

16th October 2023

The Golden Week holiday did not see much of a consumption recovery

The most recent National Day Golden Week holiday (from 29th September till 6th October) just finished. The Golden Week holiday this year overlapped with the Mid-Autumn Festival, a holiday that is set by moon cycles. The eight-day holiday, one day longer than normal in previous years, was the longest this year and also the last one of 2023. It was meant to be a barometer for assessing the state of the recovery of the Chinese economy. In summary, although tourism data suggest a pick-up in tourism, we still observe some lower-than-expected consumption data.

Tourism industry

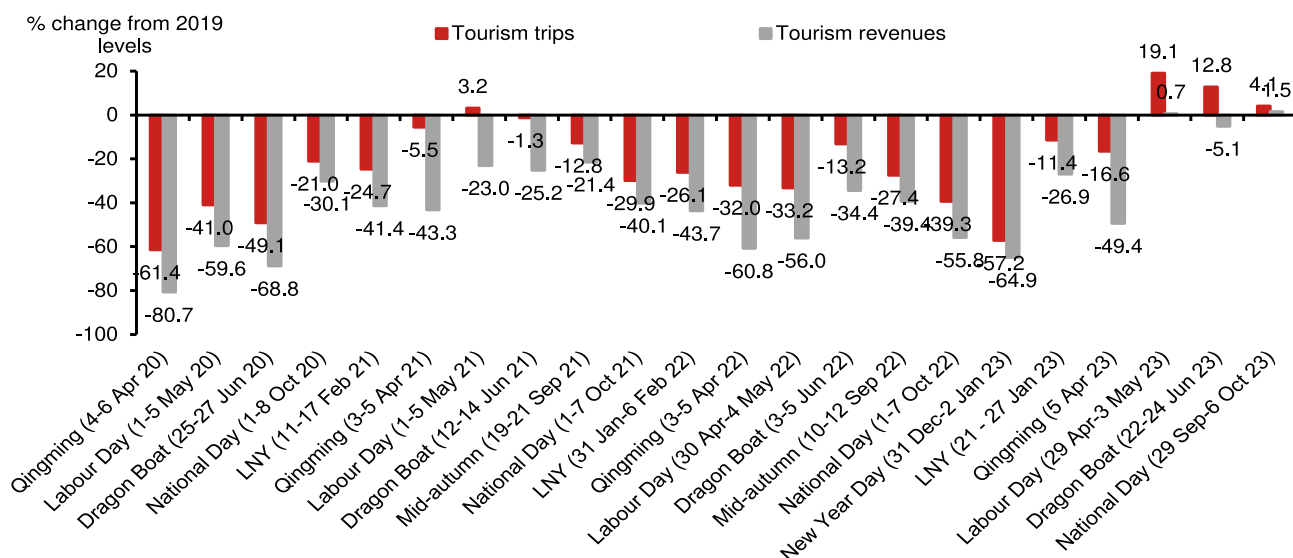
According to the Ministry of Culture and Tourism, domestic tourism visits and revenues reached 826m trips and RMB 753bn, or 4.1% and 1.5% above their pre-pandemic levels of 2019. The 4.1% recovery of the number of trips was slower than numbers recorded during the preceding two holidays of 2023, the Dragon Boat Festival during 22nd-24th June and the 29th April- 3rd May Labor Day Holiday, which had seen numbers 19.1% and 12.8% above their respective 2019 levels.

Many airline passengers found out before they took off that domestic air ticket prices had been cut in the days preceding the holiday, a sign that ticket sales had been disappointing with seats remaining unsold. Besides, a report released by Ctrip which focused on domestic traveling showed that intra-provincial tours accounted for 49% while more expensive cross-provincial tours accounted for only 39%.

According to the National Immigration Administration, the number of cross-border trips during the Golden Week reached 1.48m per day, up from 1.40m per day last summer (1st July – 29th August), 1.32m per day during the Dragon Boat Festival and 1.25m per day during the Labor Day holiday. Compared with the same holidays before the pandemic, the numbers of international travelers recovered to 85.1% of the levels recorded during the 2019 Golden Week compared to 64.6% of the 2019 Dragon Boat holiday and 59.2% of the 2019 Labor Day holiday. International traffic is picking up significantly, but there is still some way to go before 2019 numbers can be reached again.

According to statistics released by the Hong Kong SAR government, the territory recorded a total of 1.1m Mainland Chinese visitors during the Golden Week holiday, a recovery rate of 70% when compared to the 2017-18 average (2019 numbers are not used for comparison purposes as the number of tourists that year had been negatively impacted by the social unrest Hong Kong went through). While 1.1m mainland Chinese visitors came to Hong Kong, at the same time about 1.65m Hong Kong residents departed to mainland China during the long holiday.

National domestic trips and tourism revenues during major holidays, % change from their pre-pandemic levels



Source: China's Ministry of Culture and Tourism

Traffic

The number of domestic commercial passenger trips using all modes of transport (roads, railways, waterways and airplanes) during the Golden Week was a daily average recorded at 34.2% below pre-pandemic levels seen in 2019. It is however possible that this official number may have underestimated overall tourism activity as many people changed their ways of travelling from public transportation means to private cars. Commercial passenger trips via roads (i.e. buses) were 47.2% below the 2019 level while the daily average number of vehicles on the road was 19.7% above the 2019 level. On the other hand, railways and airlines' passenger trips recovered to 27.7% and 16.8% above the pre-pandemic levels of 2019.

Consumption

According to Maoyan, the leading online ticketing platform, cinema box office revenues during the Golden Week holiday reached RMB2.7bn, a sizeable improvement from the RMB1.5bn recorded same time last year. However, it still remains far below the RMB4.5bn recorded during the Gold Week of 2019. One reason behind the subdued cinema box office revenue may be a lack of popular films. From January to September 2023, total cinema box office revenue was 5.3% below the 2019 level.

Concerts and offline shows are another data point we monitor. In 1H23, music festivals and concerts' box office revenue reached approximately RMB3bn whereas the equivalent revenue in 2019 was around RMB4.2bn.

According to the Ministry of Commerce, key retailers and catering enterprises revenue was 9.0% higher than last year during the first seven days of the holiday, an acceleration compared to the headline retail sales growth of 4.6% YoY recorded in August and as disclosed by the National Bureau of Statistics.

China's smartphone market which had seen a slump over the first eight months of the year is now showing signs of a revival on the back of brisk demand for Huawei's new 5G handset that was aggressively publicized across China and Apple's recent launch of its iPhone 15 series. An encouraging 15% YoY growth in smartphone sales was recorded during the Golden Week holiday.

Overall, Chinese consumers seem to be recouping some confidence, especially when buying small ticket items and services. However there remains lots of budget constraints when it comes to larger expenses.

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