

Column B The Future of China's Outbound Tourism*KARAVASILEV, Yani*

Inbound tourism has been an increasingly important driver of economic growth in Japan, acting as a booster to aggregate demand. The major source of inbound tourism in Japan before the pandemic was China, with Chinese tourists accounting for 30% of all inbound tourists. With the end of the Covid-19 pandemic and the recovery of global tourism, the tourist industry in Japan is looking forward to the return of Chinese tourists. Chinese society, however, underwent profound changes during the pandemic, and these changes have major implications about the future of Chinese outbound tourism. In view of this, this column aims to summarize recent trends in Chinese outbound tourism and its economic impact, as well as to provide some insights as to what changes in the spending and travel patterns of Chinese tourists can be expected in the future.

1. China's Outbound Tourism before the Pandemic

In analyzing the economic impact of international tourism, the single most important indicator to consider is the amount of expenditures by tourists. Since it is a function of how many people travel, how many trips they go on, how long they stay and what their consumption patterns are like, it is by far the most comprehensive indicator, and it is also the most relevant to the tourism industry. Data on tourism-related expenditures has been published since 1995 by the United Nations World Tourism Organization (UNWTO), the most reputable source of data on global tourism.

Since 1995, only five nations have reached a share of 10% of global spending on outbound tourism. Germany used to be the largest source of international tourists up until the late 1990s, followed, by a large margin, by the US. However, due to the population decline in Germany and the population increase in the US, the two countries kept overtaking each other as the top source of tourist spending from the late 1990s until 2011. In the meantime, Japan hit the 10% benchmark in 1995, when the number of Japanese traveling overseas reached 15 million for the first time. The UK also reached the 10% benchmark for a couple of years in

the early 2000s. However, in 2012 China emerged as the indisputably largest source nation of international tourist spending, and since then it has remained number one by a wide margin.

Spending by Chinese outbound tourists reached USD 277 billion in 2018 and USD 255 billion in 2019, accounting for 20% of all international tourism spending. To many, this might not be a big surprise, considering the unprecedented economic development of China in the past few decades. However, if we look at spending on outbound tourism as a percentage of a country's GDP (nominal rather than real GDP, since the exchange rate is a major determinant of outbound tourism), China deserves to be called a "nation of tourists." In the few years leading up to the pandemic, the Chinese spent over 2% of their national income on outbound travel, a figure similar to that of the most avid traveler nations, Germany and the UK, and only matched by Korea in Asia (Japan has a significantly lower 0.4%).

Not only do Chinese people spend the largest percentage of their national income on outbound travel, but they also spend the largest amount of money per single trip. [Table 3-CB-1](#), which is a comparison of the major source countries of international tourist spending, shows that Chinese outbound tourists spent more than twice as much per trip as German and British tourists in the pre-pandemic 2019, 50% more than Japanese and Korean tourists, and 10% more than US tourists¹⁾.

The largest beneficiaries of spending by Chinese outbound tourists have been Asian countries. The overwhelming majority (over 60%) of outbound trips from mainland China are to so-called 'Greater China' - Hong Kong and Macau. Although Hong Kong and Macau have already been returned to China, for historical reasons the two regions are still regarded as outbound destinations.

Other than Greater China, the destinations attracting significant numbers of Chinese tourists (over one million) are listed in [Table](#)

1) Although Germans and Britons go on more frequent trips, they spend less per trip, as most of the trips tend to be within Europe. On the other hand, the reason why Australian outbound travelers spend so much is likely due to the geographical remoteness of the country, which results in fewer, more distant and longer trips, resulting in a higher spending per trip, mainly in the form of transportation. The fact that the Australian dollar was overvalued relative to other currencies for most of the time between 2005 and the start of the pandemic could be another factor.

Table 3-CB-1

Share of global outbound tourism expenditure by major source nations, and spending per trip

	Share of global outbound tourism expenditure in 1995	Global rank in 1995	Share of global outbound tourism expenditure in 2019	Global rank in 2019	Expenditure per outbound trip in 2019 (USD)
China	1.0%	24	18.4%	1	1,643
USA	12.1%	2	9.6%	2	1,422
Germany	15.8%	1	6.7%	3	803
United Kingdom	6.5%	4	5.1%	4	755
France	4.3%	5	3.7%	5	947
Russia	3.0%	8	2.6%	6	803
Australia	1.4%	18	2.6%	7	3,183
Canada	2.7%	11	2.6%	8	590
South Korea	1.7%	15	2.4%	9	1,130
Italy	3.9%	6	2.2%	10	873
Japan	9.6%	3	1.5%	15	1,059

Source: Prepared by the author based on UNWTO data (2024).

3-CB-2. Therein, four destinations stand out: Japan, Thailand, Korea and Vietnam. In these four countries, Chinese nationals represent more than a third of all visitors in 2019. The importance of Chinese inbound tourism in those countries is in fact much larger when spending per tourist is considered.

From the opposite perspective, if Hong Kong and Macau are excluded from China's outbound destinations, 40% of all outbound trips by Chinese tourists in 2019 were to one of these four destinations, which both underlines the importance of these destinations to Chinese tourists, and serves as an indication that Chinese outbound tourism is still highly concentrated only in a few neighboring destinations²⁾.

Notably, if the EU was counted as one destination (including the UK, as in 2019 it was still part of the EU), then it would be the most popular,

2) In 2019, Chinese citizens made around 160 million outbound trips. However, less than 90 million people traveled, yielding an average of around 1.8 trips per traveler per year. This implies that Chinese people who travel at all tend to travel a lot. The fact that only 14% of Chinese citizens have passports suggests that many of the people who travel every year are in fact the same people, and that they revisit the same few neighboring countries.

Table 3-CB-2

Statistics on destinations that attracted over 1 million Chinese visitors in 2019

Destination	Number of Chinese inbound visitors in 2019 (millions)	Chinese nationals' share of the total number of inbound visitors	Rank of the number of Chinese nationals within all inbound visitor nationalities
Thailand	11.0	28%	1
Japan	9.6	30%	1
Vietnam	6.8	38%	1
South Korea	6.0	34%	1
Singapore	3.6	19%	1
Italy	3.2	5%	5
Malaysia	3.1	11%	3
USA	3.0	4%	5
Russia	2.3	7%	4
Indonesia	2.1	13%	2
Cambodia	2.0	32%	1
France	2.0	2%	10
Philippines	1.7	21%	2
Switzerland	1.6	7%	4
Germany	1.6	4%	10
Australia	1.4	15%	1
Laos	1.0	21%	2
UAE	1.0	5%	5
United Kingdom	1.0	3%	>10
EU(including UK)	13.0	2%	-

Note: Where the number of Chinese visitors is over 6, where the share of Chinese visitors is over one-third, and where Chinese represent the largest visitor nationality are highlighted.

Sources: The tourism offices or statistical bureaus of each country.

attracting 13 million Chinese visitors in a year. However, from the opposite perspective, since European countries are by far the most popular tourist destinations globally, Chinese visitors only represent 2% of all inbound visitors³⁾.

The reason why the above-mentioned four Asian nations are the top destinations for Chinese tourists is closely related to the history of outbound tourism in China, which is surprisingly short. Up until the

3) EU statistics often combine tourists from China, Hong Kong and Macau in the same category. However, visa requirements are very different for mainland Chinese versus residents of Hong Kong and Macau.

1980s, outbound travel from China was virtually non-existent. The first time China permitted outbound tourism was in 1983, when citizens from Guangdong Province were allowed to travel to nearby Hong Kong and Macau in organized tours to visit relatives. Those destinations were given the so-called “Approved Destination Status” (ADS).

Outbound travel outside Greater China started in 1988, when citizens were allowed to go to Thailand to visit relatives, and in the early 1990s, Singapore, Malaysia and the Philippines were added to the list of approved destinations. However, outbound travel was strictly related to visiting relatives, with the requirement that the relatives in the destination country had to cover the expenses of Chinese outbound travelers, in order to ensure that no foreign currency would leak out of China.

In 1997, China removed the VFR (visiting friends and relatives) label for tours to Hong Kong, Macau and the abovementioned four countries, thus marking the official start of Chinese citizens' self-paid outbound tourism. However, even then capital outflows were strictly regulated: travelers were not allowed to take out of the country more than 6000 CNY (725 USD) per person per time.

In 1999, Australia and New Zealand became the first non-Asian destinations that were added to the ADS list. Japan was added to the list in the following year, and the first tourist group visited Japan in September 2000 (Jin, 2010). Shortly thereafter, in 2001, China's accession to the World Trade Organization (WTO) expedited the addition of new destinations to the ADS list. In 2004, an impressive 35 European and African countries were granted the ADS. As a result, within the span of a single year, the number of Chinese outbound travelers to European countries increased ninefold (Guo et al., 2007; Nasolomampionona, 2014).

In the meantime, China introduced paid holidays (three so-called “golden weeks”) in 1999, and it relaxed restrictions on the outflows of foreign currency: in 2003 the limit travelers were allowed to take out of the country was raised to 20,000 CNY (2400 USD). Subsequently, after the CNY peg to the USD was removed in 2005, the yuan appreciated significantly, and the USD equivalent of that amount rose to 3,300 USD in 2013. Eventually, the steep appreciation of the yuan, combined with rising incomes in China (the World Bank changed China's classification from a lower-middle- to an upper-middle-income country in 2012), the

fact that the countries granted the ADS expanded to over 130 (the US was added in 2007), and the fact that travelers were allowed to spend more overseas can explain China's outbound tourism revolution around 2012, when China suddenly became the number one source of tourists and tourist spending.

The rise of Chinese outbound tourism seemed unstoppable, but it was then brought to a complete stop for two years by the COVID-19 pandemic. Although it began recovering in 2023, its recovery has been slower and more uneven than that seen in other countries. Additionally, the pandemic has profoundly changed Chinese outbound tourism. Below, we outline the major ways in which Chinese outbound tourism is expected to change in the post-pandemic world.

2. The Outlook for China's Outbound Tourism

• The decline of organized tours

As mentioned above, outbound tourism in China was initially exclusively conducted in tours to approved destinations. Although individual travel had been increasing, tours remained the most common way of traveling up until the pandemic. Even in pre-pandemic 2019, as much as 60% of Chinese tourists' spending abroad went to group tours. This was not just due to travel restrictions by the Chinese government, but also due to restrictions by the governments of destination countries and the language barrier. On the one hand, many countries have strict visa requirements for Chinese citizens and the visa application process can be complicated, requiring a long trip to a consulate. On the other hand, although according to China's official statistics about 300 million Chinese are learning English, some studies claim that as few as 10 million Chinese, or less than 1% of the population, can actually hold a conversation in English. In that sense, travel agencies are an excellent solution, as they both facilitate obtaining a visa, and they provide an easy solution to the overseas language barrier faced by the majority of Chinese tourists.

However, with more countries easing visa restrictions, rising education levels, and the accumulation of travel experience overseas, Chinese tourists' preferred mode of travel has been gradually changing from group to independent travel since 2010. The pandemic accelerated the

rate of change to the extent that it now seems that outbound group travel might never recover to its pre-pandemic level. According to a survey by Dragon Trail International (2024), 50% of respondents would like to travel independently on their next outbound trip, with another 20% saying they would prefer a “semi-guided trip,” and 5% a private tour. The share of travelers preferring group tours was less than 25%.

• Experiences over shopping

Chinese outbound travelers, who were once known for their prolific shopping, especially for luxury brands (a phenomenon that came to be known in Japan as *bakugai*, lit. “explosive shopping”), increasingly prefer unique experiences (such as trying local food or attending a local festival) and beautiful natural scenery (e.g. beach) over shopping. This change in values can be gleaned from a recent survey by Dragon Trail International (2024), which shows that shopping ranks only sixth in the list of the top activities preferred by Chinese travelers, with all the rest in the top 11 being related to experiencing. It is noteworthy that all of these activities seem to be related to lower expenditures than shopping, which is related to another trend, namely a preference for cheaper travel, discussed next. There are a couple of explanations for this change in values.

On the one hand, before the pandemic, many Chinese traveling abroad used to shop for brands that were either more expensive in China or were not available domestically. Nowadays, however, high inflation has mostly eliminated the price differential. In addition, there has been a proliferation of luxury shopping options in big cities, and luxury brands have expanded their presence in China. Moreover, there is a lot of effort by the Chinese government to turn the tropical island province of Hainan into the world's largest duty-free shopping zone. According to media reports, the policy is working, with increasing numbers of Chinese (and foreigners, such as Russians) flocking to the island for bargains.

Additionally, Chinese people in general are becoming increasingly educated, and the same can be said about Chinese outbound travelers. According to the World Bank (2024), the university gross enrollment ratio in China skyrocketed from one of the lowest in the world in the early 1990s (3%) to 75% in 2023, on par with, or higher than, the level seen in the most advanced nations (the comparable figures for Japan are 40%

and 65%). One implication of this trend is that consumption has gradually switched from material objects to rather cultural or sophisticated experiences, which require a higher level of knowledge of geography, history, anthropology and other related subjects in order to discover, become interested in and appreciate. Another related trend is rather unintuitive: educated outbound travelers spend less. According to recent research by Phan et al. (2024) on inbound tourism in Taiwan, tourists with higher education (college, university, and graduate school) spend less on travel than tourists whose education level was high school or less, regardless of nationality. Visitors who have completed higher education seem more careful with their travel expenses than those with less education. Therefore, the rise of the “sophisticated Chinese tourist” is unlikely to lead to a rise in travel-related spending.

• Increased price sensitivity

The Chinese household balance sheet was hurt severely by the country’s stringent Covid restrictions and the lack of household-focused subsidies during the pandemic. As a result, tourists, especially younger ones, have become more sensitive to prices. Before the pandemic, there was a tendency for Chinese outbound travelers to be increasingly young and female. However, it is uncertain whether that change will continue, as young people have been especially affected by the pandemic.

The unemployment rate for people aged 16 to 24 in cities reached a record high of 21.3% in June 2023. That was perhaps too embarrassing for the government, so it stopped publishing the data series, and started a new series in December 2023, based on a different methodology, stating that the figure had dropped to 14.9%. Official figures, however, are believed to be a gross underestimate of the reality faced by Chinese youths. According to an independent estimate by Peking University professor D. Zhang, if part-time work and underemployment are included, the figure could be as high as 46.5% (Woo et al., 2024). The article containing the estimate was published in mid-2023 and removed soon thereafter. Whatever the exact figure, however, youth unemployment in China is remarkably high by any standard, and according to The Economist (2024), the unemployment rate for those with a university education (i.e. people more likely to travel overseas) is even higher than

the overall figure.

Given that many parents have already reached a high level of financial security after many years of rapid economic growth, many of them are now agreeing to provide the needed support to their adult children. However, the implication of this growing trend is that in many households, financial resources are being shifted from luxury experiences, such as outbound travel, to supporting family members.

Furthermore, in contrast to the rest of the world, which saw a trend of “revenge spending” after the pandemic, China’s experience was the opposite - “revenge saving” has become a viral trend, circulating on Chinese social media websites, with people setting extreme monthly saving targets due to low confidence in the future of the economy. Online saving groups, where people log their budget and expenses and help to stop each other from making impulse purchases, have become hugely popular.

According to a 2024 survey by Dragon Trail International, the majority of outbound travelers (58%) stated that they would consider carefully when planning an outbound trip in order to get the best value for their money. Another 14% indicated that they would select travel products with the best prices. Fewer and fewer respondents are willing to pay a premium for outbound travel, with just 11% willing to increase their budgets for better travel experiences.

In addition, high inflation in destination countries against a weak yuan and very low inflation in China has significantly raised the price of outbound travel. China’s inflation rate has been the lowest in the world in the past few years: according to the IMF (World Economic Outlook, October 2024), China’s inflation rate in 2024 is estimated to be 0.4%, the third-lowest in the world, after Costa Rica and Armenia. A major consequence of this is that domestic tourism in China has become much more attractive, as discussed next.

• Domestic over international tourism

The recovery in China’s outbound tourism is also undermined by the rapid development of domestic tourism, which, in many ways, is less costly and seen by Chinese households as offering better value for money. As it is cheaper, domestic tourism is gaining popularity particularly among

young people, who seem to have been rediscovering the beauty of rustic China. Rural tourism presents itself as a great alternative when it comes to authentic experiences and natural scenery, which, as mentioned above, is what Chinese travelers, especially young ones, are increasingly looking for (Huang et al., 2021).

The implication of this trend is that whereas flight capacity is likely to recover soon, outbound traveler numbers might take much longer to recover. In addition, the destinations Chinese tourists travel to are also likely to change, and geopolitical factors are a major reason, as discussed next.

• **Geopolitical tensions: changing destinations**

The current geopolitical tensions (even decoupling) between China and the West, driven by trade and economic conflicts, is likely to have major implications for the destinations that Chinese tourists visit in the future.

On the one hand, China's allies (countries that have been actively engaging with China), have been relaxing visa requirements for Chinese citizens. An average of three to six countries per year implemented visa waivers for Chinese visitors between 2015 and 2020. After a brief hiatus in 2021 due to the pandemic, when only one country removed visa requirements, four countries did so in 2022, followed by a record eight countries in 2023. In 2024, as of November, five new countries (Singapore, Kenya, Malawi, Cuba, Azerbaijan) have followed suit, and Sri Lanka has introduced a free electronic authorization, which is essentially equivalent to a visa waiver. Simplified visa processes and visa waivers are likely to significantly change the flows of Chinese tourists. A compelling example is Singapore's Chinese tourist numbers, which in February 2024 increased by 45% from a month earlier (and 388% from a year earlier) after a visa waiver for Chinese travelers during the Chinese New Year holidays came into force.

On the other hand, the visa application process for Western countries, which has always been complicated for Chinese citizens, has been exacerbated by increasing geopolitical tensions. To illustrate, according to the US Department of State (2024), the US visa rejection rate for Chinese nationals increased from less than 10% in 2012-2015 to 30% in 2022 and 27% in 2023. An expensive and complicated visa application

process means that there is greater uncertainty in travel planning, which could lead to a loss of money and time, suggesting that many tourists will be traveling to destinations other than Western Europe and North America. According to a survey by China Trading Desk (2024), only 1.3 million Chinese tourists will visit the U.S. in 2024, which is 70% below the 2019 level.

Another consequence of the pandemic and of geopolitical tensions has been the sharp decline in the number of Chinese university students overseas, specifically the US. That, in turn, is related to a decline in VFR tourism in the destinations hosting large numbers of Chinese students.

Finally, Chinese travelers' preferred destinations are likely to change as Chinese tourists accumulate more overseas experience. Those who travel overseas every year (many of them more than once, as mentioned above) are likely to diversify the destinations they visit (Chen et al., 2023). Therefore, hitherto rarely visited places, such as Argentina, are now on the list of Chinese tourists' to-visit destinations, and the main determinant of what destinations make it onto that list is social media. According to Dragon Trail International (2024), social media is now the most important source of information when it comes to destination choice. The case of the social platform Xiaohongshu (also known as "the Chinese Instagram") is particularly relevant. The rise of Xiaohongshu's importance for travel is one of the biggest shifts in Chinese consumer behavior in recent years- the platform is now used by more than half of all travelers (52%) to find destination information. Video content also stands out as the form of marketing that resonates most strongly with consumers, inspiring significant trends in destination preference.

3. Conclusion

China's outbound tourism is still recovering. Oxford Economics (2024) estimates that the number of Chinese outbound travelers in 2024 will remain 22% below its 2019 level. Even though that number is expected to recover to its pre-pandemic level by 2025, China's outbound tourism is undergoing a major transformation, and its new characteristics will have a major impact on the economies of regions whose tourism industry is heavily dependent on Chinese tourists. On the one hand, with the travel

pattern shifting from group travel to individual travel, perceptions of overtourism due to overconcentration of visitors at certain destinations, such as Kyoto, are likely to improve. On the other hand, considering the shift in Chinese tourists' preferences from consumption toward authentic experiences, as well as their increasing sensitivity to prices, it is highly likely that per capita expenditure will remain at a lower level than before, casting a shadow on expectations for a boost in demand by inbound tourism. In addition, the destinations preferred by Chinese tourists are expected to diversify significantly in the future. The ease of travel, including the ease of obtaining visas and social media, plays an increasingly important role in outbound tourists' choice of destination. Therefore, in order for the tourism industry of a destination to be able to devise strategies that will help it to increase its competitiveness and remain capable of attracting Chinese tourists in the future, understanding how Chinese outbound tourism is evolving is an important first step. This is especially true in regions where inbound tourism from China is economically important, including Japan and Kansai.

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