The Tourism Development in China under the Influence of the COVID Pandemic

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Abstract. In China, the epidemic's spread has a significant negative influence on all aspects of society, particularly the travel and tourism industry. As a result, this paper focuses on the performance of tourism under the COVID pandemic's destructive impact as well as the appropriate solutions that can be put in place. Through the investigation, this paper scrutinizes the recovery situation of tourism after the recession caused by the Covid pandemic. This paper studies the background and existing problems of tourism industries and the presented solution to the problem. Throughout the investigation, both primary and secondary research are adopted. The primary research is based on the two surveys. Governmental data, reliable analytical articles, and other sources are used as secondary research. Overall, this paper reveals how the pandemic exacerbates the existing ingrained problem of Chinese tourism and proposes to focus on the middle-to-high end market. After this investigation of this paper, it is political advantageous for the government and enterprises to focus on the middle-to-high end market and utilize their purchasing power to balance the development of tourism in the country.

Keywords: Tourism, Economy, Government, Demand, Tourism Industry

1 Introduction

At the end of 2019, an unprecedented global pandemic struck the world, COVID-19, causing significant destruction to the global economy. Through 2020, international travel volume has dropped to rock bottom in the last decade. Furthermore, the strict lockdown policy imposed by the Chinese government exerts a tremendous impact on Chinese tourism. Due to the current situation, it is meaningful to investigate the extent of Covid's impact on the Chinese industry, which leads to the research topic: the tourism development in China under the influence of the COVID pandemic.

Comparative analysis is an effective tool to delineate and visualize a problem; therefore, it is vital to compare Chinese tourism's pre-pandemic performance with its current performance. The current state of the domestic tourist industry in China will be first introduced in this paper. Following that, issues with the tourism industry will be highlighted in light of the current set of difficulties, and then some workable solutions will be discussed. By insightfully zooming into the situation, hopefully, the result can be

H. Mallick et al. (Eds.): ICEMCI 2022, AEBMR 231, pp. 1450–1460, 2023.
https://doi.org/10.2991/978-94-6463-098-5_165

reflected in a broader picture, which can be presented as an illustration and prediction of the performance of tourism.

2 Data Sources

The sources will be separated into secondary research and first-hand sources. Primary sources will mainly focus on the two conducted surveys targeting consumers and tourism participants. In total, this investigation obtained 500 consumer survey feedback and 150 industry participant feedback. For both surveys, the response varies from different age groups, income levels and professions, which minimizes the chance of bias.

The consumer survey includes seven questions to investigate consumer confidence, the change in demand, the variation in travel distances, and the difference in type of travels. The result is separated into different age groups and income groups to indicate the demand of different groups of consumers. The tourism survey focused on examining the industry participants' opinions on the impact of COVID, and their envision and predictions for the future of the industry. Additionally, various secondary sources will be employed to enrich the investigation.

3 Background

3.1 Tourism: Pre-Covid

The Chinese economy has experienced profuse growth throughout the last decade. With more governmental spendings on the domestic infrastructure and increasing consumer demand, the high potential Chinese market attracted many foreign investments. These factors all contributed heavily to the development of the Chinese economy.

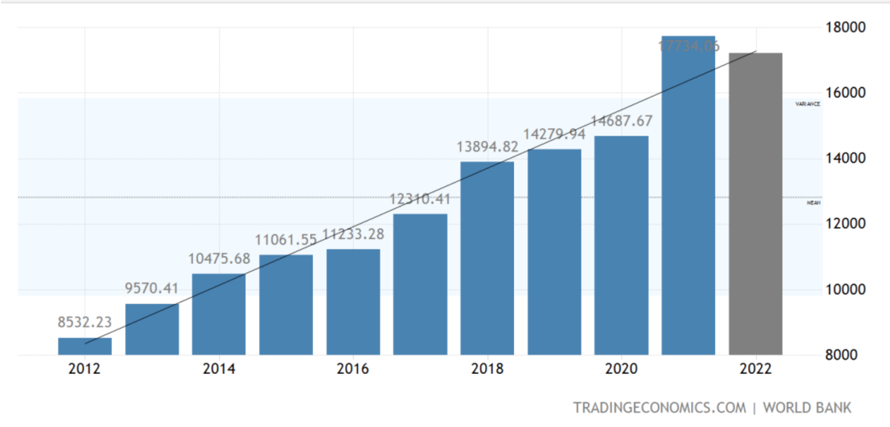

Fig. 1. Chinese GDP growth of the last ten years [1]

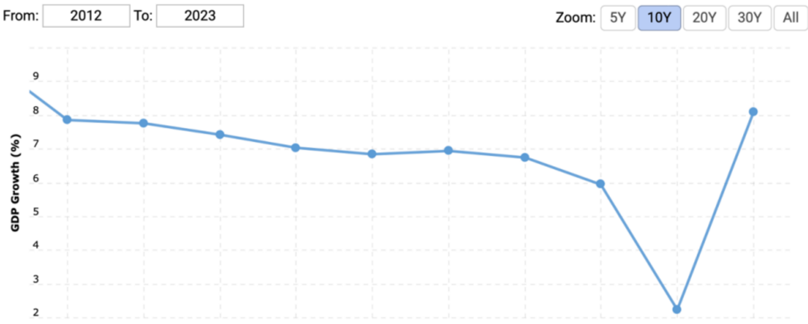

Fig. 2. China's GDP growth rate of the last ten years [2]

Figure 1 and Figure 2 indicate the current situation of the Chinese economy. Overall, the economic development over the last ten years is pleasing. The graphs demonstrate a sustainable growth of China's GDP, reflecting on the consistent growth rate and the continuous growing GDP value. As the economy grows, the unemployment rate will decrease accordingly, and consumers are now more willing and able to purchase goods, which can be clarified as a rise in demand. Consequently, the improving economy can substantially rev up the consumption on tourism.

Because of the benefits generated by the rapid growth in the Chinese economy, the development of Chinese tourism was able to keep up the pace, enjoying a steady and considerate growth in tourism. The tourist numbers as well as the aggregate volume of income both experienced a steady increment of growth every year. According to the official data from the Chinese ministry of culture and tourism, the growth of tourism rose to a climax in the year 2019. In particular, throughout 2019, the total volume of tourists was approximately six billion, and the aggregate tourist income was around 6.63 trillion RMB [3].

Before the pandemic, Chinese domestic tourists' numbers surged proportional to the growth in GDP, showing a positive correlation between the rising demand for tourism and the development in the economy.

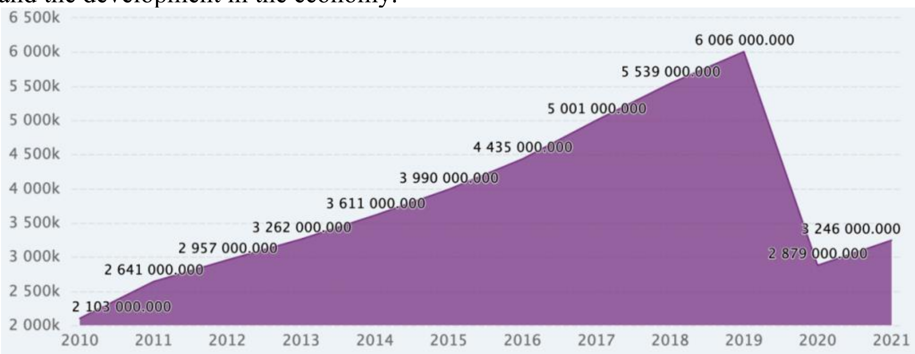

Fig. 3. Number of domestic tourists in China [4]

The growth of domestic tourism demand, shown in Figure 3, caused a ripple effect on the development of tourism. The increase in demand for travel triggers more investment in the industry. The Chinese government has also positioned tourism as one of the top priorities, and they have made a lot of approaches. The increasing investment in the development of tourist destinations, promotions, and hosting various renowned events like the Olympics in 2008 all helped to consolidate the development. For example, after hosting the winter Olympics in 2022, the Chinese government established a permanent tourist site. Additionally, it is estimated that in 2028 the Chinese government will invest approximately 310 billion dollars in tourism [5]. The increasing investment in tourism helped China to fully exploit its advantages in culture and history, which helped to attract a lot of foreign tourists. Figure 4, for example, shows a steady growth of overseas visitors from 2010-2019.

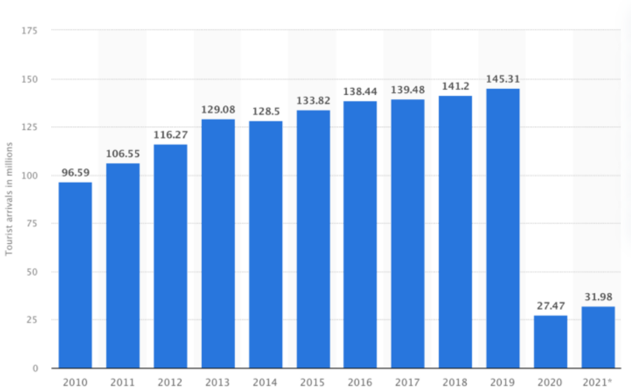

Fig. 4. Overseas visitor arrivals in China [6]

3.2 Tourism: post-Covid

The impact that COVID has on Chinese tourism is massive. It is because the influence is universal and multi-dimensional. The virus is continuously mutating into different variants which makes it extremely difficult to eradicate. This long-lasting characteristic of COVID blurs people's positive envision towards the Chinese economy, which potentially forebodes a period of recession. According to the data reflected in Figure 2, the GDP growth rate has plummeted significantly to almost 2 percent, the lowest in the last ten years. Similarly, in the 2020 pandemic, the unemployment rate in China once reached 6.20 percent, making it highest in the last twenty-five years. The high unemployment rate and worsening economy severely depredate consumer confidence and their willingness to purchase. This caused a lot of the middle-income group to lose the ability to travel, which brought down the entire domestic travel consumption. According to the Chinese governmental data, the number of domestic tourists has plunged to 2.879 billion, marking a 52.1% decrease compared to the number in 2019. Meanwhile, the annual domestic tourism revenue dropped to 2.23 trillion Yuan, a decrease of 61.1% compared to 2019 [7].

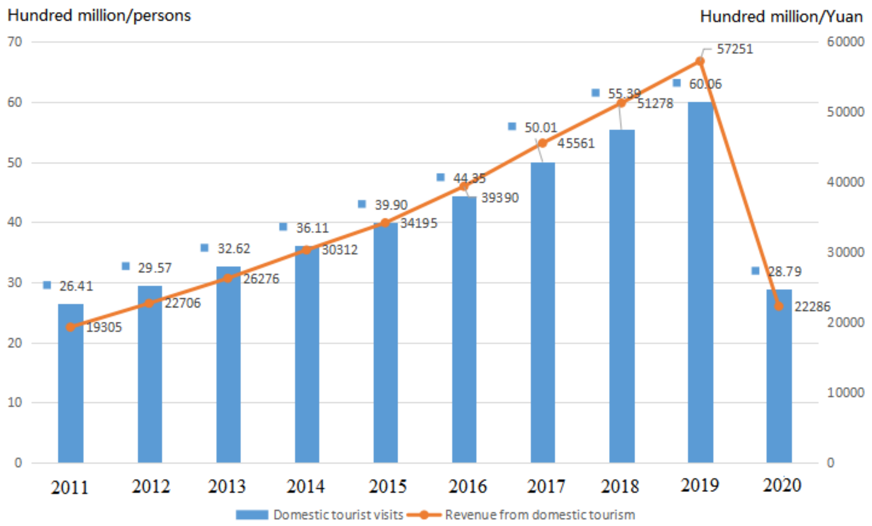

Fig. 5. Chinese tourism travel volume and income [7]

The released public data all marked the exacerbating situation of the tourism industry after the pandemic, and this speculation is also reflected in the tourism survey. The survey obtained results from 150 participants who work in the tourism industry, and 83.22% of them conveyed that their revenue has faced a significant plummet of more than 20% decrease compared to the pre-Covid data. What exactly is the cause of the phenomenon? The majority of the participant blames on the fluctuating Covid policy and the decrease in consumer income. Consequently, the participants in general hold a foreboding of the future of tourism in the following years. There are approximately 73 percent of the participants who claimed to either quit the industry or to waver about their resignation, and there are about 78 percent of participants who either disagree or not sure about the anticipation saying that the demand for tourism will bounce back. This lack of confidence for industry participants, however, can potentially become an obstacle to the recovery of tourism.

Unlike the tourism workers, the customers are generally optimistic about the recovery of tourism. From the result surveyed from the five hundred participants, only 33 percent of the customers experienced a ten percent or more decrease in salary. On a broader scale, this finding indicates that the consumer's purchasing power hasn't dropped too much. Furthermore, there is an interesting finding that the consumer's income is actually proportional to the proportion of income fluctuation. For example, approximately 43 percent of participants in the lower income group whose annual income is less than two hundred thousand yuan, experienced a salary decrease. However, only 27 percent of those earning more than a million yuan per year saw their annual earnings fall.

A similar trend is mirrored in the result of participants' intention to travel. According to the survey, only 26.11% of participants answered that their intention to travel would decrease. 37.26% of participants claim that their intention will recover to the pre-Covid level and 36.63% report that their intention will actually rise. Interestingly, the intention of travel is also closely correlated with the participant's income level. The result shows a similar trend as the income fluctuation proportion. Higher income group tend to hold a higher interest in traveling, whereas the lower income groups less favoured travelling.

The two independent findings, income change and travel intentions, appeared to exert mutual influence on each other. It is conceivable that the higher income group's greater interest in travel than the lower income group is due to the fact that their discretionary income is not much influenced.

4 Ingrained Problems in Chinese tourism

The distribution of tourism development in China appears to be very uneven. This problem is addressed in two aspects; the number of contributed tourists and the number of tourist attractions.

4.1 The distribution of contributed tourists

In terms of the contribution of tourist volume per region, the distribution is closely associated with the regional income level.

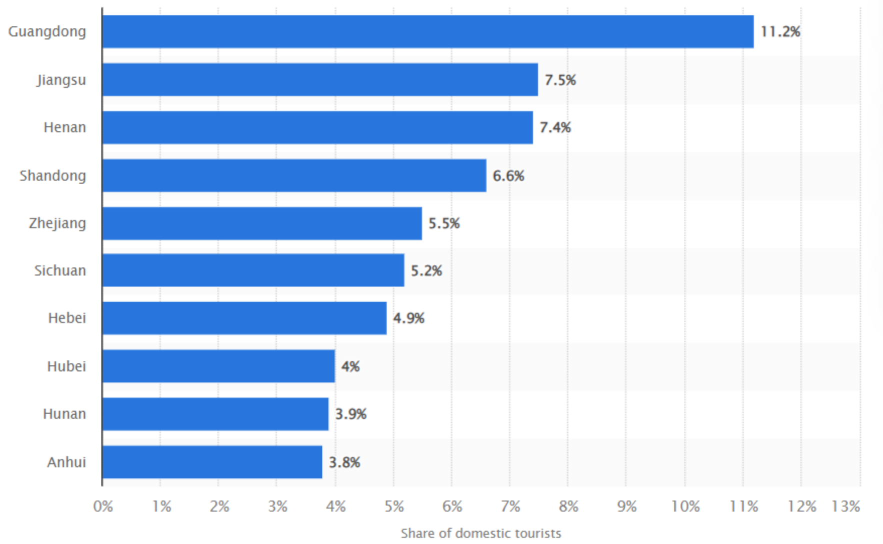

Fig. 6. Distribution of domestic tourists in China in 2018, by region of origin [8]

Figure 6 indicates the contribution of the volume of tourists from different provinces. Generally, tourists generally come from economically developed regions. Interestingly, the leading provinces are mainly concentrated in the coastal area. The reason behind this phenomenon is that the coastal provinces serve as important trading ports that hold large volumes of money transactions. This advantage helps the coastal provinces to attract large volumes of foreign investment and tourists, which all result in the economic development of these regions. Consequently, tourists from the economically developed coastal regions generally have higher incomes and contribute more compared to tourists from inland China.

4.2 The difference in tourist consumption

The consumption level among different regions in China also varies by a huge difference.

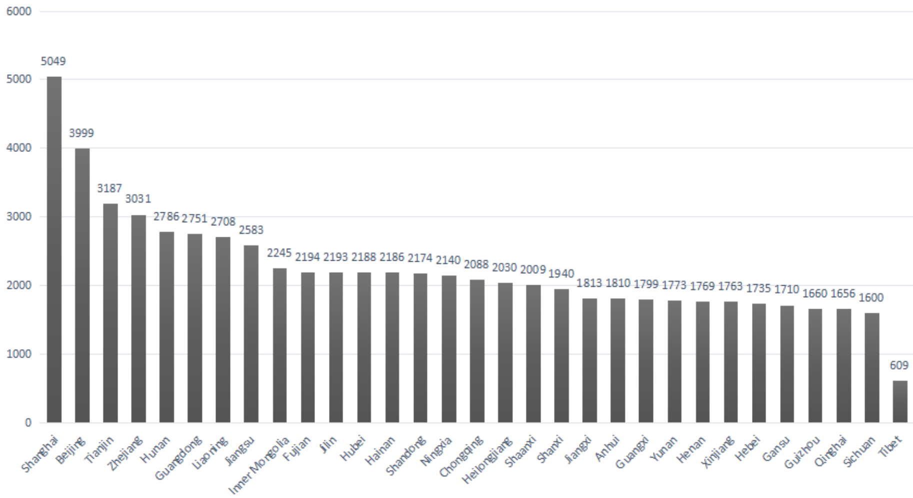

Fig. 7. Average tourist consumption by region in 2018 [9]

Taking a closer look at some figures on the graph, in 2018, the average tourist consumption per person was 2225.7 Yuan. However, in places like Shanghai which leads the average tourist consumption, the average consumption can go up to 5049 Yuan. Similar patterns occur in other coastal provinces, which all contribute to a higher average tourist consumption compared to the domestic average. These findings leads to a logical and obvious conclusion: the consumption level of more developed regions is higher.

4.3 The unbalanced development of tourism among different regions

However, only comparing the consumption level and the number of tourists coming from different provinces does not entirely reflect the development of local tourism. The uneven distribution also exist in the attraction of tourists among different regions, which exhibits a more conspicuous indication of the development of tourism.

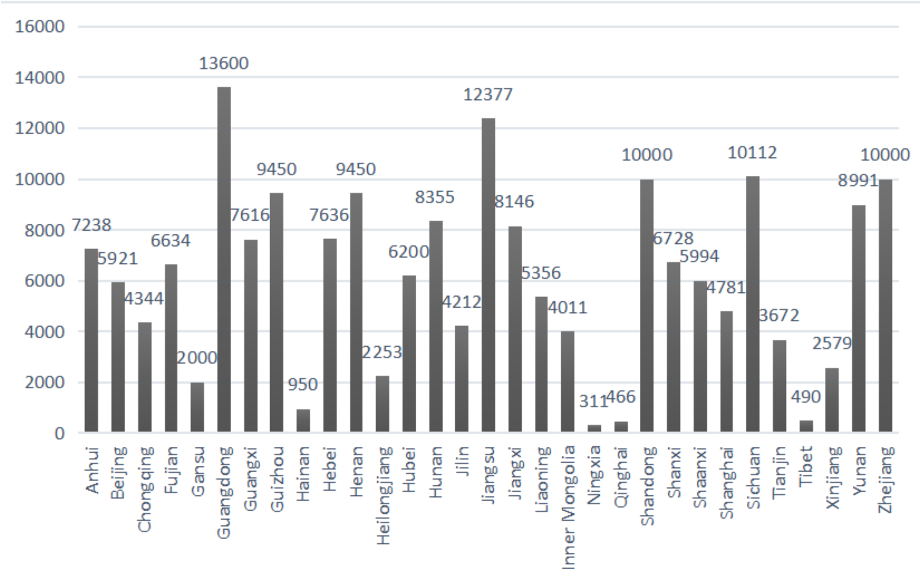

Fig. 8. 2018 Provincial tourist income, in hundred million Yuan [9]

Figure 8 indicates the variation in income from tourism among different provinces. The leading provinces are still prosperous coastal provinces like Guangdong and Jiangsu (one ranked first and the other second in aggregate tourist income). This is likely because this links back to the economic development state of different places. Wealthier regions tend to have better facilities, amenities, and infrastructure, which in general results in a better quality of travel. However, more inland provinces are showing up on the diagram, like Yunnan and Sichuan. These inland-favoured tourist destinations have one characteristic in common; they either have a unique landform or some astonishing natural wonders. For example, in Sichuan, the composition of landform creates a lot of natural wonders. The numerous mountain valleys and marvelous waterfalls all blend in, creating the harmony of nature. This unique landform of mountains helped Sichuan province to attract a lot of tourist. But in a broader picture, many provinces which don't have either of the two keys to success, being appealing natural landmarks or highly developed, struggled in tourist development.

However, provincial wise, it is not reasonable to conclude that a province does not have any potential for tourist development, being that there must be some appeal to tourists but it just remains unrecognized. Especially in the context of COVID, the increasing demand for tourism can bolster the economic recovery of different provinces. This might be a an opportunity to attract tourists to different destinations other than the traditional popular sites.

5 Suggestions and strategies toward the recovery of tourism

The recovery of tourism is a challenging but prior task, and it requires cooperation from the industry, market and government.

The government should focus on establishing the conventional approach, which is granting subsidies. The subsidy should be granted directly to the suppliers to stimulate the tourist market as the demand is already recovering. The government needs to ensure that the participants in tourism are confident about the recovery. The subsidy can intervene in various ways: Governments can either grant tax relief to businesses in order to reduce their operating costs, or directly provide cash subsidies to firms. Either way, it can benefit the recovery by dragging down the price and increasing the supply of tourism [10].

Furthermore, both the survey and research results suggest that the market and the government should shift the current focus to the medium and high end. Back to the ingrained issue of uneven distribution, it is obvious that the middle-higher income groups are the major contributors to tourist consumption. And apparently, they favor more developed coastal regions because these places can provide them with a higher quality of travel.

Moreover, these wealthy regions also contribute the most in terms of sending travelers to other places. This phenomenon is magnified under the impact of Covid. The consumer survey indicates that lower income groups generally suffer more compared to middle-higher income groups. As mentioned, the income is proportional to the percentage decrease in salary.

Since the middle-higher income group favours high quality tourism, government and firms should start the first step of recovery in the medium and high-end market by reorienting their focus. The subsidies should focus on helping travel agencies to establish travel routes that aim for high quality travel. Meanwhile, other participants in the industry should also get involved in setting up middle-class or luxurious hotels instead of investing in camping or hiking tours. However, the government should also invest in infrastructure construction in less developed places. Because currently, only the coastal provinces and a few other inland provinces have well developed tourism to satisfy the demand of the main contributors. If the less developed regions can focus on developing the infrastructure, they can turn the tourist sites into a platform for high quality travel. This attracts investments in developing the local tourism-related industries like holiday resorts and restaurants, which will contribute significantly to the recovery of the local economy.

In addition, if other provinces can provide a suitable platform for high quality travel, then this might solve the congestion problem of tourists concentrating in the coastal regions and distribute them more evenly around the country.

6 Conclusion

Overall, the passage focused on investigating the impact of COVID on tourism and proposed some plausible solutions based on the findings. However, THE extent of this paper is somehow limited as the solution proposed mainly focuses on the short-term stimulation of recovery, and it targets generally the middle to high end rather than the entire market. This investigation will be brought up to a greater extent in the future, including the discussion of the general development trend of the Chinese tourism industry in the long run and the suggestions for economy travelling.

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