

RESEARCH NOTE

How Is Travel Changing in Post-Pandemic Asia?

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Executive Summary

China's reopening will help tourism recover throughout 2023 at a steady but slow pace

Intra-region tourism is increasingly popular, especially in Southeast Asia

Middle-income travelers face multiple barriers to travel, including pricey flight tickets

Luxury tourism may recover more quickly

Young people are more open to taking risks and traveling, and those with strong incentives to travel (like overdue honeymooners) are booking trips to make up for lost time

Background and Context

Travel and tourism are significant for the Indo-Pacific economy, accounting for 9.8 percent of the region's GDP and 9.9 percent of total employment (184 million jobs) before the pandemic. In 2019, the sector was responsible for 11.3 percent of GDP in China, 7 percent in Japan, and 6.8 percent in India. At the higher end, the Maldives depended on tourism for 38.9 percent of GDP and 60 percent of employment.

Covid-induced travel restrictions and the economic downturn hit tourism hard, leaving destinations deserted and threatening workers' livelihoods. In 2020 alone, the sector lost 35 million jobs in the region. With the gradual easing of restrictions throughout 2021 and 2022, tourism has recovered slowly, and might reach pre-pandemic levels by the second half of 2023.

Key Issues

SLOW ARRIVALS FROM CHINA

Thailand is a good proxy for the appetite of global travelers, especially Chinese mainlanders. The country caters to a wide range of visitors across income levels and places of origin, and since 2021 it has waived arrival quarantines on popular islands (such as Phuket) to attract tourism. Notably, Thailand is one of the region's few countries that does not require a travel visa for Chinese mainlanders, making it the most accessible destination for middle- to high-income visitors from China.



Source: The World Travel & Tourism Council and Statista¹

Thailand welcomed only 15 million international arrivals in 2022, down from nearly 40 million in 2019. Prior to Covid, two-thirds of international tourists in Thailand came from East Asia, nearly half of whom were Chinese. Of the remaining third, 16.4 percent were European.

With most European countries achieving widespread Covid immunity and easing travel restrictions in 2022, the number of Europeans traveling to Thailand increased by 83 percent last year. In contrast, tourism from East Asia fell sharply in 2022 due to China's persistent "zero-Covid" policy.² Going forward, Thailand may remain a top choice for Chinese tourists, especially those at the middle-income level and aged 20-40. But high flight costs and ongoing Covid outbreaks will make it difficult for this group to travel, possibly delaying the full return of Chinese tourism until the second half of 2023.

INTRA-REGIONAL TRAVEL

Unlike Thailand, the Indonesian island of Bali typically relies on Western European, Russian, American, and especially Australian tourism, due to its proximity to Australia and long-standing reputation in the West. Bali only hosted 277,000 tourists in August 2022, down from 606,000 in August 2019. By November 2022, the number of Asian visitors to Bali was rising, especially from Singapore. Tourism demographics in other regional destinations, such as Cambodia, have seen a similar shift. This may suggest growth in intra-region travel in the near term, as consumers opt for local trips with lower risks and costs.

Prior to Covid, the Indo-Pacific region welcomed 490 million international arrivals, and the global market for travel and tourism is nearly \$1.8 trillion.³ The sector has also been growing rapidly. One industry forecast expects another 126 million new tourism jobs in the region in the next decade and a 32 percent increase in tourism revenue by 2025.⁴

What's next?

The tourism sector will recover at a steady pace throughout 2023, but high-end travel may see a quicker comeback. Covid exacerbated global inequality, with rising debt for lower income countries, high commodity prices and supply chain problems. While Asia was badly affected overall, its wealthy managed relatively well.⁵ Pre-pandemic, Asia saw the fastest growth of any region in luxury consumption, in areas ranging from retail to travel. LVMH, the world's leading luxury products group, has generated over a third of its total revenue in Asia since 2019,⁶ maintaining small but steady growth on the continent even during Covid.⁷

Asian travel businesses are also releasing new services to cater to their wealthiest clients. Singapore Airlines recently unveiled flights with just six first-class suites per plane, priced as high as \$18,000. Premium Asian destinations, such as top resorts in the Maldives, have seen visits increase, though still not back to pre-pandemic rates.⁸ Luxury travel agencies in China have launched social media campaigns for international stays in Q2 and Q3. Newlyweds who delayed honeymoons in recent years are again planning vacations, which might also contribute to higher-end international travel.

Before Covid, 154.6 million Chinese tourists accounted for 40 percent of annual tourism within the Asia Pacific region. Even after January 8, when China reopened its borders, PCR test requirements and limited flights will slow down travel. In the meantime, Saudi Arabia, the UAE, South Africa and Pakistan are trying to attract more visitors from China, despite not being traditionally popular destinations.⁹

1 For market revenue data, <https://www.statista.com/outlook/mmo/travel-tourism/asia#revenue>; for employment data, <https://wtcc.org/Portals/0/Documents/Reports/2022/EIR2022-Global%20Trends.pdf>

2 <https://trail.bananabackpacks.com/thailand-tourism-stats/>

3 https://data.worldbank.org/indicator/ST.INT.ARVL?end=2020&most_recent_year_desc=false&start=2018

4 <https://wtcc.org/Portals/0/Documents/Reports/2022/EIR2022-Global%20Trends.pdf>

5 <https://www.worldbank.org/en/news/feature/2021/12/20/year-2021-in-review-the-inequality-pandemic>

6 <https://www.lvmh.com/investors/profile/financial-indicators/#groupe>

7 <https://www.lvmh.com/news-documents/press-releases/growth-continues-at-the-same-pace-q3-2022/>

8 <https://www.tourism.gov.mv/dms/document/f7af03760f3d3e2f1c-ca1040edac55d4.pdf>

9 http://paper.people.com.cn/rmrb/html/2023-01/09/nw.D110000renmrb_20230109_1-03.htm