

Tourism - China

China Tourism monthly (Feb) – Expansion of IVS scheme; solid domestic RevPAR

Industry Overview

HK/Macau IVS expansion: See room to expand further

On 23 Feb, the Central government announced that it will expand the scope of the HK/Macau IVS scheme by adding 2 more cities (Xi'an and Qingdao) to the existing 49 cities coverage, effective from 6 March. The 49 cities coverage has not been revised since the last relaxation in 2007. The relaxation could be a response to the request by HK government due to slower than expected macro recovery in HK. We estimate +LSD impact to HK/Macau visitations/spending. We expect scope for IVS coverage to further expand in the future. Other potential cities to be included could be capital cities of the provinces not yet covered and the remaining Tier 2-3 cities with high GDP.

China Hotels: Jan'24 RevPAR +16% YoY

According to STR, Jan'24 China RevPAR was up 16% YoY driven by 12pps YoY increase in OCC partly offset by 7% YoY decline in ADR. Weekly RevPAR recovery level was +8% YoY in the last week of Jan (28 Jan – 3 Feb), -16% YoY in the first week of Feb (4 Feb – 10 Feb), +55% YoY in the second week (11 Feb – 17 Feb) and -25% YoY in the third week (18 Feb – 24 Feb). RevPAR of trailing 28 days until Feb 24 was up 5.4% YoY. As such, we estimate RevPAR growth for leading branded operators in China remains positive in Jan-Feb combined.

DF: Jan sales at RMB3.6bn (-43% YoY)

According to Haikou customs, Hainan DF sales was down 43% YoY to RMB3.6bn in Jan'24, driven by 21% YoY decline in purchasers and 28% decline in average spend per purchaser to RMB5,829. In terms of product category breakdown, sales of watches/handbags and suitcases/C&P products underperformed with 54%/49%/44% YoY decline while jewellery outperformed with 35% decline in Jan'24. The highest sales mix remains C&P at 40%, followed by 17% for jewellery and 10% for clothing in Jan'24.

Macau back to 84% vs. '19; HK back to 60% vs. '18

Macau: Total visitation/mainland visitation was 2.86mn/2.06mn in Jan'24, recovering to 84%/82% of the 2019 level (vs. 96%/94% in Dec'23). FY23 total visitation/mainland visitation was 28.2mn/19mn, recovering to 72%/68% of the 2019 level. **Hong Kong:** Total visitation/mainland visitation was 3.93mn/2.94mn in Dec'23, recovering to 60%/57% of the 2018 level (vs. 55%/52% in Nov'23). FY23 total visitation/mainland visitation was 34mn/26.8mn, recovering to 52%/52% of the 2018 level.

Outbound: See improvement for short-haul destinations

We have seen recovery for both absolute visitations and recovery rate vs. 2019 for several short-haul outbound destinations in Dec'23/Jan'24, including Taiwan/Japan/Philippines/Vietnam/Singapore.

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China
Leisure

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DF: Duty free

CNY: Chinese New Year

GW: Golden week

IVS: Individual Visit Scheme

OCC: Occupancy

ADR: Average Daily Rate

C&P: Cosmetics and perfumes

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Expansion of IVS scheme

On 23 Feb, the Central government announced that it will expand the scope of HK/Macau IVS scheme by adding 2 more cities (Xi'an and Qingdao) to the existing 49 cities coverage, effective from 6 March. The 49 cities coverage has not been revised since the last relaxation in 2007. The relaxation could be a response to the request by HK government due to slower than expected macro recovery in HK. We estimate +LSD impact on HK/Macau visitations/spending. We see scope for IVS coverage to further expand in the future. Other potential cities to be included could be capital cities of the provinces not yet covered and the remaining Tier 2-3 cities with high GDP.

So far, IVS has been introduced to all 4 municipalities, 18 provinces (a total of 23 provinces in China) and 1 autonomous region (a total of 5 autonomous regions in China). All four Tier 1 cities and fifteen new Tier 1 cities are covered after the recent inclusion of Xi'an and Qingdao. Only 18 of the total 30 Tier 2 cities have been covered. We expect scope for IVS coverage to further increase. Other potential cities to be included could be capital cities of the provinces not yet covered eg. Harbin, Taiyuan, Lanzhou, Xining, and the remaining Tier 2 and Tier 3 cities with high GDP eg. Nantong, Changzhou, Yantai, Tangshan, Xuzhou, Wenzhou etc. (see Exhibit 4 and 5 for more details).

Exhibit 1: Timeline of IVS cities introduction

Xi'an and Qingdao are newly introduced since last batch of cities were introduced in 2007

IVS cities introduced	
Jul 2003	Dongguan, Foshan, Zhongshan, Jiangmen
Aug 2003	Guangzhou, Shenzhen, Zhuhai, Huizhou
Sep 2003	Shanghai, Beijing
Jan 2004	Shantou, Chaozhou, Meizhou, Zhaoqing, Qingyuan, Yunfu
May 2004	Shanwei, Maoming, Zhanjiang, Shaoguan, Jieyang, Heyuan, Yangjiang
Jul 2004	Nanjing, Suzhou, Wuxi, Hangzhou, Ningbo, Taizhou, Fuzhou, Xiamen, Quanzhou
Mar 2005	Tianjin, Chongqing
Nov 2005	Chengdu, Jinan, Dalian, Shenyang
May 2006	Nanchang, Changsha, Nanning, Haikou, Guiyang, Kunming
Jan 2007	Shijiazhuang, Zhengzhou, Changchun, Hefei, Wuhan
Mar 2024	Xi'an, Qingdao

Source: Government data

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Exhibit 2: IVS cities introduced by provinces

Cities in 4 municipalities, 18 provinces and 1 autonomous region have been covered

Province	Cities introduced	#cities introduced
Guangdong	All 21 cities	21
Municipality	Beijing, Shanghai, Tianjin, Chongqing	4
Jiangsu	Nanjing, Suzhou, Wuxi	3
Zhejiang	Hangzhou, Ningbo, Taizhou (台州)	3
Fujian	Fuzhou, Xiamen, Quanzhou	3
Liaoning	Dalian, Shenyang	2
Shandong	Jinan, Qingdao	2
Sichuan	Chengdu	1
Jiangxi	Nanchang	1
Hunan	Changsha	1
Guangxi	Nanning	1
Hainan	Haikou	1
Guizhou	Guiyang	1
Yunnan	Kunming	1
Hebei	Shijiazhuang	1
Henan	Zhengzhou	1
Jilin	Changchun	1
Anhui	Hefei	1
Hubei	Wuhan	1
Shaanxi	Xi'an	1

Source: Government data, BofA Global Research

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Exhibit 3: IVS cities by city tier

All 19 Tier 1/New Tier 1 cities and 18 of the total 30 Tier 2 cities have been covered

	IVS cities	#cities
Tier 1	Beijing, Shanghai, Guangzhou, Shenzhen	4
New Tier 1	Chengdu, Shenyang, Tianjin, Chongqing, Changsha, Kunming, Zhengzhou, Wuhan, Nanjing, Hangzhou, Ningbo, Dongguan, Suzhou, Xi'an, Qingdao	15
Tier 2	Wuxi, Jinan, Dalian, Nanchang, Nanning, Haikou, Guiyang, Shijiazhuang, Changchun, Hefei, Fuzhou, Xiamen, Zhuhai, Huizhou, Quanzhou, Foshan, Zhongshan, Taizhou (台州)	18
Tier 3	Shantou, Chaozhou, Meizhou, Zhaoqing, Qingyuan, Zhanjiang, Jieyang, Jiangmen	8
Tier 4	Shanwei, Maoming, Shaoguan, Heyuan, Yangjiang	5
Tier 5	Yunfu	1
Total		51

Source: Government data, Yicai, BofA Global Research

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Exhibit 4: Provinces where IVS visa not introduced

Capital cities of the provinces not yet covered could be candidates for future IVS expansion eg. Harbin, Taiyuan, Lanzhou, Xining

Provinces not yet covered	Capital city
Shanxi (山西)	Taiyuan
Heilongjiang	Harbin
Gansu	Lanzhou
Qinghai	Xining

Source: Government data, BofA Global Research

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Exhibit 5: IVS visa coverage in TOP50 GDP cities (highlighted cities are not covered)

The remaining Tier 2 and Tier 3 cities with high GDP could be candidates for future IVS expansion eg. Nantong, Changzhou, Yantai, Tangshan, Xuzhou, Wenzhou and etc.

GDP ranking in 2022	City	Tier 2 city	Tier 3 city	Below Tier 3
1	Shanghai			
2	Beijing			
3	Shenzhen			
4	Chongqing			
5	Guangzhou			
6	Suzhou			
7	Chengdu			
8	Wuhan			
9	Hangzhou			
10	Nanjing			
11	Tianjin			
12	Ningbo			
13	Qingdao			
14	Wuxi			
15	Changsha			
16	Zhengzhou			
17	Foshan			
18	Fuzhou			
19	Quanzhou			
20	Jinan			
21	Hefei			
22	Xi'an			
23	Nantong	Y		
24	Dongguan			
25	Changzhou	Y		
26	Yantai	Y		
27	Tangshan		Y	
28	Xuzhou	Y		
29	Dalian			
30	Wenzhou	Y		
31	Xiamen			

Exhibit 5: IVS visa coverage in TOP50 GDP cities (highlighted cities are not covered)

The remaining Tier 2 and Tier 3 cities with high GDP could be candidates for future IVS expansion eg. Nantong, Changzhou, Yantai, Tangshan, Xuzhou, Wenzhou and etc.

GDP ranking in 2022	City	Tier 2 city	Tier 3 city	Below Tier 3
32	Shenyang			
33	Kunming			
34	Shaoxing	Y		
35	Weifang		Y	
36	Nanchang			
37	Yangzhou	Y		
38	Shijiazhuang			
39	Yancheng		Y	
40	Changchun			
41	Jiaxing	Y		
42	Yulin			Y
43	Taizhou (泰州)		Y	
44	Taizhou (台州)			
45	Xiangyang		Y	
46	Linyi		Y	
47	Zhangzhou		Y	
48	Luoyang		Y	
49	Ordos			Y
50	Taiyuan	Y		

Source: Government data, Yicai, BofA Global Research

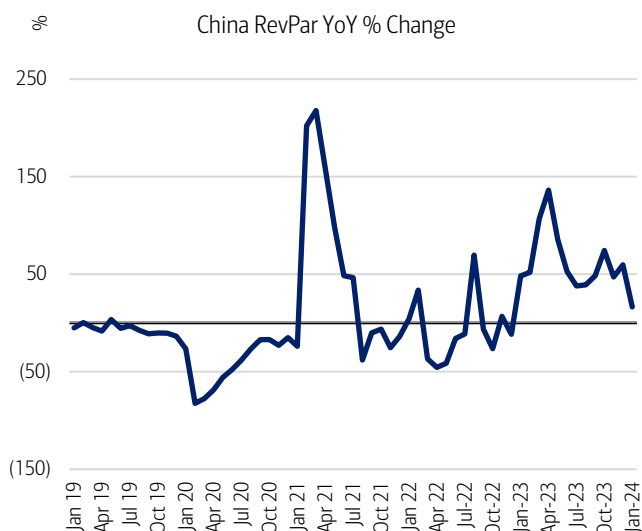
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China RevPAR: Jan'24 RevPAR +16% YoY

According to STR, Jan'24 China RevPAR was up 16% YoY driven by 12pps YoY increase in OCC partly offset by 7% YoY decline in ADR. Weekly RevPAR recovery level was +8% YoY in the last week of Jan (28 Jan – 3 Feb), -16% YoY in the first week of Feb (4 Feb – 10 Feb), +55% YoY in the second week (11 Feb – 17 Feb) and -25% YoY in the third week (18 Feb – 24 Feb). RevPAR of trailing 28 days until Feb 24 was up 5.4% YoY. As such, we estimate RevPAR growth for leading branded operators in China remains positive in Jan-Feb combined.

Exhibit 6: China monthly RevPAR change YoY (%)

China monthly RevPAR increase by 16% YoY in Jan'24

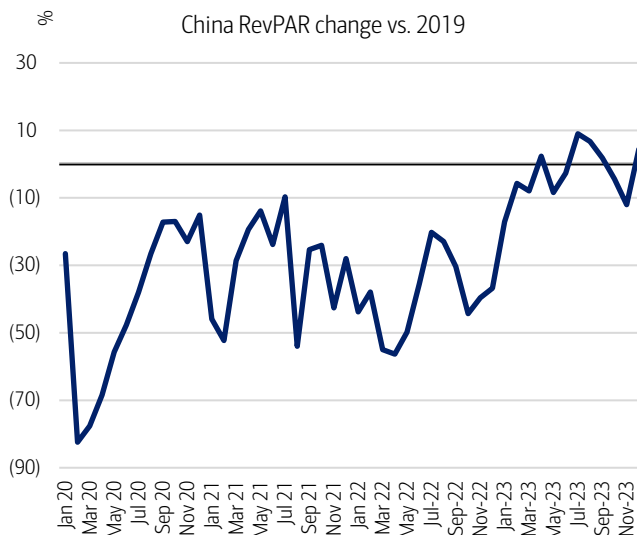


Source: STR Global, BofA Global Research

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Exhibit 7: China monthly RevPAR change vs. 2019 level (%)

China monthly RevPAR was up by 4.5% vs. 2019 level in Dec'23



Source: STR Global, BofA Global Research

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Exhibit 8: China weekly RevPAR change YoY (%)

China weekly RevPAR declined by 25% YoY in the week beginning on 18 Feb, 2024

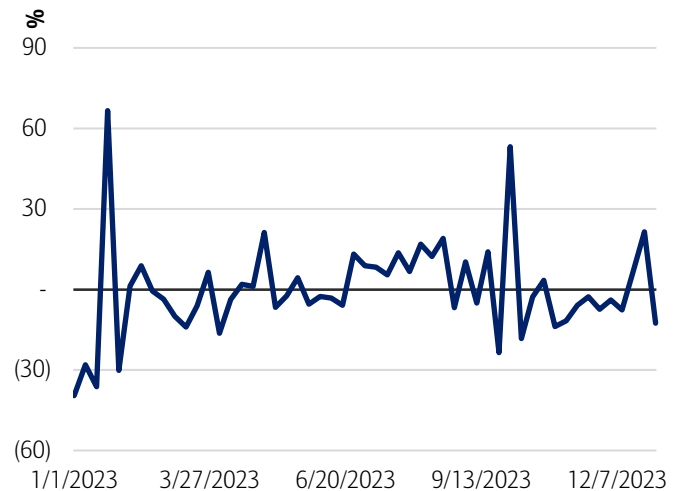


Source: STR Global, BofA Global Research

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Exhibit 9: China weekly RevPAR change vs. 2019 level (%)

China weekly RevPAR declined by 13% vs. the 2019 level in the week beginning on 31 Dec, 2023



Source: STR Global, BofA Global Research

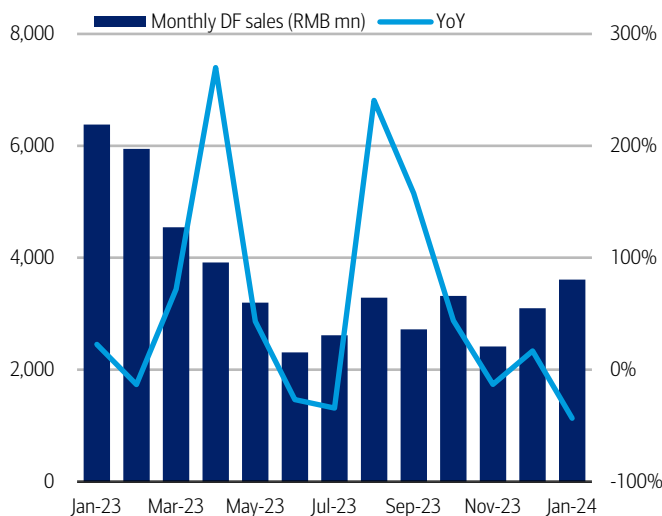
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Hainan DF: Jan'24 sales at RMB3.6bn

According to Haikou customs, Hainan DF sales was down 43% YoY to RMB3.6bn in Jan'24, driven by 21% YoY decline in purchasers and 28% decline in average spend per purchaser to RMB5,829.

Exhibit 10: Hainan monthly DF sales (RMB mn)

Hainan DF sales was RMB3.6bn in Jan'24

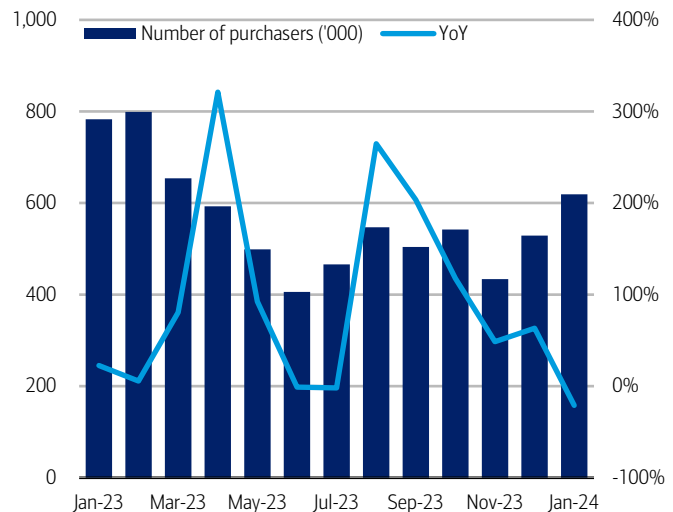


Source: Haikou customs

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Exhibit 11: Hainan monthly DF purchasers ('000)

Hainan monthly DF purchasers were 619k in Jan'24

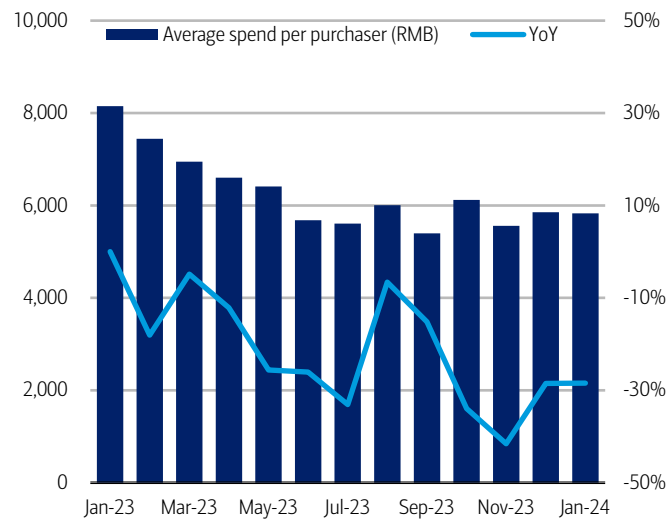


Source: Haikou customs

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Exhibit 12: Hainan monthly DF sales per purchaser (RMB)

Hainan monthly DF sales per purchaser was RMB5,829 in Jan'24

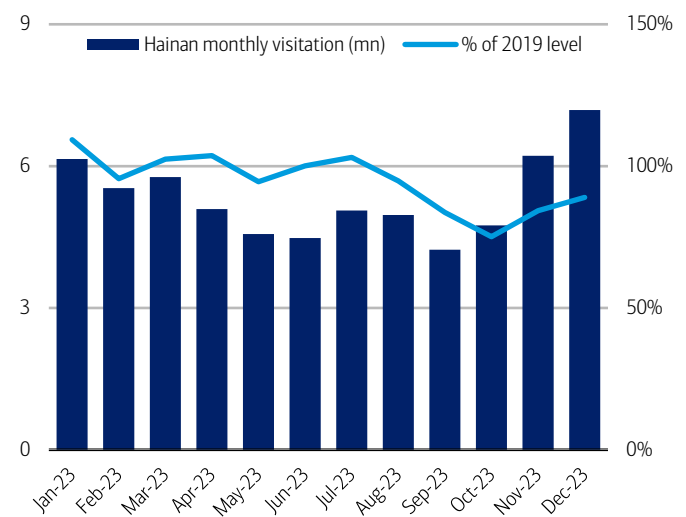


Source: Haikou customs

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Exhibit 13: Hainan monthly visitation (overnight)

Hainan recorded 7.19mn monthly overnight visitation in Dec'23, recovering to 89% of the 2019 level



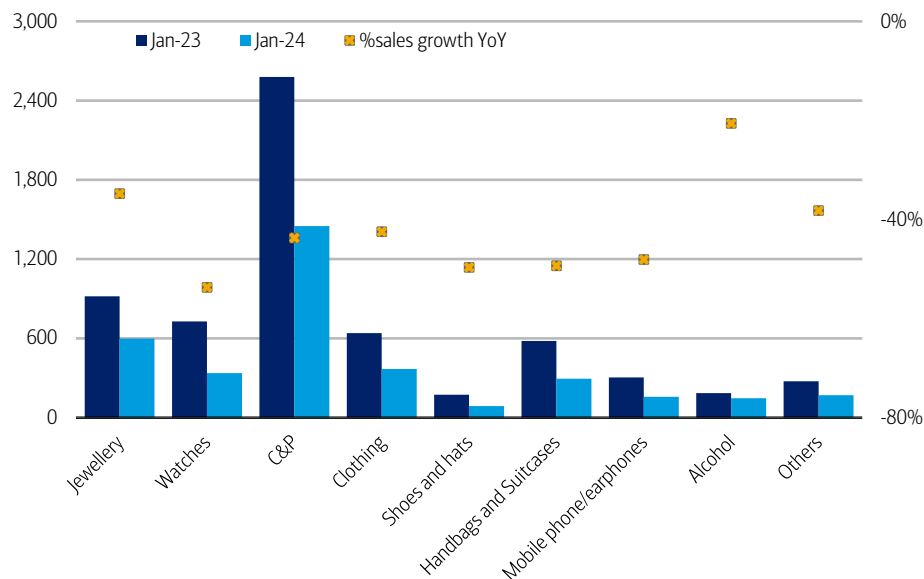
Source: Hainan government

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In terms of product category breakdown, watches/handbags and suitcases/C&P products led the decline with sales down by 54%/49%/44% YoY, while jewellery/alcohol outperformed with sales down by 35%/21% YoY. C&P, jewellery, clothing and watches remain the top four product categories in terms of sales mix. Sales mix from C&P products and clothing remained flat YoY at 40% and 10% in Jan'24, respectively. Sales mix from jewellery/alcohol was up by 3pps/1pps YoY to 17%/4% while watches/handbags and suitcases declined by 2pps/1pps YoY to 9%/8% respectively.

Exhibit 14: Hainan duty free sales by product category in Jan'24 (RMB mn)

DF sales of jewellery and alcohol outperformed in Jan'24

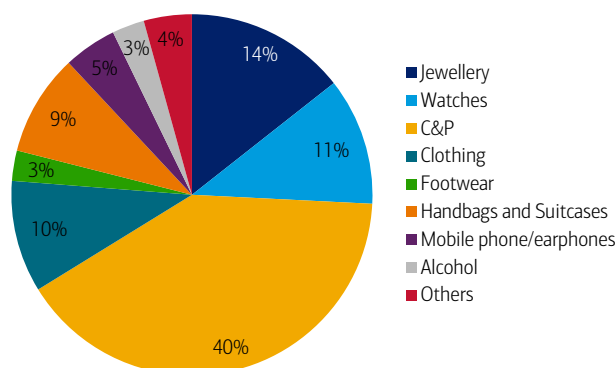


Source: Haikou customs

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Exhibit 15: Hainan duty free sales mix in Jan'23

C&P products accounted for 40% of total DF sales in Jan'23

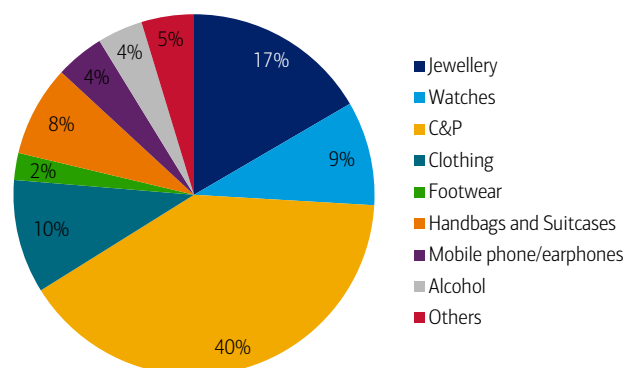


Source: Haikou customs

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Exhibit 16: Hainan duty free sales mix in Jan'24

C&P products accounted for 40% of total DF sales in Jan'24, flat YoY



Source: Haikou customs

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Hainan DF sales stood at RMB2.49bn during the 8-day CNY holiday with daily average of RMB311mn. The daily sales exceeded 2023 May and Oct GW levels on both higher purchaser numbers and average spend per purchaser.

Exhibit 17: DF sales during key holiday seasons

Daily sales during CNY'24 exceeded 2023 May and Oct GW levels on both higher purchaser numbers and average spend per purchaser

GW	Date	DF sales (RMB mn)	Ave. daily DF sales (RMB mn)	DF shoppers	Ave. spend per capita (RMB)
2022 CNY	1/31/2022 - 2/6/2022	1,473	210	143,366	10,277
2023 CNY	1/21/2023 - 1/27/2023	1,560	223	157,000	9,936
2023 May GW	4/29/2023 - 5/3/2023	883	177	109,000	8,101
2023 Oct GW	9/29/2023 - 10/6/2023	1,330	166	170,000	7,824
2024 CNY	2/10/2024 - 2/17/2024	2,489	311	297,700	8,358
Daily breakdown	2/10/2024		245		
	2/11/2024 - 2/12/2024		318		
	2/13/2024		336		
	2/14/2024		368		
	2/15/2024		315		
	2/16/2024		314		
	2/17/2024		275		

Source: Haikou customs, BofA Global Research

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Outbound visitations summary

Macau: Total visitation/mainland visitation was 2.86mn/2.06mn in Jan'24, recovering to 84%/82% of the 2019 level (vs. 96%/94% in Dec'23). FY23 total visitation/mainland visitation was 28.2mn/19mn, recovering to 72%/68% of the 2019 level. **Hong Kong:** Total visitation/mainland visitation was 3.93mn/2.94mn in Dec'23, recovering to 60%/57% of the 2018 level (vs. 55%/52% in Nov'23). FY23 total visitation/mainland visitation was 34mn/26.8mn, recovering to 52%/52% of the 2018 level.

In FY23, there is a wide range of recovery level of 15-70% vs. 2019 for different popular destinations for the Chinese. Visitations recovery picked up quickly in 1H23 post reopening but remained fluctuated post summer holidays. We have seen recovery in both absolute visitations and recovery rate vs. 2019 for several short-haul outbound destinations in Dec'23/Jan'24, including Taiwan/Japan/Philippines/Vietnam/Singapore.

Exhibit 18: Chinese visitation recovery

There is a wide range of recovery level of 15-70% vs. 2019 for different popular destinations for the Chinese in FY23.

		FY18	FY23	% recovery
Greater China	Hong Kong	51,038,230	26,760,453	52%
		FY19	FY23	% recovery
Greater China	Macau	27,923,219	19,049,147	68%
	Taiwan	2,683,093	218,017	8%
APAC	Japan	9,594,394	2,425,040	25%
	Thailand	11,138,658	3,521,095	32%
	Philippines	1,743,309	263,836	15%
	Vietnam	5,806,425	1,743,204	30%
	Singapore	3,618,705	1,363,920	38%
	Australia	1,438,700	535,790	37%
North America	US	2,829,970	1,078,056	38%
	Canada	749,944	224,963	30%

Source: Hong Kong C&SD, Macau DSEC, Taiwan MOTC, JTB, Philippines Department of Tourism, Vietnam Tourism, Stan, Tourism Australia, US International Trade Administration, Statistics Canada

*We use 2018 for comparison for Hong Kong as mainland visitations to HK was negatively affected by social events in 2H19.

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Exhibit 19: Monthly Chinese visitations summary

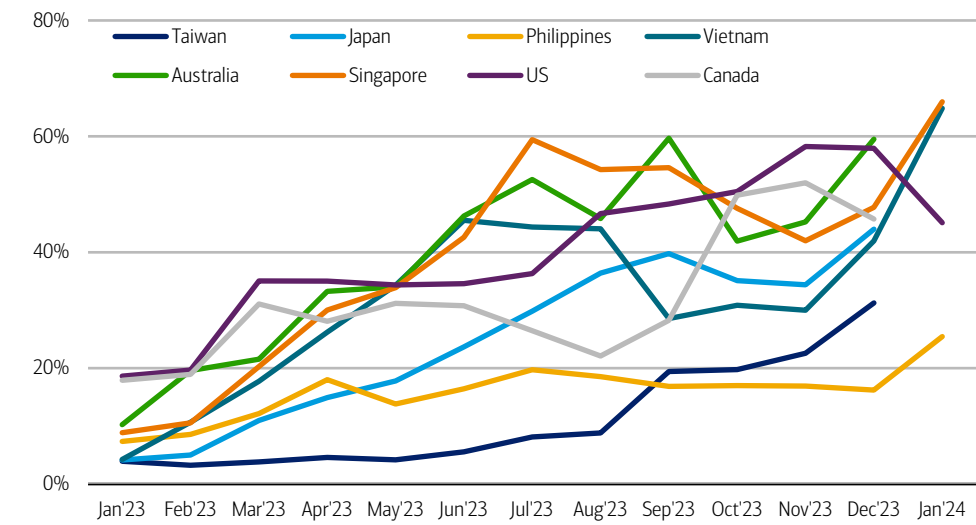
Visitations recovery to major destinations improved sequentially in Dec'23 and Jan'24

		Jan'23	Feb'23	Mar'23	Apr'23	May'23	Jun'23	Jul'23	Aug'23	Sep'23	Oct'23	Nov'23	Dec'23	Jan'24
Greater China	Hong Kong	280,525	1,109,885	1,970,777	2,308,561	2,285,859	2,155,143	2,975,846	3,435,296	2,163,389	2,703,066	2,427,471	2,944,635	
	% recovery (vs. 2018)	7%	25%	54%	57%	60%	59%	68%	71%	58%	58%	52%	57%	
	Macau	991,641	1,003,999	1,242,358	1,386,944	1,474,304	1,444,933	1,910,371	2,322,580	1,589,423	1,949,510	1,770,861	1,962,223	2,056,133
	% recovery (vs. 2019)	40%	39%	52%	59%	61%	69%	74%	88%	83%	83%	87%	94%	82%
APAC	Taiwan	9,336	9,103	10,208	14,013	13,073	14,371	26,011	24,777	22,057	22,146	21,374	31,548	
	% recovery (vs. 2019)	4%	3%	4%	5%	4%	6%	8%	9%	19%	20%	23%	31%	
	Japan	31,291	36,285	75,814	108,295	134,510	208,573	313,328	364,228	325,645	256,371	258,300	312,400	
	% recovery (vs. 2019)	4%	5%	11%	15%	18%	24%	30%	36%	40%	35%	34%	44%	
	Philippines	9,648	14,904	19,281	25,076	18,071	21,818	33,874	31,656	25,355	23,728	21,440	18,985	33,389
	% recovery (vs. 2019)	7%	9%	12%	18%	14%	16%	20%	19%	17%	17%	17%	16%	25%
	Vietnam	15,875	55,029	69,329	111,903	146,755	158,260	180,426	212,301	172,694	184,370	202,009	234,253	242,181
	% recovery (vs. 2019)	4%	11%	18%	26%	34%	46%	44%	44%	29%	31%	30%	42%	65%
	Singapore	28,360	35,310	60,890	90,720	95,610	113,290	231,330	215,400	135,680	122,770	104,350	130,210	211,190
	% recovery (vs. 2019)	9%	11%	20%	30%	34%	43%	59%	54%	55%	48%	42%	48%	66%
North America	Australia	14,630	40,430	26,810	32,000	32,210	37,330	79,040	58,790	59,080	43,060	45,880	66,530	
	% recovery (vs. 2019)	10%	20%	22%	33%	34%	46%	53%	46%	60%	42%	45%	60%	
	US	63,386	40,829	67,440	64,637	87,622	86,392	110,533	174,032	118,969	84,640	77,020	102,556	153,532
	% recovery (vs. 2019)	19%	20%	35%	35%	34%	35%	36%	47%	48%	50%	58%	58%	45%
	Canada	10,143	8,700	10,632	11,977	19,389	23,822	27,642	23,527	25,422	29,373	15,468	18,868	
	% recovery (vs. 2019)	18%	19%	31%	28%	31%	31%	26%	22%	28%	50%	52%	46%	

Source: Hong Kong C&SD, Macau DSEC, Taiwan MOTC, JTB, Philippines Department of Tourism, Vietnam Tourism, Stan, Tourism Australia, US International Trade Administration, Statistics

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Exhibit 20: Recovery of monthly Chinese visitations to key destinations
Visitations recovery to major destinations improved sequentially in Dec'23 and Jan'24



Source: Hong Kong C&SD, Macau DSEC, Taiwan MOTC, JTB, Philippines Department of Tourism, Vietnam Tourism, Stan, Tourism Australia, US International Trade Administration, Statistics Canada

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R1}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R1} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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