solid tourism consumption base and capacity of the region. With the optimization of the domestic epidemic situation, there is no doubt that tourism activity in the two regions will resume. No wonder respondents have the most positive expectations for the development of these two regions as source markets.

North China and **Mid-China** are equally optimistic about the expected growth performance as a source market, but their expected sentiment performance is still significantly less positive than that of South China and East China. The two regions are more inclined to the activation of business trips for a certain period in the recovery of travel demand. In terms of leisure demand, Beijing is the representative of the most travel demand and awareness in North China, but the activity of other North China regions is relatively inferior. Mid-China, on the other hand, lacks the drive of super first-tier cities like Beijing, Shanghai, Guangzhou and Shenzhen. Overall, it is difficult for the two regions to compare with the eastern and southern coastal regions in terms of comprehensive economic development, residents' consumption ability and willingness to leisure travel.

There is a clear difference between the respondents' expectations of the development of **North China** and **Southwest China** regions as a source and destination. From the perspective of a source market, there are more early-liberated, minority nationality, border and poor areas in southwest and northwest China. Although there are cities with high economic level such as Chengdu, Chongqing and Xi'an, but their polar core effect is significant and other cities are driven by limited effect. On the whole, the consumption level and willingness to travel of residents in the two regions are low, and the sentiment indices of the two regions as source markets are significantly lower than those as destination markets.

Compared to the same period during the epidemic and even the same period of 2019, the sentiment growth trend in **Northeast China** is very significant, but its index performance is still unsatisfactory compared to other regions. This is due to repeated outbreak of COVID-19 and very stringent prevention and control measures over the past three years that have continued to severely dampen tourism demand in the Northeast market. Coupled with years of weak economic development, slow industrial restructuring and severe population loss, the region's tourism industry is relatively underdeveloped. Respondents appear to be less confidence in performance of Northeast China as a source market.



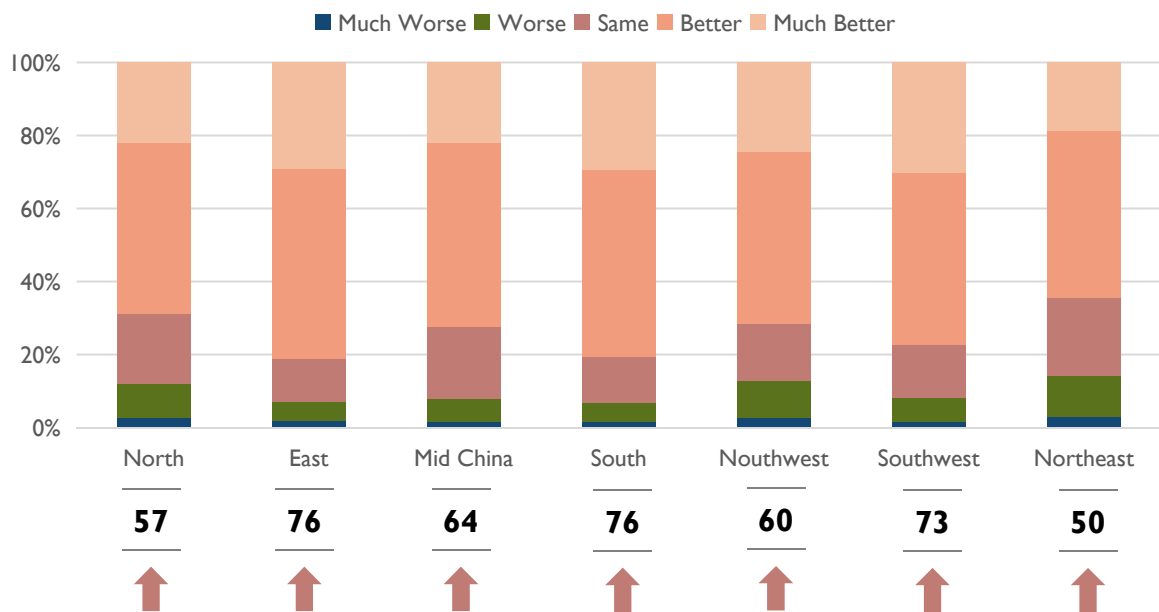
Destination Market Sentiment Score

How do you expect the market performance of each region below as a destination market in 2023 H1 vs. 2022 H1?

Sentiment Score

65

Expected Performance as Destination Markets



Not only do **East China** and **South China** have a large source base, but they also have rich tourism resources, good natural climate conditions and many high-quality tourism products. This includes some of China's most premium and scarce tropical island destinations, making East and South China the most sought-after long-haul destinations for domestic travelers. The two regions also have developed markets for intra-provincial and peripheral travel. Respondents have very optimistic expectations for the development of Eastern and Southern China as a destination as much as they do as a source. Overall, East China and South China are well-deserving of the country's high tourism value, with regional prosperity indices leading the nation.

Sentiment scores of **North China** and **Mid-China** as destination markets, have achieved a faster recovery rate in the past year. The gradual liberalization of the anti-epidemic policy eliminating the uncertainty of movement is the core positive influencing factor. North China remains one of the mainstream destinations for domestic travel due to Beijing's outstanding tourism resources, coupled with the opening of Universal Studios and the Winter Olympic Games. Mid-China not only has many traditional scenic resources but has also made frequent appearances in the past two years based on innovative breakthroughs in traditional attractions and humanistic history. Respondents have a positive attitude towards the two regions in terms of the recovery of the tourism economy.

The respondents are more optimistic about the tourism economy expectations of **Northwest China** and **Southwest China** as tourist destinations. On the one hand, the two regions themselves have rich and unique tourism resources, diverse ethnic and cultural customs, and delicious and distinctive local cuisines. These make it easier for travelers to have the ultimate travel experience and give practitioners more confidence in achieving improved performance. On the other hand, the slow life of Sichuan, Chongqing, Yunnan and Guizhou, the vast grandeur of the northwest, and the exotic charm of humanities are more in line with the travel psychology of people seeking to soothe their hearts, release stress and feel the good life in the post-epidemic era. These characteristics, coupled with the excellent city marketing in the past two years, have played an immediate role in promoting the popularity of the destination.

In contrast, Southwest China is better than Northwest China in terms of climate suitability and accessibility, so respondents are more optimistic about the performance in the southwest region. Their sentiment scores as destination markets are straightforward in South China and East China.

The trend of sentiment growth in **Northeast China** as a destination market is very significant. The holding of the Winter Olympics set off a national ice and snow sports boom, promoting the leapfrog development of the domestic ice and snow industry. The Northeast region, which has been widely recognized as an "ice and snow tourism destination", has seen a new opportunity for tourism recovery and development after the epidemic.

Despite all the above, its ranking in the sentiment score as a destination market continues its previous pattern of being at the bottom of the country. On one hand, overall economic and tourism industry development is relatively backward. On the other hand, as a long-haul destination, Northeast China has significant seasonal impacts due to significant transportation accessibility limitations and a single core tourism product. Moreover, the region's tourism hospitality standards and market norms still need to be improved. In the context of the development of mass ice and snow sports across the country in accordance with local conditions, the scarcity of Northeast China as an ice and snow destination will be weakened, and the road to its tourism revitalization will have both opportunities and challenges.



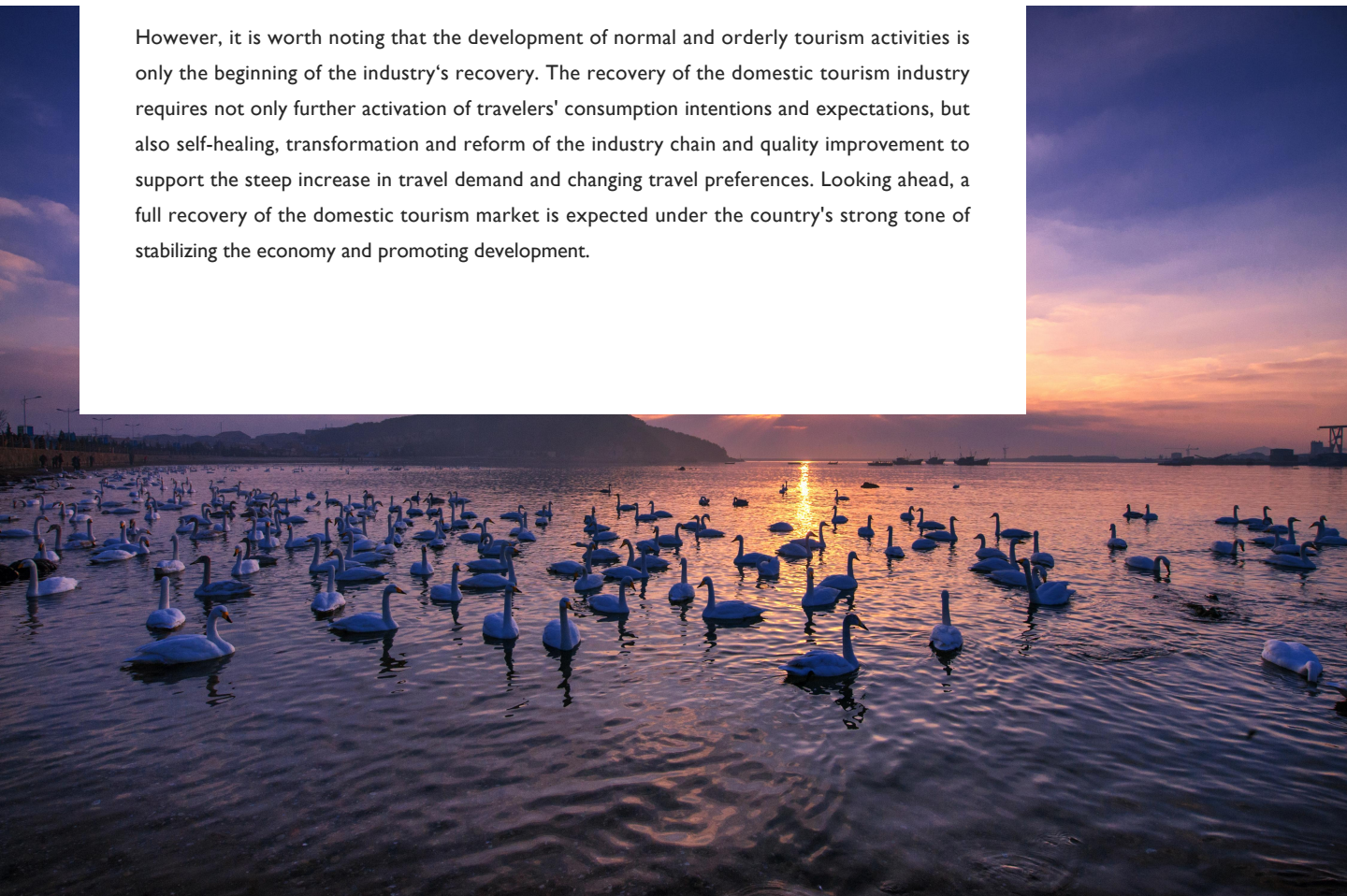
Music and Dance at International Confucius Cultural Festival, Qufu of China

Conclusion

In the past three years, China's domestic travel market has been at a low ebb, with "epidemic, impact, caution, and downturn" being the key words and a true reflection of the industry.

With the optimization of the epidemic prevention policies such as the "The issue of Notice on Further Optimizing the Implementation of COVID-19 Prevention and Control Measures", the infection's passage of the peak and the release and implementation of the "B class B management" policy, it marked a new phase of normalized prevention and control of COVID-19 in China. On this occasion, the tourism market was activated. the first Spring Festival after the epidemic saw a tide of homecoming and travel, releasing signals of a strong recovery in the domestic tourism economy. Data from the Ministry of Culture and Tourism of PRC show that national domestic tourism trips during this year's Spring Festival holiday recovered to 88.6% of the same period in 2019, and domestic tourism revenue recovered to 73.1% of the same period in 2019. With the overall boost in industry confidence, industry expectations for the domestic tourism market in the first half of 2023 hit a record high since the outbreak.

However, it is worth noting that the development of normal and orderly tourism activities is only the beginning of the industry's recovery. The recovery of the domestic tourism industry requires not only further activation of travelers' consumption intentions and expectations, but also self-healing, transformation and reform of the industry chain and quality improvement to support the steep increase in travel demand and changing travel preferences. Looking ahead, a full recovery of the domestic tourism market is expected under the country's strong tone of stabilizing the economy and promoting development.



About World Tourism Alliance

On 11th September, 2017, the first global, comprehensive, non-government, non-profit tourism organization founded by China—the World Tourism Alliance—held its inauguration ceremony in Chengdu, Sichuan province, China. Premier Li Keqiang of the State Council of the People's Republic of China sent a congratulatory letter to the founding of WTA.

Upholding the vision of “Better Tourism, Better World, Better Life” as its ultimate goal, WTA is committed to promoting peace, development and poverty alleviation through tourism, and to driving global tourism exchanges and cooperation at non-governmental level.

Up to now, WTA has 228 members from 42 countries and regions. The WTA membership falls mainly into national or regional tourism associations, influential tourism or tourism-related enterprises, tourist cities, academia, media and individuals. Positioning itself as a service-orientated international organization that caters the needs of its members as the core, WTA aims at setting up cooperation platform for dialogue and networking, platform for practical and authoritative information, media platform for resource-sharing and communication platform for integrative development.

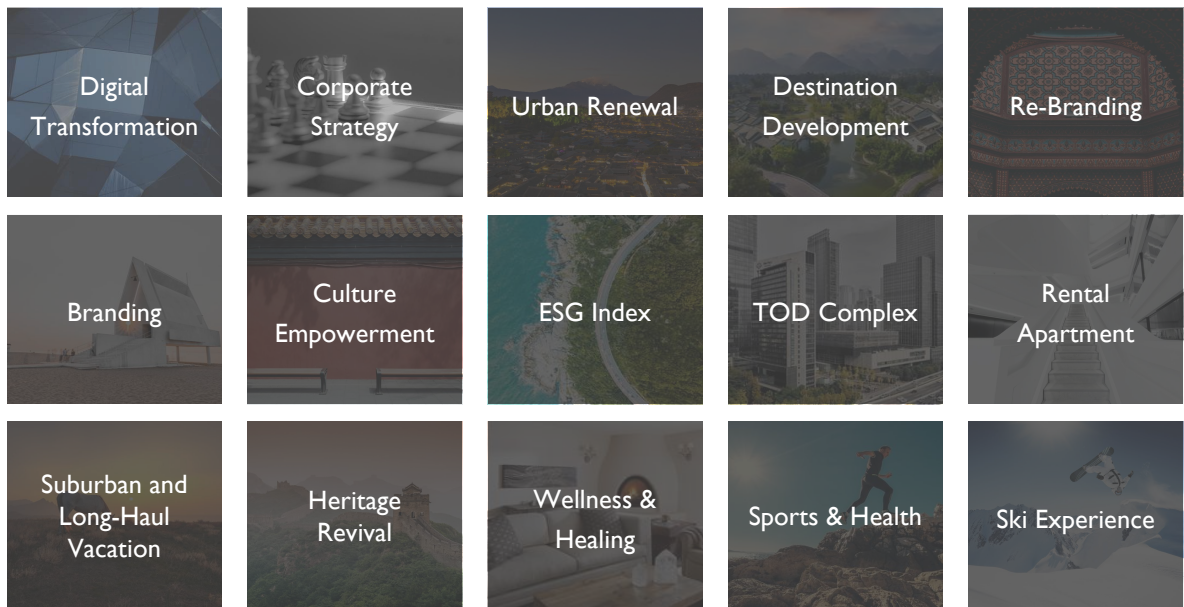
The WTA headquarters and Secretariat are located in China.



About Horwath HTL

As a centennial corporate, Horwath HTL participated in the creation of “Uniform System of Accounts for the Lodging Industry” that are still used worldwide. Starting from the beginning of its entry into the mainland China market in 2003, Horwath HTL collect and analyze industry benchmarking data for “China Hotel Industry Study” with the China Tourist Hotel Association. As the first international consulting company to bring the international hotel investment and development standard process to the Chinese market, Horwath HTL has been leading the industry development for 20 years in China. Horwath HTL was the first to introduce the concept of “per square meter efficiency” to help the industry to make accurate investment and asset management; and created industry data standards such as MSI (Market Sentiment Index) and MVI (Market Value Index) to help upstream and downstream practitioners to further understand the market. In 2022, Horwath HTL launched HOHI data platform and started to build up the ESG index system to further guide the digitalization and sustainable transformation of the industry. In the new era, relying on abundant project experience, customized consulting services, HOHI data platform and CHAT branding and marketing platform, Horwath HTL provides professional services covering multiple dimensions and the full life cycle an is always committed to providing various professional solutions to promote the continuous evolution of the wonderful lifestyle industry.

Multi-Dimensional and Full Life-Cycle Professional Solutions



Three Brands and Business Segments

Horwath Business

Industry-wide Customized
Consulting Service

Business Modules

Development Strategy Solution
Destination Solution
Hotel Solution



HOHI Business

Industry-wide Information
Integration and Big Data
Analysis Platform

Business Modules

Industrial Mapping Tool
Business Evaluation Tool
Data & Report



CHAT Business

Branding, Resource
Connection and Integrated
Marketing Platform

Business Modules

Branding
Integration Marketing Campaign
Platform Promotion



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