

## China's domestic tourism industry shows signs of recovery

SHOHEI TAKASE  
ECONOMIC RESEARCH OFFICE

MUFG Bank, Ltd.  
A member of MUFG, a global financial group

26 MAY 2021

(ORIGINAL JAPANESE VERSION RELEASED ON 28 APRIL 2021)

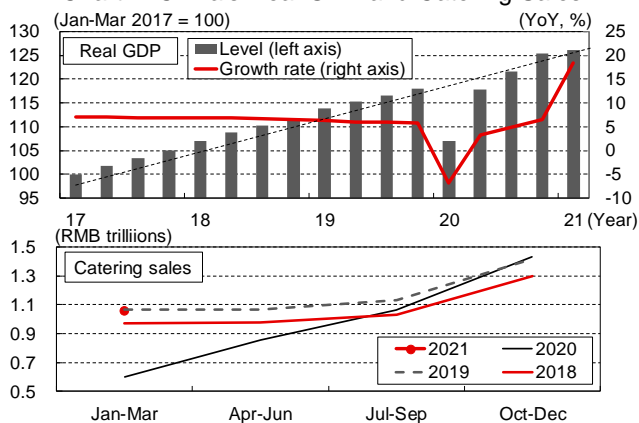
China's real GDP growth for the January-March quarter recorded a huge increase of 18.3% YoY due to a rebound from the negative growth last year caused by the COVID-19 pandemic. Although quarter-on-quarter growth slowed, the level of GDP remains in line with the long-term growth trend (Chart 1 upper). The recovery in face-to-face services is lagging with catering sales for the January-March quarter lower than they were before the COVID-19 pandemic due to lockdowns in some regions where there was an increase in cases (Chart 1 lower). Nevertheless, private consumption – particularly that of goods – is robust and net exports made a positive contribution to overall growth owing to strong exports as overseas economies recover.

While the recovery in face-to-face services has been slow up until now, there appears to be some signs that the domestic tourism sector is finally starting to pick up. The size of China's domestic tourism industry before the pandemic in 2019 was 6 billion tourists and RMB 5.7 trillion in tourism revenue, equating to 5.8% of nominal GDP (Chart 2 upper). From the start of this year, the number of domestic tourists during the Spring Festival (11th to 17th February) was only 260 million: 40% lower than in 2019 before the pandemic (Chart 2 lower). This could be explained by a lingering sense of caution about the spread of infection and the government's request that people not return home during this period as cases were rising in January in some areas. However, the number of tourists around Tomb-Sweeping Day (3rd to 5th April) totalled 100 million and recovered to 5% lower than the same period in 2019 as it was decided that submission of a negative PCR test certificate in order to travel to Beijing was not necessary for those from low risk areas. If China can continue to control the spread of infection in the future and cases do not rise again, the number of domestic tourists can be expected to recover further, especially during the coming National Day (1<sup>st</sup> to 7<sup>th</sup> October). This is one of China's biggest consecutive holiday periods and takes place every autumn when around 800 million domestic tourists travel during a typical year.

As of the end of February, the China Tourism Academy (the data centre for the Ministry of Culture and Tourism) estimated the number of domestic tourists for this year at 4.1 billion (2.9 billion in 2020) and domestic tourism revenue at RMB 3.3 trillion (RMB 2.2 in 2020). Based on this forecast, the increase in domestic tourism revenue from last year will amount to around 1% of nominal GDP for 2020. Looking ahead, if China can continue to contain the spread of infection, it may be of some help in sustaining the recovery in the domestic tourism industry,

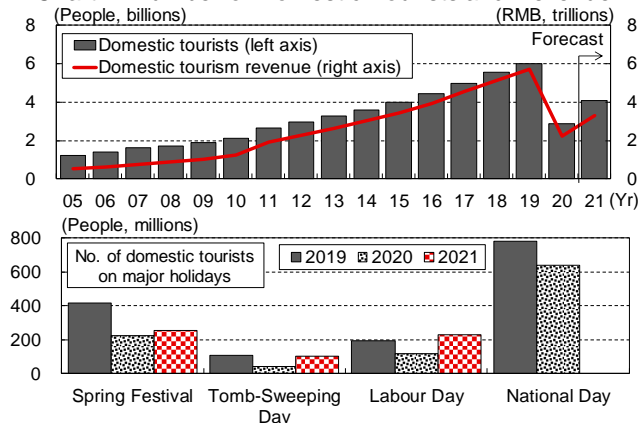
which in turn will support private consumption in its slow return to pre-pandemic spending patterns.

Chart 1: China's Real GDP and Catering Sales



Note: GDP "level" calculated using QoQ data seasonally adjusted by the National Bureau of Statistics  
Source: National Bureau of Statistics, MUFG Bank Economic Research Office

Chart 2: Number of Domestic Tourists and Revenue



Note: 2021 forecast in upper chart is by the China Tourism Academy (data centre for the Ministry of Culture and Tourism)  
Source: National Bureau of Statistics, MUFG Bank Economic Research Office

Translated by Elizabeth Foster

For further details, please contact the Economic Research Office, MUFG Bank

Managing Director, Rei Tsuruta Tel: +81-(0)3-3240-3204

Written by Shohei Takase <Shiyouhei\_takase@mufg.jp>

This report is intended for information purposes only and shall not be construed as solicitation to take any action such as purchasing/selling/investing financial market products. In taking any action, each reader is requested to act on the basis of his or her own judgment. This report is based on information believed to be reliable, but we do not guarantee its accuracy. The contents of the report may be revised without advance notice. Also, this report is a literary work protected by the copyright act. No part of this report may be reproduced in any form without express statement of its source. This report is also available for viewing online.