

May 2023

China Brief

China on the Move: 274 Million Travelers During the May Day Holiday

Steve Saxon, Jackey Yu, Daniel Zipser

China recently concluded its May Day Holiday period, which stretched for five consecutive days from April 29 to May 3. After experiencing a solid recovery in consumption in the first quarter of the year, expectations for a resumption of tourist activity during the holiday period were running high.

The results did not disappoint: a staggering 274 million people traveled domestically during this time, a 20 percent increase over the pre-COVID May Day Holiday period in 2019.

Chengdu topped the list with 19 million visitors, a number greater than the city's population, followed by Shanghai, with 16 million visitors. Another interesting development is that travel to Hainan exceeded that of Hong Kong. Sanya, a major tourist city in Hainan, registered 724,000 visitors, almost three times more than in 2019.

Exhibit 1

2023 China May Day Holiday update

274 million

domestic trips

19.4 million
visitors to

Chengdu

Sanya (Hainan)

attracted more tourists than
Hong Kong

20%

more trips than the
same period in
2019

15.7 million
visitors to

Shanghai

Close to

**RMB 1 billion
duty-free**

sales in **Hainan**

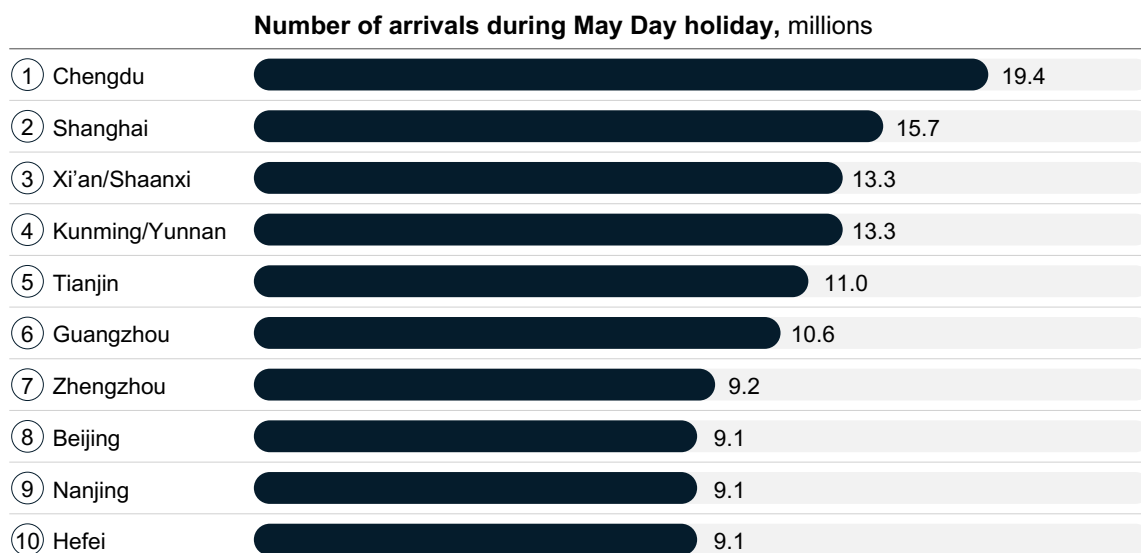
Source: City Culture and Tourism Bureaus, Sina.com

Double-clicking on the most visited tourist destinations reveals a combination of major Tier-1 metropolises like Shanghai, Guangzhou, and Beijing, as well as other popular destinations such as Chengdu (Sichuan), Kunming (Yunnan), and Xi'an (Shaanxi).

In fact, many of the most popular tourist sites reached capacity over the holiday period, including the Summer Palace, Badaling Great Wall, and Lama Temple in Beijing, as well as the Nanjing Museum and the Shanghai Museum. Popular amusement parks, including Shanghai Disneyland and Universal Beijing Resort, also reached maximum capacity.

Exhibit 2

Major tourist destinations during 2023 China May Day holiday



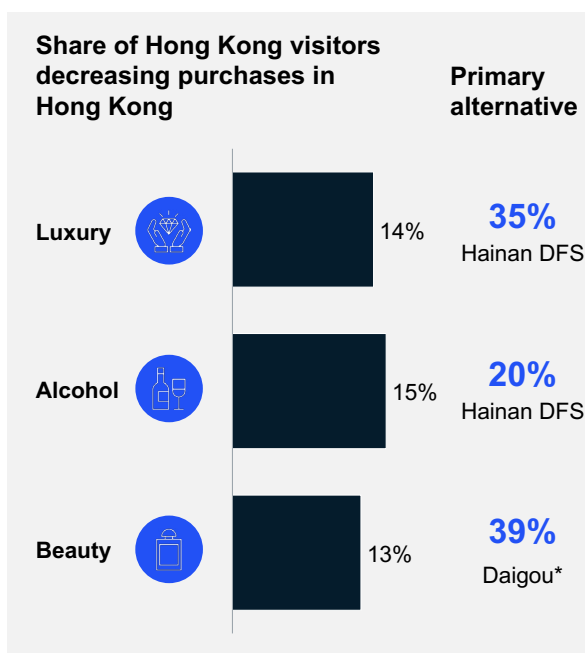
The luxury industry in particular is keeping a close watch on the evolution of tourism to Hainan Island and Hong Kong following China's post-COVID re-opening. In a survey of Greater Bay Area travelers to Hong Kong, conducted in March 2023, 14 percent of respondents indicated they would decrease their luxury spending in Hong Kong and instead shift it to Hainan, or to other regions and channels.

Similar patterns were observed for spending on beauty products and alcohol. During the May Day holiday travel period, both Hong Kong and Hainan saw healthy tourism numbers (724,000 to Sanya/Hainan and 626,000 to Hong Kong). Hong Kong is still widely regarded by Mainland tourists as offering some of the latest products that they consider safe and high-quality.

Exhibit 3

Hong Kong and Hainan competing for luxury shoppers

Visitors during 2023 China May Day holiday



* Goods purchased abroad on behalf of domestic shoppers
 Source: McKinsey GBA consumer survey 2023 (Sample size N=1,155); City Culture and Tourism Bureaus, Sina.com

In our recent Q1 update on China's consumption recovery, we used the term "cautiously optimistic" to characterize our outlook. The exceptionally strong travel figures during the May Day holiday period

supports our stance. We will continue to monitor summer travel trends and observe how overall consumer confidence evolves in the coming months.

Steve Saxon is a partner in McKinsey & Company's Shenzhen office, where **Daniel Zipser** is a senior partner. **Jackey Yu** is a partner in Hong Kong.