THE IMPACT OF THE GLOBAL FINANCIAL CRISIS ON CHINA’S TOURISM

MELINDA PLEŞCAN¹, MARIUS GAVRILETEA²

ABSTRACT. Statistics from the China National Tourism Administration show that China’s inbound tourism declined overall in January this year due to the global financial crisis. It is understood that affected by the global economic depression, China’s inbound, outbound and domestic travel markets are all in a weak state this year. China’s tourism industry experienced a hard time in 2008 due to natural disasters and the global financial crisis. Looking ahead, the structural adjustment will probably show up in market demand of this year, inbound tourism might shrink, while travel agencies focusing on inbound tourism, hotels and scenic spots that mainly depend on inbound tourists will have to reposition the market and to develop new products.

Keywords: financial crisis, China, Travel and Tourism Industry

1. INTRODUCTION

The year 2008 has been a difficult one for the Travel & Tourism (T&T) sector. High oil prices through the summer of 2008, diminished tourism demand due to the international economic crisis, and concerns about terrorism have raised many challenges for the industry. Yet, despite these difficulties, the T&T sector remains a critical one for the world economy, still accounting for a significant share of global gross domestic product and employment, and providing an important opportunity for developing countries to move up the value chain toward the production of higher value-added services.

For the past four years, the World Economic Forum has engaged key industry and thought leaders through its Aviation, Travel & Tourism Industry Partnership Program to carry out an in-depth analysis of the T&T competitiveness of economies around the world. The aim of the Travel & Tourism Competitiveness Index (TTCI), which covers 133 economies in 2009, is to provide a comprehensive strategic tool for measuring “the factors and policies that make it attractive to develop the T&T sector in different countries.”³

¹ Melinda Pleșcan – Teaching Assist. at Babeș Bolyai University, Faculty of Business Cluj Napoca, melinda.plescan@tbs.ubbcluj.ro
² Marius Gavriletea – Asoc. Prof. at Babeș Bolyai University, Faculty of Business Cluj Napoca dan.gavriletea@tbs.ubbcluj.ro
³ The Travel & Tourism Competitiveness Report 2009
2. MATERIAL AND METHODS
The TTCI aims to measure the factors and policies that make it attractive to develop the T&T sector in different countries. It is based on three broad categories of variables that facilitate or drive T&T competitiveness. These categories are summarized into the three subindexes of the Index:
- the T&T regulatory framework subindex;
- the T&T business environment and infrastructure subindex;
- the T&T human, cultural, and natural resources subindex.

The data comprise the responses to the World Economic Forum’s Executive Opinion Survey conducted in early 2007 and 2008 and range from 1 to 7. The hard data indicators used in the TTCI are normalized to a 1-to-7 scale.

3. RESULTS AND DISCUSSIONS
When discussing the case of Asia Pacific, China, ranked 10th regionally, has seen the largest rank improvement of all countries in 2007-2008, moving up by a remarkable 15 places to 47th overall.

Figure 1. Travel & Tourism Competitiveness Index 2009: Asia Pacific

Source: United Nations World Tourism Organization
China has been building on a number of clear strengths: it is ranked 7th for its natural resources, with many World Heritage natural sites and fauna that is among the richest in the world. It is ranked 15th for its cultural resources, with many World Heritage cultural sites, many international fairs and exhibitions held in the country, and creative industries that are unsurpassed.

Moreover, the country is ranked 20th in price competitiveness and 28th for the overall prioritization of the sector. In addition, China has a relatively good air transport infrastructure (ranked 34th).

![Figure 2. International tourist arrivals in China, 2007](image)

*Source: United Nations World Tourism Organization*

However, there are some weaknesses pulling the country’s ranking down. China has a policy environment that is not conducive for T&T development (ranked 87th), with strong foreign ownership restrictions and visa requirements for most visitors. Furthermore, policies related to environmental sustainability get low marks (105th).

There are also some safety and security concerns (116th) as well as issues related to health and hygiene (91st). These are done with access to improved sanitation and drinking water that is low by international standards. Ground transport infrastructure gets middling marks (55th), and its tourism infrastructure remains underdeveloped (ranked 80th), with few hotel rooms available and few ATMs, although on a positive note tourism infrastructure has seen a marked improvement since last year.
Since the beginning of 2008, more than 25 airlines have stopped or suspended operations. In late 2008, China Southern Airlines and China Eastern Airlines began to ground aircraft and cut flights because of concerns that the slumping domestic air travel market would not recover quickly\(^4\).

At the end of November 2008 representatives from the hospitality industry and Cornell faculty members met to discuss the trends of the lodging industry in 2009 and agreed on the following:

- Hotel prices will decline by over 25 percent in the short term as a result of the increased cost of debt capital and slower industry growth.
- Owners and operators will likely increase their cooperation in order to get through what everyone knows will be a very difficult period\(^5\).

---

\(^4\) Air Transport World Online, http://www.atwonline.com

\(^5\) Cornell partners with National Restaurant Association, Florida Restaurant & Lodging Association on Dean’s Leadership Series, http://www.hospitalitynet.org/index.html
Statistics from the China National Tourism Administration show that China’s inbound tourism declined overall in January this year due to the global financial crisis.

According to CNTA’s data, in January 2009, China received 10.3319 million inbound tourists, which was a decrease of 4.42% compared with the same period of 2008. Of these 3.9244 million were tourists who stayed overnight in China, down 10.82% over the same period of last year. In addition, the countries inbound tourism income declined by 18.99% and dropped to USD 2,769 billion.

It is understood that affected by the global economic depression, China's inbound, outbound and domestic travel markets are all in a weak state this year.

The China National Tourism Administration (CNTA) has announced a number of measures to revive the confidence of the domestic tourism market and develop the tourism economy.

Data published by the CNTA indicates that in 2008 the number of inbound tourists in China decreased markedly. From January to September, the number of inbound tourists in China decreased by 3.53% year-on-years.

As a result of the increasing influence of the global financial crisis and taking advantage of its ability to extend its network through its membership of Star Alliance Air China, one of the largest airline companies in China, plans to reduce its investment on international routes.

In the second half of 2008, Jiangsu (a province located along the East coast of the country) has seen 15 hotel projects, with a planned investment of more than CNY4 billion, either cancelled or postponed.

Source: Gonzalez, 2008

4. CONCLUSIONS

Statistics from the China National Tourism Administration show that China’s inbound tourism declined overall in January this year due to the global financial crisis.

According to CNTA’s data, in January 2009, China received 10.3319 million inbound tourists, which was a decrease of 4.42% compared with the same period of 2008. Of these 3.9244 million were tourists who stayed overnight in China, down 10.82% over the same period of last year. In addition, the countries inbound tourism income declined by 18.99% and dropped to USD 2,769 billion.

It is understood that affected by the global economic depression, China's inbound, outbound and domestic travel markets are all in a weak state this year.

The China National Tourism Administration (CNTA) has announced a number of measures to revive the confidence of the domestic tourism market and develop the tourism economy.

Data published by the CNTA indicates that in 2008 the number of inbound tourists in China decreased markedly. From January to September, the number of inbound tourists in China decreased by 3.53% year-on-years.

As a result of the increasing influence of the global financial crisis and taking advantage of its ability to extend its network through its membership of Star Alliance Air China, one of the largest airline companies in China, plans to reduce its investment on international routes.

In the second half of 2008, Jiangsu (a province located along the East coast of the country) has seen 15 hotel projects, with a planned investment of more than CNY4 billion, either cancelled or postponed.
CNTA will promote a series of major tourism construction projects and will offer more support to Tibet and Qinghai (a province located in the center of the country) for construction of their tourism infrastructure. Some areas including Guangdong (a province on the Southern coast of China) and Zhejiang (an Eastern coastal province) are to promote national tourism and leisure plans to encourage the development of the domestic tourism sector.

The administration will further implement the global tourism promotion of the 2010 Shanghai World Expo, and will enhance promotion in major overseas source markets — taking the short-haul markets as a priority and focusing on keeping the traditional markets in Europe and America.

In 2009, travel agencies should make certain adjustments to their products, which mean they should focus more on domestic tourism and short distance tour products. The rapid development of independent travel will bring more business volume and more market space. CNTA is to refund CNY1.8 billion in travel quality deposits to travel agencies around China to help them increase their current operating capital.

China’s tourism industry experienced a hard time in 2008 due to natural disasters and the global financial crisis. Looking ahead, the structural adjustment will probably show up in market demand of this year, inbound tourism might shrink, while travel agencies focusing on inbound tourism, hotels and scenic spots that mainly depend on inbound tourists will have to reposition the market and to develop new products.

The China Tourism Academy concluded that 2007 was the developing year for China’s tourism market, after the decline of 2008 and an adjustment in 2009, the industry will make great progress in 2010. Influencing factors of 2009 will be less than 2008. The current downturn is an opportunity for China’s tourism industry to make the necessary adjustments to take advantage of the upturn. Currently the industry is still in its traditional development model; if new models don’t come out this year, it will be a poor prospect for 2009.

REFERENCES