

China Internet

Solid travel consumption recovery during CNY

For this year's Chinese New Year (CNY) holiday, the overall travel industry saw solid YoY growth in both tourist volume and income, on both a relatively low base and a robust recovery of long-haul travel. Consumption segmentation trend sustained in travel industry as an increasing number of consumers are willing to spend more for quality services and better experiences. Driven by diversified offline activities and accelerated online penetration propelled by escalating industry competition, local consumer services saw solid GTV growth during the holiday, which we think is likely to sustain throughout 2024. We reiterate our BUY rating on Trip.com Group (TCOM) on potential better-than-expected outbound travel recovery and margin expansion in 1Q24, and greater-than-peers' exposure to high-end consumers. We also expect Meituan to benefit from a potential consumption recovery trend.

- **Travel industry saw solid YoY growth during 2024 CNY holiday.** Per data published (18 Feb) by the Ministry of Culture and Tourism of China (MCT), the total number of tourists over the 2024 CNY holiday (10-17 Feb) reached 474mn, up 34.3% YoY, and was 119.0% of that in the comparable period in 2019 (2023 CNY holiday: 88.6%). Tourism income during the CNY holiday period reached RMB632.7bn, up 47.3% YoY, and was 107.7% of that in 2019 (2023 CNY holiday: 73.1%). The implied average revenue per tourist (ARPU) during the holiday was RMB1,335, up 9% YoY, which we attribute to a further recovery in contribution of long-haul travel. However, the ARPU was still 9% lower than that of 2019, which in our view was due to the impact from macro headwinds, and that there is still room for further recovery of long-haul travel.
- **Consumption segmentation trend sustained.** Although overall travel ARPU still has room to recover, the ARPU for high-end customers likely resumed expansion already, which speaks to an ongoing consumption segmentation trend. Per TCOM, the average price for customized package tour on its platform increased by 20% YoY, and the average domestic flight ticket price also grew by 20% YoY during this year's CNY holiday. Per Qunar, during the first three days of this year's CNY, in third-tier and below cities which have an airport, excluding the hot travel destinations, booking volume for luxury hotels/high-end hotels was up 105%/186% YoY.
- **Local consumer services saw robust GTV growth on accelerated online penetration and healthy growth of offline activities.** Per Meituan, during this year's holiday period, as of 16 Feb, daily average gross transaction volume on its platform grew 36% YoY, and rose 155% compared to the comparable period in 2019 (2019-2024 CAGR of 20.5%). The acceleration in YoY growth compared to 5-year CAGR, in our view, was driven by the acceleration in online penetration aided by Meituan's strategic move to enhance merchant support and increase user subsidy especially in the lower-tier cities, in order to maintain GMV share advantage over its competitor. Offline activities remain healthy during the CNY holiday, evidenced by Didi's reported 32% YoY growth for daily fulfilled car-hailing orders on its platform, which also represented 65% growth compared to the 2019 CNY holiday (2019-2024 CAGR of 10.5%).
- **TCOM: outbound travel order volume saw full recovery during holiday period.** Per TCOM, during this CNY holiday, long-haul travel orders doubled YoY, in our view due to both a relatively low base in 2023 and increasing demand. Long-haul orders made up 57% of total travel orders, compared to 51% during the 2023 National Day holiday and over 60% in the pre-pandemic period, which in our view speaks to an ongoing recovery trend, while suggesting that there is still room for further recovery. TCOM highlighted that the number of outbound travel orders during the CNY holiday that were placed on its platform has surpassed the 2019 level, with popular Southeast Asia travel destinations (ie Singapore, Thailand, and Malaysia) saw combined order growth of over 30%.

China Internet Sector

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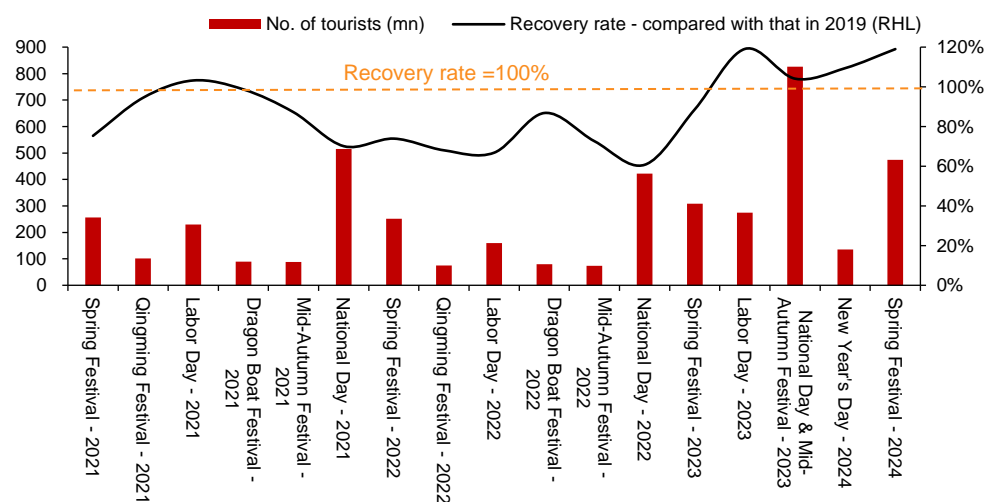
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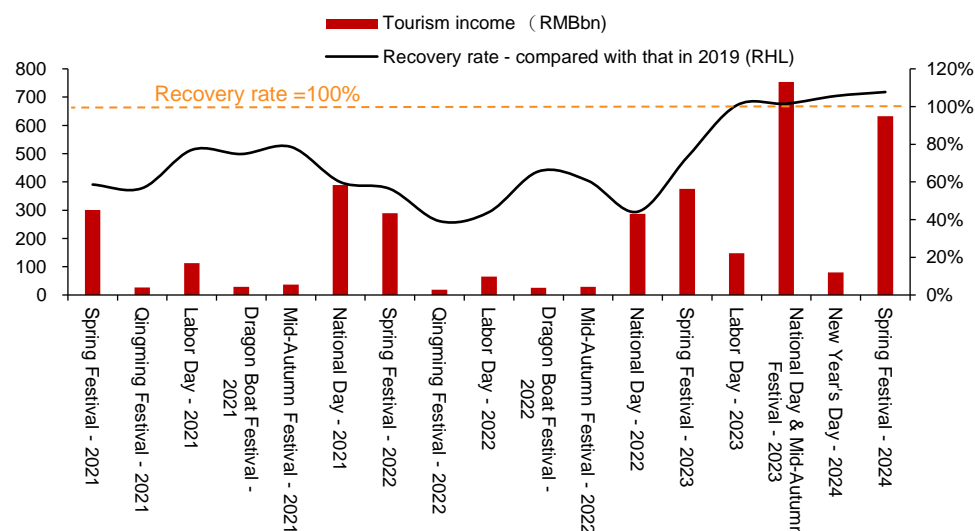
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Figure 1: No. of tourists over holiday period

Source: MCT, CMBIGM

Figure 2: Travel income over holiday period

Source: MCT, CMBIGM

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