

CHINESE TOURISM: NOT LIKELY TO RECOVER THIS YEAR



In 2021, global tourism had 448 million tourists and \$637 billion in spending, a third of the pre-Covid level. In perspective, the volume of global tourism is now equivalent to that of the 1990s in terms of tourist arrivals.

Global tourism was expected to decline after 2019, even without the appearance of Covid. **The Chinese tourism market, which accounted for 10% of tourist arrivals and 18% of spending, has shown signs of slowing down due to the decline in Chinese economic growth.**

At the end of 2020, Hong Kong, the most popular destination in mainland China and gateway to many overseas destinations, saw a 94% drop in Chinese tourists compared to 2019. This is not only due to the outbreak of the pandemic in 2020, but also by the demonstration of Hong Kong in mid-2019, leading to political tensions and mistrust between Hong Kong and mainland China.

The recent decade (2010-2020) has been the glory days of global tourism, driven by Chinese outbound tourism. China surpassed Germany in 2012 in terms of tourist departures and the United States in 2013 in terms of spending, becoming the largest tourist source market.

Fundamentals of the Tourism Economy

Covid has had a global and lasting impact, more severe than any previous demand shock. Indeed, it has undermined long-term tourism development. While tourism demand is highly elastic in the short term, continued growth in tourism depends on the state of the global economy and increases in consumer income. This is one reason why Chinese outbound tourism exploded between 2010 and 2020.

Those who anticipate a return of Chinese tourists are ignoring the demand fundamentals of the tourism economy. The IMF predicts a slowdown in global growth by 2.7% in 2023, versus 3.2% in 2022, and Chinese growth of 3.2% to 4.4% in 2023. This is the lowest growth in the world, after the global financial crisis. On the other hand, the weakness of the Chinese yuan against the dollar is reducing the purchasing power of Chinese tourists, once "cash cows" for many destinations.

However, the main obstacle to the recovery of global tourism lies in the ability of supply to catch up with demand. Since the removal of European Covid restrictions, the industry has been struggling to recover and increase supply capacity, particularly in the airline industry. However, the massive layoffs in the sector during the pandemic have affected worker confidence, resulting in a labor shortage. Some companies are reluctant to restart supply at full capacity, doubting that the increase in demand can be sustained to make the business profitable.

Uncertainty Lasts

As tourism is a planned and delocalized consumption, tourists are reluctant to the uncertainty of travel. The pandemic is not over and the WHO has not set a deadline for declaring the end of Covid-19. These uncertainties will jeopardize the recovery of the tourism industry and the global

economy in 2023.

After three years of containment, the Chinese government abruptly rescinded its draconian Covid control policy in early 2023. The policy change was not only drastic, but the Chinese did not seem to be ready for such a change. This demonstrates an incoherent and inconsistent Chinese Covid policy.

Too Early for a Comeback

Events such as the US-China trade war and the Russia-Ukraine war have caused mistrust, discrimination and xenophobia. The politicization of the Covid policy and the origin of the virus has accentuated the lack of global cooperation in the fight against the pandemic.

With the influx of Chinese tourists, many countries are demanding a negative Covid test from these tourists. This is a gesture to prevent the spread of the virus. However, discrimination is very detrimental to tourism, which is based on a friendly host-guest relationship.

These events have affected consumers as well as suppliers. Despite the easing of Covid policies worldwide, travelers are reluctant to travel, and suppliers are reluctant to increase their offerings. The Chinese tourism market is uncertain due to inconsistent Covid policy and a lack of consumer confidence. Therefore, experts do not expect a recovery in Chinese tourism in 2023. There is a hope that a gradual recovery can balance the needs of tourists and the offer of destinations. This would benefit not only tourism but also the global economy as a whole.

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