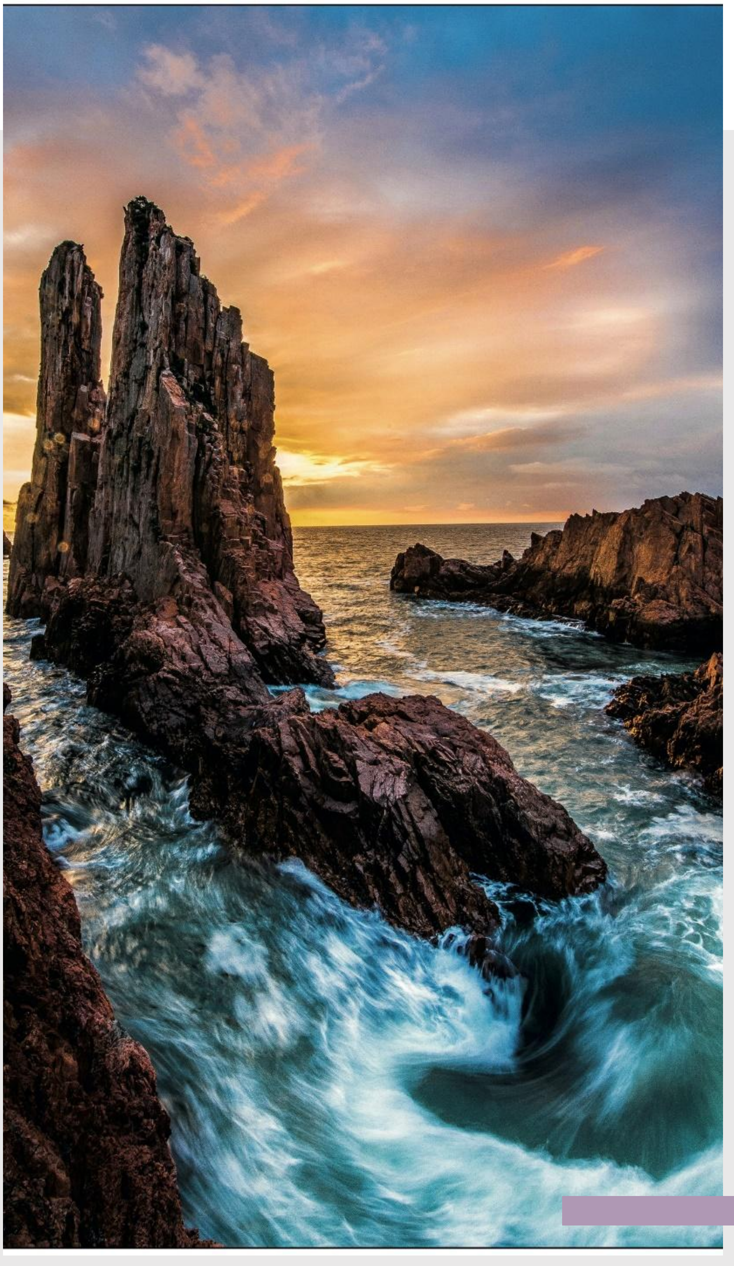
WTA
WORLD TOURISM ALLIANCE
Horwath HTL 浩華

September 2023

2023/H2

China Inbound Tourism Market Sentiment Report



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Foreword

The COVID-19 pandemic control era officially came to an end at the beginning of 2023 as a result of China's comprehensive opening of entry measures and the introduction of favorable policies to encourage entry. Inbound tourism has begun to slowly recover due to a series of positive developments, including the orderly resumption of flight capacity, optimization of visa policies, and industry chain restructuring. In the first half of 2023, the number of inbound tourists to China has slightly increased to 18 million, accounting for only 12% of the same period in 2019, indicating that the inbound tourism market's recovery is still a long way off.

As a significant part of the World Tourism Alliance's information and data services, the World Tourism Alliance has teamed up with Horwath HTL, a leading global hotel and tourism consultancy firm, to release the sixth "China Inbound Tourism Market Sentiment Report" globally. This will help facilitate the understanding and assessment of the development trends and future prospects of China's inbound tourism market by members of the World Tourism Alliance and global practitioners.

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

Background

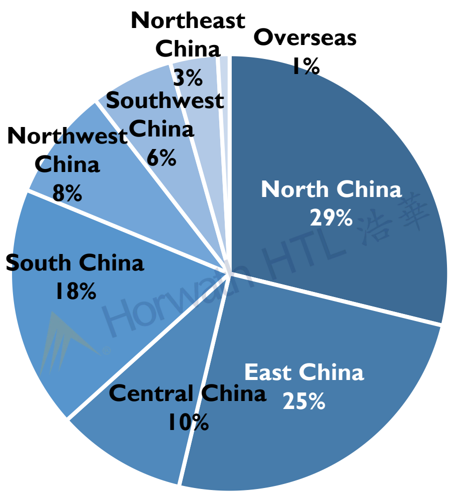
The "China Inbound Tourism Market Sentiment Report," which was suspended for two years due to the industry's winter, was restarted in the first half of 2023. This half-year economic survey aims to observe the situation of the inbound tourism market after six months of repair, covering five questions to understand the market's development expectations for inbound tourist arrivals, per capita consumption, and total revenue levels in the second half of 2023. We quantified the respondents' feedback with a specific sentiment index model and presented it in index form to more intuitively reflect the respondents' expectations for the inbound tourism market in order to better analyze and compare the inbound tourism market in different regions and cities of China.

The sentiment index presented for each question reflects the market's expected performance. The range of this index is between -150 and +150, where "-150" represents a very pessimistic expectation of market performance, "0" represents a neutral attitude towards performance expectations, and "+150" represents a very optimistic expectation of market performance. In this survey, each interviewed travel agency compared their actual performance in the second half of 2019 with their expected performance in the second half of 2023, judged the main factors causing changes in expectations, and looked forward to the future prospects of the main source markets and destination markets.

Sample Description

This is the sixth sentiment survey that Horwath HTL and the World Tourism Alliance have conducted on the Chinese inbound tourism market. This report summarizes the research results of the second half of the 2023 inbound tourism market sentiment survey, with a total of 346 questionnaires received from 26 provinces, municipalities, autonomous regions across China, and 2 overseas regions."

Region Sample



Sample by Organization

6% Destination Management

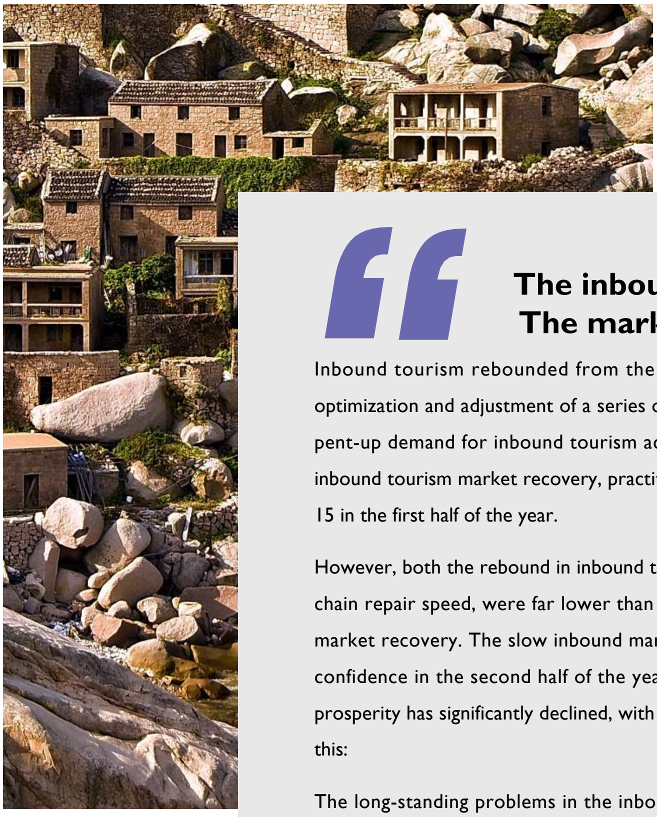
64% Travel Agencies

1% Hotel

1% Airlines

28% Others

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



The inbound tourism recovery is not as expected. The market attitude is becoming more cautious.

Inbound tourism rebounded from the bottom at the beginning of the 2023 Chinese New Year due to the optimization and adjustment of a series of epidemic prevention policies. Looking back at the first half of 2023, the pent-up demand for inbound tourism accumulated over three years was released, and in the early stage of the inbound tourism market recovery, practitioners had high hopes for its recovery. The sentiment index increased to 15 in the first half of the year.

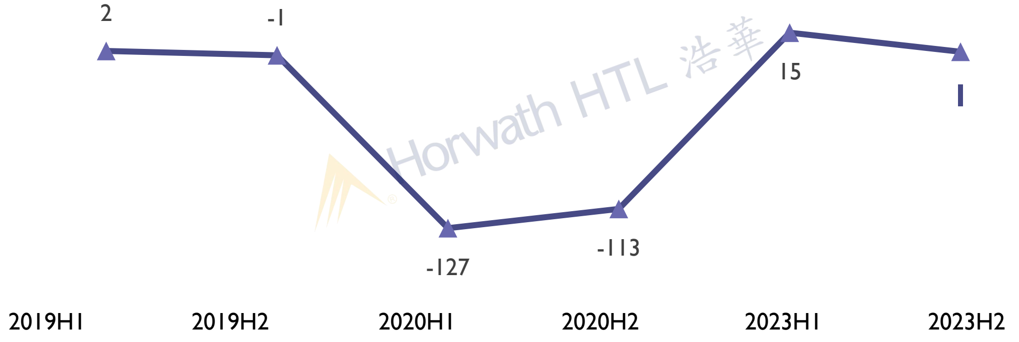
However, both the rebound in inbound tourist arrivals and revenue in the first half of 2023, as well as the industry chain repair speed, were far lower than expected at the beginning of the year in terms of the actual situation of market recovery. The slow inbound market recovery in the first half of the year also negatively affected market confidence in the second half of the year. Looking at the results of the second half of the 2023 survey, overall prosperity has significantly declined, with an index score dropping to 1. The following are the two main reasons for this:

The long-standing problems in the inbound tourism market: China's natural landscapes and thousand-year-old culture are world-renowned. However, inbound tourism has been on a downward trend even before the epidemic due to factors such as insufficient inbound tourism product systems and quality and unclear world-class tourism destination images, and there are many difficulties in developing the inbound tourism market due to factors such as insufficient inbound tourism product systems and quality and unclear world-class tourism destination images.

The repair of the industry ecosystem still takes time. Due to challenges in restoring international air routes, there are few flights entering China, and prices are high, which impacts their willingness to travel to China. Second, China's inbound visa review is relatively strict, which deters some tourists who want to enter China. In addition, it will take time to improve every aspect of the inbound tourism industry chain after the epidemic, including visa requirements, entry convenience, transportation, products, talents, and other aspects.

Although practitioners' expectations for the prosperity of the inbound tourism market in the second half of 2023 are not as high as in the first half of the year, the average sentiment index is similar to that before the epidemic. This indicates that under the national theme of revitalizing inbound tourism and with the positive impact of factors such as policy relaxation, international sports events, reshaping tourism product systems, and improving quality, practitioners believe that there are still good opportunities in the inbound tourism market.

Composite Sentiment Index



Sentiment Score

-1

Please predict the overall performance of China's inbound tourism market in the second half of 2023 compared with the second half of 2019.

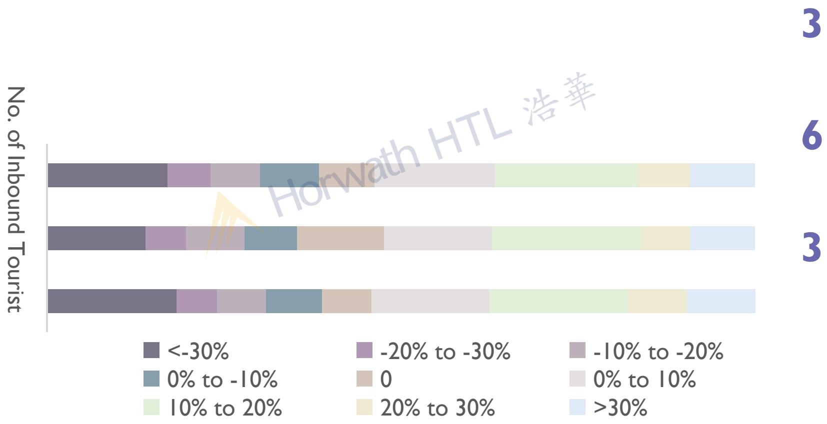
Overall Inbound Tourism Performance

There is a long road ahead for inbound tourism market recovery since all performance indicators were negative.

The inbound tourism market was slow to recover in the first half of 2023 due to multiple factors such as international flight capacity, visas, and supply chains. This problem will continue to exist in the short to medium term, affecting the psychological expectations of practitioners. From the demand side, the main purpose of inbound tourism in the first half of the year was for essential entry. However, against the backdrop of negative global political and economic interactions caused by the "zero-sum game" among major powers, geopolitical tensions, negative sentiment towards China, and other factors will have a certain negative impact on the demand market. Under the influence of supply and demand, various economic indicators of inbound tourism in the second half of 2023 showed a significant decline compared to the first half of the year, indicating that practitioners are beginning to return to a realistic and rational attitude towards the market after experiencing a short-term boost in epidemic prevention and control.

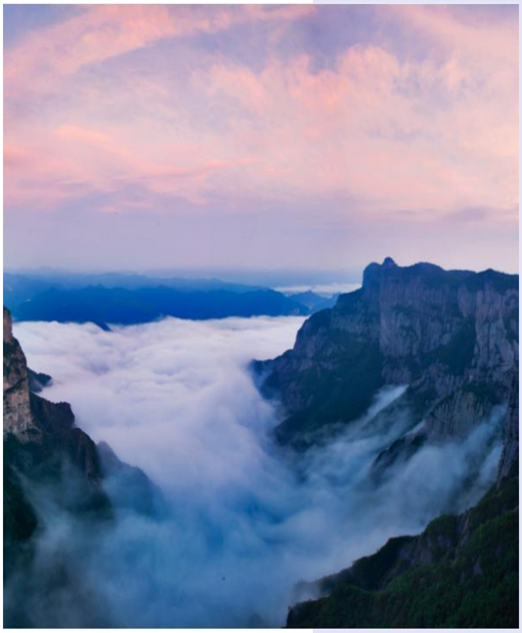
Sentiment Score

4



Please predict whether the performance of inbound tourism in your organization or region may increase or decrease in the second half of 2023 compared with the second half of 2019

Respondents are relatively more confident in the recovery of their own organization's performance.



Compared to the respondents' attitude towards the overall market performance, everyone has relatively more positive confidence in the recovery of their own organization or region's performance, with a prosperity index of 4, which means that practitioners are more optimistic about the recovery of inbound tourism in their own organization or region.

Compared to the tourist volume index, the per capita consumption index for inbound tourism shows a relatively better prosperity expectation. This result has a certain relationship with the research sample. The major respondents are from East China, South China, and North China. These regions have rich tourism resources and a prosperous economy as the location of China's three major metropolitan economic circles. The tourism industry is developed and is often the main destination for inbound tourism. The requirements for price and consumption power are relatively higher. However, overall, there are still multiple factors affecting the market expectations and performance recovery. Also, there are still many challenges for each organization to actually achieve the same level of performance as in the same period of 2019.

Sentiment Score

How do you expect each of the following factors to influence China's inbound tourism market in the second half of 2023?

China's economic development expectations have the highest positive impact factor, with a sentiment index of 32 in the second half of 2023. In addition, global economic development trends and current currency exchange rates are also considered positive factors, with sentiment indices of 10 and 11, respectively.

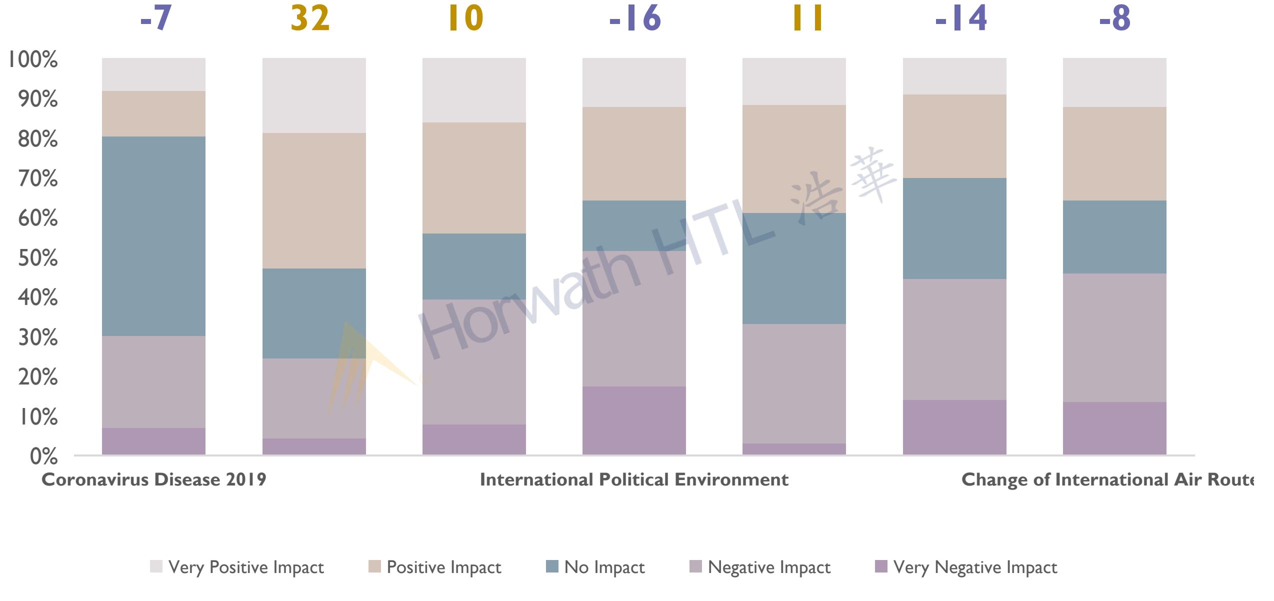
In recent years, China's economic size has maintained its advantageous position in the international community. China's GDP has maintained positive growth regardless of the heavy blow of the pandemic for three years. China's economy grew again after the pandemic, with GDP growth rates exceeding 5% for two consecutive quarters, attracting attention from global investment markets. This is a favorable factor for inbound business, trade, and conference and exhibition exchanges.

The ongoing turbulence in the international political situation and the directional news from foreign media and the internet have also had an impact on the image of China's tourist destinations. This has had a certain negative impact on the development of inbound tourism. The sentiment index for the second half of 2023 is -16.

At the same time, 45% of respondents believe that visas are also a significant factor in the negative impact on the inbound tourism market due to the strict scrutiny of Chinese entry visas. However, China re-adjusted visa conditions for business travel in early August, which is expected to reduce this negative impact.

The turbulent international political situation and strict visa policies are considered to be the major negative factors.

China's economy, which has a strong ability to maintain stability, has brought positive impacts to the inbound market.



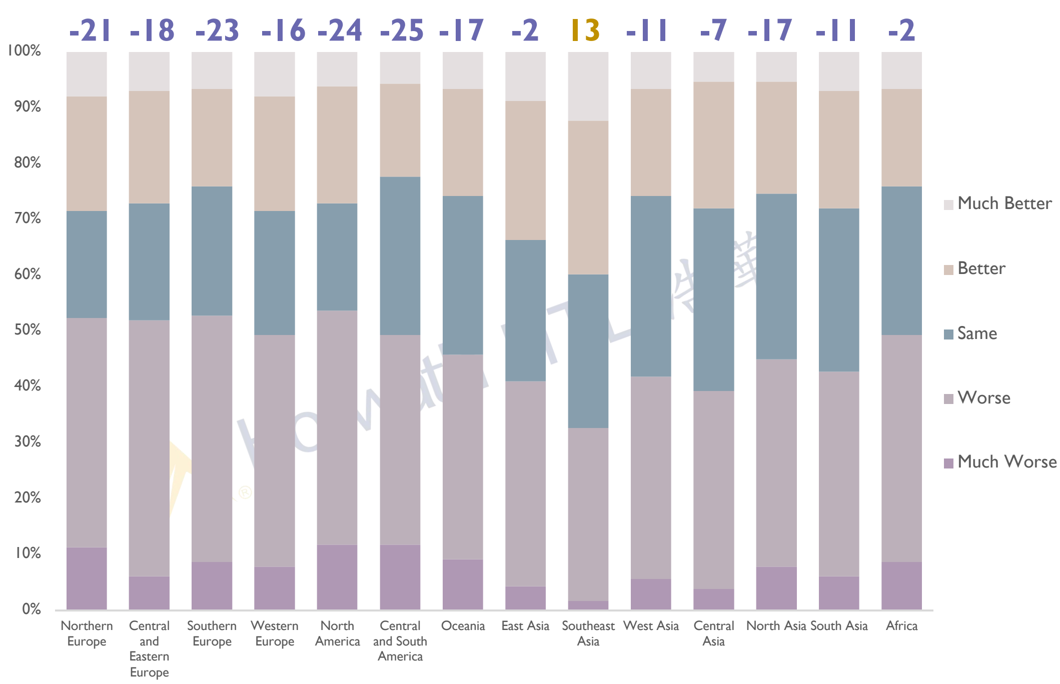
Sentiment Score

-14

Please predict how the following regions are expected to perform as sources of inbound tourism in the second half of 2023 compared with the second half of 2019.

The prosperity index of countries and regions as source markets has declined. Asia is still expected to be the main source of customers.

Source of Customers



Asia remains the main source of inbound tourists.

Asia has always been the largest source market for inbound tourists in China. After the epidemic, Southeast Asia and East Asia regions and countries were the first to resume inbound travel to China, following the proximity pattern. The connection and interaction between **Southeast Asia** and China have become closer due to the continuous enhancement of political economic policies and measures such as the Pan-Asian Railway, RCEP (Regional Comprehensive Economic Partnership), and trade exchanges among the ten ASEAN countries, resulting in a significant demand for inbound tourism. At the same time, there are currently more than 30 million overseas Chinese in the ten Southeast Asian countries. After the epidemic, a large number of "roots-seeking" trips have been stimulated, leading to a positive outlook for the inbound tourism market in Southeast Asia. The sentiment index for the second half of 2023 has the only positive value of 13. However, the inbound demand from South Korea and Japan is affected by ongoing disputes over entry policies in the **East Asian** market, making it difficult for a rapid recovery in the short term.

America's inbound expectations are extremely negative due to political and economic factors.

Industry professionals have extremely negative expectations for the Americas as a source market for inbound tourism. **North America** has been the main source of long-haul inbound tourism for a long time, and trade between China and North America is also frequent. However, the interaction between China and North America has been relatively negative in recent years due to various factors such as diplomacy and trade. In addition, the recovery of major elements such as flights and visas after the epidemic has also been frequently hindered, affecting the inbound tourism market from this region to China. Furthermore, industry professionals have the most pessimistic expectations for **the Central and South American** markets among all source markets worldwide, with a sentiment index as low as -25. This is mainly because of its relatively slow economic development, limited contribution as a source market for inbound tourism in China, and more severe impact after the epidemic.

Likelihood of arrivals from other regions expected to be low

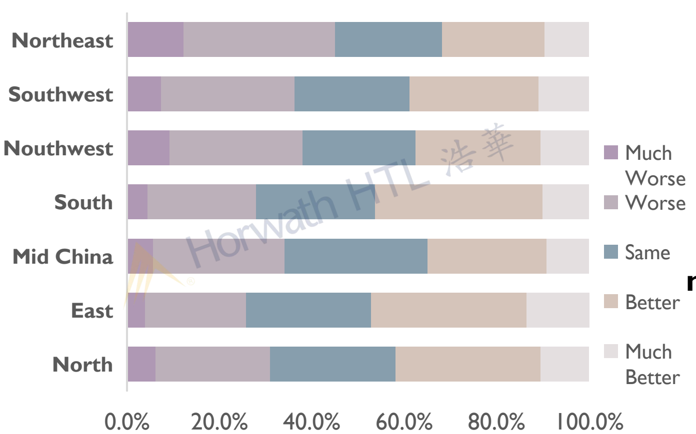
The conflict between Russia and Ukraine, energy sanctions, and exchange rate fluctuations have all had a significant impact on **Europe** in the past year. Inbound tourism to China and consumption capacity have been negatively affected, with a sentiment index of -20. **Oceania and Africa** have benefited from the signing of the RCEP and the implementation of the Belt and Road Aid to Africa policy. Inbound demand from China has increased. However, industry expectations are relatively low since these two regions have never been the main source of inbound tourism to China.

Inbound Tourism Destinations

Sentiment Score

7

Please predict the performance of the following regions as inbound tourism destinations in the first half of 2023 compared to the first half of 2019.



The regional pattern of strong south and weak north remains unchanged.

The Northeast inbound tourism market is expected to be the weakest.

Northeast inbound tourism expectations are mostly negative.

The Northeast has always been at the bottom of the national inbound tourism destination sentiment index, with a sentiment index of -12, the only negative value in this survey. This is because ice and snow tourism in Northeast China is the mainstay of development, and the products are relatively single. In addition, the management of scenic spots needs to be upgraded, and the scale of hospitality is limited. At the same time, the transportation is not convenient, and the lack of promotion has limited its development as an inbound tourism destination with relatively limited international fame.

Slight rise in other areas of the market sentiment index.

Southwest, Middle, and Northwest China have rich historical, cultural, and natural attractions with Chinese characteristics. However, they are not popular inbound tourism destinations, and some minority border areas are restricted due to regional political sensitivity. The overall prosperity index is maintained at less than 5, but there is a stable increase.

East and South China maintain strong inbound attraction.

Beijing's Capital Advantage boots sentiment index in North China.

East China has always been the mainstream destination for inbound tourism, with a sentiment index of 23 in the second half of 2023 ranking first. First, the economically developed Shanghai and Jiangsu-Zhejiang regions have many international enterprises that add momentum to inbound business travel. Also, the East China region has the most typical world-famous tourist attractions known for its oriental gardens, landscape, and unique architectural styles, which are highly attractive to tourists, along with its developed transportation hub. In addition, the hosting of various international events, such as the Universiade and Asian Games, is also expected to have more positive impacts on overall inbound visits to the East China region.

South China has popular destinations such as Shenzhen, Guangzhou, and Guilin. With an open economic system and increasingly enhanced tourism facilities, it ranks second in the country for inbound destinations, with a sentiment index of 18 in the second half of 2023.

The sentiment index for **North China** has significantly increased to 12 as compared to the same period in 2019. This is mainly due to Beijing's contribution to the inbound tourism market in the North China region as the capital of China and a city with rich history and culture.

Conclusion

China's inbound tourism market restarted in 2023, with a series of favorable policies introduced to reduce entry restrictions and stimulate inbound tourism consumption. However, **the repair of the inbound tourism industry chain in the first half of the year still faces many challenges,** hindering the full recovery of inbound tourism. In addition, **China has not yet established a mature and sustainable attractive image for foreign international tourist destinations,** which increases the difficulty of developing the inbound tourism market. Therefore, the interviewees hold a cautious attitude towards the performance recovery, and the business expectations for the second half of 2023 have declined.

Inbound tourism carries a significant mission for China's external image display. In terms of a long-term perspective, the government and industry need to work together to facilitate entry visa and clearance policies, as well as upgrade and optimize various inbound tourism products. It should also systematically plan and strengthen overseas tourism marketing and actively cultivate and promote the development of inbound tourism market services, including talents, thereby promoting the establishment of world-class tourism destination brands. **Breaking through and standing up, awakening new life, embracing market uncertainties, focusing on China's main advantages, adjusting to changes in a timely manner, and constantly exploring new breakthrough points will be an effective way for China to occupy a place in the fiercely competitive world tourism market.**

World Tourism Alliance (WTA)

The World Tourism Alliance, the first global, non-governmental, and nonprofit tourism organization established in China, held its inaugural ceremony to commemorate its founding on Sept. 12, 2017 in Chengdu, Sichuan Province.
In addition to upholding its mission of "Better Tourism, Better World, Better Life," WTA is dedicated to promoting peace, development, and poverty alleviation through tourism by driving global tourism exchanges and cooperation at the non-governmental level. To date,

To date, the WTA has 228 members from 42 countries and regions. Its membership roster consists mainly of national or regional tourism associations, influential tourism or tourism-related enterprises, tourism cities, academia, the media, and individuals. Service to its members through platforms for cooperation, dialogue, and networking, information and resource sharing, and communication is at the core of WTA's operations.

The industry supervisory department of the World Tourism Alliance is the Ministry of Culture and Tourism of China, and its headquarters and secretariat are located in China.

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 enterprise 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 of the HOHI data platform, and CHAT branding and marketing platforms, Horwath HTL provides professional services covering multiple dimensions and the full-life-cycle, relying on abundant project experience and customized consulting services. 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

Digital Transformation	Corporate Strategy	Urban Renewal	Destination Development	Re-Branding
Branding	Culture Empowerment	ESG Index	TOD Complex	Rental Apartment
Suburban and Long-Haul Vacation	Heritage Revival	Wellness & Healing	Sports & Health	Ski Experience

Three Brands and Business Segments

Horwath Business

Industry-wide Customized Consulting Service

Business Modules

Development Strategy Solution
Destination Solution
Hotel Solution

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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

CHAT

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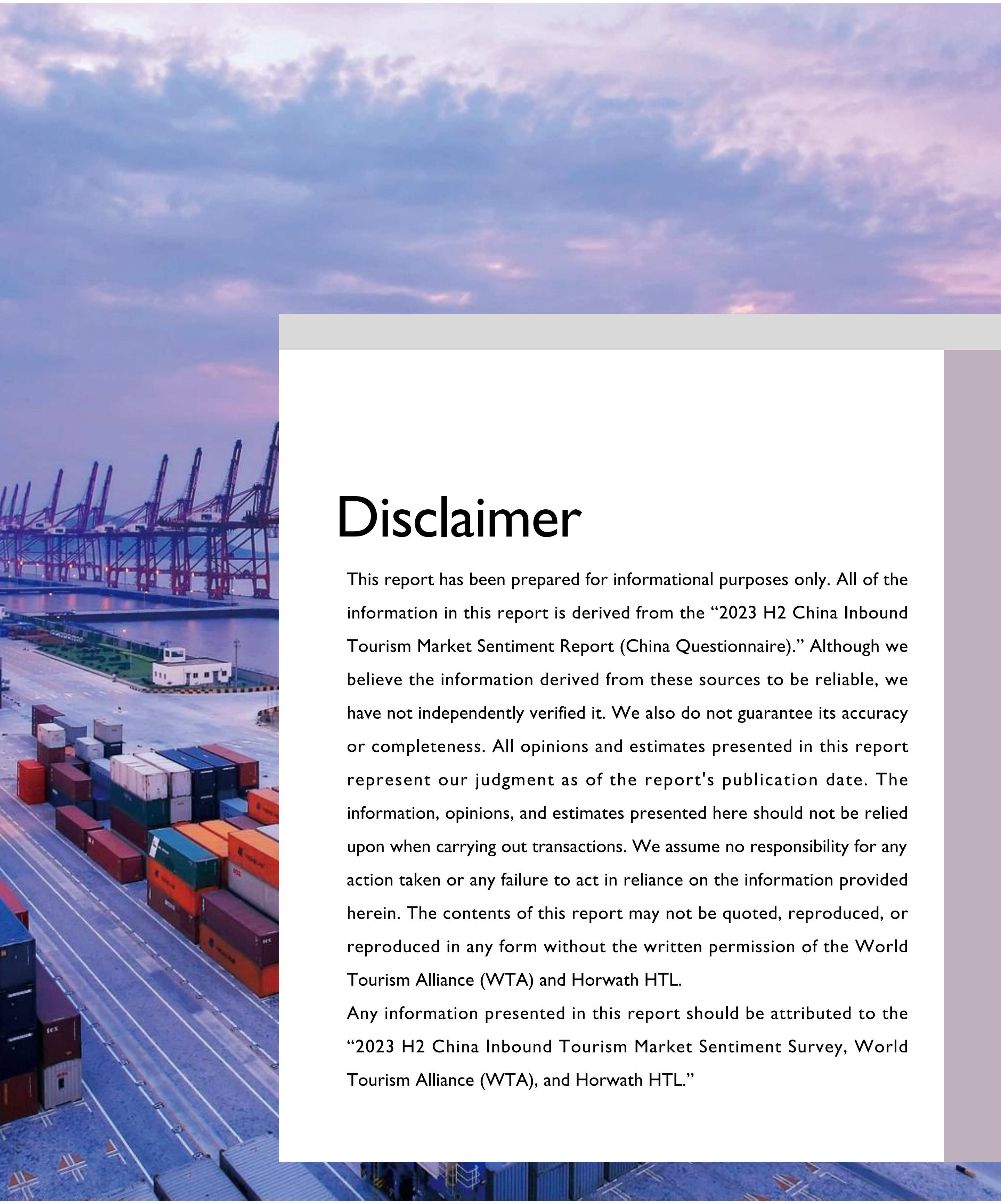

Disclaimer

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