

An Exploration of Yuan Impact on Chinese Outbound Travel Market to Egypt

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Abstract

This paper studies the potential impact of Chinese Yuan (Renminbi RMB) on Chinese outbound travel market to Egypt. For this purpose were field researches conducted; a questionnaire about Chinese outbound travel market in Egypt and interviews with experts in both tourism and financial markets. The collected data was analyzed statistically using SPSS V. 19.

The results of the current study indicate that there is little negative impact of Chinese Yuan currency on Chinese outbound travel market to Egypt in the short time and the major benefits in the long time. Also, the devaluation of Yuan will have a significant impact on what Chinese tourists do shopping in Egypt. In addition, the first estimates also indicate that the impact of Yuan is closed to US dollar exchange rates in the short time.

The study presents a number of recommendations for government and tourist businesses in Egypt to exploit some opportunities specially in quick applying of swap currency agreement between Egypt and China, legislation issue to control both tourist businesses and financial market in Egypt and all trip items should price in Yuan for Chinese tourists.

Keywords: Yuan, Chinese Outbound Travel Market, Egypt, Tourism.

Introduction

The recent rise of the People's Republic of China (PRC) as the world's largest trading nation (measured by trade value) and second-largest economic power (measured by GDP) has been accompanied by the PRC's greater economic influence over emerging economies in East Asia (Kawai and Pontines, 2015). So, the literature of the effect of Yuan currency (Renminbi RMB¹) on trade has become a dynamic and controversial area of international economics. The success of currency internationalization tends to be assessed on how currency competes with the Dollar and on the likelihood that it will replace it argues Subacchi (2013).

On the other hand, the influence of Chinese Yuan on tourists' flows to Egypt takes time to be registered, and it could have been measured in the future, but at the moment it remains unknown. However, in this study, the Yuan impact on Chinese outbound travel market to Egypt will be discussed as potential effects.

Yuan as an international currency

In addition, the PRC has been pursuing a policy of internationalizing the Yuan in the wake of the global financial crisis (Kawai and Pontines, 2015). Cohen (1971) defined the international currency that extends the three roles of money-unit of account; means of exchange, store of value-beyond the borders of the country that issues that currency. That means a currency that governments hold in their official reserves use as a vehicle for foreign exchange interventions (Subacchi 2013).

The consensus view is that the internationalization of a national currency brings important benefits to the issuance country because the internationalization of a national currency would (i) reduce exchange rate risks for the country's enterprises, (ii) reduce the need for holding more

¹"Renminbi RMB" and "Yuan" are often used interchangeably, except that the currency unit of the PRC is expressed in Yuan, not in RMB (Eichengreen and Kawai, 2014).

foreign exchange reserves, (iii) promote trade by reducing transaction costs, and (iv) improve the competitiveness of the currency issuance country's finance sectors (Yongding, 2015).

Thus, the prospects and challenges of Yuan internationalization matter not just for specialists in foreign exchange but for anyone concerned with the prospects for the both the PRC and the world economy more broadly (Yoshina, 2015).

Yuan internationalization is still only beginning, and on the whole it is very limited in scale. Therefore, it might be too early to comprehensively evaluate its economic consequences, from either a national or a global perspective. Nevertheless, it is surely necessary and possible to have some forward-looking discussion about the benefits and costs of the ongoing process (Zhang and Tao, 2015).

Chinese outbound travel market overview

The United Nation World Tourism Organization (UNWTO) earlier predicted that China will become the largest outbound travel market by 2020 with the number of tourists travelling abroad exceed 200 million (UNWTO, 2012).

But, Asian cities were still most chosen destination by Chinese outbound travel market (77.67%), followed by European cities (32.07%) and American cities (20.29%) and travelling to Oceania and Africa tend to be small (Zhang, 2015).

The Chinese outbound travel market is growing continuously, in 2013 Chinese outbound tourist arrivals reached 98.19 million, spent 128.7 billion dollars abroad (Annual report, 2014). Most Chinese outbound travellers were mainly from South, North and East China; Shanghai, Guangdong, and Beijing (IPSOS, 2014).

As mentioned, the number of Chinese tourists' arrivals in Africa is still very modest, especially in the Middle East and North Africa (MENA) representing less than 1 percent of total arrivals in the region. Egypt is the second preferred destinations for Chinese tourists in MENA region after Dubai (UNWTO, 2012).

However, statistics according to Egyptian Ministry of Tourism showed that the share of Egypt from Chinese tourist market does not commensurate with the long relation between Egypt and China (Ayad and Shujun, 2012).

Table 1: Chinese tourists number in Egypt

Year	Chinese Tourists
2008	67714
2009	12887
2010	106227
2011	41200
2012	54700
2013	58613
2014	65812
2015	115430
2016	180567

Sources: UNWTO.2012 and Ministry of Tourism in Egypt

According to the statistics above, the number of Chinese outbound arrivals to Egypt rose from 67714 in 2008 to more than 18000 in 2016, an increase of 3.3 times. This means that Chinese outbound travel market to Egypt kept on increasing in number in overall period average, except

2009 and from 2012 to 2013 influenced by 11 September events and the Egyptian political instability in order. Furthermore, the Tourism Authority in Egypt tends to reach 1 million tourists from China by 2010 (Ministry of Tourism, 2016)

Methodology

The main purpose of this study is to discover the potential impact of Yuan currency on Chinese outbound travel market to Egypt. First a pilot study test was conducted during November 2016 to insure the validity of the questionnaire targeted some Chinese tourists in some areas in Egypt (Cairo, Hurghada and Luxor) to know the comments or suggestions on the questionnaire.

The final questionnaire is consisting of two parts, one is about the personal data and factors and the other for the real impact of Yuan on Chinese outbound travel market to Egypt. The sample was asked to answer the questionnaire using a 5-point Likert scale, ranged from strongly agree (1) to strongly disagree (5) for positive statements and vice for negative statements. The data were collected from a sample of Chinese tourists in Egypt which consists of 170 respondents collected during December 2016.

On the other hand, interviews were conducted with some experts in tourism and financial markets in Egypt and China, with open-ended questions. The interviewees were asked to answer 5 questions about the impact of Chinese outbound travel market to Egypt.

Analysis and results

A. The Questionnaires analysis

For Chinese sample, the survey was distributed to 185 Chinese tourists in Cairo, Hurghada and Luxor. Only 15 questionnaires were excluded and 170 questionnaires were accepted. The following table shows the personal data of the sample.

Table 2: the personal data of the sample

Items	Number
Gender	
Male	98
Female	72
Age	
Under 20 years	15
21-30 years	83
31-40 years	60
More than 41 years	12
City	
Beijing	29
Guangdong	103
Shanghai	25
Guangxi	13
Total	170

Table 2 shows sample description for this research. Males represent 57.6% of the sample, while females represent 42.4% of the sample. By the way, this percentage is near to the percentage which report of the Ministry of tourism in Egypt which had made on Chinese tourists in 2012 where the males are 63.6% and females 36.8 % (Ministry of Tourism, 2012). This indicates that males Chinese tourists more than females and they prefer Egypt more than females. Also, the

majority of survey respondents' were aged between 21-30 years (48.8%) followed by 31-40 years (35.3%). This means that youth tourists represent an important segment in Chinese outbound travel market to Egypt. This proportion is very important in the market segmentation, where WTO (2002) mentioned that the youth segment is very important because they tend to spend a large proportion of their income on travel, stay longer in the destination and spend money directly with local businesses. Also, WTO (2008) showed that Chinese outbound travellers aged 26-55 years make up 69% of all trips.

In terms of Chinese cities, Guangdong is the Chinese city where the majority of Chinese respondents come from (60.9%); three quarter of the sample of Chinese tourists visiting Egypt come from it, followed by Beijing and Shanghai (17% and 14.7% in order). This means that south China is represent the majority of Chinese outbound travel market to Egypt. The mean reason for this is that the tourism authority in Egypt established 22 regular and charter flights between three South China cities and Cairo, Hurghada and Luxor, two weekly between Beijing and Cairo and 15 flights between Guangdong and Hurghada. Also, an agreement made between Egypt and China in 2016 to encourage tourist exchange (Ministry of Tourism, 2016).

Table 3: the mean score of Yuan impact on Chinese outbound travel market to Egypt

Items	Mean
Coming to Egypt	4.63
Preferring Egyptian destination	3.80
Revisiting Egypt	4.15
Do shopping	4.72
Custom tourism services	3.92
Baying for optional tours	3.47
Baying for souvenirs and jewels	4.89
Average of means	4.23

Data analysis using SPSS software presents that the average of means is 4.23 for overall impact of Yuan on Chinese outbound travel market to Egypt. This means that the Yuan will effect on Chinese outbound travel market to Egypt. Moreover, they will do shopping, Baying souvenirs and jewels, and revisit Egypt also if the Yuan even if accepted in Egypt or it has high exchange rate against US dollar. For this reason, some destinations in all over the world quickly accept Chinese Yuan as a part of a drive to attract tourists from China like Cambodia which announced by its tourism ministry that there will be no difficulty in accepting Chinese Yuan, it's the same as accepting the US dollar (Cambodian's Tourism Ministry, 2016).As well as, some Latina countries like Venezuela, Brazil and Chilly accept Chinese Yuan. Also, some Arabian countries as United Arab Emirates, the Kingdom of Saudi Arabia and Libya accept Yuan to encourage both trade and Chinese outbound travel market to its destinations.

To identify and understand how US dollar is also important, especially in the short time in Chinese outbound travel market that flows to Egypt, the questionnaire includes a question on a 5-point Likert scale about the impact of the US dollar on Chinese outbound travel market to Egypt if the Yuan drops against US dollar.

Table 4: The mean score of US dollar impact on Chinese outbound travel market to Egypt

Items	Mean
Coming to Egypt	4.12
Preferring Egyptian destination	4.18
Revisiting Egypt	4.22
Do shopping	4.32
Custom tourism services	3.73
Baying for optional tours	4.17
Baying for souvenirs and jewels	4.44
Average of means	4.17

The analysis of the impact of US dollar on Chinese outbound travel market to Egypt using SPSS software presents that the average of means is 4.17 for overall items which will effect on Chinese outbound travel market to Egypt if the Yuan drops against US dollar. This means that this matter will have a strong negative impact on Chinese outbound travel market to Egypt. Moreover, they will not preferring or revisit Egypt and their expenditures on shopping, souvenirs, optional tours, and tourism services will decline where means are 4.18, 4.22, 4.32, 4.17 and 4.44 in order. This is due to cost-sensitive of Chinese tourists and they love shopping by nature. They simply want to get a reasonably priced deal and travel to destinations with favorable currency exchange rates. So, it could be understand that if there is depreciation in Yuan especially against US dollar, it will affect where they are going and what they are doing abroad. WTTC (2016) emphasized that the strength of US dollar has been an enormous factor in cross border flows and international visitor spending and all major economies' currencies weakened against US dollar between 2012 and 2015.

Actually, until now (mid-December), it cannot be identify the impact of Yuan on Chinese outbound travel market to Egypt, because Chinese tourists search and book their trips months in advanced. This means that the recent drop of Yuan has very small impact on Chinese outbound travel market to Egypt in the short term. However, in the long term, it will have positive impact on the growth of Chinese outbound travel market to Egypt. But, take into consideration, if the devaluation and success of Yuan especially against US dollar has no doubt a great impact on Chinese outbound travel market to Egypt, the recent acts of terrorism in Europe and the rise of Japanese Jen (10%) against Yuan in 2015 (Charles, 2013) will have also large impact on Chinese outbound travel market to these two major preferred markets (²) for Chinese tourists. So that this large number of Chinese tourists will turn to another destination, may be Egypt may be one of them. Another evidence is that the World Travel and Tourism council mentioned that Japanese visitor to China have surged since 2013, while Japanese visitors to China have fallen each year since 2012 because of the impact of exchange rate (WTTC, 2016).

Another question is also made in the questionnaire about if businesses in Egypt refuse to deal with Yuan in the short time.

² 12 million tourists from china visited Europe and stay for over 40 million nights in 2015 (European commission, 2016). Also, near 4 million Chinese tourists visited Japan in 2015 (Resonance, 2016)

Table 5: presents the means score of the impact of businesses refuse to deal with Yuan on Chinese tourists in the short time.

Items	Mean
Coming to Egypt	0.12
Preferring Egyptian destination	1.1
Revisiting Egypt	1.0
Do shopping	1.33
Custom tourism services	0.93
Baying for optional tours	0.87
Baying for souvenirs and jewels	0.49
Average of means	0.83

From the table above, it could be understand that there is a limit impact on Chinese outbound travel market to Egypt if businesses refuse to deal with Yuan, where the average of means is 0.83. This means that Chinese Tourists will come to Egypt and revisit it. Also, no side effect on what they are doing in Egyptian destination because they will deal with US dollar, as in the past. From another hand, SPSS software analysis shows that there is a positive and strong correlation between gender and the impact of Yuan on Chinese outbound travel market to Egypt. It showed that females are a cost-sensitive more than males (0.750). Also, the older over 40 year's tourists are sensitive for price if Yuan drops against US dollar (0.831). This is due to the segment of over 40 years are travelling in a family group, so the cost of the trip for this segment is high. Thus, they slow down think a lot if there is change in Yuan exchange rates or drops against US dollar.

B) Interviews analysis

A number of interviews (13 interviewees) were also made with some experts in tourism and financial markets in Egypt and China; face to face, via internet or via telephone. The interview consists of 5 questions chosen carefully.

The first question is about Chinese Yuan devaluation and its impact on Chinese outbound travel market to Egypt. Less than 50% of the interviewees demonstrated that there will be a positive effect of the Chinese Yuan Chinese outbound travel market to Egypt and will led to growth in tourist flows from China in the next period, but 38.5% of interviewees divided the impact of Yuan in the short time which cannot be identified now because most travel agencies in China purchased overseas hotels, flights and attractions even earlier than individual tourists in order to put together package tours. However, a light impact can be found on the market price of travel products and services to the Egyptian destination which depend basically on US dollar in treatments with tourists. But, in the long time, it will have gradually positive impacts on Chinese tourist's flows, staying in destination, flights and do shopping.

Concerning the term of the most tour items that are sensitive for Chinese Yuan devaluation, all interviewees determined the international flights between Egypt and China influenced by Yuan devaluation, because airlines had to pay a significant chunk of their costs in dollar in the past period after Yuan drops against US dollar. But, after accepting Yuan treatment in Egypt and currency swap agreement between the Central Bank of Egypt and China Peoples' Bank it will be paid by local currency so that it will impact positively.

Another point is about the relation between Yuan devaluation and Chinese tourist's expenditure in Egypt. Although, UNWTO (2012) had mentioned that Chinese tourist's expenditure is the biggest in destination, but most of interviewees mentioned that there is a negative impact belongs

this matter. It comes from all businesses in Egypt that deal with US dollar and do not accept Yuan still now. In addition, some of tourist goods are from the outside i.e. imports which depend on US dollar exchange rates and after Yuan drops against US dollar a 10.000 Yuan trip to Egypt would cost 300 to 500 Yuan more at least. I.e. if US dollar rises 1% against Chinese Yuan, the price difference for above trip will be less than 50 Yuan more.

In addition, the majority of businesses in Egypt refuse dealing with Yuan until now because US dollar is more profitable than Yuan. Moreover, banks and financial establishments did not insert Yuan in its acceptable exchange rates currencies until now, so that Chinese tourists in Egypt are still forced by US dollar as a basic currency for dealing.

A forth point belonging to Yuan impact on preferring Egyptian destination. Also, most of interviewees showed that Chinese tourists are cost-sensitive and love shopping and Egyptian destination is still for them not expensive compared to European and Asian destinations. So, there will be a positive impact, especially if Yuan exchange rates against Egyptian Pound are high.

Actually, a study made by UNWTO (2012) emphasized that Egypt is the first choice destination country of Chinese tourists visiting North Africa in MENAs' destinations.

Finally, the interviewees were asked about the factors which assist to improve Chinese flows to the Egyptian destination in the case of Yuan devaluation. Interviewees determined a group of elements in this matter as follows:

- Quickly action in swap currency agreement between Egypt and China,
- Encouragement businesses in Egypt to accept Yuan even if it is not profitable now,
- More charter flights per week between Egypt and China
- Prevents monopolistic practices in foreign currencies.

Conclusion

This study presents significant data to discover and understand the potential impact of the devaluation of Chinese Yuan on Chinese outbound travel market to Egypt. So, it can be summarize from the previous results and analysis some points as follows:

- Chinese Yuan or Renminbi (RMB) will has a significant impact on Chinese outbound travel market coming to Egypt. Yuan will effect on Chinese tourists decision for travelling to Egyptian destination, especially after actual swap currency agreement between Egypt and China. This will lead to obtain tourist services and goods by local currency for Chinese tourists, so they do not need to exchange currency or to curry foreign fund i.e. US dollar.
- the devaluation of Yuan has two impacts in the long and short time; a positive impact will appear on Chinese outbound flows to Egypt and more expenditure will appear in the long time, but a little negative effect comes from instability of financial market in Egypt and businesses which clearly are going to make profits from US dollar in the short time.
- the devaluation of Yuan will has also a significant impact on how Chinese do shopping in Egypt because tourist services and goods will be cheap or little expensive for Chinese tourists.

Recommendations

In the light of the study results, there are a number of recommendations for government and tourist businesses in Egypt to exploit some opportunities to obtain more benefits from this market. These opportunities can be presented as follows:

- Quick applying of swap currency agreement between Egypt and China.

- Issue new laws and legislations to control tourist businesses in Egypt and to force them to deal with Yuan currency.
- More control on financial markets and prohibiting bad behaviours in foreign currencies.
- Present aid for Chinese tourists in airports and banks to exchange currency to US dollar in the short time until stability of financial market in Egypt.
- Encourage Charters flights between Egypt and China.
- All trip items should be priced in Chinese Yuan.

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