

March 2020

2020_{HI}

China Inbound Tourism Market Sentiment Report



Canton and Pearl River Night
Cruise, Guangzhou, China

Special Thanks :



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
Fujian Provincial Department of Culture and Tourism



广西壮族自治区文化和旅游厅
Department of Culture and Tourism of Guangxi Zhuang Autonomous Region



海南省旅游和文化广电体育厅
Department of Tourism, Culture, Radio, Television and Sports of Hainan Province



四川省文化和旅游厅
Sichuan Provincial Department of Culture and Tourism



陕西省文化和旅游厅
Department of Culture and Tourism of Shaanxi Province



中国国际航空公司
Air China Limited



中国旅游集团
China Tourism Group Corporation Limited



中国旅行社协会
China Association of Travel Services



洛杉矶会议及旅游局
Los Angeles Tourism & Convention Board



中青旅控股股份有限公司
China CYTS Tours Holding Co., Ltd.



携程集团
Trip.com Group



广州力擎网络科技有限公司
Guangzhou Li Zhi Network Technology Ltd.



桂林唐朝国际旅行社有限责任公司
Gulin Tang Dynasty Tours Co., Ltd.



聚域集团 (驴妈妈)
Joyu Group (Lv mama)



途牛旅游网
Tuniu.com



GUANGZHOU
广州市人民政府
Guangzhou Municipal Government



南开大学旅游与服务学院
Nankai University College of Tourism and Service Management



湖南省旅游协会
Hunan Tourism Association



湖南省旅游协会
Hunan Tourism Association

Photo Courtesy :



广州市文化广电旅游局
Guangzhou Municipal Culture, Radio, Television, Tourism Bureau



Contents

Introduction ----- 01

Background ----- 02

Market Sentiment Analysis ----- 03

Conclusion ----- 12

Appendix ----- 13

Disclaimer ----- 14



Nansha Wetland,
Guangzhou, China



Guangzhou Opera House, China

2020 H1 China Inbound Tourism Market Sentiment Report

Although the economic slowdown has put a downward pressure on the market, China's tourism industry has maintained its gradual but slower growth rate in 2020. According to the National Bureau of Statistics, the number of inbound tourism arrivals reached 150 million in 2019 and recorded a total revenue of USD 131 billion, representing a year-on-year growth rate of 2.9% and 3.3% respectively. However, the coronavirus outbreak in early 2020 upended lives and livelihoods. The pandemic has prompted countries across the world to impose strict travel restrictions. Effects on China's inbound tourism were immediate, with non-essential businesses facing temporary shutdown.

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, 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, Guangzhou Li Zhi Network Technology Ltd., Guilin Tang Dynasty Tours Co., Ltd., Joyu Group (Lvmama), Tuniu.com, Guangzhou Municipal Government, Nankai University College of Tourism and Service Management, TURESPAÑA, Hunan Tourism Association. As well, our sincere thanks go to Guangzhou Municipal Culture, Radio, Television, Tourism Bureau for providing us with images in this report.

Introduction

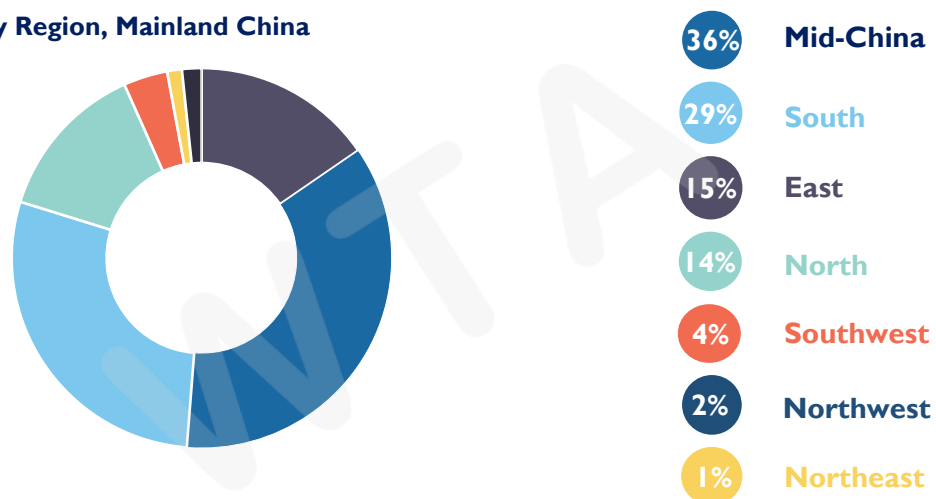
This is the third survey conducted by Horwath HTL and the World Tourism Alliance for the Chinese inbound travel market. It is a summary of the results of our research based on **1,058** questionnaires from 28 provinces, municipalities and autonomous regions in China, with **481** questionnaires focused on inbound travel. Responses to the questionnaires were received on March 2, 2020 and conclusions were drawn based on the sentiments and forecasts on COVID-19 at the time.

Two questions were specifically included to assess the impact of COVID-19 on China’s inbound tourism for better understanding of the current situation and market outlook.

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 first half of 2020 to the actual performance in the first 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.

Samples by Region, Mainland China



Samples by Organization Type



Market Sentiment Analysis



2020 H1



2019 H2



2019 H1

Due to the COVID-19 outbreak in early 2020, the overall sentiment of China's inbound tourism market hit a historic low of -127. This is a precipitous 129-point drop compared to the first half of 2019. With the minimum sentiment score of -150, the impact of this pandemic on market confidence is undeniable. Upon completion of this project, the number of new daily coronavirus cases in China has dwindled significantly. However, the situation is intensifying globally. More than 80,000 COVID-19 cases have been reported outside of China--with Italy, South Korea and Iran becoming the new pandemic epicenters.

While the domestic and outbound tourism markets have achieved rapid growth in recent years, inbound tourism has remained tepid with a below average global GDP contribution. However, thanks to the factors below, it has managed to achieve a reasonable year-on-year growth rate.

**International
Accessibility
Supported by
"Belt and Road"
Initiative**

**Visa-free Policy
Adopted by
Multiple
Destinations**

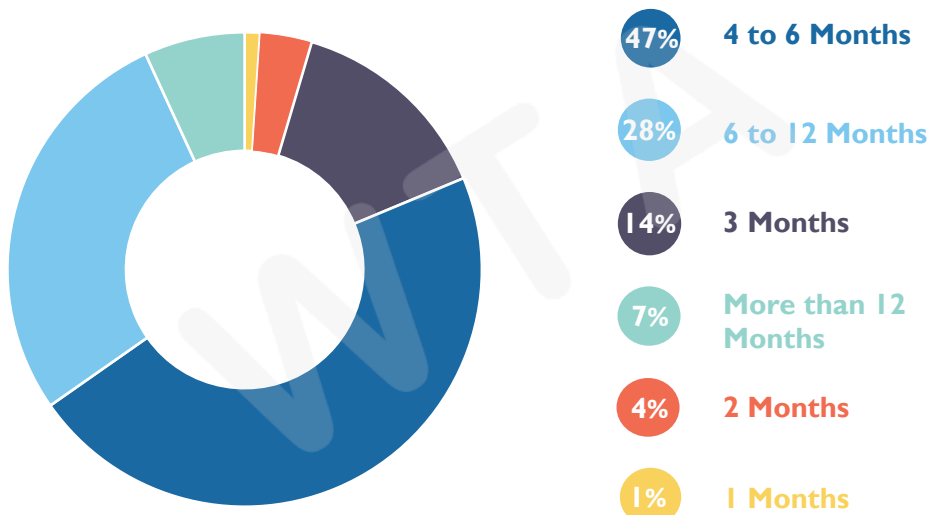
**Optimization of
Cross-Border
Transportation
Networks**

**Innovative
Overseas
Destination
Marketing
Programs**

While the COVID-19 pandemic has worsened outside of China, inbound tourism is expected to face a longer recovery period than domestic tourism due to country to country differences in healthcare systems, economic development and outbreak control measures.



I. From Spring Festival 2020 and based on the current situation, how long do you expect the impact of COVID-19 pandemic on China's inbound tourism to last?



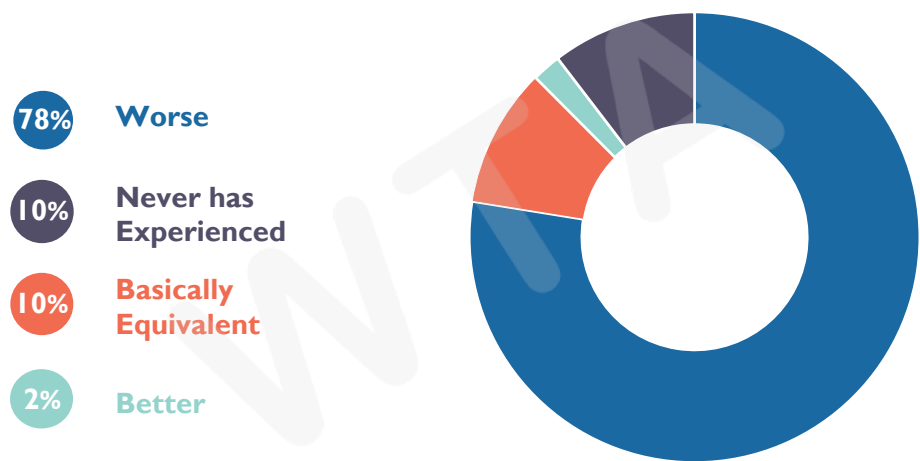
Only 19 respondents believe the impact to last for 3 months or less, while nearly half expect the impact to last for 4-6 months. 28% and 7% think the impact would last 6-12 months and more than 12 months respectively.

In comparison, the first SARS confirmed case was announced in Dec. 2002 followed by a massive outbreak in April 2003. The epidemic was essentially contained by July 2003. A total of 8 months from confirmation to eradication. Based on forecasts by the majority of respondents, the impact of COVID-19 on China's outbound tourism is expected to last way into summer, from June or even August. Since COVID-19 was declared a pandemic by the World Health Organization (WHO), China's inbound tourism is expected to experience an extended recovery period compared to the domestic market.



Museum of the Mausoleum of the Nanyue King, Guangzhou, China

2. Compared to the SARS outbreak in 2003, do you think the impact of COVID-19 will be better or worse on the performance of China's inbound tourism?



10% of respondents have not experienced the SARS outbreak, making it difficult for them to make a comparison between the two. 78% believe the influence of COVID-19 on inbound tourism would be worse compared with SARS. Only 13% consider the impact of COVID-19 as almost equal to or better than SARS.

As of March 17, 2020, the number of worldwide confirmed COVID-19 cases has exceeded 180,000—far beyond the 8,000 confirmed SARS cases. COVID-19 has a longer incubation period and is more infectious than SARS. Optimization of global transportation networks has facilitated the faster and wider spread of coronavirus. Since COVID-19 has been declared a pandemic, international tourism has a long road to recovery. Its impact is considered to be worse compared to SARS.

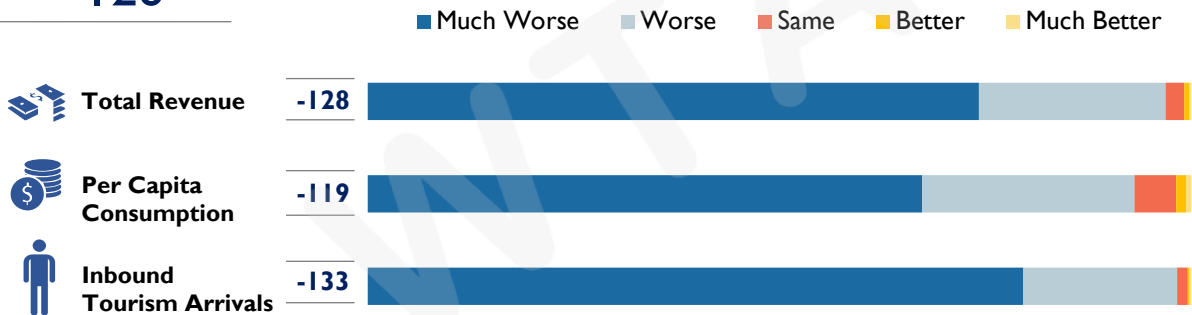


Maan Fuk Lōd,
Guangzhou, China

3. What is your assessment of China's inbound tourism for the first half of 2020?

Sentiment Score

-126

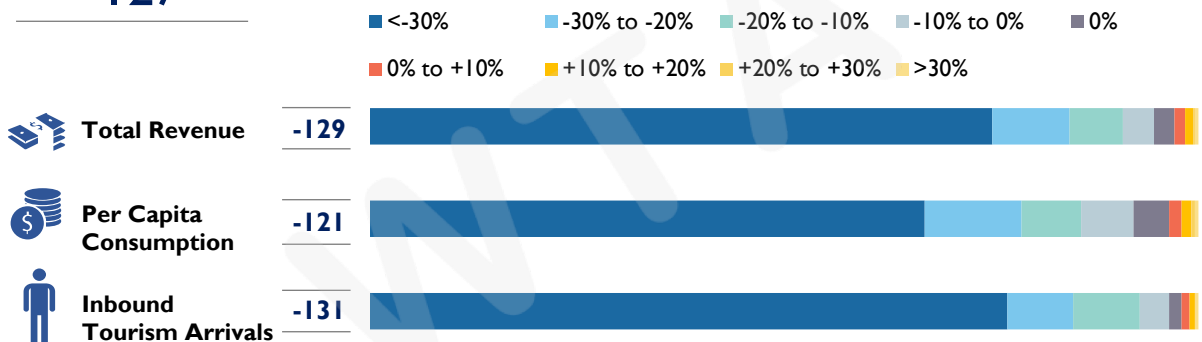


Overall expectation for inbound tourism has plunged significantly due to the coronavirus outbreak. The sentiment score has dropped by 119 points compared to the first half of 2019. Scores of all three indicators have likewise shown a decline. Respondents have expressed the lowest confidence in inbound tourism.

4. What is your expectation for the growth/decline of inbound tourism for the first half of 2020?

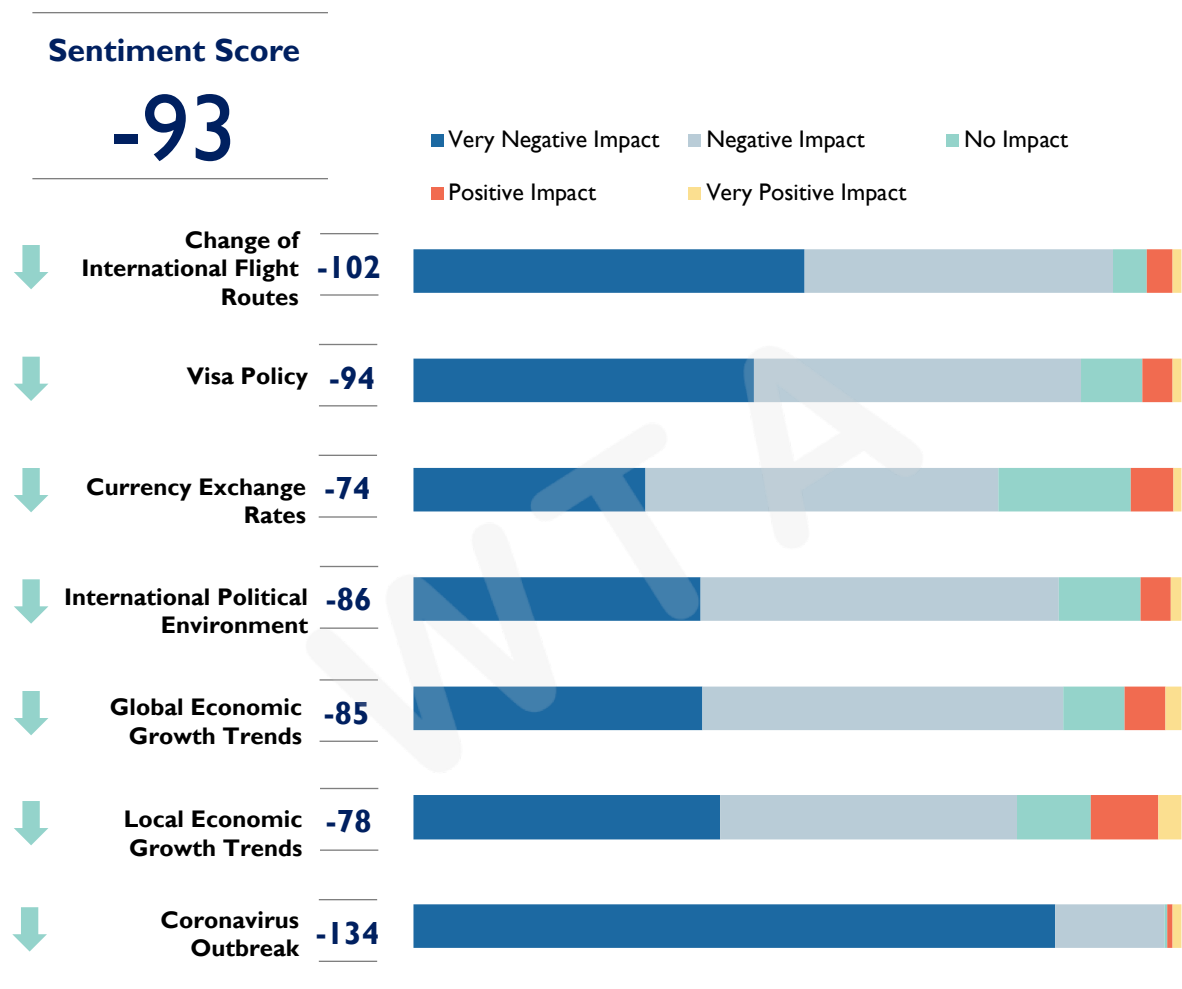
Sentiment Score

-127



Respondents' confidence is also affected by the coronavirus outbreak. Overall sentiment score has dropped by 138 points vs. the first half of 2019. They have also indicated a more negative or pessimistic outlook for their own businesses compared to the market average. Of all three indicators, Inbound Tourism Arrivals has the lowest sentiment score.

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



Including the newly added COVID-19 pandemic, all of the above seven factors have negatively impacted China’s inbound tourism in the first half 2020, resulting in an overall slump of the sentiment score to -93. More significantly, COVID-19 has been identified as the most important factor leading to the downturn of China’s inbound tourism.



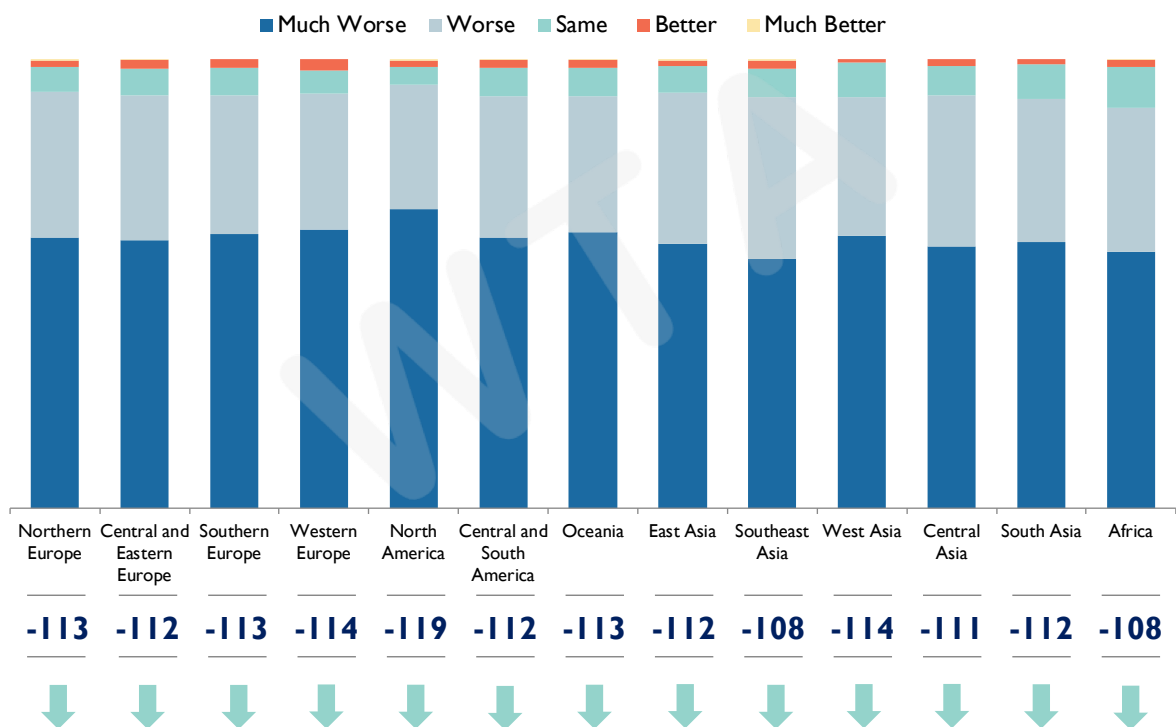
Respondents are negative about all of the seven factors. More than 80% consider the COVID-19 pandemic as the most important factor hindering the development of inbound tourism, followed by the change of international flight routes caused by control measures enforced by governments and countries to stop the spread of coronavirus. Although the sentiment scores of the rest of the factors are slightly higher, the overall score is still lower than -80.

6. How do you expect each inbound destination below to perform in the first half of 2020 ?

Sentiment Score

-113

Due to the COVID-19 pandemic, respondents have indicated a similar level of negative expectations for 13 international source markets for China's inbound tourism. Sentiments scores for all have plunged below -100. North America's 103-point drop is the lowest of all.



Asia experienced a heavy decline in the first half of 2020 owing to the coronavirus outbreak in the region. As the dominant source market for Chinese outbound tourism, East Asia (including Japan and South Korea) and Southeast Asia's sentiment scores substantially dropped by 114 and 124 points respectively. South Korea, as of March 17, has been one of the five most affected countries with more than 8,000 confirmed COVID-19 cases. The West Asia region has also taken a hit due to the outbreak in Iran. More than half of the respondents are forecasting a gloomy inbound tourism performance compared to the same period last year.

Europe is also heavily affected, with its overall sentiment score down to -113. Since most European countries are affected by the COVID-19 pandemic, the sentiment scores for the region are almost similar to the different submarkets. The total number of confirmed COVID-19 cases in Italy, France and Germany exceeded 53,000 as of March 17. A nationwide border shutdown has been activated in Italy since March 10. Economic recession, Brexit and the refugee crisis are adding to the region's woes. As the major long-haul source market for China's inbound tourism, Europe is facing unprecedented challenges in the first half of 2020.

6. How do you expect each inbound destination below to perform in the first half of 2020 ?

Oceania has hit a historic low at **-133**, a **92**-point drop. Although the number of confirmed COVID-19 cases in Australia and New Zealand has yet to reach 600 as of March 17, it is still affecting the respondents' confidence. The massive bushfire crisis in Australia has further lowered the sentiment score for this region. However, even without the pandemic, Oceania contributes little to China's inbound tourism.

Africa market's sentiment score drops by **74** points in comparison to the first half of 2019. Restricted by its economic development, Africa is yet to be a major tourism source market for the Chinese inbound tourism. The coronavirus impact on Africa is slightly better than that of Asia, Europe and America, resulting in a more moderate decline of the sentiment score. However, since the Chinese border control measures will be more rigid under the risk of imported COVID-19 cases, the overall inbound tourism market is expected to be negatively affected.

North America has been showing a continuous decline since 2019. The first half of 2020 has shown a further **91**-point drop. Led by the United States, North America has always been a key source market for China's inbound tourism. However, the China-US trade war and the HUAWEI trade ban have limited the number of tourists from the US and Canada, amounting to only 10% of the total inbound tourism arrivals. In the first half of 2020, the sentiment score for North America ranked last.

Central and South America have shown a sharp **93**-point drop in its sentiments scores compared to the first half of 2019. Although this region has always been a niche inbound tourism source market for China, the COVID-19 pandemic, combined with political instabilities and refugee problems in several countries, have contributed to the further sentiment score plunge.

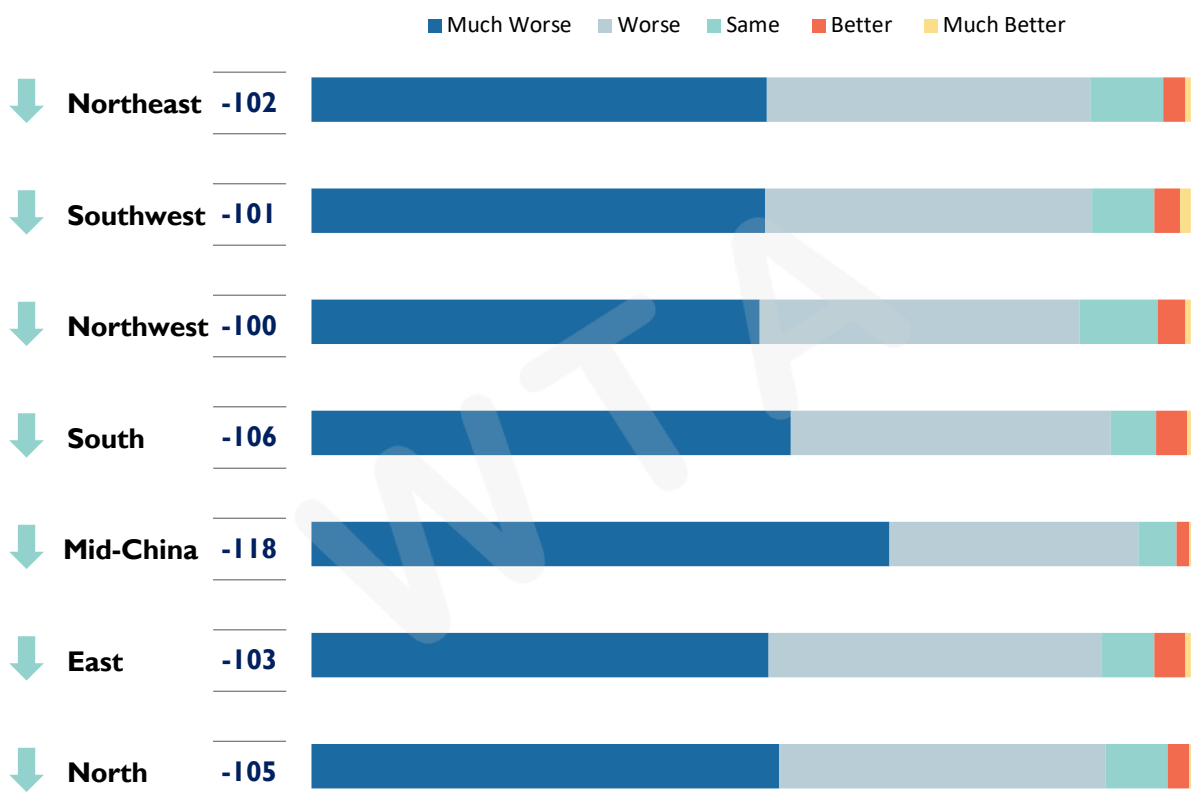


Shangxiajiu Pedestrian Street,
Guangzhou, China

7.What is the performance expectation for each inbound tourism generating region below in the first half of 2020 ?

Sentiment Score
-105

Respondents have indicated a similar level of negative expectations for all of China's seven inbound tourism destinations. Sentiment scores have dropped -105 with the Mid-China's 166-point steep fall the lowest of all.



Northwest China, the region's sentiment score has dropped by **91** points compared to the first half of 2019. Notwithstanding Xi'an's rich cultural heritage and its aspiration to become Northwest China's international gateway city and the third phase development of Xi'an Xianyang International Airport scheduled to be completed in 2021, the forecast for the first half of 2020 has taken a nosedive due to COVID-19 pandemic.

Southwest China's sentiment score has dropped by **107** points compared to the same period last year. In recent years, thanks to its stunning sceneries, exotic culture and exquisite local cuisine, Southwest China has attracted a large number of tourists. Although it lacks well-developed transportation and tourism infrastructures, it is developing into a major inbound tourism destination. However, respondents are pessimistic about its prospect due to the COVID-19 pandemic.

7. What is the performance expectation for each inbound tourism generating region below in the first half of 2020 ?

Northeast China's sentiment score dropped by **53** points vs. the first half of 2019. This is by far the smallest decline among all of China's seven inbound tourism destinations. Hampered by its limited international flight routes, underdeveloped tourism infrastructures and deficient quality of services, the region has always had a disappointing score. Although it has been promoting experiential travel for several years, the coronavirus pandemic has worsened its outlook as an inbound destination.

East China's sentiment score has dropped by **130** points compared to the first half of 2019. Its robust economy, diversified tourism products and resources, high level of internationalization and optimized international flight networks have made this region the top choice for inbound tourists. The COVID-19 pandemic has dealt its tourism industry a huge blow as enterprises and companies came to a standstill.

The sentiment score for **North China** has dropped by **103** points compared to the first half of 2019. Beijing is the region's leading inbound tourism destination. As the country's most prominent gateway and transit city, Beijing has adopted strict border control

measures to stem the spread of the COVID-pandemic. As a result, inbound tourism arrivals have screeched to a halt. Not surprisingly, more than half of the respondents expect a significantly worse performance for North China in the first half of 2020.

South China's sentiment score dropped sharply by **116** points compared to last year's first half. The region has achieved steady growth due to the popularity of its transit without visa policy adopted by multiple cities in the region such as Guilin. Next to Mid-China, South China is the most severely impacted by the COVID-19 pandemic. Thus, respondents are pessimistic about the region's prospect as an inbound tourism destination.

Mid-China, the sentiment score for this region has dropped by **-116** points compared to the first half of 2019. Although Wuhan has added several international direct flights in an effort to optimize its external transportation networks, its development was interrupted by the COVID-19 pandemic. 65% of the respondents expect a long recovery period and a worse performance for the region compared to the same period last year.



Dim Sum (Steamed Rice Rolls),
Guangzhou, China

Conclusion

In the midst of the COVID-19 pandemic, the overall sentiment score for China's inbound tourism plunged to a historic low of -127. Respondents have shown extreme pessimism for all seven regions. Not surprisingly, the Mid-China has scored the lowest.

Sentiment scores for 13 international regions plunged below -110, with North America at the lowest. Nearly 80% of respondents believe the impact of the pandemic would last a minimum of four months starting from this year's Spring Festival. Majority think the impact of COVID-19 is more challenging compared to the SARS outbreak in 2003.

With the declaration by the World Health Organization (WHO) of COVID-19 as a pandemic, respondents are pessimistic about inbound tourism. Respondents have expressed lower than average expectations for their respective inbound tourism enterprises. All seven factors affecting this market have received negative sentiment scores. The Coronavirus Outbreak and Change of International Flight Routes are considered the top influential factors leading to the unprecedented downturn of inbound tourism arrivals.

At the completion of this report, the coronavirus outbreak in China has been largely under control while the rest of the world is facing an intensified battle. Thus, China's inbound tourism is expected to have a longer recovery period. It is faced with opportunities and challenges. For the country to reach its full potential depends on how well it promotes its brand image as top-of-mind international destination and how successfully it can resolve such issues as visa policy, payment methods, internet censorship, talent cultivation and retention and tourism infrastructures.



Tianhe Night View,
Guangzhou, China

Appendix

About World Tourism Alliance

On Sept. 12, 2017, the World Tourism Alliance (WTA)—the world's global, comprehensive, non-government, nonprofit tourism organization founded in China—was inaugurated in Chengdu, Sichuan Province, China.

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

To date, WTA has 198 members from 39 countries and regions. The WTA membership covers national and regional tourism associations, influential tourism and tourism-related enterprises, government tourism boards, academia, media and individuals. As a service-orientated international organization which caters to its members across the world, WTA is a vital platform for dialogue, networking, practical and authoritative information and resource sharing for integrative development.

The WTA headquarters and Secretariat are located in China.

About Horwath HTL

Founded in 1915, Crowe Horwath International is an integrated professional organization of accounting and management consulting firm. Horwath also boasts the world's largest and oldest professional hotel and tourism consultancy practice. From its inception, Horwath paved the way by creating the "Uniform Systems of Accounts for Hotels", a system so successful it has become the standard in hospitality accounting around the world. Today, Horwath is a name recognized as the pre-eminent expert in the hotel and tourism sectors.

Established in Asia in 1987, Horwath HTL is the management consulting division of Crowe Horwath International that specializes in hotel, leisure and tourism industries. Our core business cover hotel investment, tourism destination investment, asset management, and strategic research. Horwath HTL now operates offices in several key cities throughout the Asia Pacific region. Our offices work closely together to ensure that our clients receive a multi-skilled international perspective for their projects. Horwath HTL is also supported by the Horwath database, the largest and most complete hotel and tourism related database in the world.

Throughout the Asia Pacific region, Horwath HTL has consulted on over 4,000 hotel and tourism related projects throughout the region (including more than 1,600 projects in China) for clients ranging from individually held businesses to the world's most prominent operators, developers, lenders, investors and industrial corporations.

No other firm is better positioned to meet today's and tomorrow's industry challenges than Horwath HTL - experts in the hotel, tourism and leisure industries.

For more information, please get access to www.horwathhtl-cn.com and www.chatchina.com.cn, as well as follow the official Wechat account of CHAT by Horwath HTL.

Disclaimer

This report has been prepared solely for general information purposes. The information on which it has been derived from sources, which we believe to be reliable, but 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 judgement 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 source the information as coming from the “2020 H1 China Inbound Tourism Market Sentiment Survey, World Tourism Alliance (WTA) and Horwath HTL”.

