China

SPECIAL SARS ANALYSIS
IMPACT ON TRAVEL & TOURISM

The 2003 Travel & Tourism Economic Research
This extraordinary 2003 report for China is the latest special analysis of the Tourism Satellite Accounting research that Oxford Economic Forecasting (OEF) has prepared for WTTC. The first, prepared in 2002, provided a much-needed analysis to quantify the impact of the tragic events of September 11, 2001. Just recently in March 2003, OEF also produced a special analysis to gauge the impact of a prolonged war in Iraq on the 2003 estimates. Finally, this special analysis attempts to quantify the economic impact of SARS on Travel & Tourism in China, Hong Kong, Singapore and Vietnam.

This 2003 special research updates the current and near term estimates for China’s Travel & Tourism, based on a clearly defined set of assumptions on the duration of the SARS outbreak and the likely regeneration of Travel & Tourism over time.

The message from this special SARS report is extraordinary. In 2003, China’s Travel & Tourism Industry is expected to lose 24.5 per cent of its GDP and 2,802,210 jobs, while the broader Travel & Tourism Economy is expected to lose 15.7 per cent of its GDP and 6,798,120 jobs. Looking abroad, the forecast for Travel & Tourism Visitor Exports is expected to be especially sobering with 55.2 per cent real loss in 2003.

This WTTC research quantifies and documents the impact of SARS on Travel & Tourism for China, the first step towards addressing the post-SARS policy agenda that must follow to restart Travel & Tourism.

We hope that by raising awareness of SARS on Travel & Tourism in China, this report will act as a catalyst, encouraging industry and government to continue to work together to rebuild the conditions necessary to get the industry back on its feet and achieve it’s true promise.

**The SARS Assumptions**

The "duration" of full blown SARS impact is estimated to be 6 months in China, 4 months in Hong Kong and Singapore and 3 months in Vietnam all beginning in March 2003. Visitor Exports are reduced 80% for the various duration periods. After the duration period, Visitor Exports are reduced as follows: 60% first following month, 40% second following month and 25% thereafter until end of 2004. Domestic Travel & Tourism spending is assumed to be reduced 25% for the duration period. Capital Investment is assumed to be reduced 10% for the duration.

Jean-Claude Baumgarten  
President, World Travel & Tourism Council

Sir Ian Prosser  
Chairman, World Travel & Tourism Council  
Chairman, Six Continents Hotels & Resorts PLC
SARS ECONOMIC IMPACT

IN 2003, CHINA'S TRAVEL & TOURISM IS EXPECTED TO LOSE CNY169.4 BILLION (US$20.4 BILLION) OF ECONOMIC ACTIVITY (TOTAL DEMAND) AS A RESULTS OF SARS. THE INDUSTRY'S DIRECT LOSS INCLUDES:

2,802,210 jobs

CNY 63.3 billion (US$7.6 billion) of Gross Domestic Product (GDP).

HOWEVER, SINCE TRAVEL & TOURISM TOUCHES ALL SECTORS OF THE ECONOMY, ITS REAL IMPACT IS EVEN GREATER. CHINA'S TRAVEL & TOURISM ECONOMY IS EXPECTED TO SUFFER A SARS RELATED LOSS, DIRECTLY AND INDIRECTLY, OF:

6,798,120 jobs

CNY 169.4 billion (US$20.4 billion) of Gross Domestic Product (GDP).

CNY 64.8 billion (US$7.8 billion) of Exports, services & merchandise.

CNY 30.4 billion (US$3.7 billion) of Capital Investment.

CNY 74.1 billion (US$8.9 billion) of Personal and Business Travel & Tourism by residents and resident companies.
The 2003 WTTC/OEF TSA for China estimated that Travel & Tourism demand in 2003 would generate real term growth(loss) of 10.0 per cent over 2002 results. In contrast, this extraordinary SARS analysis forecasts a real term growth(loss) of -3.4 per cent for 2003. The difference, -13.4 per cent real loss for China Travel & Tourism, is the negative impact associated with SARS. In nominal terms, this SARS impact is expected to total CNY-169.5 billion or US$-20.4 billion in 2003 alone. The area in red on the chart indicates the SARS related loss.

Visitor exports is expected to be the hardest hit component of Travel & Tourism demand during the SARS outbreak. The 2003 WTTC/OEF TSA forecast for China's visitor export growth in 2003 was 5.2 per cent over 2002 results. This SARS analysis has restated China's visitor export growth at -50.0 per cent, a decrease of -55.2 per cent or CNY-64.8 billion (US$-7.8 billion) vis-à-vis the original 2003 forecast. SARS related losses are indicated in red on the chart.

A proper analysis of the SARS related impact must also isolate the likely change to Travel & Tourism Industry GDP, since some elements of T&T Demand such as government expenditures and capital investment are not expected to be significantly impacted. For China, Travel & Tourism Industry GDP is expected to decrease in the SARS analysis by -24.5 per cent (CNY-63.2 billion or US$-7.6 billion) vis-à-vis the original 2003 forecast. SARS related losses are indicated in red on the chart.

Finally, Travel & Tourism economy employment, in its broadest sense, is the most comprehensive and personal gauge of SARS losses on our industry. In 2003, Travel & Tourism economy employment in China was expected to total 54,356,300 jobs under our original 2003 TSA forecast. Under this SARS analysis the total jobs forecast is now pegged at 47,558,190. The difference, -6,798,120 lost jobs, is the negative employment impact in China associated with SARS. These losses are indicated in red on the chart.
### SARS ANALYSIS SUMMARY TABLE

Based on information currently available and assumptions made as indicated on the duration of the SARS outbreak, we expect the 2003 impact on travel & tourism in China to total:

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<tbody>
<tr>
<td>Personal Travel &amp; Tourism</td>
<td>9.1%</td>
<td>-5.0%</td>
<td>-14.0%</td>
<td>-71.5</td>
<td>-8.6</td>
</tr>
<tr>
<td>Business Travel</td>
<td>1.4%</td>
<td>-3.9%</td>
<td>-5.3%</td>
<td>-2.6</td>
<td>-0.3</td>
</tr>
<tr>
<td>Government Expenditures</td>
<td>10.1%</td>
<td>10.1%</td>
<td>0.0%</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Capital Investment</td>
<td>10.5%</td>
<td>3.2%</td>
<td>-7.2%</td>
<td>-30.4</td>
<td>-3.7</td>
</tr>
<tr>
<td>Visitor Exports</td>
<td>5.2%</td>
<td>-50.0%</td>
<td>-55.2%</td>
<td>-64.8</td>
<td>-7.8</td>
</tr>
<tr>
<td>Other Exports</td>
<td>20.2%</td>
<td>20.2%</td>
<td>0.0%</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Travel &amp; Tourism Demand</td>
<td>10.0%</td>
<td>-3.4%</td>
<td>-13.4%</td>
<td>-169.4</td>
<td>-20.4</td>
</tr>
<tr>
<td>T&amp;T Industry GDP</td>
<td>6.0%</td>
<td>-18.6%</td>
<td>-24.5%</td>
<td>-63.3</td>
<td>-7.6</td>
</tr>
<tr>
<td>T&amp;T Economy GDP</td>
<td>8.7%</td>
<td>-7.0%</td>
<td>-15.7%</td>
<td>-169.4</td>
<td>-20.4</td>
</tr>
<tr>
<td>T&amp;T Industry Employment '000</td>
<td>-0.5%</td>
<td>-20.4%</td>
<td>-19.9%</td>
<td>-2,802.2</td>
<td>-2,802.2</td>
</tr>
<tr>
<td>T&amp;T Economy Employment '000</td>
<td>2.4%</td>
<td>-10.4%</td>
<td>-12.8%</td>
<td>-6,798.1</td>
<td>-6,798.1</td>
</tr>
</tbody>
</table>

This analysis and recent history has shown that the travel & tourism industry is particularly vulnerable to severe business downturns during periods of terrorism, political uncertainty, military conflict and health-related crisis.

WTTC calls on government leaders around the world to recognize the severe economic and employment impact experienced by travel & tourism and implement, when necessary and appropriate, strategic policy measures to mitigate the long-term consequences on the industry and national economies.
WTTC would like to express its sincere appreciation to the entire research and economics team associated with this 2003 Tourism Satellite Accounting Research.

Oxford Economic Forecasting
  •
  Adrian Cooper, Managing Director
  Alan Wilson, Director of Consulting Services
  Erik Britton, Director of Consulting Services
  Simon Knapp, Senior Economist
  Keith Edmonds, Senior Economist

The OEF Macroeconomic Forecasting and Technical Teams

World Travel & Tourism Council
  •
  Richard Miller, Vice President, Research and Economics