

ASEAN Tourism

POSITIVE

Tracking the Chinese outbound tourism dragon

Options galore for Chinese tourism exposure

After a tepid start, the recovery in Chinese outbound tourism is accelerating and will reach more meaningful levels by mid-2023. Chinese outbound tourism to Singapore will recover the fastest to 2019 levels. Yet, Thailand is still the top ASEAN destination of choice for Chinese tourists. Our top ASEAN tourism picks are **Erawan**, **Airports Of Thailand**, **Capital A**, **Pavilion REIT**, **Genting Singapore**, **CDL Hospitality Trusts**, **Far East Hospitality Trust**, **Frasers Hospitality Trust** and **CapitaLand Integrated Commercial Trust**.

MY - room to improve but AirAsia flying the flag

To be sure, Malaysia is not at the top of most Chinese tourists' minds. Yet, the AirAsia Group is very popular in China. Actual travel from China to Malaysia ranks 8th in the 1H23 top 10 Chinese outbound departures relative to 2019 list despite not being in the top 10 preferred Chinese outbound destinations list of any survey. Potential beneficiaries under our coverage are **Capital A & Malaysia Airports** (aviation) and **Pavilion REIT & KLCCP Stapled** (shopping). Non-rated potential beneficiary is **AirAsia X** (aviation).

TH - still ramping up but top ASEAN destination

Actual travel from China to Thailand is not in the 1H23 top 10 Chinese outbound departures relative to 2019 list. Airlines that traditionally ply the China to Thailand route have not returned many aircraft to service compared to airlines that traditionally ply the China to Singapore and Malaysia routes. Yet, it is without a doubt that Thailand is at the top of most Chinese tourists' mind when they think of an ASEAN destination. Potential beneficiaries under our coverage are **Erawan** (hotelier) and **Airports Of Thailand** (aviation). Non-rated potential beneficiaries are **Dusit Thani** (hotelier) and **Siam Wellness** (spa chain).

SG - top beneficiary of CN reopening, in our view

Actual travel from China to Singapore relative to 2019 is recovering the fastest. By mid-2023, seat capacity from China to Singapore will recover to c.65% of 2019 levels. Moreover, Singapore has emerged as a preferred outbound destination for high net worth Chinese and single Chinese women. Potential beneficiaries under our coverage are **Genting Singapore** (gaming), **CDL Hospitality Trusts**, **Far East Hospitality Trust**, **Frasers Hospitality Trust** (hoteliers) and **CapitaLand Integrated Commercial Trust** (shopping). Non-rated potential beneficiaries are **Singapore Airlines** (aviation) and **Shangri-La Asia** (hotelier).

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Related report:

[China's Reopening: Gauging the Revenge Travel](#) dated 20 Jan 2023

Non-rated companies mentioned in this report:-

- 1) AirAsia X (AAX MK, CP: MYR1.27)
- 2) Dusit Thani (DUSIT TB, CP: THB11.70)
- 3) Siam Wellness (SPA TB, CP: THB11.20)
- 4) Singapore Airlines (SIA SP, CP: SGD5.74)
- 5) Shangri-La Asia (SGA SP, CP: HKD7.90)

Stock	Bloomberg code	Mkt cap (USD'm)	Rating	Price (LC)	TP (LC)	Upside (%)	P/E (x)		P/B (x)		Div yld (%)	
							23E	24E	23E	24E	23E	24E
AOT	AOT TB	30,244	Buy	72.50	84.00	16	74.4	37.9	8.8	7.4	0.6	1.2
Genting S'pore	GENS SP	10,650	Buy	1.17	1.18	5	18.8	16.2	1.7	1.6	3.4	3.4
CICT	CICT SP	10,072	Buy	2.02	2.35	17	16.9	16.4	0.9	0.9	5.8	6.0
KLCCP Stapled G	KLCCSS MK	2,835	Hold	6.93	6.72	1	16.6	16.3	0.9	0.9	5.2	5.3
M'sia Airports	MAHB MK	2,666	Hold	7.09	7.15	3	43.0	20.0	1.8	1.7	1.1	2.5
CDL Hospitality	CDREIT SP	1,145	Buy	1.23	1.40	20	17.0	15.1	1.2	1.1	5.8	6.5
Far East Hosp.	FEHT SP	920	Buy	0.62	0.80	33	18.5	16.6	0.6	0.5	6.0	6.6
Pavilion REIT	PREIT MK	908	Buy	1.31	1.41	14	18.3	16.4	1.0	1.0	5.3	5.9
Capital A	CAPITALA MK	745	Buy	0.79	0.90	14	nm	8.8	nm	nm	0.0	0.0
Frasers Hosp. T	FHT SP	675	Buy	0.48	0.54	20	18.3	16.2	0.5	0.5	4.7	5.9
Erawan Group	ERW TB	654	Buy	4.94	5.60	13	24.7	20.4	3.4	3.0	1.6	2.0

Chinese travelling longer and spending more

China positively surprised everyone when it abruptly reopened its borders on 8 Jan 2023. Yet, anecdotal evidence suggests that the Chinese outbound tourism recovery was tepid in the first 2 months of 2023 due to lack of seat capacity and high airfares. Yet, March 2023 seat capacity suggests that the Chinese outbound tourism recovery is just getting started (Fig. 1). Thus, we invited Ms. Sienna Parulis Cook, Director of Marketing and Communications of Dragon Trail International and Ms. Nancy Dai, Insights Expert of ForwardKeys to share their insights on the future of Chinese outbound tourism.

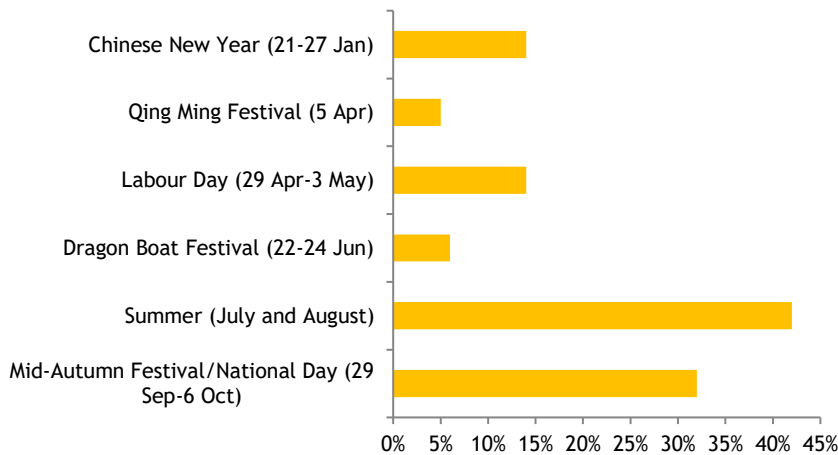
Fig 1: Seat capacity from China to selected countries relative to 2019

	Jan-23	Feb-23	Mar-23
Hong Kong	23%	33%	40%
Thailand	4%	12%	22%
Macau	62%	78%	85%
Taiwan	19%	22%	28%
South Korea	12%	11%	16%
Singapore	12%	17%	37%
Japan	8%	8%	9%
Malaysia	5%	10%	21%
United Arab Emirates	12%	28%	46%
Cambodia	11%	22%	26%
Australia	7%	23%	31%
Philippines	8%	17%	34%
Vietnam	4%	10%	19%
Indonesia	12%	12%	26%

Source: OAG

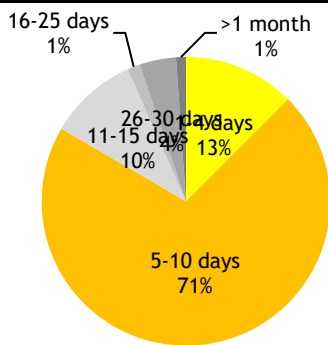
At our request, their presentation was largely centred on Chinese outbound tourism to Thailand, Malaysia and Singapore. According to Dragon Trail International, 60% of its surveyed respondents in China (n=1,058) intend to travel overseas going forward. Most of them intend to travel overseas during the summer holidays in Jul and Aug (42%) and the mid-autumn festival and national day holidays otherwise known as Golden Week (32%) (Fig. 2). 71% intend to travel overseas for 5 to 10 days (Fig. 3). Data from Trip.com also reveal that 59% have booked 4-5 star accommodations (Fig. 4). In summary, Chinese tourists are travelling longer and spending more relative to pre-COVID times.

Fig 2: 2023 Chinese outbound travel plans



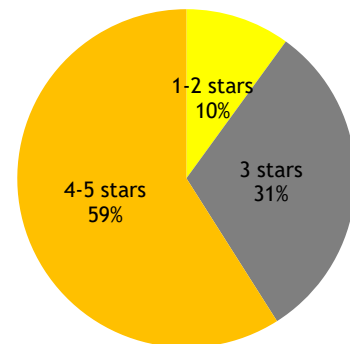
Source: Dragon Trail International

Fig. 3: Chinese outbound travel length planned



Source: Dragon Trail International

Fig. 4: 1Q23 Chinese outbound hotel bookings by rating



Source: Trip.com

TH still top ASEAN destination for Chinese

Pre-COVID, Thailand, Malaysia and Singapore were in the top 10 Chinese outbound destinations list (Fig. 5). Post-COVID, Thailand and Singapore are still in the top 10 preferred Chinese outbound destinations list but Malaysia has dropped out from it according to Dragon Trail International (Fig. 6). Curiously, another survey by Qyer did not list Singapore as being in the top 10 preferred Chinese outbound destinations list pre- or post-COVID (Fig. 7). To be sure, Malaysia also dropped out from the top 10 preferred Chinese outbound destinations list according to Qyer. Yet, it is not all doom and gloom for Malaysia as we will explain later.

Fig 5: 2018 top 10 Chinese outbound destinations

Rank	Country
1	Thailand
2	Japan
3	Vietnam
4	Singapore
5	Indonesia
6	Malaysia
7	USA
8	Cambodia
9	Russia
10	Philippines

Source: Ctrip, China Tourism Academy

Fig 6: 2023 top 10 preferred Chinese outbound destinations

Rank	Country	% of responses
1	Hong Kong	21%
2	Macau	11%
3	Thailand	11%
4	Japan	6%
5	Taiwan	5%
6	South Korea	4%
7	Singapore	4%
8	France	3%
9	Australia	3%
10	Russia	3%

Source: Dragon Trail International

Fig 7: Pre- and post-COVID top 10 preferred Chinese outbound destinations

Rank	2019	2022
1	Japan	Thailand
2	Thailand	Japan
3	Italy	Spain
4	France	France
5	USA	USA
6	UK	Italy
7	Spain	Germany
8	Malaysia	Canada
9	Germany	UK
10	Russia	Australia

Source: Qyer

SG top ASEAN destination for wealthy Chinese

Pre-COVID, no ASEAN destination featured in the top 10 preferred outbound destinations by high net worth (HNW) Chinese list (Fig. 8). Post-COVID, Singapore leapfrogged to seventh position surpassing Dubai, Italy and the United Kingdom (Fig. 9). This jives with recent literature that many HNW Chinese have been visiting Singapore to set up family offices or even migrate there. While the aforementioned surveys suggest that Thailand may attract more Chinese tourists going forward, it does seem that Singapore will attract more HNW Chinese tourists instead going forward.

Fig 8: Pre-COVID top 10 preferred outbound destinations by HNW Chinese

Rank	Destination	% of responses
1	Japan	53%
2	Switzerland	29%
3	Maldives	26%
4	France	24%
5	USA	22%
6	Italy	20%
7	New Zealand	19%
8	Australia	19%
9	UK	16%
10	Hawaii	15%

Source: Hurun Chinese Luxury Consumer Survey 2020

Fig 9: Post-COVID top 10 preferred outbound destinations by HNW Chinese

Rank	Destination	% of responses
1	Maldives	38%
2	Japan	33%
3	France	32%
4	Switzerland	29%
5	New Zealand	26%
6	Singapore	26%
7	Australia	25%
8	Dubai	24%
9	Italy	23%
10	UK	22%

Source: Hurun Chinese Luxury Consumer Survey 2023

AirAsia Group most popular airline in China

Taking a look at views on WeChat, China's most popular instant messaging, social media, and mobile payment app, the tourism organisations of Thailand and Singapore feature in the 1Q23 top 10 national tourism organisations WeChat accounts by total views list. Tourism Malaysia ranks 16th. Despite Malaysia not being in the top 10 preferred Chinese outbound destinations list of any survey, the AirAsia Group (**CAPITALA** and **AirAsia X (AAX MK, CP: MYR1.27, Not Rated)**) top the 1Q23 top 10 airlines WeChat accounts by total views list. **Singapore Airlines' (SIA SP, CP: SGD5.74, Not Rated)** Scoot ranks a respectable 8th.

Fig 10: 1Q23 top 10 WeChat accounts by total views

Rank	Tourism organisation	Rank	Airline
1	Japan	1	AirAsia
2	Thailand (Shanghai)	2	Air Macau
3	Thailand (Chengdu)	3	Cathay Pacific
4	Thailand (Beijing)	4	All Nippon Airways
5	Australia	5	Emirates Airline
6	Peru	6	China Airlines
7	Spain	7	Eva Air
8	New Zealand	8	Scoot
9	Singapore	9	Air France
10	Austria	10	AirCanada

Source: WeChat

CN to SG flights fastest to recover...

Thus far, our research has been centred on Chinese intent to travel and not actual travel itself. Chinese actual travel paints a slightly different picture. Relative to 2019, travel from China to Singapore is recovering faster than travel from China to Thailand (Fig. 11). In fact, travel from China to Thailand does not even feature in the 1H23 top 10 Chinese outbound departures relative to 2019 list. Curiously, travel from China to Malaysia ranks 8th in the 1H23 top 10 Chinese outbound departures relative to 2019 list despite not being in the top 10 preferred Chinese outbound destinations list of any survey.

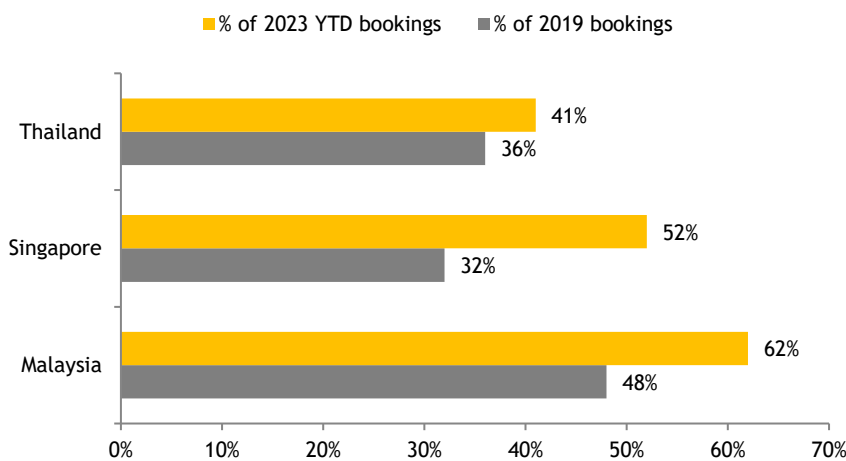
Fig 11: 1H23 top 10 Chinese outbound departures relative to 2019

Country	% of 2019
Macau	79%
United Arab Emirates	39%
Singapore	32%
United Kingdom	31%
Hong Kong	30%
Cambodia	26%
Australia	25%
Malaysia	24%
Vietnam	22%
Indonesia	22%
Total China outbound	24%

Source: ForwardKeys

We understand that this is because the airlines that traditionally ply the China to Singapore route have returned more aircraft to service followed by the airlines that traditionally ply the China to Malaysia route. In summary, Chinese intent to travel and actual travel are not necessarily one and the same. On another note, more Chinese are booking last minute (<14 days lead time) flights to Thailand, Singapore and Malaysia relative to pre-COVID times (Fig. 12). Curiously, 62% of China to Malaysia flight bookings YTD are last minute. We gather that the AirAsia Group may have been offering cheap flights to Malaysia to spur last minute travel.

Fig 12: Chinese outbound bookings made last-minute (0-14 days lead time)

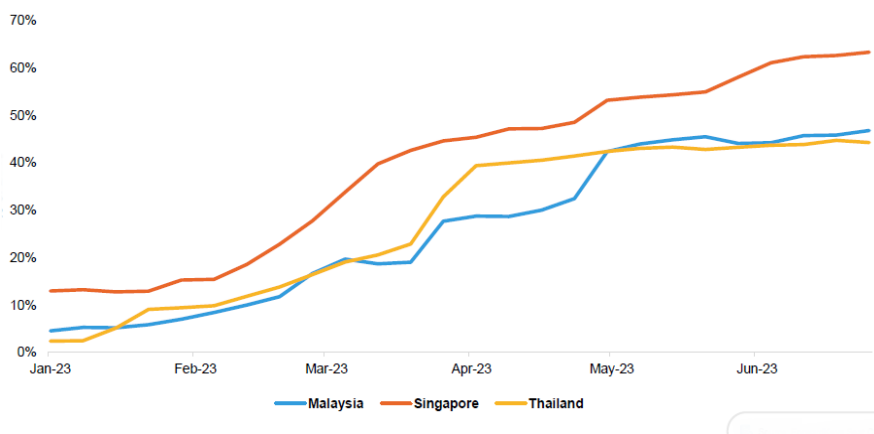


Source: ForwardKeys

... and to stay that way for awhile

Looking forward, travel from China to Singapore will continue to lead that from China to Malaysia and from China to Thailand. ForwardKeys estimates that seat capacity from China to Singapore will recover to c.65% of 2019 levels by mid-2023 while seat capacity from China to Malaysia and from China to Thailand will recover to c.45% of 2019 levels by mid-2023 (Fig. 13). Thus, it follows that Singapore will recover the fastest to 2019 levels from the reopening of China’s borders in the near term compared to Malaysia and Thailand.

Fig 13: Seat capacity from China relative to 2019



Source: ForwardKeys

Chinese travel preferences really are changing

While Chinese intent to travel and actual travel are not necessarily one and the same in terms of destinations, ForwardKeys revealed data which do jive with the surveys carried out or reproduced by Dragon Trail International (Fig. 14 to 16). One, Chinese tourists really are travelling longer than pre-COVID times. Lengths of stay of >14 nights are the fastest to recover relative to 2019 in Thailand, Malaysia and Singapore. Two, the number of Chinese tourists travelling as independent travellers (i.e. singles and couples) are recovering faster relative to 2019 than those travelling as part of tour groups.

Chinese free and independent travellers are favoured around the world over Chinese tour groups due to their perceived higher spending budgets. Anecdotal evidence suggests that Chinese that travel as part of tour groups tend to have lower spending budgets. Curiously, travel by single Chinese to Singapore has recovered swiftly to 63% of 2019 levels. We understand that Singapore is increasingly popular with single Chinese women who favour it for its hygiene, safety and plethora of shopping options.

Fig 14: Profile of 1H23 Chinese outbound departures to Thailand relative to 2019

Lengths of stay	% of 2019	Cabin class	% of 2019	Pax per booking	% of 2019
1-3 nights	6%	Economy	19%	Single	41%
4-13 nights	10%	Premium	19%	Couples	27%
>14 nights	30%			Families (3-5)	14%
				Groups (>6)	5%

Source: ForwardKeys

Fig 15: Profile of 1H23 Chinese outbound departures to Malaysia relative to 2019

Length of stay	% of 2019	Cabin class	% of 2019	Pax per booking	% of 2019
1-3 nights	5%	Economy	24%	Single	43%
4-13 nights	9%	Premium	30%	Couples	25%
>14 nights	32%			Families (3-5)	16%
				Groups (>6)	7%

Source: ForwardKeys

Fig 16: Profile of 1H23 Chinese outbound departures to Singapore relative to 2019

Length of stay	% of 2019	Cabin class	% of 2019	Pax per booking	% of 2019
1-3 nights	11%	Economy	31%	Single	63%
4-13 nights	10%	Premium	32%	Couples	33%
>14 nights	29%			Families (3-5)	15%
				Groups (>6)	6%

Source: ForwardKeys

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