

Lack of Chinese tourists is hindering Asia's economic recovery

As Asia's current account surpluses get hit by high energy prices, resurgent tourism could be one tonic to soften the blow – but there's one major issue...



The lack of Chinese tourists is a huge blow to Thailand's tourism sector

It's the less developed nations that have suffered the most

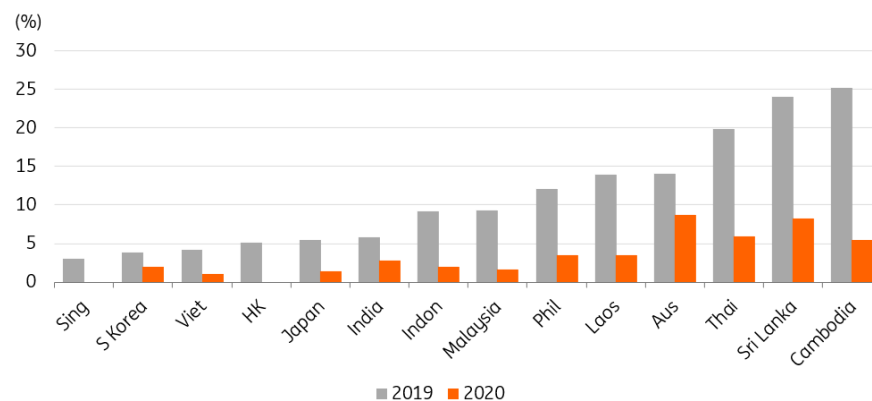
The global pandemic and ensuing slump in global tourism didn't just hurt Asia, but the region certainly has its share of top global travel destinations and the collapse in tourism that accompanied the pandemic was an unwelcome additional cost to bear.

[According to United Nations research](#), travel restrictions caused a cumulative 95.3% decline in international arrivals to Asia and the Pacific between January and July 2021 – the biggest decline in international arrivals globally – compared to the same period in 2019. Prior to this, international tourist arrivals to Asia-Pacific had risen from 208 million in 2010 to 360 million by 2019, and the sector was poised to deliver further growth before the world went into collective quarantine.

Across the region, including China, the [World Travel and Tourism Council](#) estimates that the tourism sector directly accounted for around 185 million jobs pre-pandemic, with more than 30 million of these jobs disappearing during the pandemic.

The pain has been felt disproportionately by the region's less developed economies, where alternative sources of foreign currency income are less available. As a percentage of total exports, Asia's most tourism-dependent economies in 2019 included Cambodia, Laos, and Sri Lanka. Not surprisingly, middle-income Thailand also made it into the top end of the range, with nearly 20% of 2019 exports accounted for by international tourism receipts. High-income Australia isn't too far behind.

International tourism receipts as % of total exports



Source: World Bank, ING

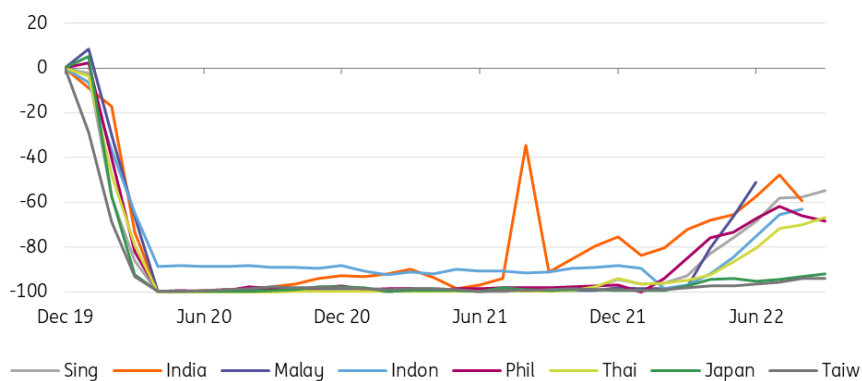
Tourism revenues have plunged and haven't bounced back all that much

Tourism revenues plunged in 2020 (along with total exports), and though we are still waiting for World Bank data for 2021, this situation probably didn't improve much until this year. That improvement in tourism revenue would have been very welcome in Asia, as the Russian invasion of Ukraine and subsequent spikes in energy prices have left their mark on current accounts around the region.

For a region that has generally run large and steady current account surpluses and amassed large stocks of foreign exchange reserves, this surge in energy prices for all but a few net energy exporters (Indonesia, Malaysia, Australia) has eaten away at the external balances, leaving some economies looking at their first deficits since before the Asian financial crisis in 1997. On top of this, central bank intervention to temper currency depreciation has taken a toll on FX reserves.

So, while it may not totally eradicate the damage caused by this big terms of trade shift, and the current strength of the US dollar, some additional tourism revenues would at least help to ease the pain.

Tourist arrivals (Dec 2019=0)



Source: CEIC, ING

Despite reopening, tourism numbers are still low

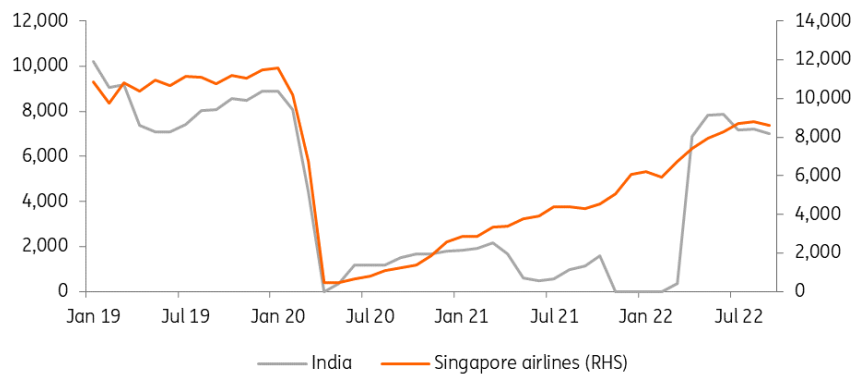
But for all that we read about "revenge spending", the statistics for tourism are quite disappointing. In the chart above, we show the foreign tourist arrivals for the region. Nowhere do the latest numbers come even close to pre-Covid levels of arrivals.

Singapore, which has seen the biggest recovery in tourism across the region, is still only seeing about 40% of the pre-Covid levels of inward tourism. And for tourism stalwarts like Thailand, the figure is 30% or less.

Hotel room rates and foreign occupancy figures add to the story. Using Thai data as a proxy for much of the rest of the region, the data shows that hotel room rates have recovered to about half of their pre-Covid levels. There is still very low foreign occupancy, which suggests that local tourism is still filling most of the gaps.

The reasons for the foreign tourist shortfall may be explained by some of the passenger seat kilometre data that is available. Both Singapore and India data on airline capacity remain at levels less than 80% of pre-Covid capacity, as (possibly) shortages in maintenance crews to re-commission mothballed aircraft, as well as shortages in cabin staff and flight crew, have curbed availability. Anecdotally, this shows up in some steep increases in airline prices, over and above any reflection of higher aviation fuel costs. Why fly to a low-cost tourism destination when the cost of getting there has soared?

Passenger seat km availability (m)



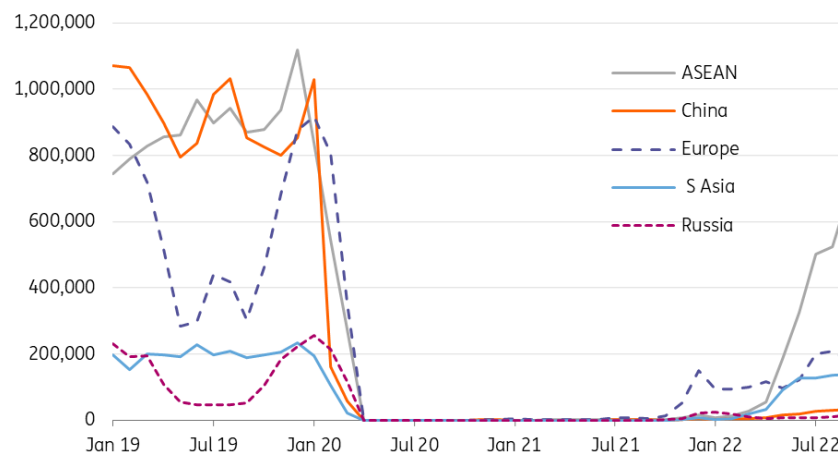
Source: CEIC, ING

The elephant not in the room

In the end, though, more than expensive plane tickets, or seat availability, Thai visitor arrivals data by nationality shows that there is one single factor that is resulting in dismal tourism numbers and revenues: the absence of China.

The chart below even understates this impact, as it is by visitor nationality, not residence, so will include Chinese nationals living outside of Mainland China. And even though we are beginning to see ASEAN visitor numbers pick up some of the slack, it is extremely unlikely that Asia-Pacific tourism can manage a full recovery without Chinese tourism returning.

Arrivals by nationality (Thailand)



Source: CEIC, ING

On this subject, the last few weeks have delivered both disappointment and hope. The disappointment came from the re-commitment to its zero-Covid strategy by China's President Xi Jinping at the 20th Party Congress in October. Markets collectively registered their disappointment at what they surmised would mean another year of dismal Chinese demand, and this was especially bad news for Asia's tourism sector.

But despite this commitment, actions on the ground seem to be more hopeful. International travel restrictions for foreign business executives have recently been eased, and events are being trialled with fewer Covid restrictions (for example, the Shanghai expo and Beijing Marathon), potentially a precursor to some slow rewind on other travel restrictions.

Tourism in Asia is still a long way off from being able to declare recovery, and without China's tourists that prospect still seems distant. But we may at least be seeing the first stages of a slow re-opening in China.

Author

Alissa Lefebvre

Economist

alissa.lefebvre@ing.com

Deepali Bhargava

Regional Head of Research, Asia-Pacific

Deepali.Bhargava@ing.com

Ruben Dewitte

Economist

+32495364780

ruben.dewitte@ing.com

Kinga Havasi

Economic research trainee

kinga.havasi@ing.com

Marten van Garderen

Consumer Economist, Netherlands

marten.van.garderen@ing.com

David Havrlant

Chief Economist, Czech Republic

420 770 321 486

david.havrlant@ing.com

Sander Burgers

Senior Economist, Dutch Housing

sander.burgers@ing.com

Lynn Song

Chief Economist, Greater China

lynn.song@asia.ing.com

Michiel Tukker

Senior European Rates Strategist

michiel.tukker@ing.com

Michal Rubaszek

Senior Economist, Poland

michal.rubaszek@ing.pl

This is a test author

Stefan Posea

Economist, Romania

tiberiu-stefan.posea@ing.com

Marine Leleux

Sector Strategist, Financials

marine.leleux2@ing.com

Jesse Norcross

Senior Sector Strategist, Real Estate

jesse.norcross@ing.com

Teise Stellema

Research Assistant, Energy Transition

teise.stellema@ing.com

Diederik Stadig

Sector Economist, TMT & Healthcare

diederik.stadig@ing.com

Diogo Gouveia

Sector Economist

diogo.duarte.vieira.de.gouveia@ing.com

Marine Leleux

Sector Strategist, Financials

marine.leleux2@ing.com

Ewa Manthey

Commodities Strategist

ewa.manthey@ing.com

ING Analysts

James Wilson

EM Sovereign Strategist

James.wilson@ing.com

Sophie Smith

Digital Editor

sophie.smith@ing.com

Frantisek Taborsky

EMEA FX & FI Strategist

frantisek.taborsky@ing.com

Adam Antoniak

Senior Economist, Poland

adam.antoniak@ing.pl

Min Joo Kang

Senior Economist, South Korea and Japan

min.joo.kang@asia.ing.com

Coco Zhang

ESG Research

coco.zhang@ing.com

Jan Frederik Slijkerman

Senior Sector Strategist, TMT

jan.frederik.slijkerman@ing.com

Katinka Jongkind

Senior Economist, Services and Leisure

Katinka.Jongkind@ing.com

Marina Le Blanc

Sector Strategist, Financials

Marina.Le.Blanc@ing.com

Samuel Abettan

Junior Economist

samuel.abettan@ing.com

Franziska Biehl

Economist, Germany

Franziska.Marie.Biehl@ing.de

Rebecca Byrne

Senior Editor and Supervisory Analyst

rebecca.byrne@ing.com

Mirjam Bani

Sector Economist, Commercial Real Estate & Public Sector (Netherlands)

mirjam.bani@ing.com

Timothy Rahill

Credit Strategist

timothy.rahill@ing.com

Leszek Kasek

Senior Economist, Poland

leszek.kasek@ing.pl

Oleksiy Soroka, CFA

Senior High Yield Credit Strategist

oleksiy.soroka@ing.com

Antoine Bouvet

Head of European Rates Strategy

antoine.bouvet@ing.com

Jeroen van den Broek

Global Head of Sector Research

jeroen.van.den.broek@ing.com

Edse Dantuma

Senior Sector Economist, Industry and Healthcare

edse.dantuma@ing.com

Francesco Pesole

FX Strategist

francesco.pesole@ing.com

Rico Luman

Senior Sector Economist, Transport and Logistics

Rico.Luman@ing.com

Jurjen Witteveen

Sector Economist

jurjen.witteveen@ing.com

Dmitry Dolgin

Chief Economist, CIS

dmitry.dolgin@ing.de

Nicholas Mapa

Senior Economist, Philippines

nicholas.antonio.mapa@asia.ing.com

Egor Fedorov

Senior Credit Analyst

egor.fedorov@ing.com

Sebastian Franke

Consumer Economist

sebastian.franke@ing.de

Gerben Hieminga

Senior Sector Economist, Energy

gerben.hieminga@ing.com

Nadège Tillier

Head of Corporates Sector Strategy

nadege.tillier@ing.com

Charlotte de Montpellier

Senior Economist, France and Switzerland

charlotte.de.montpellier@ing.com

Laura Straeter

Behavioural Scientist

+31(0)611172684

laura.Straeter@ing.com

Valentin Tataru

Chief Economist, Romania

valentin.tataru@ing.com

James Smith

Developed Markets Economist, UK

james.smith@ing.com

Suvi Platerink Kosonen

Senior Sector Strategist, Financials

suvi.platerink-kosonen@ing.com

Thijs Geijer

Senior Sector Economist, Food & Agri

thijs.geijer@ing.com

Maurice van Sante

Senior Economist Construction & Team Lead Sectors

maurice.van.sante@ing.com

Marcel Klok

Senior Economist, Netherlands

marcel.klok@ing.com

Piotr Poplawski

Senior Economist, Poland

piotr.poplawski@ing.pl

Paolo Pizzoli

Senior Economist, Italy, Greece
paolo.pizzoli@ing.com

Marieke Blom
Chief Economist and Global Head of Research
marieke.blom@ing.com

Raoul Leering
Senior Macro Economist
raoul.leering@ing.com

Maarten Leen
Head of Global IFRS9 ME Scenarios
maarten.leen@ing.com

Maureen Schuller
Head of Financials Sector Strategy
Maureen.Schuller@ing.com

Warren Patterson
Head of Commodities Strategy
Warren.Patterson@asia.ing.com

Rafal Benecki
Chief Economist, Poland
rafal.benecki@ing.pl

Philippe Ledent
Senior Economist, Belgium, Luxembourg
philippe.ledent@ing.com

Peter Virovacz
Senior Economist, Hungary
peter.virovacz@ing.com

Inga Fechner
Senior Economist, Germany, Global Trade
inga.fechner@ing.de

Dimitry Fleming
Senior Data Analyst, Netherlands
Dimitry.Fleming@ing.com

Ciprian Dascalu
Chief Economist, Romania
+40 31 406 8990
ciprian.dascalu@ing.com

Muhammet Mercan

Chief Economist, Turkey

muhammet.mercan@ingbank.com.tr

Iris Pang

Chief Economist, Greater China

iris.pang@asia.ing.com

Sophie Freeman

Writer, Group Research

+44 20 7767 6209

Sophie.Freeman@uk.ing.com

Padhraic Garvey, CFA

Regional Head of Research, Americas

padhraic.garvey@ing.com

James Knightley

Chief International Economist, US

james.knightley@ing.com

Tim Condon

Asia Chief Economist

+65 6232-6020

Martin van Vliet

Senior Interest Rate Strategist

+31 20 563 8801

martin.van.vliet@ing.com

Karol Pogorzelski

Senior Economist, Poland

Karol.Pogorzelski@ing.pl

Carsten Brzeski

Global Head of Macro

carsten.brzeski@ing.de

Viraj Patel

Foreign Exchange Strategist

+44 20 7767 6405

viraj.patel@ing.com

Owen Thomas

Global Head of Editorial Content

+44 (0) 207 767 5331

owen.thomas@ing.com

Bert Colijn

Chief Economist, Netherlands

bert.colijn@ing.com

Peter Vanden Houte

Chief Economist, Belgium, Luxembourg, Eurozone

peter.vandenhoute@ing.com

Benjamin Schroeder

Senior Rates Strategist

benjamin.schroeder@ing.com

Chris Turner

Global Head of Markets and Regional Head of Research for UK & CEE

chris.turner@ing.com

Gustavo Rangel

Chief Economist, LATAM

+1 646 424 6464

gustavo.rangel@ing.com

Carlo Cocuzzo

Economist, Digital Finance

+44 20 7767 5306

carlo.cocuzzo@ing.com