

The changing performance of inbound tourism under the fluctuation of the Renminbi exchange rate

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Abstract

In the context of the information age in the post epidemic period, China's inbound tourism is increasingly recovering, and related tourism products are gradually coming into the view of foreign consumers. The development of tourism is an important way to promote international relations and improve international influence, while the exchange rate plays an irreplaceable role as one of the important influencing factors of international trade. In addition, the exchange rate reflects the price conversion index between the two countries can effectively explain the international economic situation and the continuous reform of the exchange rate system on China's foreign exchange market has caused different impacts, the exchange rate fluctuations of the RMB may be outside the part of the population with the intention of coming to China to cause a certain impact. In order to explore the impact of exchange rate fluctuations on the inbound tourism industry, this paper combines the background of the post-epidemic period with a view to empirically analysing the issue through macro data, and then exploring the changes in China's inbound tourism market under the fluctuation of the RMB exchange rate from multiple perspectives, as well as the transmission mechanism of exchange rate fluctuations on the inbound tourism market. Ultimately, it will provide certain reference value for the Chinese government and the related tourism industry, so as to effectively promote the development of China's tourism industry and improve China's international influence.

Keywords

Exchange rate fluctuations, exchange rate regime, tourism, impacts.

1. Introduction

1.1. Research significance

1.1.1. Relevance

Sightseeing tourism is an important component of China's inbound tourism, based on the reality of China's exchange rate system and the increasing diversification of international tourism demand, in the long run, sightseeing tourists will change the degree of price sensitivity, which exchange rate fluctuations on China's inbound tourism will be more and more visible. This article analyse examples of inbound tourism market affected by exchange rate fluctuations, study the impact of exchange rate fluctuations on inbound tourism from various angles, so as to find out the trend of inbound and outbound tourism affected by the impact, summarize the relatively reasonable ways to cope with the impact, and speculate on the demand of various branches of inbound tourism. The results of these surveys will then summarise the corresponding countermeasures to enhance the international attractiveness of China's inbound tourism industry. In addition, the promotion effect of tourism on various industries such as transport and accommodation as well as on the development of the national economy will be

more obvious along with the improvement of the competitiveness of the tourism industry, which has a certain degree of significance for the future development.

1.1.2. Theoretical significance

Domestic and foreign scholars on the tourism market under the exchange rate fluctuations in the change of the study has been relatively mature, but also broken down the various angles of which the influence of the factors, but did not come up with a relatively consistent conclusion. The exchange rate as a price conversion index between two countries can effectively explain the international economic situation. In recent decades, the continuous reform of the exchange rate system has had different impacts on China's foreign exchange market, and the exchange rate fluctuations of the RMB may have a certain impact on some of the people outside the country who have the intention to come to China. The study of changes in the number of inbound tourists in China due to exchange rate fluctuations is a theoretical support for China's inbound tourism industry to enhance its international attractiveness, prompting China's government to rationalise the control of the domestic tourism industry, and promoting the upgrading of the industrial structure of the tourism industry itself.

1.2. Research ideas

First of all, the scholars before the survey analysed the same angle of different countries, and deduced the conclusions compatible with China's situation through the analysis. Combined with the reform of China's exchange rate system in various periods to analyse the impact of exchange rate fluctuations on inbound tourism, and at the same time, to join the impact of major events on the exchange rate, and then derived from the impact on the inbound tourism industry, the article cited a large number of scholars on exchange rate fluctuations in the survey literature, summarising the exchange rate reform or by special events leading to the exchange rate fluctuations affecting the inbound tourism examples, combined with the current situation in China to derive the Relevant conclusions are deduced in the light of China's current situation.

1.3. Research Innovation

At present for the post-epidemic period, just experienced the epidemic period on the RMB exchange rate caused a greater impact, and the same period of this direction of the research has not been comprehensive, in order to explore the impact of exchange rate fluctuations on the inbound tourism industry, this paper combines the background of the post-epidemic period with a view to through the macro-data on the empirical analysis of the issue, and then multi-angle probe China's inbound tourism market in the RMB exchange rate changes in the impact, and also join and analyse more factors will be reform of the exchange rate system and the impact of major events to join the analysis, and improve the point of view. At the same time, more factors are added and analysed, and the impact of the exchange rate system reform and the occurrence of major events are added to the analysis, and the viewpoints are improved by linking the exchange rate fluctuation and the data of inbound tourism.

2. Background to the study of the impact of exchange rate fluctuations on tourism (international)

Foreign scholars have long studied the changes in the inbound tourism industry due to exchange rate fluctuations, and their research combines the situation of the international market, and the role of the cascade to the exchange rate, reflecting that exchange rate fluctuations have a non-negligible impact on the tourism industry, Baggs et al. by exploring the model of Krugman et al. about the monopolistic competition and economies of scale, and adding the exchange rate fluctuation influencing factors into their study, and revised their study, and found that the exchange rate appreciation of a country's currency will enhance the demand for outbound tourism in that country, while the competitiveness of its inbound tourism in the

international market will be relatively weakened due to the increase in the price of the country's tourism products [1,2]. Salman, in his study of the factors influencing the demand for inbound tourism in Sweden, confirmed through the cointegration test that exchange rate fluctuations have a key role in influencing tourism [3]. Dritsakos studied the changes in inbound tourism data from the UK and Germany to Greece through the cointegration test, and concluded that there is a long-run equilibrium relationship between exchange rate fluctuations and inbound tourism demand [4].

3. History of changes in the exchange rate regime of the renminbi and development trends (domestic)

Combined with the exchange rate trend of the RMB in the past half century, it can be learnt that the exchange rate of the RMB is largely affected by its exchange rate mechanism, which has had great changes in recent decades, from the foreign exchange coupon system in the 1970s to the dual exchange rate system in the 1980s, the implementation of an effective exchange rate mechanism of the RMB can make the RMB exchange rate in a more stable condition under the change of the international economic situation. In 1994, China carried out its first large-scale reform of the exchange rate system, fixing the exchange rate between the RMB and the US dollar at 8.3. Yang Fan argues that after the 1994 exchange rate reform, the exchange rate between the RMB and the US dollar was fixed and the exchange rate was parallelised, which made the RMB trading more free [5]. This system led to the relative stability of the RMB exchange rate under the regulation of the system until 2005.

After the implementation of the exchange rate reform in July 2005, the RMB exchange rate no longer only refers to the US dollar, but chooses to refer to a collection of currencies made up of a combination of major currencies, and also refers to the various currencies in the collection, integrating and calculating the changes in the RMB MER index. The exchange rate system during this period was based on market supply and demand, and was adjusted with reference to the entire pool of currencies. This time, the exchange rate reform has resulted in more flexible exchange rate fluctuations, as the RMB no longer maintains a fixed exchange rate with the US dollar, but rather fluctuates continuously according to market supply and demand, and thus the RMB exchange rate will fluctuate more than in the previous period.

4. Inbound tourism under the fluctuation of RMB exchange rate

4.1. Impact of changes in the exchange rate regime

China's exchange rate system reform caused by the most intuitive impact of exchange rate fluctuations, RMB exchange rate fluctuations derived from the impact of inbound tourism price changes, Li Lingou on the "Ninth Five-Year Plan" period of data analysis, that the implementation of the RMB exchange rate floating mechanism, the RMB exchange rate can not be largely affected by the number of inbound tourism [6], but the same period of RMB trading freedom to promote a series of international economic exchanges, which in turn affects the data of inbound tourism. The number of tourists, on the contrary, during the same period of RMB trading freedom to promote a series of international economic exchanges, which in turn affects the data of inbound tourism. It is also this increase in trading freedom that makes inbound tourists understand the price advantage of China's inbound tourism.

Geng Xuanchen and Deng Jianping argue that changes in tourism prices brought about by changes in the RMB exchange rate after the implementation of a regulated and managed exchange rate floating mechanism will affect tourism in China with the RMB as the base currency for consumption [7]. Zeng Bowei also put forward a similar point of view, he believes that in the long term, the appreciation of the RMB will gradually increase with the current

exchange rate system, China's tourism industry in the world will be weakened by the price advantage of the RMB as the basis for consumption in China has a relative price advantage, exchange rate fluctuations, the appreciation of the RMB will increase the price of tourism, weakening the price advantage, which will affect the enthusiasm of inbound tourists to come to China, which at the same time, also affect the price of tourism in China. enthusiasm to come to China, which at the same time may also lead to business tourists or conference tourists to give up or reduce travelling to China as a result [8].

4.2. Impact of major events

In addition to the reform of the exchange rate system, major events that have an impact on the domestic and international economy will also affect the inbound tourism industry through transmission. Chen Yining and Zhang Hui compared the percentage change in the real effective exchange rate of the RMB with the percentage change in the number of inbound tourists and found that the two are negatively correlated and the rate of change is about one to one [9]. But at the same time, the exchange rate fluctuation caused by special events is also an influential aspect, such as the SARS in 2003, the subprime crisis in 2008, etc. These special events will affect the exchange rate of RMB. These special events will have more or less impact on the exchange rate of the RMB, which in turn will promote or inhibit the inbound tourism industry. Wang Hongli, in her analysis of the subprime crisis, concluded that China's tourism industry revenue in 2007 increased by 22.6% year-on-year, but in 2008 and 2009 compared to last year's growth of 5.8% and 9% [10], which is a good illustration of the impact of special events on the exchange rate, and thus on the inbound tourism industry [11]. impact on the exchange rate, which in turn has an impact on inbound tourism. From 2018, the economic situation is affected by the trade friction between China and the U.S. Dai Shanshen also believes that the intensification of the trade friction between China and the U.S. will fluctuate on the exchange rate of the RMB, leading to an increase in its depreciation, which in turn will have an impact on the inbound tourism [11]. In addition the outbreak of the epidemic also led to the stagnation of foreign economic development, both of which are the impact of special events, the exchange rate of the RMB has undergone relatively large changes. At the same time the epidemic developed to globalisation caused a huge impact on many industries around the world, which also had a serious impact on the RMB exchange rate. Under the influence of major events, the domestic and international economic situation is facing a downturn, tourism and such enjoyment-type consumption will be relatively reduced, coupled with the epidemic period for the sake of security and control of large areas of management, for China's inbound tourism industry is also the relative development of stagnation.

5. Impact on the domestic tourism market and related sectors

Previously, some scholars in China concluded that China's tourism industry relies on the price advantage in the continuous development, if the RMB exchange rate fluctuation beyond the acceptance range of consumers, inbound tourism industry will have an overall decline trend. Currently in the post epidemic period, the RMB exchange rate is still fluctuating in the process of national development, Wang Ziming believes that in the post epidemic period, China's development speed up, the development of a variety of industries lead to changes in the exchange rate to promote China's tourism to show diversification [12].

6. Conclusions of the study

Through the above empirical case study, this paper concludes that the number of inbound tourists in China will increase in a short period of time when the real effective exchange rate of RMB decreases. China's tourism products have long been known for price advantage, exchange

rate changes caused by the price of China's tourism products of minor changes in China's inbound tourism is unlikely to have a greater impact. However, there are more factors affecting inbound tourism, exchange rate changes can only be one of the aspects, to analyse the changes in inbound tourism industry should also be from multiple perspectives and multiple factors for a long time to study.

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