

International Visitations to the U.S. from

CHINA

INTERNATIONAL INBOUND TRAVEL MARKET PROFILE



2018

SUMMARY

After seven years of double-digit growth—12 years if we exclude the 2009 recession—visitations from China to the U.S. grew by a mere 4% in 2017 and then *declined* by a staggering 5.7% in 2018¹. Despite the increase in Chinese residents who hold passports, political factors such as ongoing trade tensions between the two countries and official statements from Chinese government officials dissuading travel to the U.S. likely play a role in the significant decline in visitations.

Nevertheless, China remains the third largest source of overseas travel to the United States, and the 3 million Chinese visitations in 2018 accounted for 7.5% of overseas travel to the U.S.

Travel also helps lower our trade deficit with China. Valued at nearly a fifth (19%) of total U.S. exports of goods and services to China, travel is the top U.S. industry export to China. Travel generated a \$29 billion trade *surplus* with China in 2018, more than any other industry.

CHINA MARKET SUMMARY, 2018

U.S. Visitations from China	3 million
Travel Spending	\$17 billion
Average Spending Per Visitor	\$6,524
Total U.S. Travel Exports	\$34.6 billion
U.S. Travel Trade Balance	\$29 billion

VWP Member	Free Trade Agreement	Global Entry	Preclearance	Open Skies
X	X	X	X	X

MACRO OVERVIEW

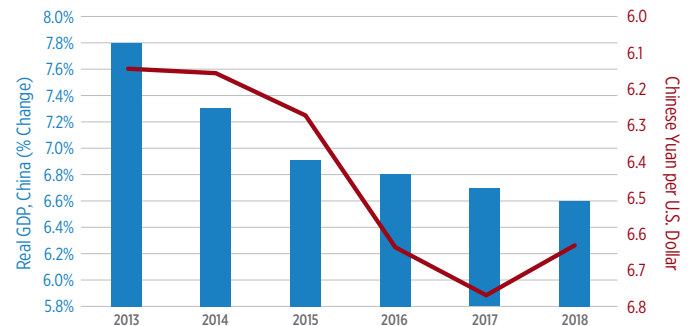
With a \$13.6 trillion economy and a population of 1.4 billion, China ranks second (in GDP) and first (in population) globally. After initiating market reforms in 1978, China evolved from a centrally-planned to a market-based economy.

Since then, GDP growth has averaged nearly 10% per year—the fastest sustained expansion by a major economy in history. In 1988, China accounted for 22% of the global population but just 0.2% of global GDP. By 2018, China's share of the global population decreased to 19% while its share of global GDP rose to 16%.

In recent years, China's GDP growth has decelerated. After expanding 6.7% in 2017, the Chinese economy increased 6.6% in 2018 and is expected to increase by 6.2% in 2019.

While the overall U.S. trade deficit in goods and services was a smaller share of U.S. GDP in 2018 (-3.0%) than it was a decade earlier in 2008 (-4.8%), it has become more concentrated with China. China's share of the overall U.S. trade deficit rose from 37% in 2008 to 61% in 2018. Since 2018, the U.S. and China have been involved in a trade dispute which has included negotiations, currency swings and tariff actions by both sides.

Chinese GDP and Currency, 2013–2018



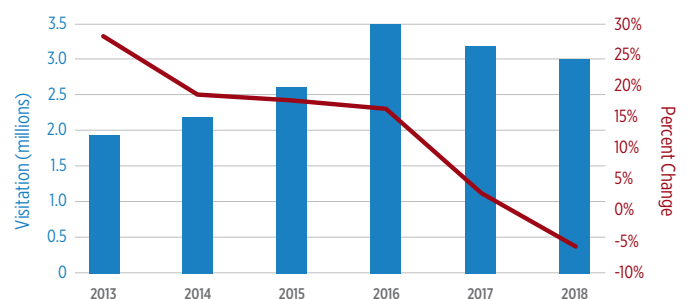
Source: Oxford Economics

TRAVEL IMPACT: VISITATION

Chinese visitation to the U.S. declined by a staggering 5.7% in 2018. This marked the first decline in visitations from our third largest overseas market since 2003. As a result, the share of Chinese visitations in overseas travel to the U.S. declined from 8.2% in 2017 to 7.5% in 2018.

The decline is particularly noteworthy in light of the fact that visitations from China have experienced strong double-digit growth every year since 2004 except for 2009 (financial crisis) when visitations still grew by 6.5% and 2017 when growth in visitations slowed down to 4.1%.

Annual Chinese Visitation to the U.S., 2013–2018



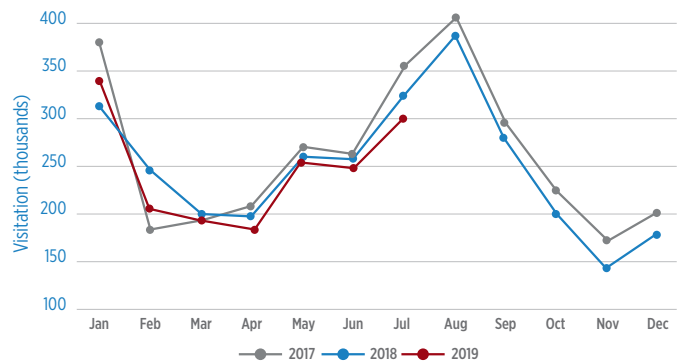
Source: U.S. Department of Commerce

Although a significant slowdown from the Chinese market was anticipated in 2018 (the U.S. Department of Commerce forecasted a 2018 growth rate of just 2%) such a strong *decline* in visitations was unexpected.

While part of the decline can be blamed on an overall slowdown of outbound (and particularly long-haul) travel from China, the United States' *share* of Chinese travel to long-haul destinations also fell significantly. Of all Chinese visitations to countries outside of Asia, the U.S. accounted for a share of 15.3% in 2015, 14.3% in 2017 and only 12.9% in 2018.

Monthly visitation data for 2019 are available (as of September 2019) through July and paint an equally disappointing picture. Total Chinese visitations from January to July 2019 were 3.7% lower than in the same period in 2018. In comparison, visitations from all overseas markets during the same months in 2019 were 1.3% *higher* than in 2018.

Monthly Chinese Visitation to the U.S., 2017-2019



Source: U.S. Department of Commerce

TRAVEL IMPACT: ECONOMIC

The average Chinese visitor to the U.S. spent about \$6,500 in 2018², among the highest of all international visitors.

Travel exports to China totaled \$34.6 billion in 2018³, a decline of 2.2% from 2017. Since travel imports (i.e. spending by U.S. travelers in China) were valued at \$5.5 billion, travel continued to generate a strong travel trade surplus with China in 2018 of \$29 billion, more than any other industry.

For more about the contribution of visitations from China to America's trade balance, see Addendum, Page 5.

TOP U.S. EXPORTS TO CHINA, 2018

INDUSTRY	U.S. EXPORTS IN BILLIONS (\$)	SHARE TOTAL EXPORTS OF GOODS AND SERVICES
Travel	34.6	19.4%
Transportation equipment	27.8	15.6%
Computers and electronics	18.0	10.1%
Chemicals	16.1	9.1%
Machinery (except electrical)	11.1	6.2%

Source: U.S. Department of Commerce

MAJOR TRAVELER CHARACTERISTICS

In 2018, 38% of Chinese travelers in the U.S. visited California and 26% visited New York. Top cities visited included New York City (25%), Los Angeles (23%), San Francisco (14%), Las Vegas (10%), Boston (9%) and Washington, D.C. (8%).

- The average Chinese traveler spends 12 nights visiting the U.S.
- Main purposes of visiting the U.S. are: vacation (33%), visiting friends/relatives (22%), education (18%), business (15%), convention/trade show (12%)
- Top activities in the U.S. include: shopping, sightseeing, fine dining, art gallery/museum, national parks and small towns
- 33% of Chinese travelers indicated this was their first trip to the U.S.—down from 43% in 2016
- Chinese travelers are relying less on pre-paid package: 18% used a pre-paid package in 2018—down from a high of 25% in 2015

For more Traveler Characteristics and Demographics see Addendum, Page 6.

CHARACTERISTICS AT GLANCE



12 NIGHTS
Average Visit



33%
on Vacation



38%
Visited California



26%
Visited New York



33%
First trip to the U.S.



SHOPPING
is a top activity

THE COMPETITION

The 5.7% decline in Chinese travel to the U.S. in 2018 was not matched by similar declines in Chinese travel to other major long-haul markets. In fact, with the exception of Russia to which Chinese travel declined by 3.2%, travel to many other key destinations continued to grow. For example, Chinese travel to Germany grew by 2.5%, and travel to Australia, the UAE and Switzerland grew by 5.5%, 10.7% and 5.3%, respectively.

Overall, Chinese travel to all long-haul destinations grew by 4.3% in 2018. As a result of the slowdown in visitations to the U.S. in 2017 and the decline in 2018, the United States' share of long-haul travel from China—though still very high—has declined from 15.3% in 2015 to 12.9% in 2018.

If market share loss continues in future years, the U.S. will be losing out on one of the largest and fastest-growing source markets of global travel.

TOP CHINESE LONG-HAUL DESTINATIONS AND SHARE OF LONG-HAUL TRAVEL FROM CHINA, 2015 AND 2018

DESTINATION	SHARE OF LONG-HAUL TRAVEL, 2015	SHARE OF LONG-HAUL TRAVEL, 2018	VISITATIONS, 2018 (IN MILLIONS)
1 United States	15.3%	12.9% ▼	3.0
2 France	12.8%	9.1% ▼	2.1
3 Russia	6.7%	9.0% ▲	2.1
4 Germany	8.1%	6.9% ▼	1.6
5 Australia	6.0%	6.2% ▲	1.4
Total Long-Haul Travel		100%	23.1

Source: Tourism Economics and U.S. Department of Commerce (for U.S. arrivals)

1. This report and all economic indicators cited refer specifically to the Chinese mainland (Hong Kong and Macau are excluded).

2. Average visitor spending takes into account travel receipts and passenger fares, but excludes education and other travel-related exports.

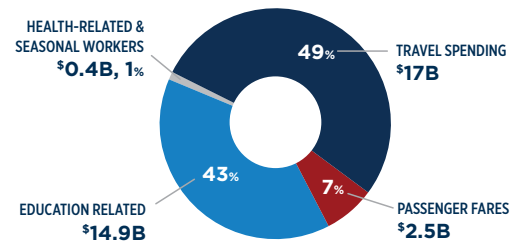
3. International standards now use a broader definition of travel exports than previously used which, in addition to general travel spending by visitors, includes education-related and health-related spending, as well as expenditures on goods and services by border, seasonal, and other short-term workers in the United States. For more information, please visit <http://travel.trade.gov/pdf/restructuring-travel.pdf>.

TRAVEL FROM CHINA TO THE U.S. IS “MADE IN AMERICA”

1 Spending by Chinese residents in the U.S. produced \$34.6 billion in export income for the U.S. economy

Although travelers from China are physically on U.S. soil when they visit the United States, the goods and services they consume while in America are U.S. exports. In 2018, U.S. travel exports to China totaled \$34.6 billion (2.2% lower than in 2017), which included travel spending by Chinese visitors to the U.S. (\$17 billion), education-related expenses by Chinese in the U.S. (\$14.9 billion) and international passenger fares by Chinese flying on U.S. airlines (\$2.5 billion).

Breakdown of U.S. Travel Exports to China



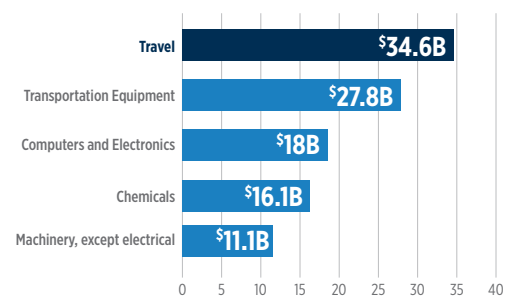
Total U.S. Travel Exports to China = \$34.6 Billion

Source: U.S. Department of Commerce

2 Travel is the largest industry export to China, and accounted for 19% of all U.S. exports to China in 2018

As the largest industry export to China in 2018, travel accounted for 19% of U.S. exports of goods and services, ahead of transportation equipment, which accounted for 16%.

Top 5 U.S. Exports to China, 2018

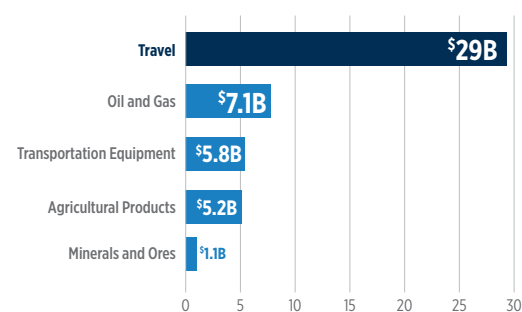


Source: U.S. Department of Commerce

3 Travel generated a \$29 billion trade surplus in 2018

After taking into account U.S. resident spending in China (\$5.5 billion), the U.S. had a \$29.0 billion travel trade surplus with China in 2018 (slightly lower than the \$29.8 billion surplus in 2017). Without this surplus, the U.S. trade deficit of all goods and services with China (\$380.8 billion) would have been \$365.5 billion, or 8% higher. Of all industries in which the U.S. trades with China, travel generated the largest trade surplus.

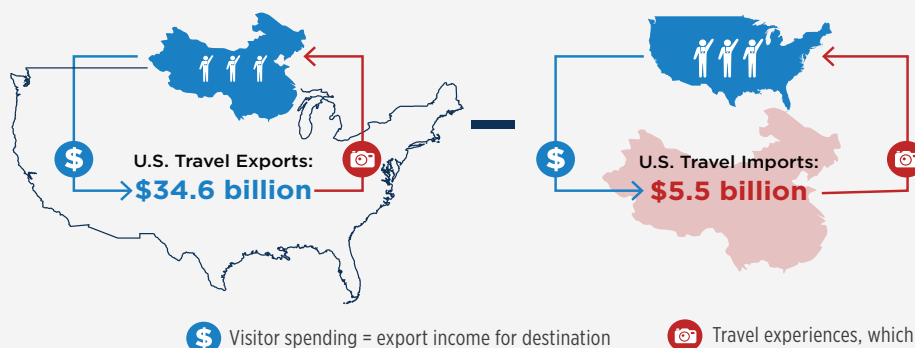
Top 5 Industries by U.S. Trade Surplus with China, 2018



Source: U.S. Department of Commerce

CALCULATING THE TRAVEL TRADE BALANCE WITH CHINA

Spending by Chinese visitors constitutes a U.S. travel export while spending by U.S. residents in China constitutes a U.S. travel import.



= **\$29 Billion**

Travel Trade Surplus with China

Since travel exports are far greater than travel imports, the U.S. enjoys a travel surplus with China.

TRAVEL CHARACTERISTICS AND DEMOGRAPHICS

TOP MOTIVATIONS FOR INTERNATIONAL TRAVEL¹



Cultural/Historical Attractions



Ecotourism and Nature



Urban Attractions



Dining and Gastronomy



Beaches/Seaside Attractions

IMPRESSIONS OF THE U.S.¹

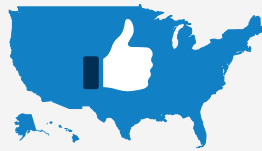
DIVERSE

OPEN-MINDED

ENERGETIC

CREATIVE

ADVENTUROUS



39% say the U.S. is a top desired destination²

DETERRENTS TO VISITING THE U.S. ²	2019	2018
Concerns about my personal safety	37%	44%
Security policies are difficult	32%	–
Cost of airfare too expensive	26%	–
I don't have enough holiday time	25%	28%
Uncomfortable with U.S. national politics	21%	19%
Too expensive	20%	35%
U.S. is too far away	20%	18%

PLANNING/BOOKING BEHAVIORS	2018	2017
Use of social media to plan trip ²	35%	–
Pre-paid package ³	18%	17%
Average trip decision time in days ³	62	62

PRIMARY TRIP PURPOSE ³	2018	2017
Vacation/Holiday	33%	34%
Visit Friends/Relatives	22%	24%
Education	18%	16%
Business	15%	16%
Convention/Trade show	12%	9%

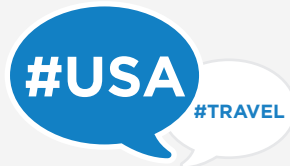
MOST INFLUENTIAL CONTENT WHEN DECIDING ON DESTINATION²

NATURE EXPERIENCE

SIGHTSEEING TOURS

ICONIC ATTRACTIONS

HISTORICAL ATTRACTIONS



35% use social media to plan trip²

ACTIVITY PARTICIPATION ³	2018	2017
Shopping	86%	88%
Sightseeing	78%	81%
Experience Fine Dining	48%	50%
Art Gallery/Museum	39%	43%
National Parks/Monuments	37%	41%
Small Towns	34%	–

DEMOGRAPHICS ³	2018	2017
Average age	35	35.3
Average annual household income	\$83,074	\$76,561

1. Brand USA

2. Destination Analysts, 2019

3. National Travel and Tourism Office