

The Impact of RMB Exchange Rate Change on Inbound Tourism in China

Yiran Zhuang

Jinan University Town Experimental Senior High School, Jinan, Shandong 250399, China

Abstract

Since China joined the WTO, China's import and export trade has been developing at a high speed, and the scale of the tourism industry has gradually expanded. China's outbound passengers have been growing significantly but China's tourism foreign exchange income has been growing at a slower rate. The exchange rate of RMB is an important international economic indicator, which is of great research value for China's inbound tourism. Therefore, it is of constructive practical significance to study the impact of RMB exchange rate changes on China's inbound tourism.

Keywords

RMB Exchange Rate; China Inbound Tourism; Impact; Measure.

1. Introduction

1.1. Research Background

Since the 21st century, the tertiary industry has played an important role in China's economic development. Its main representative is the service industry. Tourism is the most important part of trade services. First, it has strong international competitiveness and huge development prospects. Second, the development of the tourism industry is closely connected with other industries to a certain extent, which can significantly promote the development and income generation of other industries and has a certain value for cultural exchanges. Third, all countries have realized the advantages of natural wealth creation in the tourism industry. Although its historical development is relatively short at present, the governments of all countries are paying attention to the introduction of relevant policies and research on the development of the tourism industry. Hence, it has a great significance to explore the tourism industry.

In 2001, China joined the WTO. Since then, China's import and export trade has developed at a high speed, and the scale of the tourism industry has gradually expanded. According to relevant research, China's outbound tourists have grown significantly but China's foreign exchange income from tourism has grown at a slower rate. From this, we can see that it is worth thinking about how to promote our inbound tourism and increase income generation.

Prices of tourism products are affected by changes in exchange rates so changes in exchange rates can affect supply and demand in the inbound tourism market. With the appreciation of RMB, the number of inbound tourists will also increase. Therefore, we can think about what impact the change of RMB exchange rate will have on inbound tourism in our country, and what measures and decisions should be taken to increase our foreign exchange income and promote our economic development.

1.2. The Significance of the Study

This paper focuses on the study of inbound tourism in China. In the fierce market of domestic and foreign tourism services, the development of tourism in various countries is mainly reflected in income generation from inbound tourism. Through the analysis of the change in RMB exchange rate, we can explore one of the influencing factors of China's inbound tourism in

depth in one dimension, and then come up with certain measures and methods, which can enhance the competitiveness of China's inbound tourism and improve the foreign exchange earning capacity of China's tourism industry.

2. Relevant Concepts

2.1. The Relevant Concepts and Influencing Factors of Exchange Rates

The effective exchange rate is the rate that excludes inflation. It is the exchange rate formed between two currencies by putting the currencies of two countries into the market at the same price level. The real exchange rate reflects the relative price level of two countries' commodities measured in the same currency, which can deeply reflect the relative purchasing power of a country's currency in the international market.

Several factors affect the exchange rate changes. The first one is the balance of payments, which is the most important factor in the exchange rate changes. When the international expenditure exceeds the income, the demand for the country's currency in the international market will decrease, and then the domestic currency will appreciate. When the international expenditure is less than the income, the international market will depreciate and the exchange rate will fall. The Second one is the relative inflation rate. When the inflation rate in this country is high, people do not want to hold more of this country's currency. Hence, people's demand for other countries' currencies will increase and the prices of other countries' currencies will rise and the exchange rate will rise. The third is GDP. Obviously, GDP represents a country's economic prosperity, which will inevitably affect the exchange rate changes.

2.2. Relevant Concepts and Influencing Factors of Inbound Tourism

Inbound tourism refers to the behavior of foreign tourists visiting a certain country for leisure or business purposes. This is an important source of income for many countries, and also a way of cultural exchange and international cooperation. The definition of inbound tourism in China was pointed out as early as in the China Cultural and Tourism Statistical Yearbook, which refers to the inbound tourists who are foreigners, overseas Chinese, and compatriots from Hong Kong and Macao who stay in our country for at least one night.

The influencing factors of inbound tourism mainly include the following aspects. The first one is the demographic factor. The second one is the economic factor, which is mainly tourists' travel costs and disposable income. The third one is the social factor. Social events such as the Olympics will increase the demand for inbound tourism in the country, while some dangerous social factors will significantly reduce the demand for inbound tourism. The last one is the political factor. Political stability will have a positive impact, while political instability and low openness will have a negative impact.

3. The Development of the RMB Exchange Rate and the Current Situation of Inbound Tourism in China

3.1. The Current Development of the RMB Exchange Rate

Since the 1990s, the exchange rate of RMB has increased from more than 60 to more than 90. The overall trend has been steadily rising so RMB is continuously depreciating. However, the exchange rate of RMB is subject to cyclical changes during this period. Under the influence of the financial crisis in 2008, the RMB appreciated and the real effective exchange rate declined. Since May 2010, the real effective exchange rate of RMB has gradually increased. The short-term influencing factors of the RMB exchange rate are diversified. Financial market and risk events are all influencing factors but the medium-term and long-term exchange rate trend

depends on economic fundamentals. The Economic Daily pointed out that the RMB exchange rate will remain stable at a reasonable and balanced level in 2014 [1].

3.2. The Status Quo of Inbound Tourism Development in China

Since 2001, the scale of China's tourism industry has been expanding, and the number of inbound tourists and foreign exchange income are among the highest in the world. China is a big country of inbound tourism, which generally presents a good situation of supporting growth. Compatriots from Hong Kong and Macao account for the largest proportion of inbound tourists, while the number of Macao compatriots is relatively small. From the perspective of growth rate, the growth rate of foreign tourists among inbound tourists in China is the highest at present. Compatriots from Hong Kong and Macao have gradually shown a stable trend so the growth rate is relatively flat.

According to relevant research and statistics, most of the inbound tourists in our country come for leisure tourism, followed by part-time jobs, business meetings, and visiting relatives or friends. This shows the importance of developing tourism. According to the Statistical Yearbook of Cultural Relics and Tourism of China, it can be found that the largest proportion of foreign exchange income is traffic income, followed by sales of goods and hotel accommodation, and then the catering industry, which also indicates that transportation, cultural products of relevant tourist attractions and catering accommodation account for an important proportion of China's inbound tourism and play an important role in earning foreign exchange from China's inbound tourism [2].

4. The Impact of the RMB Exchange Rate Change on Inbound Tourism in China

4.1. The Impact of the RMB Exchange Rate Rise

There is no doubt that the RMB exchange rate is an important international economic indicator, which has an important impact on China's inbound tourism. This section mainly explores two aspects. One is the RMB exchange rate rising, and the other is the RMB exchange rate falling. As a large country of inbound tourism, the main reasons why China can attract foreign tourists to China include the great influence of cultural communication and the perfect conditions of tourism facilities, among which the most important is the cost of tourism. For inbound tourists, the prices of transportation, tourist attractions, and cultural products are quoted on the basis of RMB. If the fluctuation range of the RMB exchange rate is small relative to the region where inbound tourists are located, the income of inbound tourism in China will have a small impact. When the range of change is large relative to the area where the inbound tourists are located, the price level in China has not changed. However, the price for inbound tourists is rising, and their travel costs will be greatly reduced, which will lead to a decrease in the number of inbound tourists in China. Therefore, China's foreign exchange income will decrease when the RMB exchange rate rises.

4.2. The Impact of the RMB Exchange Rate Decline

When the price level of our country remains unchanged, the exchange rate of RMB will decline. It means that RMB will become worthless, and the money of other countries or regions will be more valuable, the purchasing power of foreign currencies will be increased, and the cost of tourism will be relatively reduced. In this way, more foreign tourists will be attracted to visit China, and China's foreign exchange income will also increase significantly. Similarly, a decline in the exchange rate of RMB will lead to a decrease in foreign investors' trade costs and an increase in profits. This will also increase the trade opportunities between foreign investors and our country. The business tourism activities of domestic investors will also increase, which will inevitably increase our country's outdoor tourism revenue.

5. Some Measures Dealing with the Influence of RMB Exchange Rate Change on China's Inbound Tourism

5.1. The Improvement of Facility Conditions and Enhancement of Service Level

In order to promote the healthy and orderly development of China's inbound tourism, we need to take corresponding effective measures to reduce risks and seize opportunities for the various impacts of RMB exchange rate changes on China's inbound tourism. For inbound tourists, the service level in the whole process of tourism is closely related to their experience, and tourism-related services will also have a profound impact on the development of China's tourism industry. Therefore, various facilities and conditions related to tourism services should be improved to enhance tourists' satisfaction. For example, hotels, transportation, catering, and other aspects should be as perfect as possible to give inbound tourists a feeling of being at home. This is to enhance their good impression of China's tourism and make China's tourism have a good reputation abroad. These measures can attract more foreign friends to visit China.

5.2. The Strengthening of International Tourism Business Cooperation

Cross-border activities can not only achieve trade exchanges but also carry out tourism and business cooperation. Through active exploration, China has built a number of border tourist routes and has a certain influence in the world. In future development, we can actively promote tourism and business cooperation with the countries and regions along the route, create excellent tourism routes and tourism products, and promote the further development of inbound tourism.

5.3. The Full Utilization of Internet Technology

With the rapid development of information technology, most inbound tourists will inquire through relevant travel websites to know the relevant information about the areas to be visited in advance. At the same time, inbound tourists will also book hotel and tourist tickets through the website. Therefore, China should fully use Internet technology, constantly improve the relevant tourism websites, reduce the intermediate cost of overseas tourists' travel, improve convenience, reduce the operating costs of tourism companies, and lower tourism prices. This is to attract more foreign tourists and increase the income of inbound tourism in China.

5.4. The Establishment of a Flexible Tourism Price Mechanism

The rise of the RMB exchange rate mainly increases the travel cost of inbound tourists by affecting the price of tourism products. The pricing of tourism products in China is mainly based on the season, the star rating of scenic spots, and other aspects. There are still some shortcomings in the pricing of such tourism products, and a flexible tourism price mechanism needs to be established. Therefore, it is necessary to grasp the various factors that affect the RMB exchange rate, accurately predict the short-term changes and long-term trends of the RMB exchange rate, and enhance China's competitiveness in the international tourism market. When the RMB exchange rate rises, the price of tourism products can be appropriately reduced. When the RMB exchange rate falls, the foreign exchange income can be increased by appropriately raising the price of tourism products. On the other hand, we can adopt differentiated pricing methods. The eastern region, which is less elastic under the influence of price, can flexibly raise the price of tourism products, while the central and western regions need to consider various factors for pricing [4]. Moreover, it can introduce differentiated tourism products, increase the irreplaceability of China's tourism products, and attract inbound tourists.

5.5. The Improvement of the Quality of Tourism Products

The quality of tourism products has a great influence on attracting inbound tourists. Only high-quality tourism products can attract more overseas tourists, and this attraction can adjust the

impact of exchange rate changes to a certain extent. The first point is to increase the development and protection of tourist attractions in China. In resource-rich tourist areas, it is necessary to strengthen the protection of scenic spots and enhance the popularity of scenic spot brands. In relatively scarce areas, it is necessary to increase the development of tourism resources, package and publicize tourism products, and create popularity. The second point is to improve the transportation of tourist areas. Tourism enterprises in various provinces and cities can cooperate with the transportation industry to improve the level of transportation facilities in tourist attractions, enhance the accessibility of scenic spots, and attract more foreign tourists to play [5].

5.6. The Cultivation of High-quality Tourism Talents

Whether it is tourism or other industries, the core is the talent competition. At present, although there are many people engaged in the tourism industry in China, its comprehensive quality needs to be improved. This will curb the demand of inbound tourists so the country needs to cultivate high-quality tourism talents. The state and government can increase investment in tourism education, carry out educational reform, and cultivate talents needed by the future tourism industry. The tourism industry can increase training, improve the reward and punishment mechanism, and learn advanced management experience so as to improve the comprehensive quality level of tourism personnel and help China strive for a broader international tourism market.

6. Conclusion

To sum up, the change in the RMB exchange rate has a very important impact on inbound tourism in China. when the RMB exchange rate rises, China's foreign exchange income will decrease. When the exchange rate of RMB drops and the purchasing power of foreign currencies increases, China's foreign exchange earnings will also increase significantly. According to these impacts, we can take a series of effective measures to avoid the risk of RMB exchange rate changes, seize the opportunities of the times, attract more overseas tourists, and increase the income of inbound tourism in China by improving the facilities, improving the service level, strengthening international tourism and business cooperation, fully using internet technology, establishing a flexible tourism price mechanism, improving the quality of tourism products and cultivating high-quality and compound tourism talents, etc. in order to promote the healthy and orderly development of inbound tourism in China.

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