

China Economics

Quantifying the Glow of Golden Week

China is having its National Day week-long public holiday, also known as Golden Week. The first such holiday since China's reopening last December, expectations are high for a jump in consumption and overseas travel, due to a low base last year.

Domestic Tourism Likely Exceeded Pre-Pandemic Levels, More Than Doubled from Golden Week 2022

During the Labor Day week-long holiday this May, China's domestic tourist numbers exceeded their previous 2019 peak by more than 40%. Going by this precedent, we are projecting for domestic tourism numbers during the eight-day Golden Week holiday to exceed 2019 levels by 10% and to rebound by +104% from 2022 numbers.

Consumer Confidence Likely to Have Curbed Holiday Spending

Receipts-wise, we expect domestic spending per tourist to fall by 4% from pre-pandemic levels, given downbeat consumer sentiment and a soft job market. China's latest Consumer Confidence Index has fallen to the same levels as Q4 2022. Similarly, consumers' willingness to spend remains significantly below 2019 levels.

A Belated Tourism Boom for Southeast Asia

This Golden Week, we project that Chinese arrivals would improve to around 60% of 2019 numbers. The moderate recovery, relative to China's domestic tourism, reflects the slower resumption of flight capacity between the mainland and some ASEAN destinations as well as increased budget-consciousness. At the same time, belt-tightening by Chinese overseas travelers should help ASEAN hotspots gain market share at the expense of long-haul destinations.

Spotlight on Thailand: A Strong Recovery On Hold

Since China's reopening, mainland tourists had been slow to return to the kingdom, ostensibly because of perceptions about safety. The Bangkok shooting incident on 3rd October will likely compound these worries and dampen an otherwise strong rebound in mainland arrivals in the coming months. We expect some near-term impact to Chinese travel demand to the kingdom, which would push back the envisaged rebound in total arrivals. Total visitor numbers to Thailand in 2023 are still expected to come in at a healthy 26mn (from our previous projection of 27mn), while visitor arrivals in 2024 are likely to total 32mn (from the prior forecast of 34mn).

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High Expectations for First Golden Week Since Reopening

China has its National Day week-long public holiday on 29th September to 6th October this year. Also known as Golden Week, the period has reliably produced a seasonal bump in consumer spending before the pandemic.

This year, the year-on-year jump in consumption is expected to be more pronounced due to a low base, and also because this is the first Golden Week since China's reopening last December. Moreover, this holiday is unusually long, as it combines the Mid-Autumn Festival with the National Day break into eight consecutive days of public holidays, instead of the customary seven. This has contributed to an increased willingness by holidaymakers to book longer overseas trips.

Consumer-facing industries in mainland China and globally are hence banking on the last major spurt of "revenge spending" to ratchet up activity, even amidst sluggish consumer confidence.

So far, major long holidays since the reopening have corresponded with China's hotels & restaurants, transport and culture & sports sectors' quarterly value-add gaining as much as 18% y-o-y. The tourism-related industries accounted for around 7% of China's GDP during pre-pandemic years. The recovery in tourism-related sectors, which tend to be labor-intensive, has helped to cushion otherwise-soft employment growth. The World Travel and Tourism Council estimates that the industry in China would regain one in two jobs lost during the pandemic, and hire 11.5mn more workers this year.

Domestic Tourism Likely Exceeded Pre-Pandemic Levels, More Than Doubled from Golden Week 2022

This Golden Week, we expect China's domestic traveler numbers and tourism revenues to have exceeded pre-pandemic levels and more than doubled from the same last year. However, we project that tourism revenue per person will remain marginally lower than in 2019.

According to official statistics, Golden Week tourist numbers in China have fallen for three consecutive years from 2020 to 2022. From their peak of 782mn person-visits in 2019, it has slumped to 422mn person-visits last year, falling by 46% from peak to trough.

Going by the rebound in domestic travel numbers during China's long Labor Day holiday this year, domestic travel volumes should exceed 2019 levels. This would imply a more than doubling in travel numbers from the lows seen in 2022 (Figs 1 and 2).

During the Labor Day week-long holiday this May, China's domestic tourist numbers exceeded their previous 2019 peak by 41% to reach 274mn persons, a rebound of 71% from last year. Labor Day tourism revenues outperformed 2019 levels by a smaller margin than tourist numbers, improving by 26%. Compared to Labor Day in 2022, tourism receipts rose 130%.

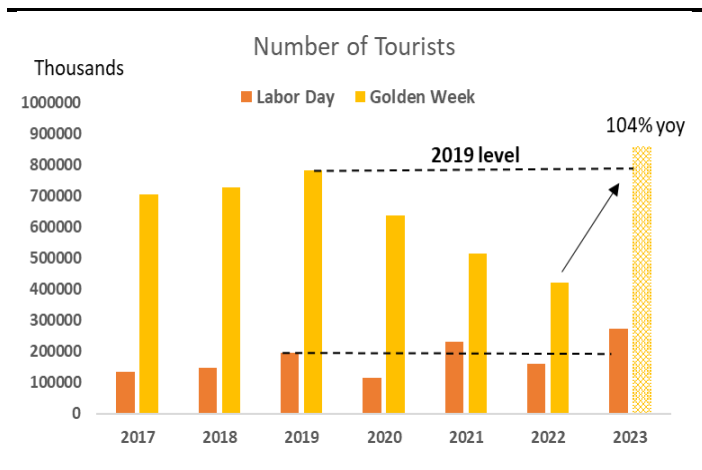
During this year's Golden Week, the authorities reported inter-city transport ticket bookings that are 11% higher than the same period in 2019. We are projecting

domestic tourism numbers during the eight-day public holiday to exceed 2019 levels by 10% and to rebound by 104% from 2022 numbers.

Receipts-wise, we expect spending per tourist to fall by 4% from pre-pandemic levels, given still-subdued economic and income conditions. During Labor Day 2023, revenue per tourist came in 8% below pre-pandemic levels.

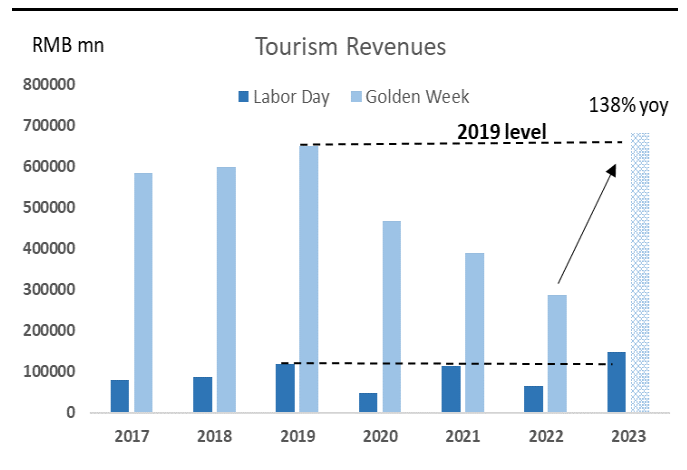
Our estimate for Golden Week translates to a healthy 138% bounce in total tourism takings from last year's Golden Week. This is an increase of 5% from 2019 levels.

Fig 1: Golden Week domestic tourist numbers are projected by Maybank Research to have exceeded the 2019 peak by 10%, and doubled from 2022



Source: CEIC, estimates by Maybank Research

Fig 2: Golden Week tourism revenues are expected improve upon 2019 numbers by a milder 5% this year.



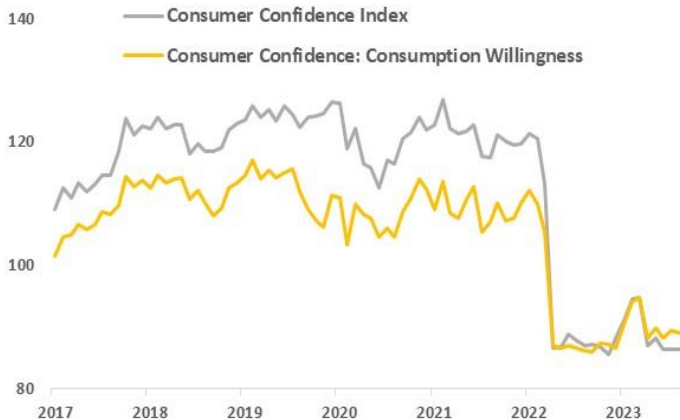
Source: CEIC, estimates by Maybank Research

Subdued Consumer Confidence Likely to Have Curbed Holiday Spending

While the rare eight-day Golden Week is likely to have spurred holidaymakers to take longer trips, they are expected to be more cautious in their spending habits. Official data from China's National Bureau of Statistics (NBS) showed consumers turning downbeat since the reopening (Figs 3 and 4). The overall Consumer Confidence Index rose in the wake of reopening last December, but has since fallen and hovered at 87 points in August 2023 - the same levels as Q4 2022. Similarly, from the same survey, consumer's willingness to spend in August this year was 20% lower than that at the end of 2019.

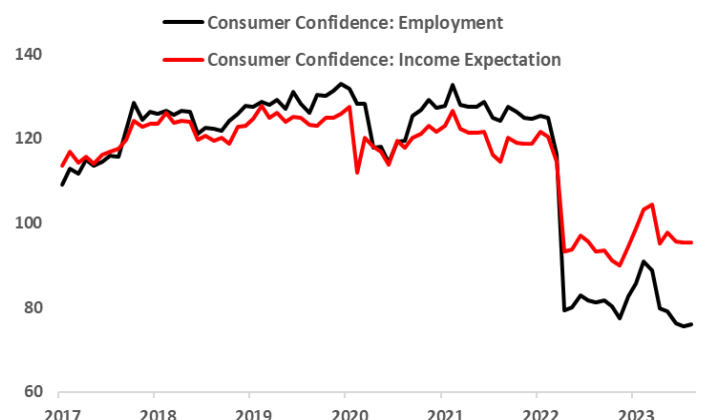
A key reason for downbeat consumer sentiment has been the sluggish employment market. A finer breakdown of NBS' Consumer Confidence data showed that consumers' sentiment on employment had deteriorated to levels below that seen during the Covid lockdowns in late-2022 (Fig 4). Their income expectations have also ebbed significantly since early 2023.

Fig 3: China’s Official Consumer Confidence Index and its Consumption Willingness Sub-Index Have Been Flagging



Source: CEIC, NBS

Fig 4: Chinese Consumers Signal Deteriorating Confidence About Their Employment and Income Prospects



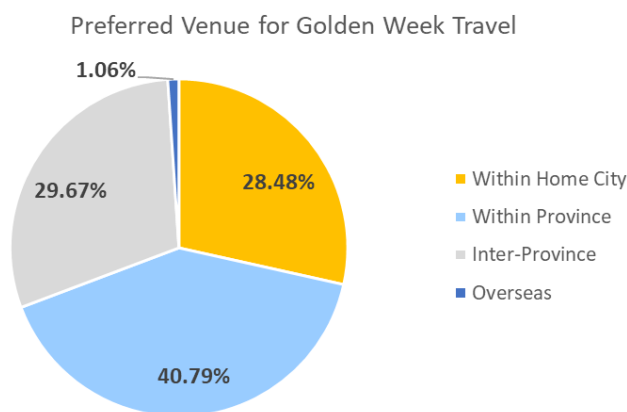
Source: CEIC, NBS

The subdued sentiment is reflected in a pronounced willingness by Chinese consumers to vacation within their country or home provinces. According to a poll by iiMedia Research at the start of Golden Week, 69% of respondents said that they would be spending their holiday touring their home province or local city. Another 30% said that they would be travelling to other provinces within China. Only 1% said they had plans to travel overseas.

In terms of their willingness to spend, 41% of respondents surveyed by iiMedia Research said they would opt for mid-range travel, while 33.4% said they would choose low-cost options for lodging and dining out. Only a quarter of would-be travellers said they would opt for high-end food and accommodation.

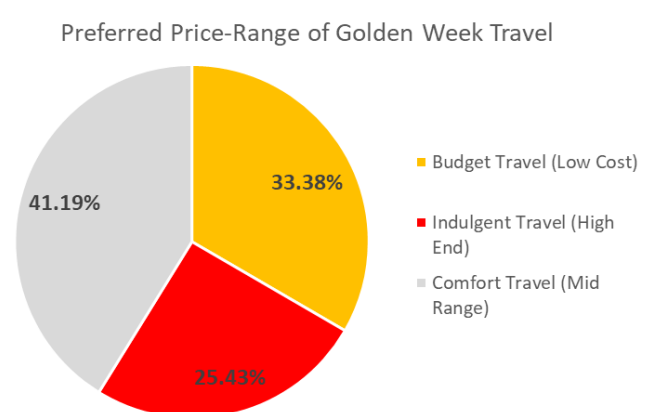
Chinese consumers’ cautious sentiment will hence temper the boost to overseas travel destinations from this year’s Golden Week break.

Fig 5: Vast Majority of Chinese Consumers Surveyed Preferred to Travel Locally



Source: iiMedia Research

Fig 6: Around 40% of Chinese Travelers Are Opting For Low Cost Hotel and Dining Options This Golden Week



Source: iiMedia Research

A Belated Tourism Boom for Southeast Asia

Chinese tourist numbers to Southeast Asia have generally been climbing, but have so far averaged only 42% of pre-pandemic levels (Table 1). The shortfall has been keenly felt in Thailand, Vietnam and Malaysia, where tourism receipts from the Chinese market accounted for 1% to 3% of GDP before the pandemic. For the Thai tourism industry, in particular, the slow return of higher-spending visitors has affected industry takings (Figs 7 and 8). We expect China tourist numbers to the ASEAN-6 to fully recover to 2019 levels by end-2024.

This Golden Week, we project that Chinese arrivals would improve to around 60% of 2019 numbers. The slower recovery, relative to China's domestic tourism, reflects the slower resumption of flight capacity between the mainland and some ASEAN destinations (Fig 9) as well as increased budget-consciousness. At the same time, belt-tightening by Chinese overseas travelers should help ASEAN hotspots gain market share at the expense of long-haul destinations such as the Americas.

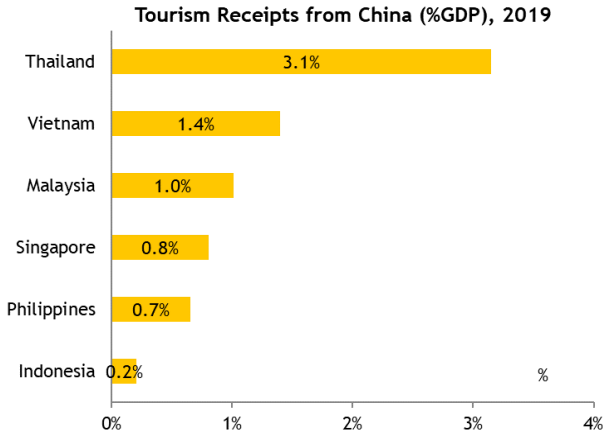
According to travel research firm ForwardKeys, Chinese outbound flight bookings to the rest of Asia for Golden Week (booked by 15th September) have come in just 33% below 2019 levels. In other words, they have returned to two-thirds of previous volumes. In particular, bookings to Malaysia have exceeded pre-pandemic peaks, while those to Singapore were just 11% below 2019 volumes (Fig 10).

Table 1: China Monthly Arrivals to ASEAN Have Been Markedly Below 2019 Levels

	Person th	As of	% of pre-pandemic levels
Thailand	355.1	Aug	34.4%
Malaysia	115.2	May	47.4%
Indonesia	85.2	Aug	43.9%
Vietnam	212.3	Aug	44.0%
Singapore	214.5	Aug	54.0%
Philippines	31.66	Aug	18.5%
ASEAN-6*	1,084	Aug	41.9%

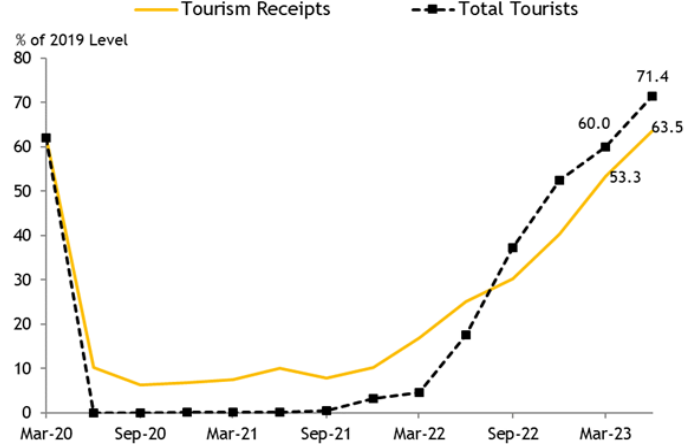
Source: CEIC, Maybank estimates.

Fig 7: Thailand, Vietnam and Malaysia Derived Significant Tourism Revenues from the China Market Pre-Pandemic



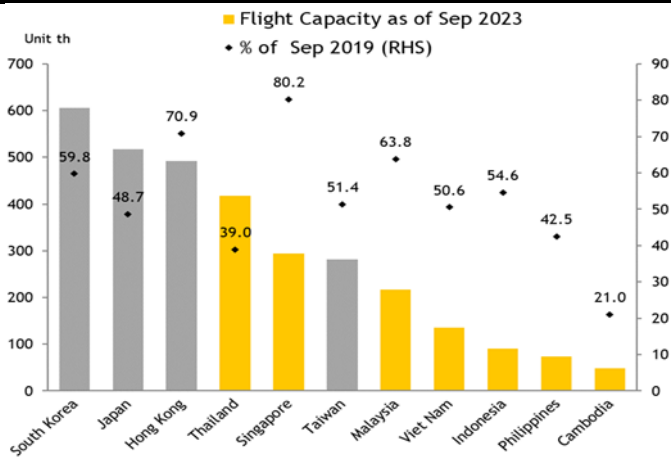
Source: CEIC, Maybank estimates.

Fig 8: The Recovery in Thailand's Tourism Receipts Have So Far Lagged its Visitor Numbers



Source: CEIC, Maybank estimates.

Fig 9: Flight Capacity from China to Key Destinations Have Resumed at a Varied Pace



Source: OAG, Maybank estimates.

Fig 10: China's Outbound Flight Bookings for Golden Week Have Exceeded 2019 Loads for Hong Kong, Macao and Malaysia

Most resilient destinations* in Asia		Var vs 2019
	Hong Kong	+52%
	Macao	+36%
	Malaysia	+10%
	Singapore	-11%
	Indonesia	-25%
TOTAL ASIA		-33%

Source: ForwardKeys

Numbers refer to flights between 29 September and 8 October, issued by 15 September 2023.

*Destinations with more than 1% market share

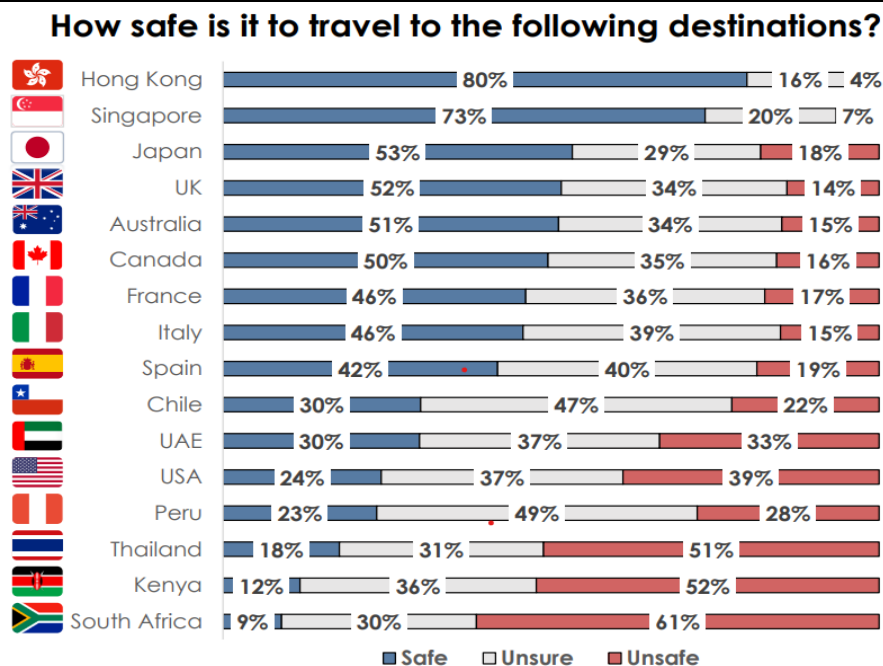
Spotlight on Thailand: A Strong Recovery On Hold?

Thailand's tourism industry had been gearing up for a strong rebound in Chinese arrivals since the government waived visa requirements for Chinese and Kazakh travelers for five months until next February.

In 2019, China visitors accounted for 28% of all arrivals to Thailand. Since the reopening, mainland tourists had been slow to return, ostensibly because of perceptions about safety. A recent survey of Chinese consumers by travel consultancy Dragon Trail found that Thailand was the only destination that saw a decline in perceptions of safety: 51% of Chinese respondents rated Thailand as "unsafe" in August 2023, up from 28% in Nov 2022.

Against this backdrop, the Bangkok shooting incident on 3rd October, where a Chinese tourist and a Myanmar worker were killed, will likely compound these worries and dampen an otherwise strong rebound in mainland arrivals in the coming months. We expect some near-term impact to Chinese travel demand to the kingdom, which would push back the envisaged rebound in total arrivals. Total visitor numbers in 2023 are still expected to come in at a healthy 26mn (from our previous projection of 27mn) while visitor numbers in 2024 are likely to come in at 32mn (from the prior forecast of 34mn).

Fig 11: In Travel Consultancy Dragon Trail's Regular Survey of Mainland Consumers, the Proportion of Chinese Respondents who Rated Thailand as "Unsafe" Rose from 28% in November 2022 to 51% in August 2023.



Source: Chinese Traveler Sentiment Report September 2023, Dragon Trail.

What Next for China's Consumption?

For China's economy, after the "revenge spending" bump from Golden Week, household consumption is unlikely to sustain its strong pace of growth. The soft labor market will weigh on incomes, while economic uncertainty may increase households' propensity to save. Underlying economic momentum in the absence of existing proactive policy support will likely remain fragile. We maintain our forecast for GDP growth at 4.8% in 2023 and 4.4% in 2024.

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