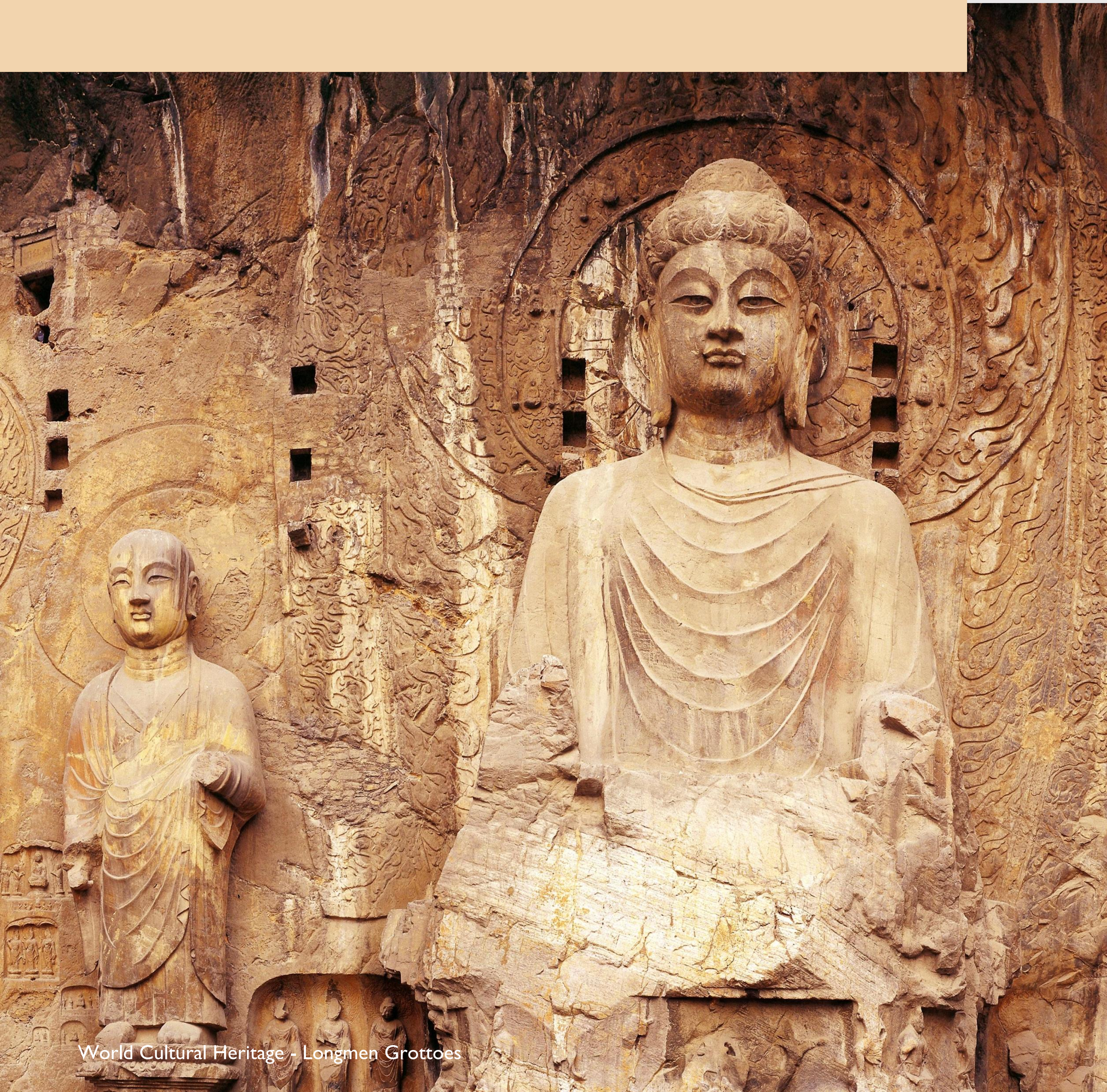
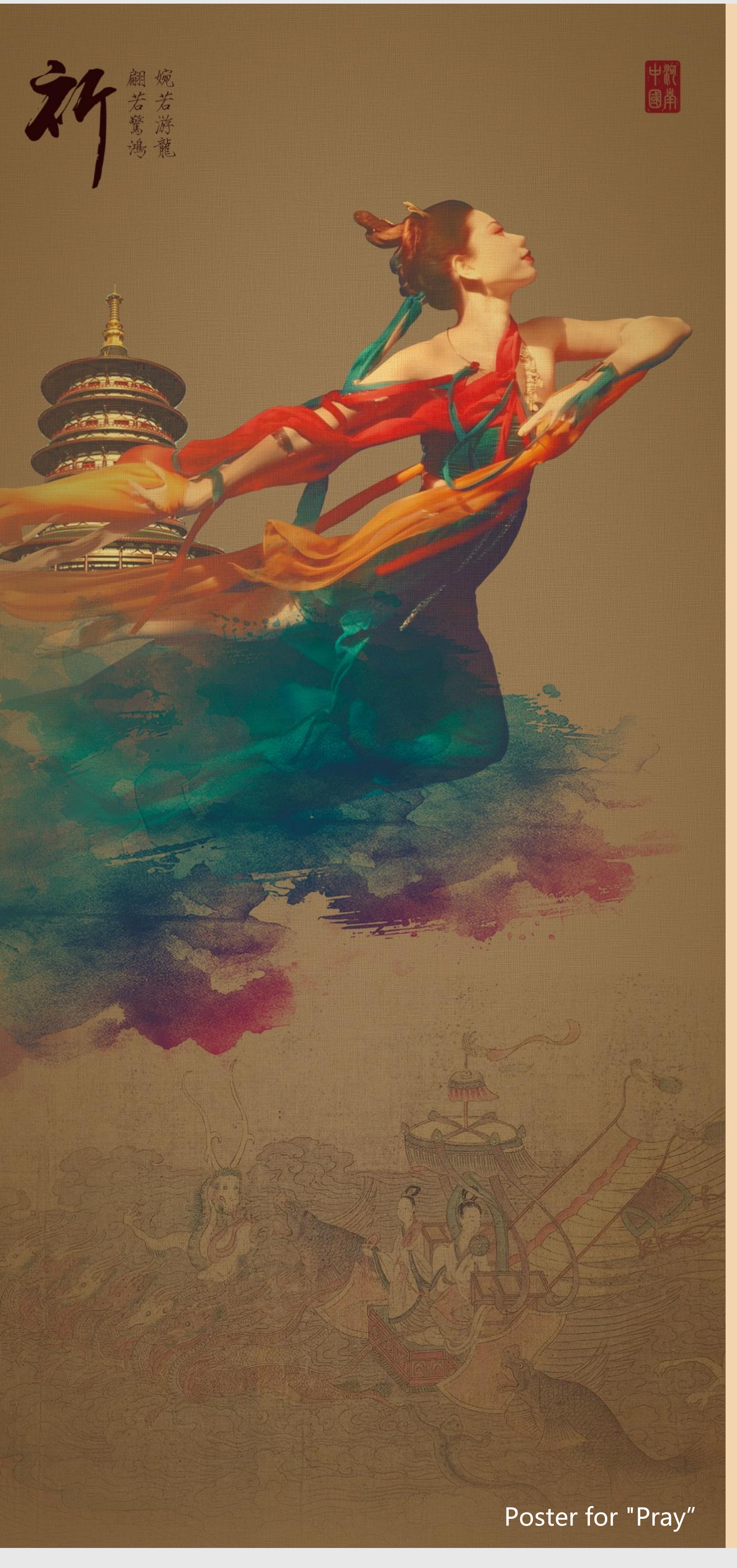
August 2023

2023/H2

China Domestic Tourism Market Sentiment Report



World Cultural Heritage - Longmen Grottoes



Poster for "Pray"

Content

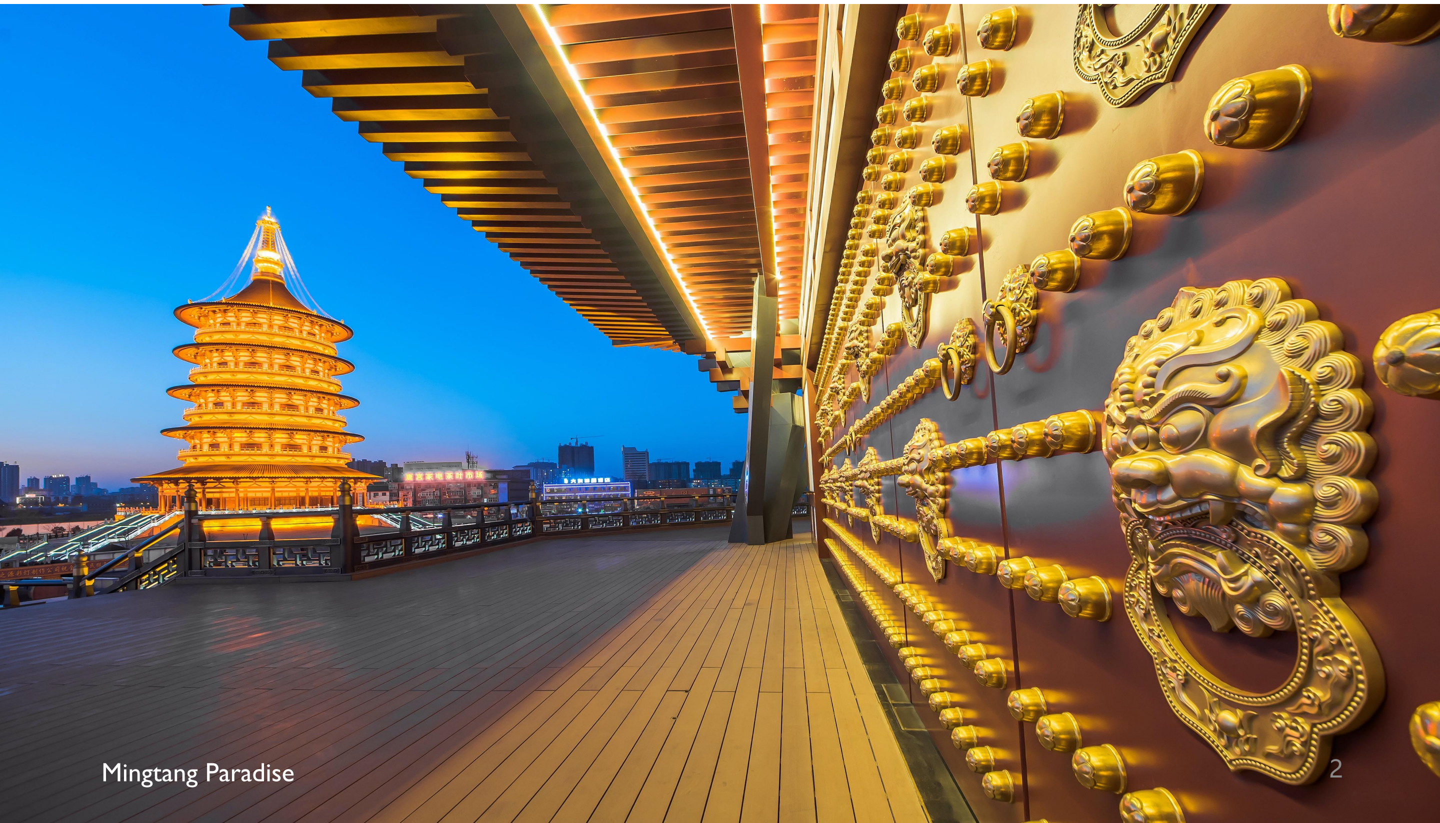
Introduction

The domestic tourism market, which has been struggling for nearly three years, has undergone a fundamental change towards a full recovery in conjunction with the Notice on Further Optimizing the Implementation of COVID-19 Prevention and Control Measures on December 7, 2022.

According to the tourism data released by the Ministry of Culture and Tourism, the total number of domestic tourist trips was 2.384 billion in the first half of 2023. In addition, the domestic tourism revenue (total tourism expenditure) was 2.3 trillion yuan, recovering to 77% and 83% of the same period in 2019, respectively. The heat of the tourism market continued to increase during the periods of the Spring Festival, Chingming Festival, May Day, and Dragon Boat Festival holidays in 2023, reflecting the strong vitality of domestic demand for tourism. Taking the "May Day" holiday as an example, both the number of travelers and tourism revenue rebounded to 119% and 101%, respectively, compared to the same period in 2019. This indicates that the domestic tourism market has fully recovered to a normalized stage.

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 10th time. This will help to track the development trend of China's domestic tourism market and provide the World Tourism Alliance (WTA) members as well as global practitioners with the resources to understand and anticipate the prospects of the domestic tourism market.

We give our special thanks to the China Association of Travel Services and its relevant member units, as well as the Henan Provincial Department of Culture and Tourism, for providing us with the images used in this report.


Mingtang Paradise

Background

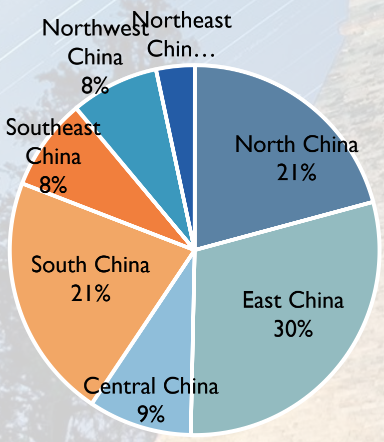
We use a specific sentiment score model to quantify the respondents' feedback for better analysis and comparison of the domestic tourism markets of different regions and cities in China. These are presented in the form of an index to reflect the respondents' expectations.

A sentiment score is applied to each question, ranging from -150 to +150. A -150 score indicates a state of absolute pessimism. A score of 0 indicates unchanged expectations. Moreover, a score of +150 indicates a highly optimistic sentiment.

Respondents were asked to compare the market performance in the second half of 2023 to the actual performance in the second half of 2022. In addition, they were asked to identify the factors contributing to the variance and give their insights regarding the source markets and destination markets.

This report summarizes our research results based on 298 valid questionnaires from 31 provinces, municipalities, and autonomous regions in China. Questionnaires were received up to July 26, 2023. The main conclusions are based on respondents' predictions regarding the market situation at that time.

By Region



By Organization Type

69%	Travel agency	**11%**	Social Organization
6%	Destination Management	**1%**	Hotels
0.3%	Airlines	**12%**	Others

Note: This questionnaire was collected from June 28, 2023 to July 26, 2023.

Dengfeng Star Observatory, Zhengzhou

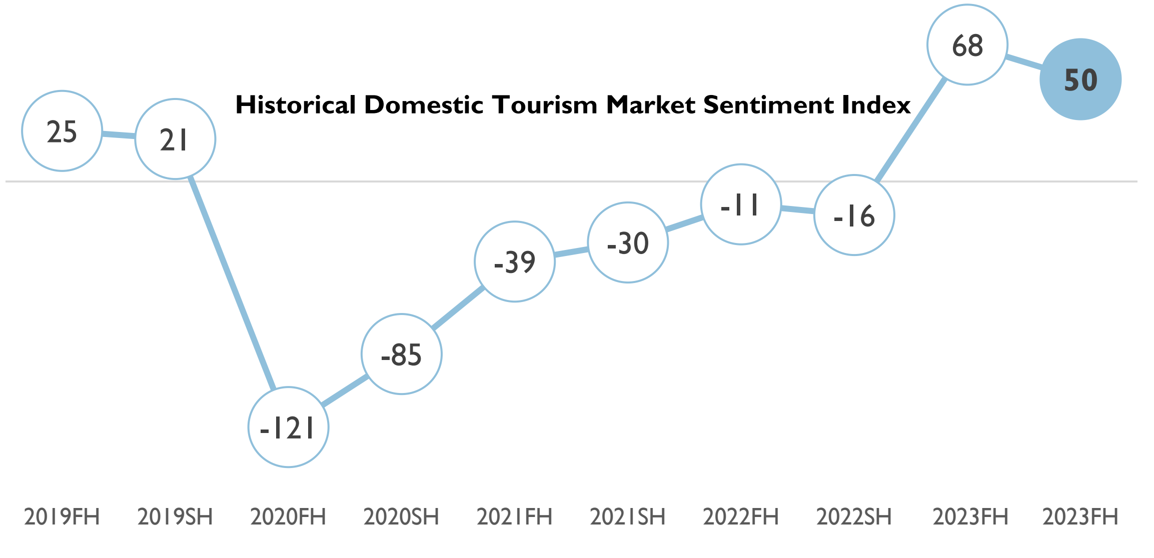
Market Sentiment Analysis

The index has decreased, but the market remains highly optimistic.

The first half of 2023 witnessed a positive increase in the Market Sentiment Index for the first time since the epidemic and hit a high record. In addition, the tourism economic data achieved in the first half of the year also confirmed and set the main tone of a comprehensive market recovery.

In the second half of the year, the market trend continues to be "high start and steady." As the first year of full recovery after the epidemic, the government has introduced a series of cultural and tourism support policies to accelerate the improvement and enhancement of the market supply chain. However, tourism activities are a significant part of the country's task of increasing consumption. Moreover, in the face of key time nodes such as the Summer Holiday, the upcoming Mid-Autumn Festival, and National Day in the second half of the year, the practitioners still have highly positive confidence and expectations for the market.

It should be emphasized that despite the decline in the sentiment index in the second half of 2023, it does not mean that the market confidence has weakened. This is only after experiencing a blowout release of travel demand for three years in the first half of the year, practitioners recognize that the national macroeconomic environment has not fully recovered and that people's travel consumption power has been restricted. On the other hand, demand rebounded strongly in the first half of the year, but the recovery of the supply side was not achieved overnight, and the market was uneven, resulting in tourism chaos and poor industry experience. This has made practitioners more rational and robust in their attitude towards the recovery and growth of domestic tourism in the second half of the year.



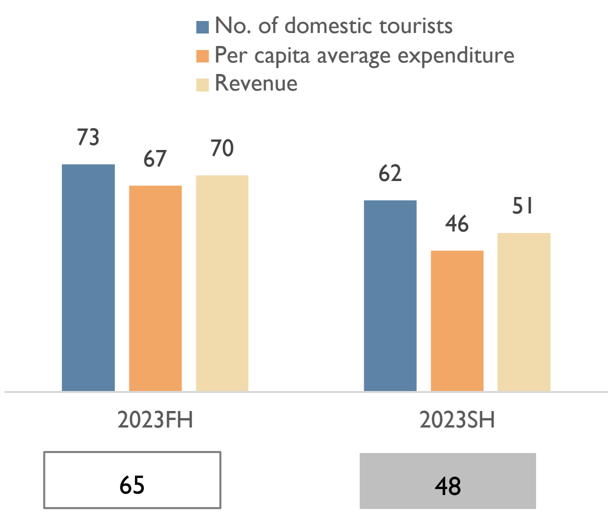
Tourism Performance Sentiment Score

The tourism arrival indicator remains at the top of the three indicators, followed by cautious optimism regarding consumption and income levels.

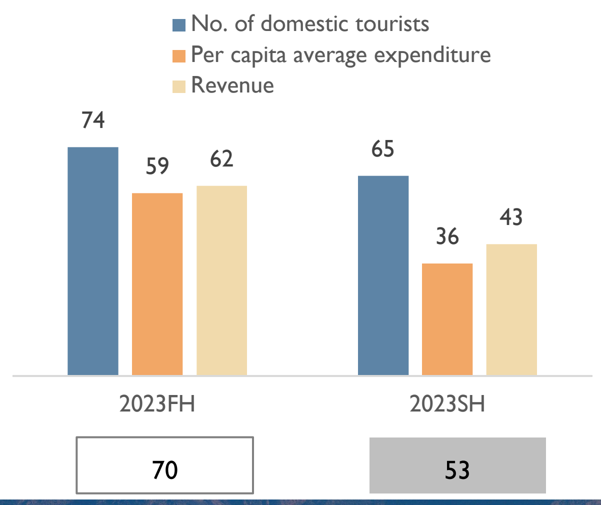
It was the first fully-opened summer vacation by the time the questionnaires were returned. In addition, tickets for popular scenic spots were in short supply. This signaled a high-profile opening of the second half of the year, driving the industry to remain highly optimistic in general regarding the anticipated recovery of tourism arrivals in the second half of the year. However, the positive expectations for the recovery of per capita consumption and total revenue began to weaken.

Practitioners said that the obvious reduction of family and personal income as a result of the economic pressure after the epidemic is a non-negligible negative factor affecting tourism consumption expectations. However, at the same time, people's passion for travel and relaxation is unabated, and youthful customers have become the new engine of the tourism market and accordingly stimulated a change in the concept and mode of tourism consumption, with "cost-effective, local atmosphere, emotional value" becoming the key words. For example, this year, "Zibo Barbecue", Citywalk, "Special Forces Tours," "Museum Tour," "Village Super/Village BA" and "Reverse Tours". This is a reflection of the demand for more diverse and innovative tourism hotspots and the demand for affordable ways to meet leisure travel needs. In addition, practitioners also mentioned that the decline of the consumer market, the dominance of short-haul travel, and the trend of staggered travel will, to a certain extent, lower the expectations for the intensity of growth in tourism consumption.

Domestic Tourism Performance Sentiment Score



Your Institution / Region's Tourism Performance Sentiment Score



Swan Lake, Sanmenxia

How do you expect each factor blew to influence China's domestic tourism market performance in 2023 H2?

Influencing Factors

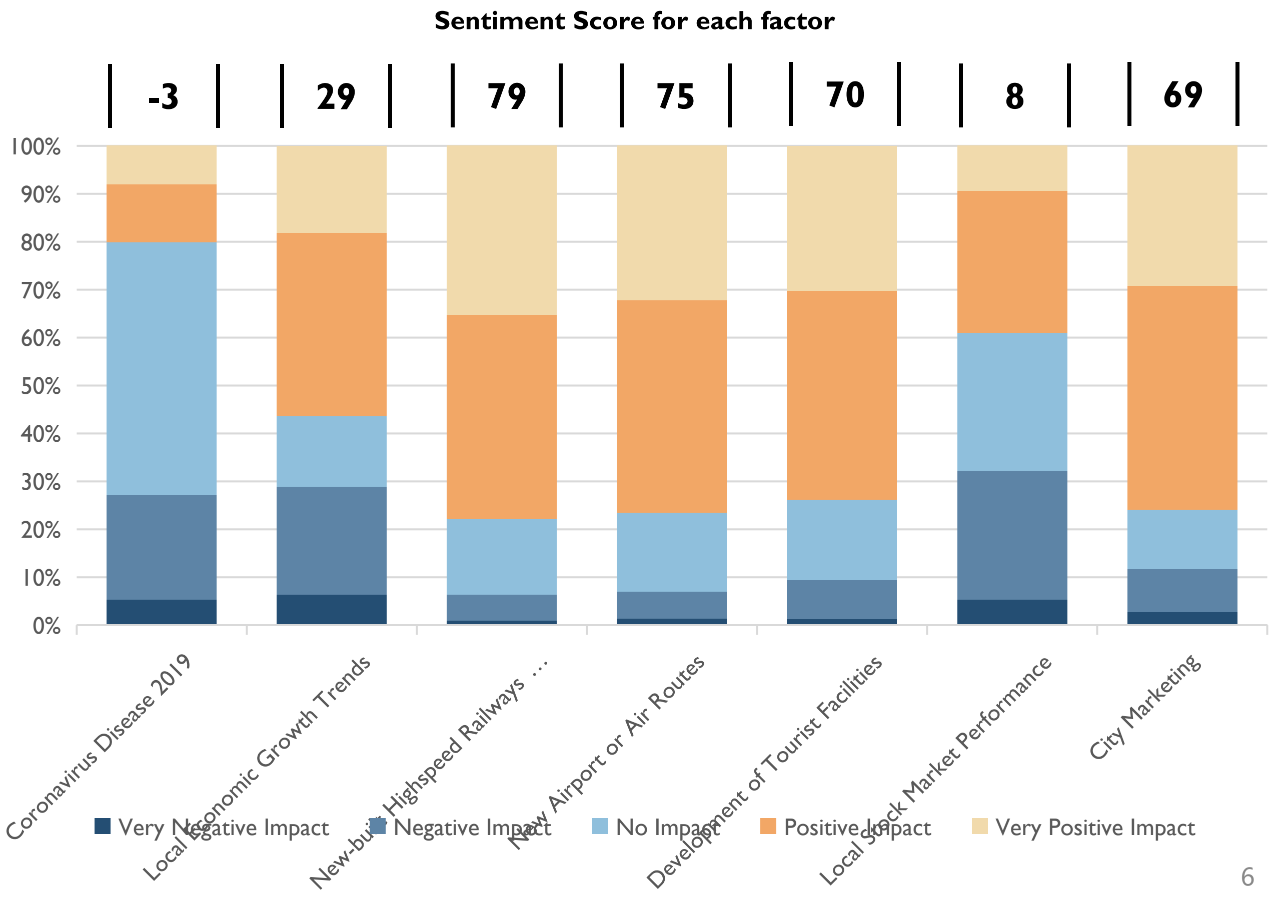
The development of transport and tourism facilities, as well as city marketing, were strong drivers of performance.

New-built high-speed railways or railway routes, new airports or air routes, and the development of tourist facilities: Respondents generally have high positive expectations for these three factors. First, consumption has become more diversified as a result of the scenarios and forms of tourism. In addition, transport, scenic spots, and accommodation and catering infrastructures are being upgraded and enhanced constantly, as is the active construction of host-guest-shared spaces for better living in different cities and the continuous entry of emerging tourism concepts into the market. These are all direct driving factors that stimulate the growth of tourism flow and consumption.

City Marketing: The positive impact of city marketing on tourism performance should not be underestimated. Destination exposure on the Internet and social media is directly changing consumers' judgements of destinations and their willingness to travel. In the meantime, consumers' travel decision-making time is reducing gradually nowadays. That's why proactive city marketing has become a significant way of enhancing the attractiveness of destinations and capturing consumer opportunities.

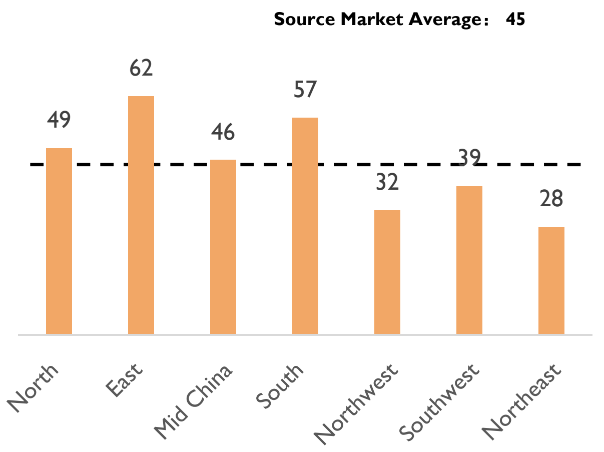
Local Economic Growth Trend and Local Stock Market Performance: Respondents' confidence in the positive impact of the macroeconomic and financial environment on the tourism market is not quite strong. The overall economic environment is still recovering from fluctuations, and residents' consumption and business investment are cautious. A significant proportion of respondents hold a more conservative attitude towards the contribution of these two factors to market performance.

Coronavirus Disease 2019: More than half of the respondents believed that COVID-19 no longer had an impact on the tourism market, and only a few respondents still hold negative sentiment towards this factor. However, this proportion was significantly smaller. The impact of this factor is therefore negligible.

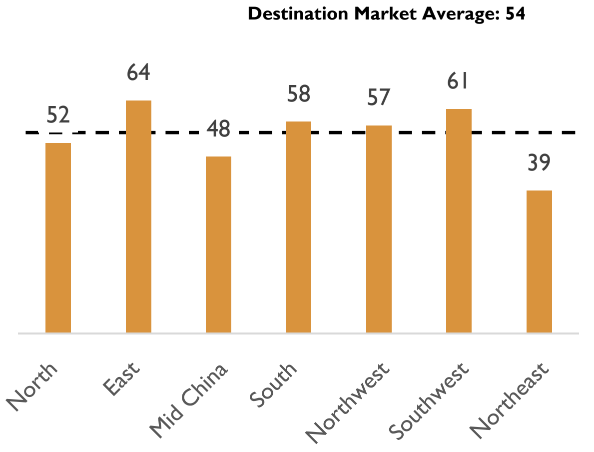


Regional Sentimet Score

Sentiment Score as Source Markets



Sentiment Score as Tourist Destinations



Markets in all regions reap optimistic expectations, The strength of confidence varies significantly.

In the second half of 2023, the tourism market's positive trend in all regions is expected to continue. However, the differentiation between regions is still more obvious.

Whether as a source or a destination, regions with developed economies, abundant talents, a high degree of tourism development, and strong awareness and ability among residents to spend money on tourism are still popular. In general, the eastern and southern regions are performing significantly better than the western and northern regions.

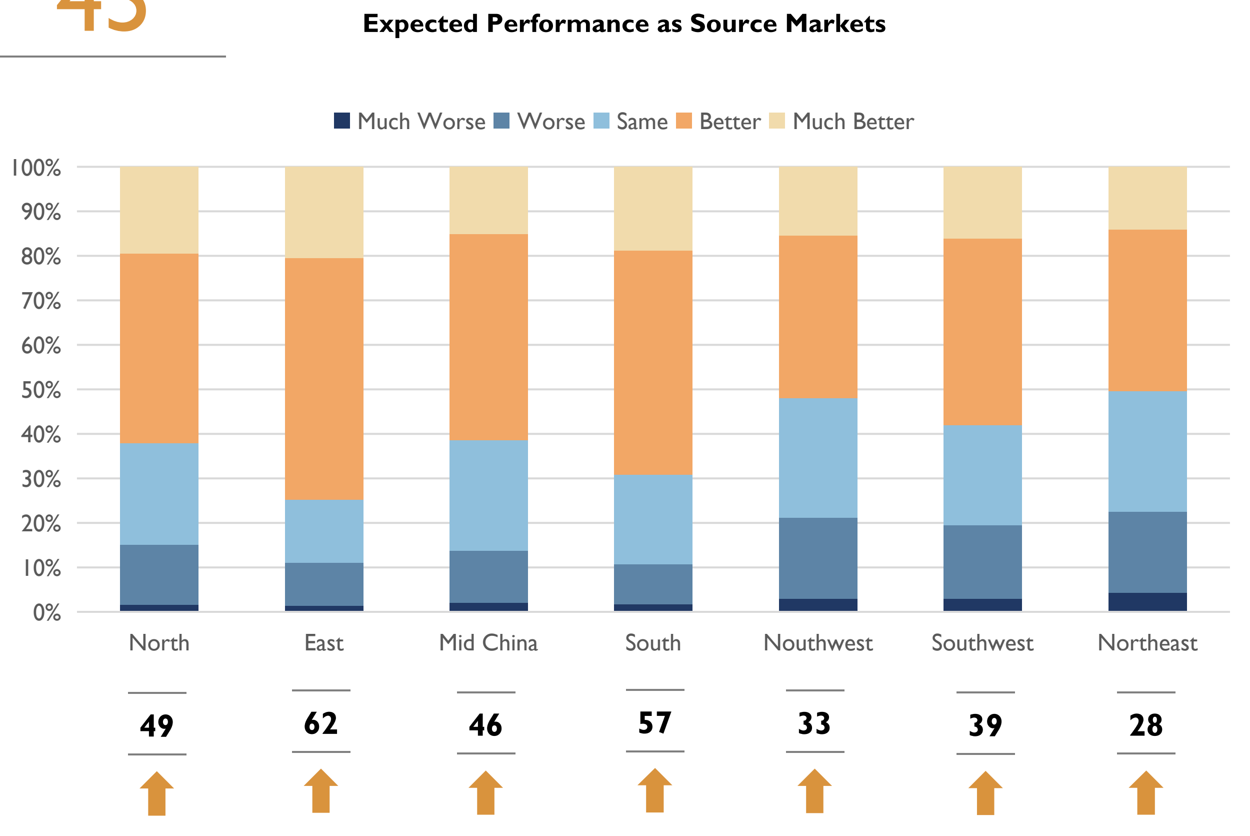
Poster for "Night Banquet at the Tang Palace"7

Source Market Sentiment Score

How do you expect the market performance of each of the following regions as a source market in 2023 H2 compared to 2022 H2?

Sentiment Score

45



From a source perspective, respondents have the most positive expectations for **East China** and **South China**, represented by the Yangtze River Delta and the Pearl River Delta. China's most economically developed and densely populated regions have the most deeply rooted concept of tourism. East and South China are undoubtedly the most significant sources of domestic demand.

As tourist sources, the market is also quite optimistic regarding the expected growth performance of **North China** and **Mid China**, and the index is higher than the market average level. However, the comprehensive economic development level of the two regions, the consumption power of residents, and their willingness to travel are hard to compare with the eastern and southern coastal areas, and these two regions are in the second tier of index performance.

The **Northwest, Southwest,** and **Northeast** are in the third tier of index performance as a source market. It is objectively related to the small number of survey samples from these regions and the majority of surveys filled by respondents from economically underdeveloped cities. However, these regions themselves have obvious gaps in economic development and consumption level when compared with other regions in China. Despite the fact that there are more developed cities such as Chengdu, Chongqing, and Xi'an, their driving effect on other cities in the region is limited.

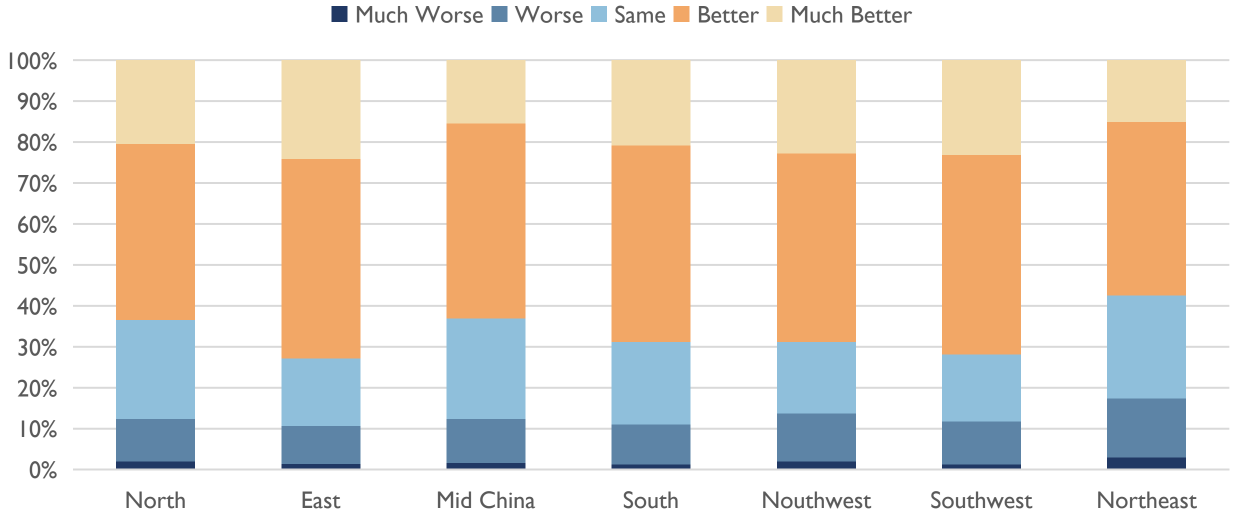
Destination Market Sentiment Score

How do you expect the market performance of each of the following regions as a destination market in 2023 H2 compared to 2022 H2?

Sentiment Score

54

Expected Performance as Destination Markets



North	East	Mid China	South	Nouthwest	Southwest	Northeast
52	64	48	58	57	61	39

East China and **South China** are also well-deserved high-value destinations in the country, with rich tourism resources, favorable natural climatic conditions, and a wide range of high-quality tourism products. Also, local demand for tourism in the two regions is strong. Respondents are also optimistic about the development of East and South China as destinations, with the Prosperity Index leading the nation.

Southwest China and **Northwest China** are catching up with East China and South China, respectively, in terms of destination sentiment index performance. The summer holiday began during the questionnaire survey period, and cities such as Chengdu, Chongqing, and Xi'an, renowned for their online celebrity and food, have become delicate and trendy destinations favored by young people for graduation travel. On the other hand, this year's summer holiday is close to the Dragon Boat Festival, and high-temperature weather has also stimulated the summer destinations in the southwest and northwest. This gives respondents decent confidence in the market expectations of the two regions.

Respondents also have positive expectations for the development of **North China** and **Mid China** as destinations. North China not only has the traditional tourist destinations represented by Beijing, Inner Mongolia, etc. but also continues to warm up the market. Also, some small towns and emerging tourist markets are actively creating hotspots, striving to win opportunities for their development. Zibo in Shandong Province can be described as a phenomenal case. Relying on traditional natural scenic spot resources as well as IP theme scenic spots developed by traditional cultural elements, the region's tourism economy in Mid China has significantly recovered.

Northeast China still ranks at the bottom of the country's prosperity index as a visiting destination, with slightly less confidence in resuming growth. As a long-haul destination, seasonal snow and ice tourism products are widely recognized across the country. However, its tourism is restricted by transport conditions that need to be further improved and tourism reception standards.

Regional Sentiment Score

Museum of Henan Province

Conclusion

A comprehensive recovery and upward development of domestic tourism have been identified after an explosive rebound in the first half of 2023. Moreover, due to the extremely active market flows and a number of effective cultural and tourism policies the national tourism market has entered an irreversible stage of normalized recovery.

Positive confidence in market recovery and growth in the second half of the year remains strong. However, the industry's expectations for recovery in the second half of the year will tend to be rational and robust after the explosive release of demand in the first half of the year. In terms of performance indicators, the market is holding a high attitude of certainty and continuity towards the recovery of tourism popularity. However, the characteristic of "prosperity but not wealth" will continue for a certain period, not only because the market is still in an ongoing self-repair cycle on both the supply and demand sides but also as a result of the new consumption concepts and patterns brought about by this background.

Looking ahead, we are reasonably confident that the domestic tourism market will be able to advance from the restorative growth stage to sustainable prosperity and development in the near future. This is due to the domestic tourism market’s strong resilience, the further strength of the “stabilizing growth and promoting consumption” policies of the state and governments at all levels, as well as the market’s more accurate understanding of changes in demand and the continuous optimization of supply.

About the World Tourism Alliance

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

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

Up to now, the 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, the media, and individuals. Positioning itself as a service-oriented international organization that caters to the needs of its members as its core, WTA aims to establish a cooperation platform for dialogue and networking, a platform for practical and authoritative information, a media platform for resource sharing, and a communication platform for integrative development.

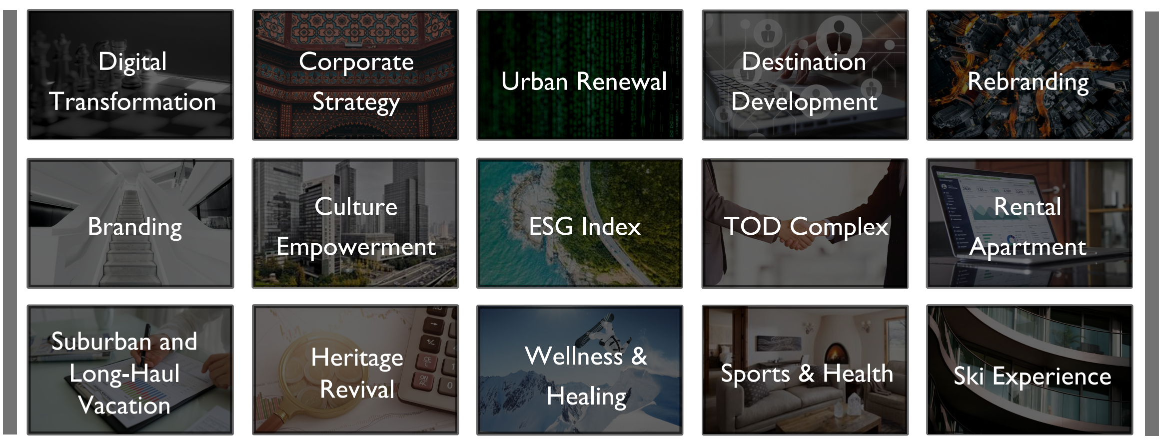
The WTA headquarters and secretariat are located in China.

Tien Pu Tai Wan

About Horwath HTL

As a centennial corporation, Horwath HTL participated in the creation of the "Uniform System of Accounts for the Lodging Industry," which is still used worldwide. Starting from the beginning of its entry into the mainland China market in 2003, Horwath HTL collected and analyzed industry benchmarking data for the "China Hotel Industry Study" with the China Tourist Hotel Association. It has been leading industry development for 20 years in China as the first international consulting company to bring the international hotel investment and development standard process to the Chinese market. It was also the first to introduce the concept of "per square meter efficiency" to help the industry make accurate investment and asset management decisions. In addition, it created industry data standards such as MSI (Market Sentiment Index) and MVI (Market Value Index) to help upstream and downstream practitioners further understand the market. In 2022, Horwath HTL launched the HOHI data platform and started to develop the ESG index system to further guide the industry's digitalization and sustainable transformation. In the new era, Horwath HTL provides professional services covering multiple dimensions and the full life cycle, relying on abundant project experience, customized consulting services, the HOHI data platform, and CHAT branding and marketing platforms. Furthermore, it 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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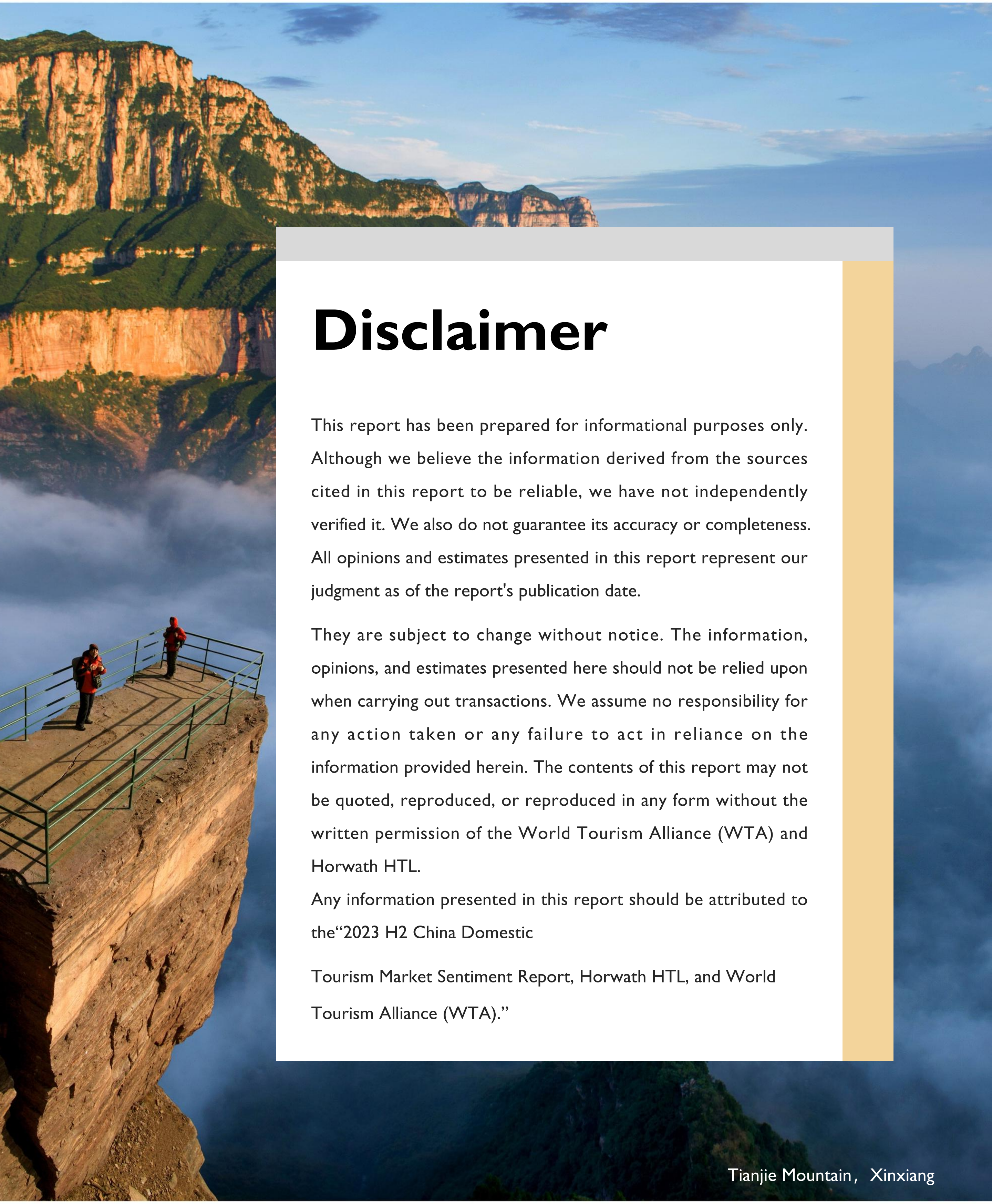

Tianjie Mountain，Xinxiang

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Sincere Thanks to:

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