

QUICK TAKE **CHINA NATIONAL DAY HOLIDAY GOLDEN WEEK REVIEW**



KEY TAKEAWAYS

- 1) Spending on retail and food services posted a record high of **CNY1.2 trillion (US\$180 billion)** during the Golden Week, **up 10.7%** year over year.
- 2) Tourism-related revenue reached **CNY482.2 billion (US\$72.3 billion)**, **up 14.4%** year over year.
- 3) New trends have emerged for Chinese tourists:
 - a) They are more willing to pay for a better vacation experience when they travel abroad, giving rise to “quality tourism”;
 - b) Several new destinations have emerged, due largely to the relaxation of visa policies for Chinese passport holders;
 - c) Tier-2 cities have become an important driving force behind the increase in outbound travel.

A RECORD-BREAKING GOLDEN WEEK

As we had anticipated when we wrote our [Golden Week Preview](#), the number of Chinese traveling during the Golden Week has increased this year. The number of domestic and overseas travelers rose at a double-digit pace, reaching a record-breaking figure of 593 million and 6 million, respectively.

According to the China National Tourism Administration (CNTA), the number of Chinese who traveled domestically increased by 12.8% year over year to 593 million, this is equivalent to over 40% of the population in mainland China. Tourism-related revenue also increased, rising by 14.4% year over year to CNY482.2 billion (US\$72.3 billion).

The number of Chinese traveling overseas during the Golden Week this year was close to 6 million, a twofold increase year over year, as indicated by CNTA. South Korea, Japan and Russia were the top-three destinations for Chinese tourists during this year’s national Golden Week holiday.

Retail and food services spending in mainland China posted a record high of CNY1.2 trillion (US\$180 billion) during the Golden Week, up 10.7% year over year, according to the China Ministry of Commerce (MoC). In terms of retail, gold and jewelry, home appliances, IT products and new-energy vehicles were the most popular goods purchased, according to a report by Xinhuanet.

NEW TRENDS IN QUALITY TOURISM

Shopping is still an important part of the holiday experience, but more Chinese tourists are willing to spend more for a better holiday experience when they travel abroad, such as staying at a luxury hotel and enjoying local cuisine. Dai Bin, president of the China Tourism Academy stated that Chinese tourists traveling abroad are focusing more on the local experience and are spending more rationally and in a more diversified manner. We believe this is driven by their increased spending power, as well as the rise of the millennial middle class in China.



Source: Shutterstock

According to a study conducted by the China Tourism Academy and Ctrip, an online travel agent, Chinese tourists traveling overseas during the Golden Week holiday spend an average of CNY8,000 (US\$1,190). By analyzing the data from the online travel agent, its top-tier “five diamonds” travel product – which selects only five-star hotels and special restaurants – accounted for nearly half of booked tours.

Salaries of Chinese city dwellers have increased rapidly in recent years. According to Zhaopin.com, one of the largest recruitment websites in China, the average monthly salary in 32 major Chinese cities reached CNY6,070 (US\$900) in 2015, an increase of 48% year over year.

Although millennials now represent about 22% of the Chinese population, among Chinese travelers going abroad, 50% are millennials. They also accounted for two-thirds of the outbound travel spending. According to a report by Added Value China, a market intelligence firm, Chinese millennials are attracted by opportunities to experience the local culture of their holiday destination, as they want to be inspired. As such, it will become increasingly more important to cater not only to

the shopping needs of Chinese travelers, but also to provide that special local experience.

NEW DESTINATIONS AND ORIGINS

Korea, Japan and Thailand remain the top destinations for Chinese tourists, according to CNTA. Some new destinations have emerged as well, due largely to the adoption of a visa-free policy or relaxation of the visa application process for Chinese passport holders, which is what we had anticipated when we wrote our Golden Week Preview report.



Source: Shutterstock

The demand for overseas travel has surged in tier-2 and -3 cities. Contributing to this are higher income levels and increased availability of direct flights to overseas destinations.

Domestic travel during this year’s Golden Week also reached a record high of 593 million people. The increase in car ownership and expansion of the country’s high-speed rail network helped travelers explore new destinations within the country.

New Destinations

Several countries have emerged as popular destinations for Chinese tourists, this year, while others, that were popular in the past, are no longer the first choice for the Golden Week holiday break.

The relaxation of visa requirements for Chinese tourists sparked growth to a number of destinations – the UK, Cambodia and Russia saw Chinese visitor arrivals increase by 60% year over year, according to Ctrip. Several niche destinations also saw a spike in the number of Chinese tourists after waiving the visa requirement – Chinese tourists visiting Morocco, Tonga and Tunisia increased by 400% year over year, according to CNTA.

Figure 1. Top Ten Outbound Destinations During the 2016 Golden Week

Rank	Country
1.	 Korea
2.	 Japan
3.	 Russia
4.	 Thailand
5.	 Taiwan
6.	 Australia
7.	 Vietnam
8.	 Malaysia
9.	 France
10.	 Singapore

Source: China National Tourism Administration



Source: Shutterstock

Some destinations that were popular in the past are no longer the first choice for the Golden Week holiday break. The number of Chinese tourists visiting Hong Kong and Macau during this year's national day holiday fell by 55.7% and 61.8%, respectively, according to CNTA. The agency also cited that Chinese tourists tend to visit these destinations during weekends or as a layover stop when they travel out of China.

New Origins

Tier-2 cities are now an important driving force behind the increase in outbound traffic, as income levels in these cities are closer to those in tier-1 cities. According to statistics from Prosper Insights and Analytics in 2Q 2016, the average annual household income in tier-2 cities is CNY107,606 (US\$16,000), very close to the average in tier-1 cities at CNY123,106 (US\$18,300).

The availability of more international flights from tier-2 cities has also facilitated the growth of overseas travel. Among the 132 new international routes approved by the Civil Aviation Administration of China in 2Q 2016, over 60% originate in tier-2 or -3 cities. For instance, Osaka Kansai airport in Japan is now connected to 29 cities across mainland China.

Figure 2. Mainland China Cities with Direct Flights to Osaka, Japan

Beijing	Guiyang	Shanghai	Xi'an
Changsha	Hangzhou	Shenyang	Yancheng
Chengdu	Harbin	Shenzhen	Yanji
Chongqing	Jinan	Tianjin	Yantai
Dalian	Nanjing	Wenzhou	Zhengzhou
Fuzhou	Ningbo	Wuhan	
Guangzhou	Qingdao	Wuxi	
Guilin	Quanzhou	Xiamen	

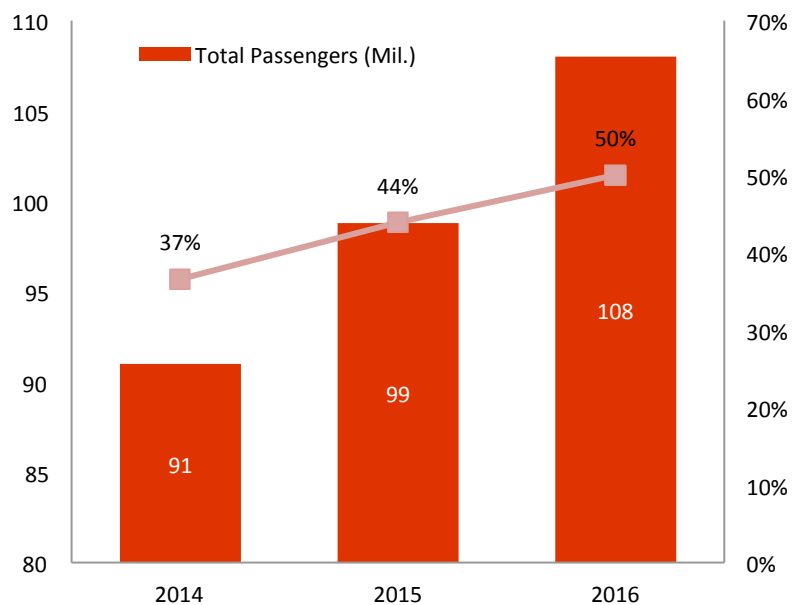
Source: AirlineRoute

Domestic Travel

The tourist numbers and tourism revenue during the Golden Week also reached a record high this year. This is driven in part by the expansion of the country's high-speed rail network and the increase in car ownership.

Expansion of the high-speed rail network: During the Golden Week in 2016, China's railway system carried over 108 million passengers, of which 50% traveled on the high-speed rail, according to the China Ministry of Railways. The high-speed rail has reduced the travel time between cities, for example, the travel time from Shanghai to Xi'an, which covers 1,400km, has been reduced from 16 hours to 6 hours on the high-speed train. This has enabled Chinese tourists to visit more places as well as further destinations within the country.

Figure 3. Passengers Traveling by Rail during the China National Day Holiday



Source: China Ministry of Railways

Increase in car ownership: Car ownership has increased nearly twofold in China, from 90.86 million in 2010 to 172 million in 2015, according to the China Ministry of Public Security. This has given rise to the trend of “self-drive tour”, and Chinese motorists are enthusiastic about exploring the country by car. One of the most popular Chinese travel websites, Mafengwo, recommended 12 self-drive tour routes with different themes for the 2016 Golden Week.

With the continuous expansion of the country’s high-speed rail network and increase in car ownership, we expect the number of tourists traveling during the Golden Week will continue to rise, bringing China to the age of Mass Tourism. The tourism industry will play a more important role in China’s economy, and this is shown by its contribution to the overall GDP in China, which has increased from 9.4% in 2012 to 10.5% in 2015, according to CNTA.



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