



# The Implications of RMB Exchange Rate Changes on China's Tour Industry Foreign Exchange Income

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**Abstract.** The relationship between exchange rate fluctuations and economic development has always been a hot topic for scholars from all walks of life. Tourism is equivalent to developing a new engine of communism. Studying the result of changes in the value of the renminbi against foreign currencies on tour industry development is irreplaceable at present. This paper mainly studies the development strategies of China's tour industry under the influence of RMB exchange rate fluctuations, so as to provide some reference for making tour industry development decisions in the future.

**Keywords:** Tour industry · Exchange rate · Depreciation of the RMB

## 1 Introduction

Since the implementation of the exchange rate reform in 2005, the appreciation of RMB has not alleviated the internal and external economic imbalance at the beginning of the reform. In the short term, the government may still take a prudent attitude towards exchange rate reform, but in the long term, it will gradually increase the flexibility of the RMB exchange rate to promote the marketization of the RMB exchange rate [1]. Articles about the implications of China's exchange rate changes on tour industry mainly analyze the changes on tour industry income, tour industry expenditure, entry tour industry, outbound tour industry, domestic tour industry and so on. Professor Li Shumin theoretically explained the implications of exchange rate changes on China's tour industry at the time of customs resumption [2]. This paper hopes to study the development trend of the current tour industry from the aspects of the amount of entry and outbound arrivals and the overall foreign exchange tour industry income in the years before the epidemic.

## 2 The Impact of Exchange Rate Fluctuations on Tourism in China

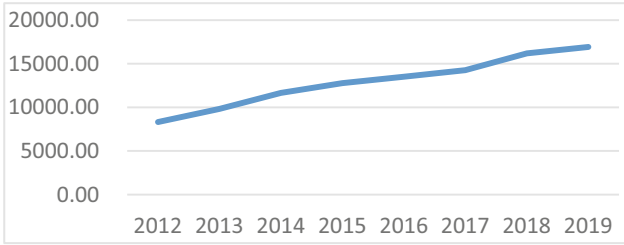
### 2.1 The Influence on the Amount of Chinese Outbound Tourists

Before 2020, the amount of Chinese citizens' outbound tour industry has maintained a continuous rise (Fig. 1). There are two main factors that affect various of overseas tourists: per capital income and currency exchange rate.

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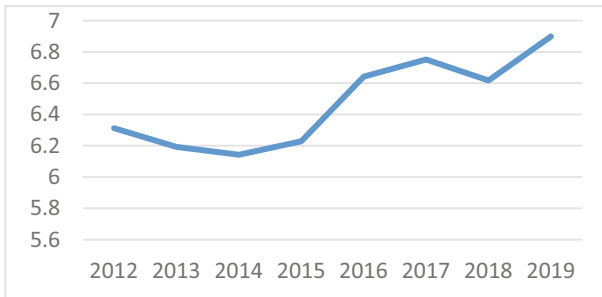
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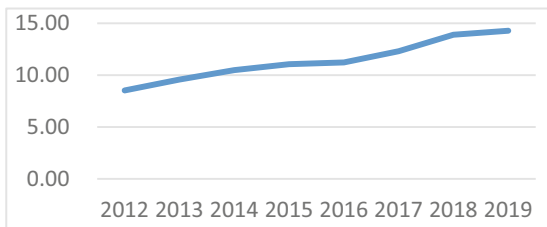
**Fig. 1.** Trend of amount of outbound tourists in China

The exchange rate of RMB has hardly changed in the two years from 2012 to 2015 (Fig. 2). It is clear that the increase in amount of people leaving the country during this period was mainly due to the increase in GDP per capita income. It is assumed that after 2015, the implications of GDP on outbound tour industry is the same as that in 2012–2015, and the implications of RMB exchange rate on outbound tour industry can be calculated. The trend of per capita GDP (Fig. 3) is very similar to the growth trend of the total number of outbound tourists in China, so it can be roughly believed that amount of outbound tourists is positively correlated with income.

As shown in Fig. 4, Under the premise that the USD-CNY exchange rate remains basically unchanged, each year is numbered as the independent variable (x), and amount of annual outbound tourists in several years is the dependent variable (y) for data analysis.  $y = 6834.43 + 1524.43x$ . As shown in Fig. 5, based on the data from 2015 to 2019,  $y =$



**Fig. 2.** USD/CNY



**Fig. 3.** GDP (trillion)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	6834.430	260.5473	26.23105	0.0015
X	1524.429	95.13843	16.02327	0.0039
R-squared	0.992270	Mean dependent var		10645.50
Adjusted R-squared	0.988406	S.D. dependent var		1975.680
S.E. of regression	212.7360	Akaike info criterion		13.86483
Sum squared resid	90513.21	Schwarz criterion		13.55798
Log likelihood	-25.72967	Hannan-Quinn criter.		13.19147
F-statistic	256.7453	Durbin-Watson stat		2.860076
Prob(F-statistic)	0.003872			

**Fig. 4.** Analysis of amount of outbound tourists from 2012 to 2015

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	12189.10	459.6892	26.51596	0.0014
X	1214.922	167.8548	7.237936	0.0186
R-squared	0.963227	Mean dependent var		15226.41
Adjusted R-squared	0.944840	S.D. dependent var		1598.117
S.E. of regression	375.3347	Akaike info criterion		15.00037
Sum squared resid	281752.2	Schwarz criterion		14.69351
Log likelihood	-28.00073	Hannan-Quinn criter.		14.32700
F-statistic	52.38772	Durbin-Watson stat		3.398155
Prob(F-statistic)	0.018559			

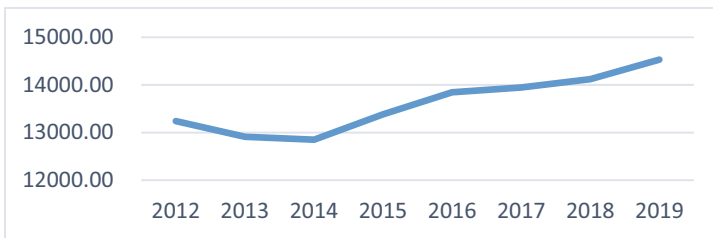
**Fig. 5.** Analysis of amount of outbound tourists from 2015 to 2019

$12189.1 + 1214.92x$ . The implications of exchange rate on amount of outbound tourists is equivalent to that of income GDP.

### 2.2 The Influence on Amount of Entry Tourists in China

In recent years, especially before 2020, the trend of USD/CNY is very similar to the growth trend of China’s total number of entry tourists (Fig. 6).

As shown in Fig. 7, On the premise that other factors remain basically unchanged from 2012 to 2019, each year is numbered as the independent variable (x), and the annual number of outbound tourists in each year is the dependent variable (y) for data analysis.  $y = 12593.13 + 224.40x$ . There is a strong correlation between the exchange rate and amount of entry tourists.



**Fig. 6.** Number of domestic residents entering China (10,000 person-times)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	12593.13	206.4567	60.99645	0.0000
X	224.3996	40.88453	5.488620	0.0015
R-squared	0.833910	Mean dependent var	13602.93	
Adjusted R-squared	0.806228	S.D. dependent var	601.9193	
S.E. of regression	264.9620	Akaike info criterion	14.20937	
Sum squared resid	421229.2	Schwarz criterion	14.22923	
Log likelihood	-54.83747	Hannan-Quinn criter.	14.07542	
F-statistic	30.12495	Durbin-Watson stat	1.409255	
Prob(F-statistic)	0.001531			

Fig. 7. Analysis of amount of entry tourists from 2012 to 2019

### 2.3 The Influence on Foreign Exchange Income from International Tourism

The trend of USD/CNY is similar to the international tour industry foreign exchange income (Fig. 8). There is a positive correlation between them. A substantial increase in foreign exchange income is excluded.

As shown in Fig. 9, on the premise that other factors remain basically unchanged from 2014 to 2019, each year is numbered in turn as independent variable (x) and the foreign exchange income of international tour industry as the dependent variable (y) for data analysis.  $y = 102819.4 + 4947.03x$ . There is a strong correlation between the exchange rate and the foreign exchange income of international tour industry.

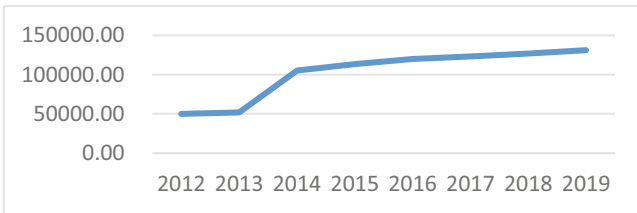


Fig. 8. Foreign exchange income from international tourism (US \$million)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	102819.4	1770.093	58.08699	0.0000
X	4947.029	454.5180	10.88412	0.0004
R-squared	0.967337	Mean dependent var	120134.0	
Adjusted R-squared	0.959172	S.D. dependent var	9409.998	
S.E. of regression	1901.385	Akaike info criterion	18.19975	
Sum squared resid	14461064	Schwarz criterion	18.13034	
Log likelihood	-52.59926	Hannan-Quinn criter.	17.92189	
F-statistic	118.4641	Durbin-Watson stat	1.215353	
Prob(F-statistic)	0.000405			

Fig. 9. Analysis of foreign exchange income of international tour industry from 2012 to 2019

### **3 Problems of China's Tour Industry in Dealing with the Implications of Exchange Rate Fluctuations**

Foreign exchange risk is the economic entity's domestic currency value measured in foreign currency resulting in gains and losses due to currency exchange rate fluctuations possibility is an issue that travel agencies cannot ignore in the process of operating entry and outbound tour industry business. In the process of operating entry and outbound tour industry, the foreign exchange risks faced by travel agencies mainly include transaction, foreign exchange settlement and economic risks.

### **4 Step that Can Be Enact to the Latest Challenges in Tour Industry**

For our country tour industry, the past low price marketing strategy will face the huge challenge. Therefore, tour industry enterprises in our country should change marketing tactics from price promotion to integrated marketing.

It would be useful to increase the level of monitor of tour industry market, rectify the order of tour industry market, enhance the transparency of tour industry information, make tour industry enterprises compete fairly in the market, and form a reasonable price in line with the law of market value.

Our country should intensify the exploitation and reorganization of sightseeing resource, and promote the depth and breadth of development of tour industry resources to enhance their attractiveness. Besides, it is necessary to strengthen publicity and strengthen the unique image of Chinese tour industry in the eyes of foreign tourists, for reducing the terrible affect brought by the rising cost of entry tour industry [3].

### **5 Conclusion**

This paper summarizes the main problems encountered by China's tour industry when dealing with the implications of exchange rate fluctuations. The defects of foreign exchange income and expenditure management of tour industry, the weak ability of enterprises to deal with sudden risks, and the inadequate management of tour industry laws, institutions and personnel.: [4] The existence of these problems restricts the future increasing of China's part of the tertiary industry. The countermeasures for China's tour industry to avoid the risk of exchange rate fluctuations are as follows: changing the marketing strategy from price promotion to integration promotion, establishing a reasonable tour industry price mechanism and paying attention to the exploitation and reorganization of sightseeing resource Enhancing gravity, etc. [5].

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