

# Chinese consumers are gearing up for the Labor Day Golden Week

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China will begin its 5-day Labor Day holiday from May 1, which is being seen as a test for the tourism and consumer industries. The positive consumer and retail spending since late last year is expected to continue.

With its success in containing the pandemic, China's retail sales surged 34.2% year-on-year in March, surpassing a 28.0% gain expected by analysts and stronger than the 33.8% jump in January-February. More significantly, retail revenues were 12.9% higher than March 2019 - before the pandemic.<sup>1</sup>

This year, major provinces and cities in China are gearing up to an expected consumer boom during the Labor Day Golden Week. For example, China will kick off the month-long spending campaign on May 1 in Shanghai with activities including a car show.<sup>1</sup>

Hainan, a major consumption and tourism hub, will hold the inaugural consumer goods expo from May 7-10, showcasing domestic products & consumer brands from 69 countries.<sup>1</sup>

In 2020, China's avg daily retail sales among key retailers during the Labor Day holiday rose 31% compared with the Qing Ming festival on 4-6 April.<sup>2</sup>

## A preview of the consumer boom during the 2021 Golden Week - a summary of preliminary data and market expectations

Tourist volume	<ul style="list-style-type: none"><li>The Ministry of Culture and Tourism expect tourist volume of 149mn for the 5-day holiday, vs. 102mn for the Qingming Festival 3-day holiday.<sup>3</sup></li></ul>
Air ticketing	<ul style="list-style-type: none"><li>Volume +23% vs. 2019; ASP Rmb1,021, slightly above 2019 level.</li><li>Third tier cities such as Yangzhou, Zhoushan and Beihai saw triple digit growth in ticketing volume.<sup>4</sup></li><li>Shanghai, Beijing, Sanya, Guangzhou and Chengdu remain the hottest destinations.</li></ul>
Accommodation	<ul style="list-style-type: none"><li>Room night +43% vs. 2019; average pricing exceeded 2019 level.</li><li>High-star hotels were amongst the most popular picks with 4-/5-star hotels accounting for over half of total bookings.<sup>4</sup></li></ul>
Attraction ticketing	<ul style="list-style-type: none"><li>Volume +114% vs. 2019, on recently lifted tourist limits at attractions in areas such as Shanghai, Sichuan and Zhengzhou.<sup>4</sup></li><li>Theme Parks, Zoological and Botanical Gardens, Museums, Exhibitions and Architecture Humanities are amongst the hottest attractions.</li></ul>
Box Office	<ul style="list-style-type: none"><li>The advance box office sales of new films totaled 60 million yuan as of Apr 26. More than ten new titles will be released on April 30.<sup>5</sup></li></ul>

## **Other major developments - Hong Kong-Singapore travel bubble**

- Hong Kong-Singapore travel bubble will start on May 26. Quarantine-free travel between the two Asian air hubs will begin before the summer school holidays in a boost for tourism.<sup>6</sup>
- The long-awaited air travel bubble is a significant move between two aviation and financial services hubs in Asia to reopen the connections among economies.

## **Investment Implications**

The strong momentum of Chinese consumer spending in the past few months is a testimony of China's transiting to a consumption-led economy.

The strong growth in online bookings, high-end accommodations and attraction tickets ahead of the Golden Week clearly indicate the sustainable trends of digitalization, ecommerce and premiumization in China.

As such, investing in Chinese / Asian equities using a thematic approach targeting these sectors / trends could be a preferable strategy for long-term investors.

Source:

<sup>1</sup> <https://www.reuters.com/article/china-economy-idCNL1N2MJ01L>

<sup>2</sup> Fitch Rating, as of May 19, 2021

<sup>3</sup> Morgan Stanley research report, April 23, 2021

<sup>4</sup> Goldman Sachs research report, April 19, 2021

<sup>5</sup> [http://www.xinhuanet.com/english/2021-04/26/c\\_139908098.htm](http://www.xinhuanet.com/english/2021-04/26/c_139908098.htm)

<sup>6</sup> <https://www.scmp.com/week-asia/explained/article/3131081/hong-kong-singapore-travel-bubble-start-may-26-all-you-need>

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