

## APTRA President Sunil Tuli comments on APAC recovery ahead of TFWA Cannes



Sunil Tuli, President of the Asia Pacific Travel Retail Association (APTRA) and Group Chief Executive King Power (Hong Kong)

With the industry heading to the [TFWA World Exhibition](#) in Cannes, Sunil Tuli, President of the Asia Pacific Travel Retail Association ([APTRA](#)) and Group Chief Executive [King Power](#) (Hong Kong), has commented on the key dynamics at play across Asia Pacific.

"Asia Pacific is finally closing the recovery gap helped by the acceleration in airline capacity on international routes in recent months - although supply is still somewhat restricted, meaning airfares remain elevated and the desire and need to travel means people are paying them. Some airlines are even paying out huge profit related bonuses to staff. According to the Association of Asia Pacific Airlines (AAPA) domestic capacity is now 6.7% ahead of 2019, with international capacity still gaining ground yet 20% below where it was pre-pandemic, also trailing global capacity by 20.9%.

"With international capacity led by the number of seats available rather than by demand and, set against the squeeze on consumer disposable income, this has inevitably impacted a slower than anticipated restart. However, in comparison to January 2023 figures of 59.7% recovery and 73.6% in May, it's clear that international seat capacity is on a steady upward trajectory, which bodes well to enable more people to travel, subject to airlines releasing more affordable airfares.

"Many airlines maintain the increase in airfares is due to higher operating costs led by the jet fuel price being way above the \$98.5 per barrel yearly average estimated by IATA. As of the week ending September 22, 2023, the price per barrel in Asia and Oceania was 25.8% higher at \$123.95. On the other hand, airport charges have remained relatively flat even as inflation has risen since 2019, leading to musings from September's ACI Asia-Pacific Annual Assembly in Kobe that airlines are capitalizing on profits to recover from pandemic losses and that the rise in fares threatens the longer-term recovery of air travel in the region.

"The big question of course is China. There's no doubt that outbound travel from the world's biggest travel spenders pre-pandemic remains negatively affected by the economic situation within the country, consumers being cautious about spending and the government's stimulus measures yet to make a significant impact. According to flight data platform Umetrip, in mid-September airfares were up 44% compared with the May Day holidays and there are still lengthy delays on visa processing. The Civil Aviation Administration of China (CAAC) reported on September 15 that international passenger flights per week had recovered to 52% of 2019 levels, and the number of countries with flight connectivity is now hitting 90% with several, including the UK, Italy and the Maldives, surpassing pre-pandemic levels.

"With the first 'Golden Week', since the re-opening of international travel, starting on October 1, bookings are surging for Singapore, Australia, South Korea, Malaysia and Thailand (boosted by the new five month visa-free policy for Chinese tourists), with major online travel agencies Trip.com and Ctrip reporting a trend towards private group tours and demand for higher quality, unique experiences. Japan's popularity is suffering as a result of fears over the Fukushima water release. For those staying within China, bookings for Golden Week are four times up on 2022 with people opting to travel between different provinces for longer periods of travel.

"Looking ahead, the Chinese economy - the main engine of economic growth, not only for APAC but for the globe - is, without question, the biggest issue on our horizon. On top of the dramatic slowdown in economic growth - especially when compared to the remarkable levels achieved over the past decade - there's record youth unemployment, low foreign investment, weak exports, currency problems and the property sector is in crisis. The latter appears to be particularly damaging to consumer confidence and spending. China's trade relations with the USA and the EU are hitting new lows, adding to the uncertainty.

"From investment to tourism, the Chinese economy affects behavior worldwide, especially among Chinese consumers. The instability is affecting their confidence and the industry is facing the fact that the Chinese traveler is opting to stay closer to home. Good news for us in Asia Pacific but much of Europe is still waiting for the big return.

"Hong Kong is a beneficiary in welcoming the return of mainland Chinese visitors, but their previous high-end spending habits are reportedly subdued in favor of experiences with family and friends. HKIA was voted 'Asia's Leading Airport 2023' and China's Leading Airport 2023' in the 30<sup>th</sup> World Travel Awards. The airport handled about 4 million passengers in August 2023, up 5% month on month, and back to about 66% of pre-pandemic levels, totalling 28.3m million on a 12-month rolling basis. Traffic to and from Southeast Asia, Mainland China and Japan recorded the most significant increases. On a 12-month rolling basis, passenger volume at HKIA posted a remarkable 11-fold year-on-year increase to 28.3m million.

"Let's also consider that other powerhouse in Asia Pacific; India, the world's fastest growing major economy according to the International Monetary Fund, who raised its growth forecast for the country to 6.1%. There are many positives to mention.

"Hiring in the travel and tourism industry in India has increased by 44% in 2023 to meet the growing demands of a market expected to reach US\$125bn in 2027 with incoming tourist levels of 30.5 million in 2028 thanks to a richly diverse portfolio of tourism options. For example, the medical tourism sector is projected to grow at a CAGR of 21.1% between 2020-2027. Domestic tourism is taking off and outbound travel has reached new highs led by the rise in the middle class, with India becoming the largest market in Singapore and Australia.

"Over 1200 aircraft are on order from Air India, Akasa Air and IndiGo to support the growing demand for travel. With PM Modi's desire to boost connectivity, the Union Budget of 2023 announced several investments to support the industry including US\$12bn in aviation infrastructure to service capacity growth and a bold target of reaching 220 airports in the next 5 years, up from 140.

"Turning to Thailand, in September, the new prime minister personally welcomed the first group of Chinese tourists after it waived visas until February 2024 to boost the key tourism industry, targeting 2.88 million Chinese visitors in that period. Diplomatic relations with Saudi Arabia have normalized and the Middle East is set to be a dynamic growth market for Thailand thanks to increased flight networks from Emirates and Qatar Airways.

"Again, in late September, this time in Australia, the recent thawing of relations with China has opened the door to the resumption of tour groups from China, with the bounce-back expected by the end of 2023. Pre-pandemic, China was the largest source of tourism worth US\$7.6bn to the Australian economy.

Beyond these economic situations, as a region there are also many other dynamics to consider, particularly regarding the potential threats to the Tobacco, Alcohol and Confectionery categories. APTRA has worked relentlessly on its advocacy and research roles and we are facing ever-stronger challenges in these categories. For example, New Zealand's recently passed 'end generation' tobacco legislation, designed to prohibit the sale of smoked tobacco products to anyone born on or after January 1, 2009, includes some of the most extensive legislation ever seen with a reduction in the number of tobacco retail stores from 6000 to 600 across the country, including the allocation of one license to each of the international airports in departures only.

"These measures have not only generated media headlines but have caught the attention of other governments too, not only in neighboring APAC countries but also worldwide - the UK government is already looking at it, for example.

"We need to be aware that, in addition to Tobacco, the increasing focus on health policies also spans Confectionery and Alcohol - the three categories that play dominant roles in driving footfall for the whole industry. As such, APTRA's advocacy and research roles are not only striving to protect these

core categories within our region but also across the wider global industry.

"Despite the challenges, I'm confident that this unique region remains the long term engine room of growth for global travel retail. It is home to a huge, still growing and ambitious middle class - and to some of the most innovative, creative and successful retail experiences in the world.

"The threats are ever-present but the opportunities are even bigger and APTRA will continue to support our members and the industry in optimizing those opportunities - whatever is on the horizon."