

Tourism Industry

Vulnerability and resilience

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Lecture 19

April 1, 2020



Course Syllabus

Lecture 19






- A background of tourism industry in Thailand.
- We investigate how the industry was adversely affected by various shocks.
- The tourism industry is resilient, as it has recovered from various external shocks.
- How long will it take for the industry to fully recover after the Covid-19?

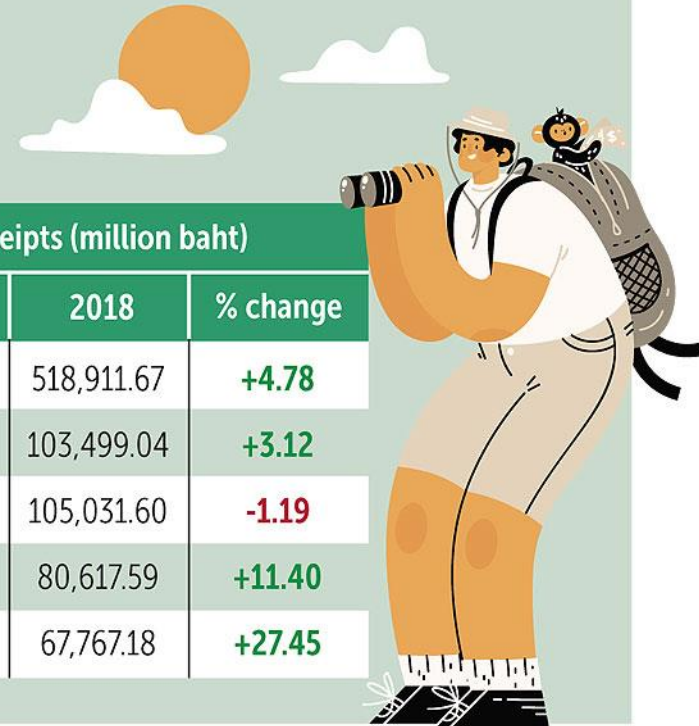
Main Themes

1. Tourism industry's characteristics
2. Shocks, vulnerability, and resilience
3. Impact of global recession and political instability
4. Microeconomics of hotel business
5. Medical tourism
6. China Factor
7. Something bad has happened

Analyze tourism industry in 2019

TOP FIVE COUNTRIES FOR INTERNATIONAL TOURIST ARRIVALS

Country	Number			Receipts (million baht)		
	2019	2018	% change	2019	2018	% change
1 China 	10,994,721	10,535,241	+4.36	543,707.33	518,911.67	+4.78
2 Malaysia 	4,166,868	4,020,526	+3.64	106,728.72	103,499.04	+3.12
3 Russia 	1,483,453	1,472,789	+0.72	103,784.23	105,031.60	-1.19
4 Japan 	1,806,340	1,656,101	+9.07	89,807.95	80,617.59	+11.40
5 India 	1,995,516	1,598,346	+24.85	86,372.01	67,767.18	+27.45



Source: Tourism and Sports Ministry

Note: Data from January-December 2019

BKPgraphics

Tourism is crucial to Thailand as spending by foreign visitors amounted to 1.93 trillion baht last year, or 11% of GDP

Cabinet OKs new perks for tourism

Stimulus covers measures for 2019 and some for 2020

12 OCT 2019

- The economic cabinet approved a new round of tourism measures, aiming for the number of foreign visitors to reach 39.8 million and generate 2.04 trillion baht this year.
- Kobsak Pootrakool, deputy secretary-general to prime minister Prayut Chan-o-cha for political affairs, said the new tourism stimulus measures cover both short-term measures for this year and some for 2020.
- ***The government also set a target to attract 41.8 million foreign*** visitors and generate 2.2 trillion baht in tourism revenue next year.
- The short-term measures include free re-entry visas for foreign tourists who visit neighboring countries by land, increased value-added tax (VAT) refund agents, more downturn VAT refund venues and VAT refunds in cash on the spot.
- A measure to make it easier for the ***150,000 expatriates*** in the country to travel nationwide without reporting to the authorities as required by Section 37 of the 1979 Immigration Act, also known as TM30, will also be introduced.

Stimulus strategy before the Covid-19 outbreak

NEW ROUND OF TOURIST LURES

Aiming for **39.8 million** foreign tourist arrivals and **2.05 trillion baht** worth of income

E-Visa



Foreign tourists

E-VOA
(E-Visa on Arrival)



Tourists' spending stimulus plans

- VAT refund
- Downtown VAT refund
- Amazing Thailand Grand Sale "Passport Privileges"
- Export promotion campaigns aimed at expatriates



Thailand

Quality tourists in focus

Mice/world event/mega event

Trail/ultra trail

Moto GP/Super GT



Thailand Plus One

- Double entry visa
- Re-entry permit
- 24-hour checkpoints at Thai-Malaysia and Thai-Laos border checkpoints



By February 2020: The impact of the coronavirus

- The number of *tourist arrivals in Thailand fell 44.3%* in February from a year earlier, due to the coronavirus epidemic, the Tourism Authority of Thailand (TAT)
- Visitors from *China*, Thailand's biggest source of tourists, *tumbled 85.3%*,
- In the worst-case scenario, the number of foreign *tourists may fall to 30 million this year* from last year's 39.8 million, with spending down 22%, "if the virus situation bottoms in May," TAT president said.

Unused tourist buses parked on a lot near Suvarnabhumi Airport in Bangkok on Sunday, **March 8, 2020**



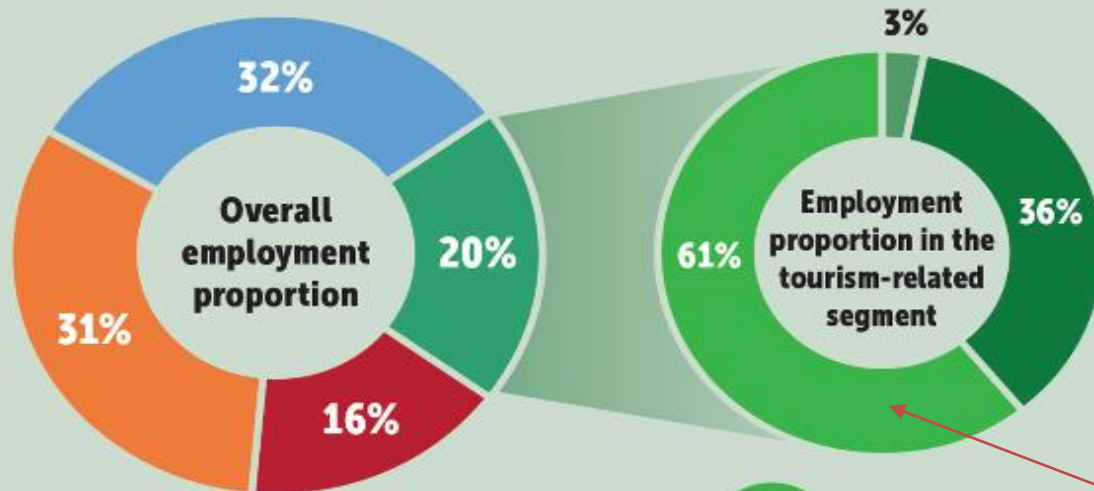
On March 26, emergency degree took effect

- With the emergency decree taking effect on March 26, Bangkok and several other provinces have already ordered ***all shopping malls, entertainment and sporting venues to close***, while food stalls and restaurants can open only for take-out and delivery.
- As the lockdown continues for an unknown period, the recent **Bank of Thailand economic forecast is for a contraction of 5.3% this year.**
- In an attempt to shield businesses and consumers from the worst of the impact, the government rolled out a slew of measures amid criticism they may be too little, too late to ease the imminent pain.
- Tour agencies have been battered by the outbreak, with cancellations mounting since the end of January when the coronavirus spread to major tourist destinations globally.

A view of the deserted Pathumwan intersection and skywalk after City Hall ordered all malls closed until April 12 to curb the spread of Covid-19



TOURISM EMPLOYMENT WOES



Non-farm



Tourism-related



Agriculture



Manufacturing



Self-employed



Employees



Employers

Self-employed:
61%

Notes:

- Tourism-related businesses are hotels, restaurants, tour groups, recreation, transport and trade
- Phuket and Chon Buri provinces are the most affected from the Covid-19 outbreak, 56% and 31% of total workforce; the proportion is 30% for Bangkok

By April 2020, tour operators will be short of cash flows

- Many tourism operators were forced to offer ***leave without pay during the pandemic the past two months.***
- Layoffs have been avoided for the most part as businesses survive by using profits from previous months, but operators may soon have no choice.
- In April, operators will be short on cash flow and real consequences will start from that point.
- Normally the hospitality business would consider layoffs a last resort, as Thailand annually faces a skilled labor shortage in this field.
- But this unpredictable event may trigger a lot larger unemployment.

Great Expectations in 2019

- The Tourism Ministry expected 41m in 2019 (Bangkok Post: Jan 28, 2019)
- *Note that the Ministry always overestimates the number of tourist arrival.*
- Thailand saw a record 38.27million tourists in 2018, up 7.5 % from 2017.
- Chinese tourists were returning after a slowdown sparked by a tour boat tragedy that triggered concerns about safety standards.
- The number of Chinese holidaymakers rose 2.8% in December from a year earlier, to 838,634.

Reality checks

- The tourism ministry expects the virus outbreak to cut the number of foreign tourists by 5 million this year, resulting in a loss of 250 billion baht, or 1.5% of GDP.
- Earlier, the Tourism Authority of Thailand predicted a fall of 2 million tourists from China, the biggest source of visitors, this year.
- Last year, Thailand welcomed a record 39.8 million foreign tourists, with Chinese visitors at nearly 11 million. Spending by foreign tourists accounted for 11% of GDP last year.
- Over the past five years, the tourist sector and related businesses made up an average 20% of GDP

1. Industry Characteristics

- Highly labor intensive: generating employment and *migration*.
- Strong linkages (backward and forward) to other sectors.
- Generating *net* foreign exchanges
- Providing a *service-led* growth mechanism
- *Cultural capital stocks* (visiting heritage buildings creates jobs in the wider economy as well as in the local economy.
- *Natural capital stocks*

Income from Tourism Industry (%GDP)

Source: Compiled from data provided by Bank of Thailand



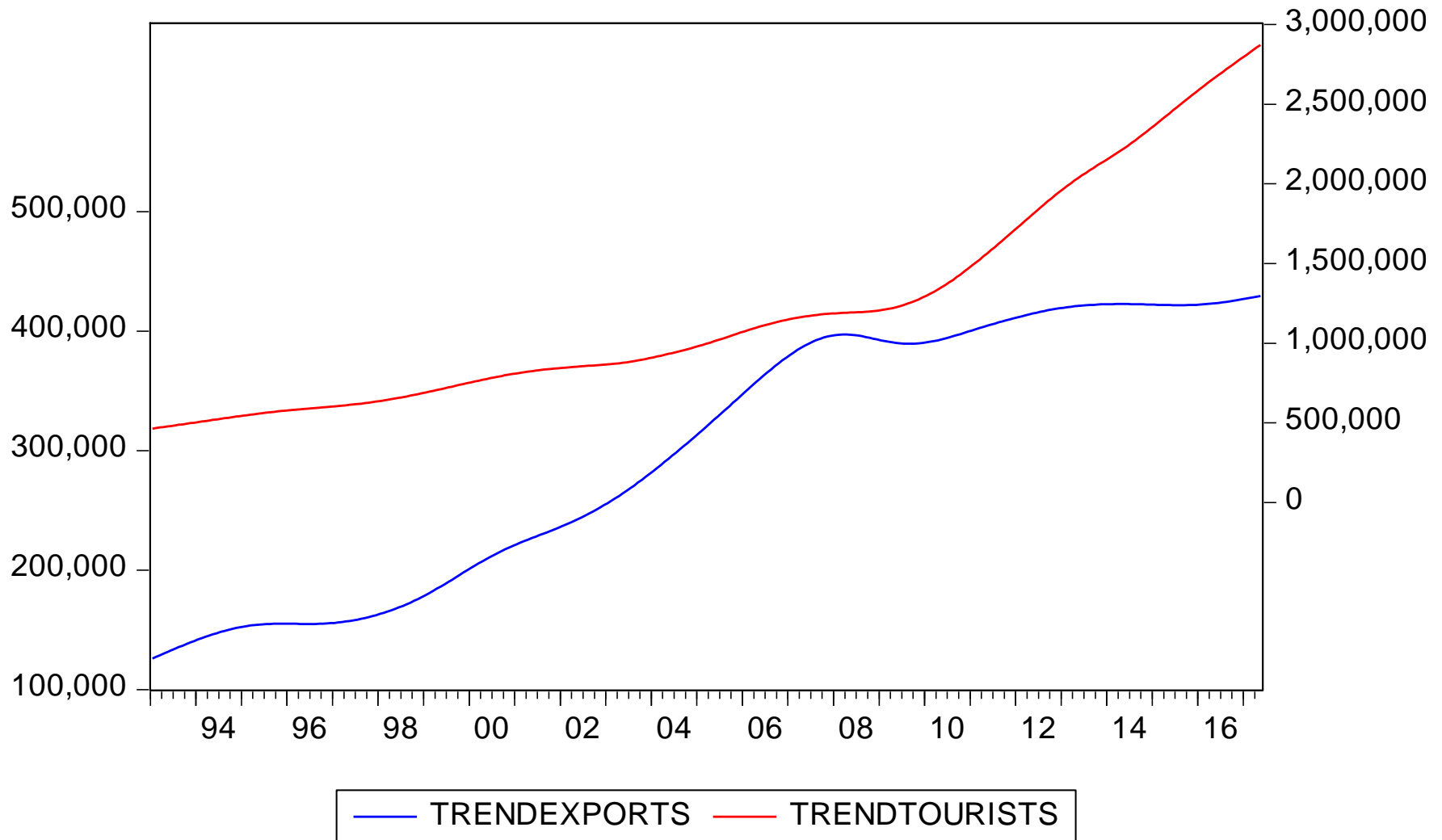
Thailand's tourism sector is not uniquely resilient

- The tourism sector has shown *surprising resilience* to (1) geopolitical tensions, (2) threats of terrorism, (3) *global pandemics* and (4) sluggish economic growth in advanced economies.
- While international tourist arrivals are correlated with economic fluctuations and *sensitive to security issues*, *these tend to impact specific countries* or regions;
- If one country is hit by instability, others will receive more tourists (substitution effect).
- Globally, the trend for growth seems unstoppable (income effect).
- In this sense, Thailand's tourism industry is *not unique* from other countries'.

Overview of the industry

- Thailand attracted the second highest number of tourists in the region (next to China) with 35.4 million visitors in 2017, and 39.8 million in 2019.
- The *Asia Pacific region* has outperformed all other regions in terms of growth, with international tourist arrivals increasing an average 7% per year compared to the world average of 4% --***faster than financial services, and manufacturing.***
- The Asia Pacific region accounts for 30 per cent of the world's international tourism receipts.

As commodity exports slowed down, tourism industry rose (boosting property sector)



The Travel & Tourism Competitiveness Report 2019

Covering 140 economies, the Travel & Tourism Competitiveness Index measures the set of factors and policies that enable the sustainable development of the travel and tourism sector, which contributes to the development and competitiveness of a country.

Spain, France
Germany: 5.4

Rank	Economy	Score ¹	Rank	Score ²	Diff. from Global Avg. (%)
1	Spain	5.4	0	0.3	41.4
2	France	5.4	0	1.5	40.4
3	Germany	5.4	0	2.0	40.0
4	Japan	5.4	0	2.1	39.6
5	United States	5.3	1	2.6	36.6
6	United Kingdom	5.2	-1	-0.2	34.9
7	Australia	5.1	0	0.8	33.6
8	Italy	5.1	0	1.9	32.2
9	Canada	5.1	0	1.6	31.3
10	Switzerland	5.0	0	1.5	30.4
11	Austria	5.0	1	2.0	28.8
12	Portugal	4.9	2	3.2	27.2
13	China	4.9	2	3.2	26.7
14	Hong Kong SAR	4.8	-3	-1.1	25.1
15	Netherlands	4.8	2	3.2	24.5
16	Korea, Rep.	4.8	3	4.7	24.3
17	Singapore	4.8	-4	-2.0	23.7
18	New Zealand	4.7	-2	1.4	23.4
19	Mexico	4.7	3	3.4	21.9
20	Norway	4.6	-2	-1.0	19.4
21	Denmark	4.6	10	3.4	19.1
22	Sweden	4.6	-2	0.2	18.6
23	Luxembourg	4.6	5	1.4	18.4
24	Belgium	4.5	-3	0.1	18.2
25	Greece	4.5	-1	0.9	18.1
26	Ireland	4.5	-3	0.3	18.0
27	Croatia	4.5	5	2.4	17.6
28	Finland	4.5	5	2.7	17.4
29	Malaysia	4.5	-3	0.4	17.3
30	Iceland	4.5	-5	0.0	17.0
31	Thailand	4.5	3	2.6	16.9
32	Brazil	4.5	-5	-0.8	15.8
33	United Arab Emirates	4.4	-4	-1.3	15.3
34	India	4.4	6	5.7	14.9
35	Malta	4.4	1	2.4	13.3

Thailand:
4.5

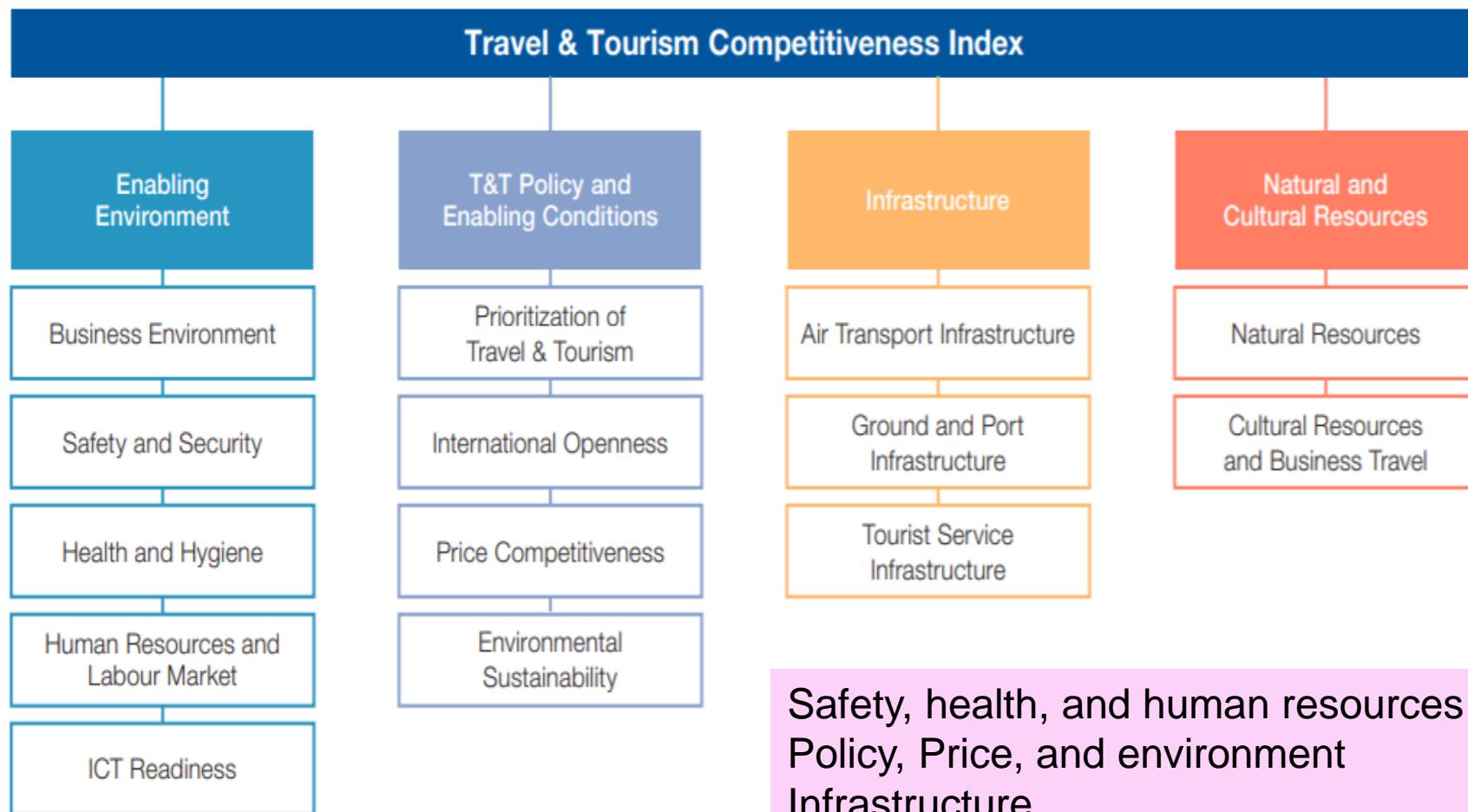
Rank	Economy	Score ¹	Rank	Score ²	Diff. from Global Avg. (%)
46	Hungary	4.2	1	3.4	9.0
49	Peru	4.2	2	3.1	8.3
50	Argentina	4.2	0	2.5	7.9
51	Qatar	4.1	-4	1.5	7.5
53	Chile	4.1	-4	0.9	6.6
53	Latvia	4.0	1	1.8	5.0
54	Mauritius	4.0	1	2.3	4.2
55	Colombia	4.0	7	4.7	4.2
56	Romania	4.0	12	5.7	3.7
57	Israel	4.0	4	3.6	3.5
58	Oman	4.0	8	5.1	3.4
59	Lithuania	4.0	-3	1.5	3.3
60	Slovak Republic	4.0	-1	2.0	3.3
61	South Africa	4.0	-8	-0.8	3.2
62	Seychelles	4.0	1	2.7	3.2
63	Viet Nam	3.9	-4	0.4	1.5
64	Bahrain	3.9	-4	0.4	1.5
65	Egypt	3.9	9	7.0	1.3
66	Morocco	3.9	-1	2.2	1.2
67	Montenegro	3.9	5	5.6	1.1
68	Georgia	3.9	2	4.7	0.7
69	Saudi Arabia	3.9	-6	1.4	0.7
70	Ecuador	3.9	-13	-1.2	0.4
71	Azerbaijan	3.8	0	2.7	-1.3
72	Brunei Darussalam	3.8	n/a	n/a	-1.7
73	Dominican Republic	3.8	3	4.2	-1.9
74	Uruguay	3.8	3	4.2	-2.1
75	Philippines	3.8	4	4.2	-2.5
76	Jamaica	3.7	-7	0.9	-2.6
77	Sri Lanka	3.7	-13	-2.3	-3.2
78	Ukraine	3.7	10	6.5	-3.2
79	Armenia	3.7	5	5.2	-3.6
80	Kazakhstan	3.7	1	2.2	-4.6
81	Namibia	3.7	1	2.2	-4.7
82	Kenya	3.6	-2	1.0	-5.7

Vietnam: 3.9

Rank	Economy	Score ¹	Rank	Score ²	Diff. from Global Avg. (%)
95	Tanzania	3.4	-4	-0.5	-10.8
96	Kuwait	3.4	4	2.7	-11.1
97	Lao PDR	3.4	-13	-3.2	-11.8
98	Cambodia	3.4	-4	0.3	-12.1
99	Guatemala	3.4	-13	-3.2	-11.8
100	Lebanon	3.4	-4	0.3	-12.1
101	North Macedonia	3.4	-12	-3.8	-12.7
102	Nepal	3.3	1	1.9	-13.0
103	Moldova	3.3	14	6.4	-14.5
104	Tajikistan	3.3	3	3.1	-14.6
105	Bosnia and Herzegovina	3.3	8	5.2	-14.7
106	Senegal	3.3	5	3.8	-15.2
107	Rwanda	3.2	-10	-3.4	-15.5
108	El Salvador	3.2	-3	-1.3	-16.0
109	Paraguay	3.2	1	2.7	-16.0
110	Kyrgyz Republic	3.2	5	4.1	-16.0
111	Gambia, The	3.2	1	3.4	-16.1
112	Uganda	3.2	-6	-0.3	-17.0
113	Zambia	3.2	-5	-0.6	-17.8
114	Zimbabwe	3.2	0	1.2	-18.0
115	Ghana	3.1	5	3.5	-18.2
116	Algeria	3.1	2	2.5	-18.2
117	Venezuela	3.1	-13	-4.6	-18.6
118	Eswatini	3.1	n/a	n/a	-18.8
119	Côte d'Ivoire	3.1	-10	-1.6	-19.1
120	Bangladesh	3.1	5	7.3	-19.4
121	Pakistan	3.1	3	7.1	-19.5
122	Ethiopia	3.0	-6	-2.4	-21.4
123	Benin	3.0	4	6.3	-21.5
124	Lesotho	3.0	4	6.4	-21.5
125	Malawi	2.9	-2	0.7	-23.9
126	Guinea	2.9	n/a	n/a	-24.1
127	Mozambique	2.9	-5	0.0	-24.3
128	Cameroon	2.9	-2	0.7	-24.7
129	Nigeria	2.8	0	0.0	-26.8

Lao and Cambodia: 3.4

The T&T Competitiveness Index 2019 framework

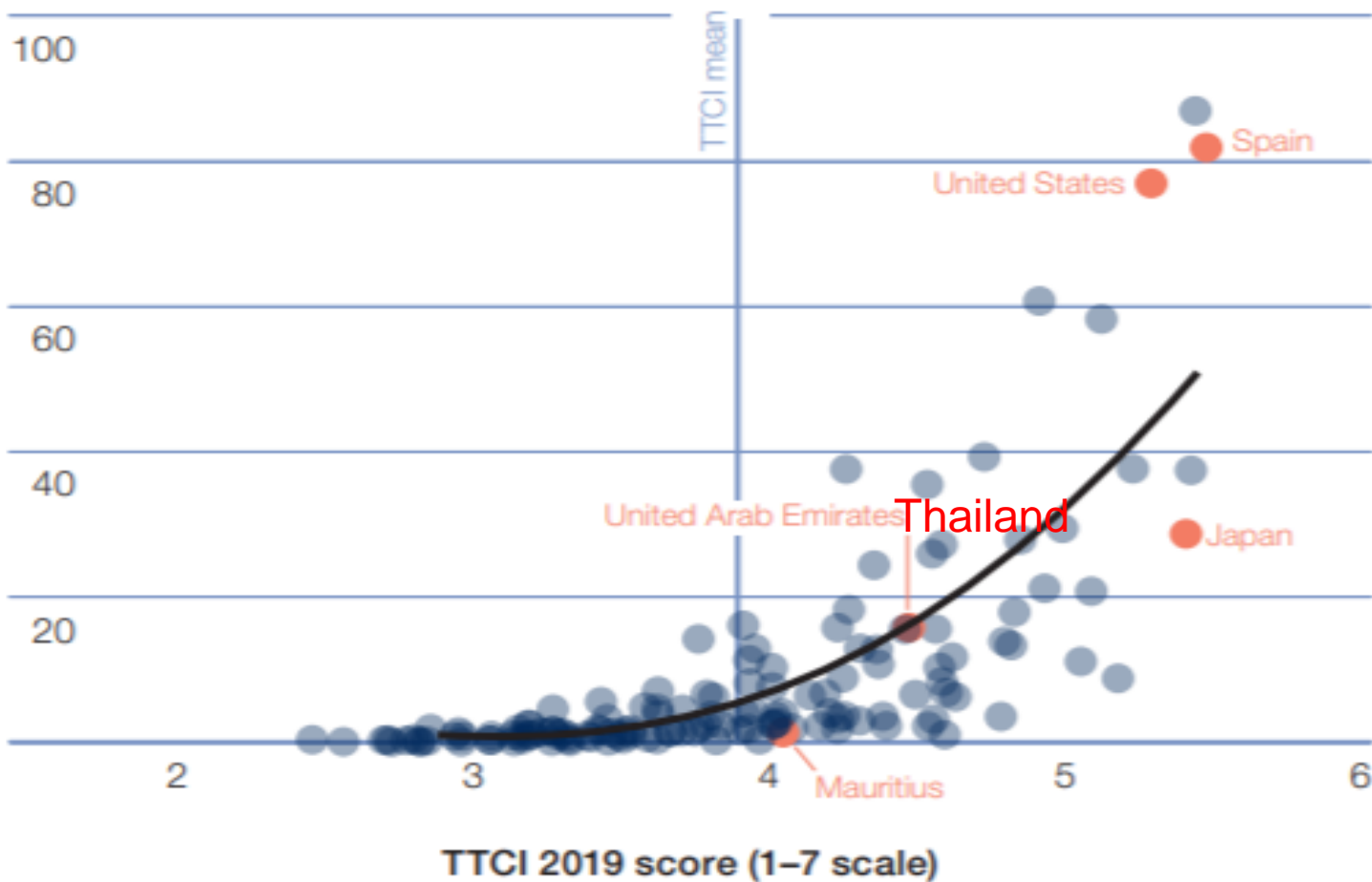


Safety, health, and human resources
Policy, Price, and environment
Infrastructure
Natural and cultural capital

Thailand's rank: 31st, score 4.5

Figure 1: Travel & Tourism Competitiveness Index 2019 and international tourist arrivals

International tourist arrivals (millions)

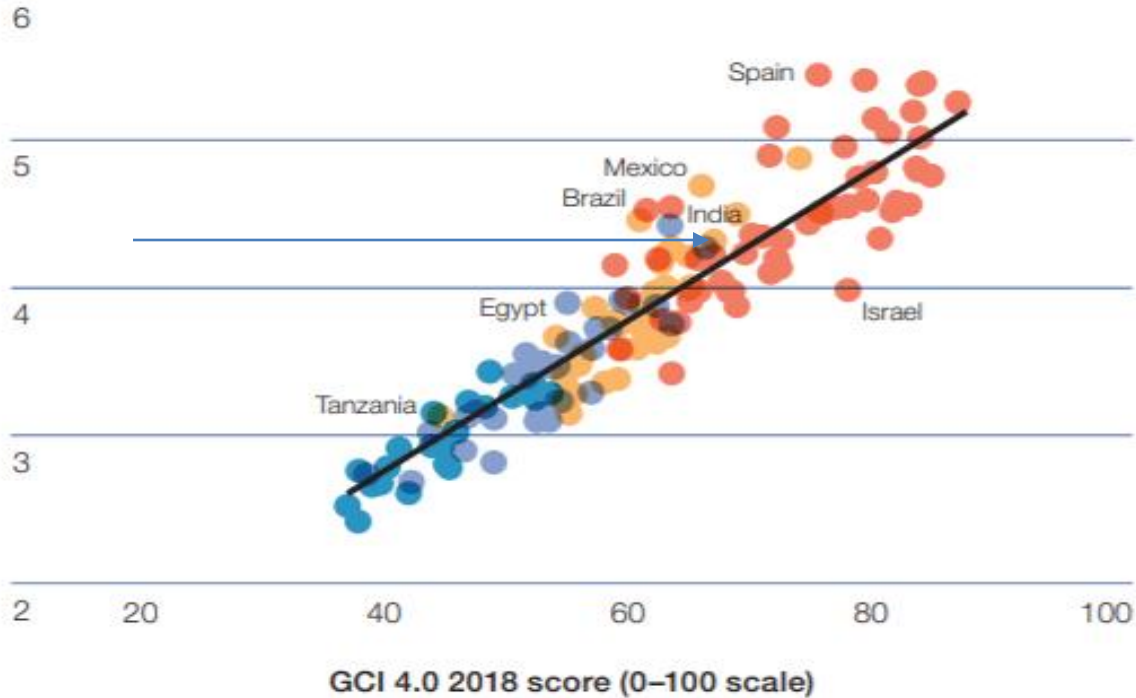


Note: International tourist arrivals excludes Liberia, (2017 or latest available).
Top performers for each region are highlighted.

Sources: World Economic Forum and World Tourism Organization (UNWTO).

Figure 3: Correlation between travel & tourism and overall competitiveness

TTCI 2019 score (1–7 scale)

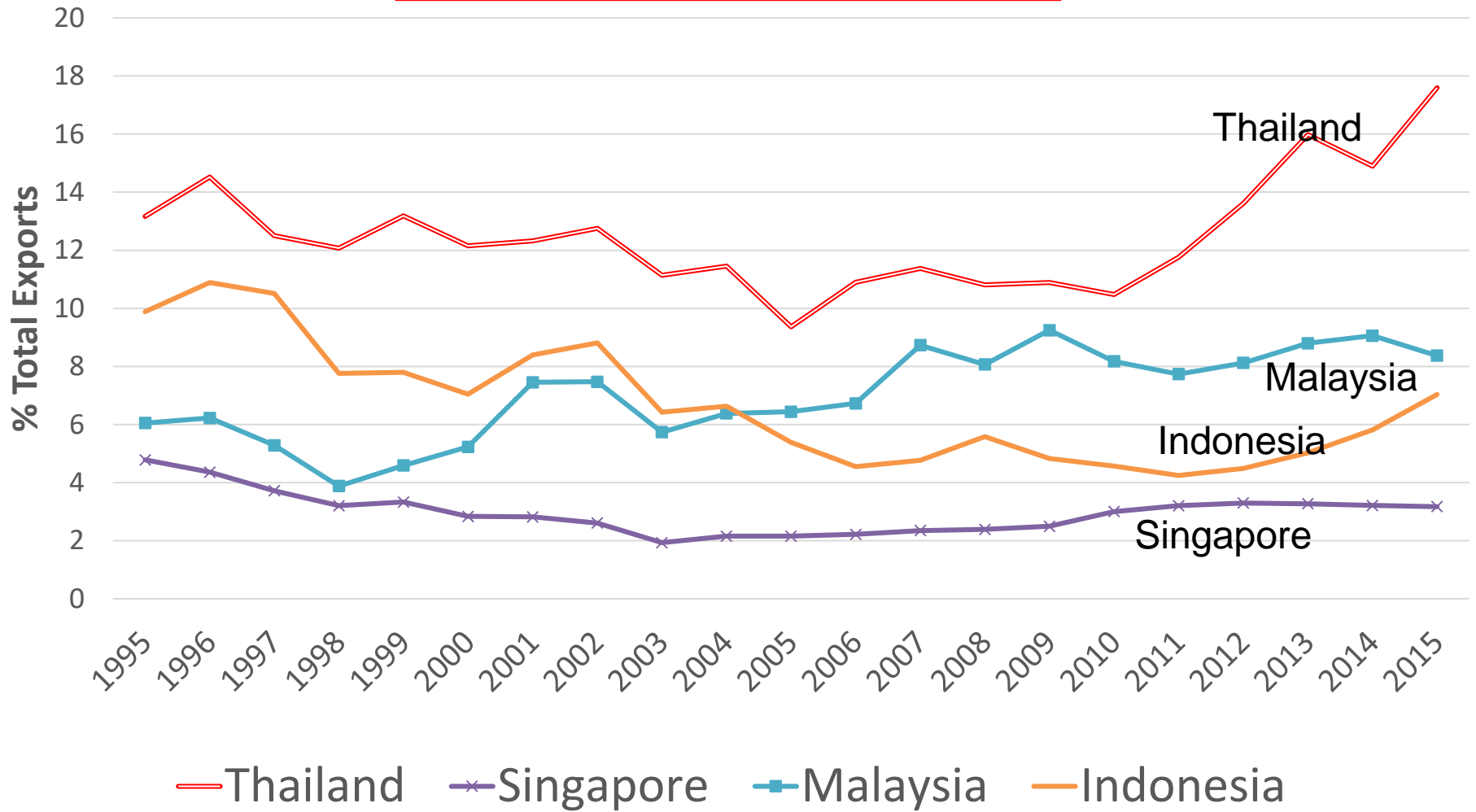


Key

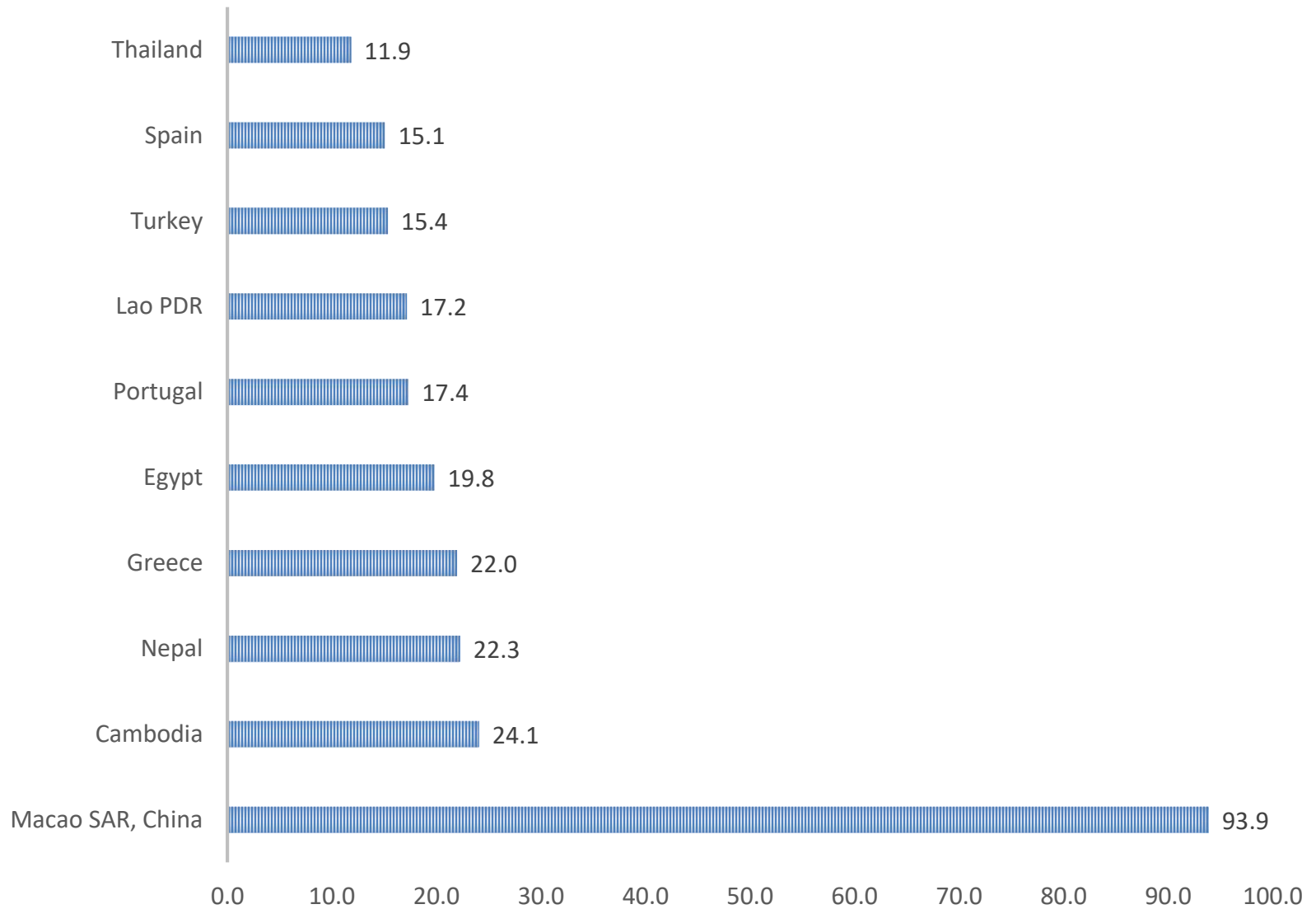
- High income
- Upper-middle income
- Lower-middle income
- Low income

Source: World Economic Forum, 2018 and 2019.

Receipts from international tourism (% total exports)



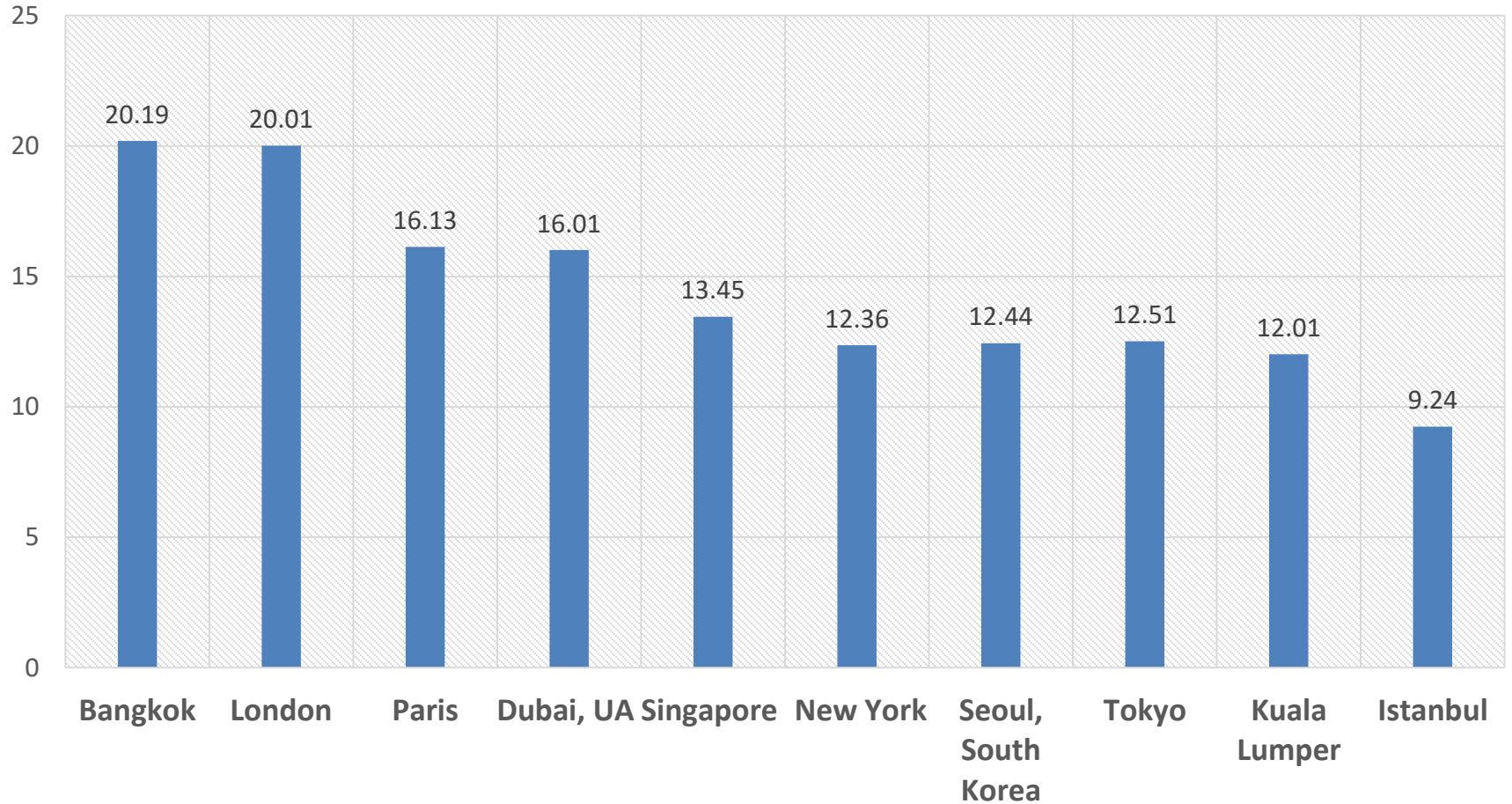
THE RELATIVE IMPORTANCE OF TOURISM INDUSTRY: RECEIPTS (% EXPORTS)



Most popular cities for international visitors

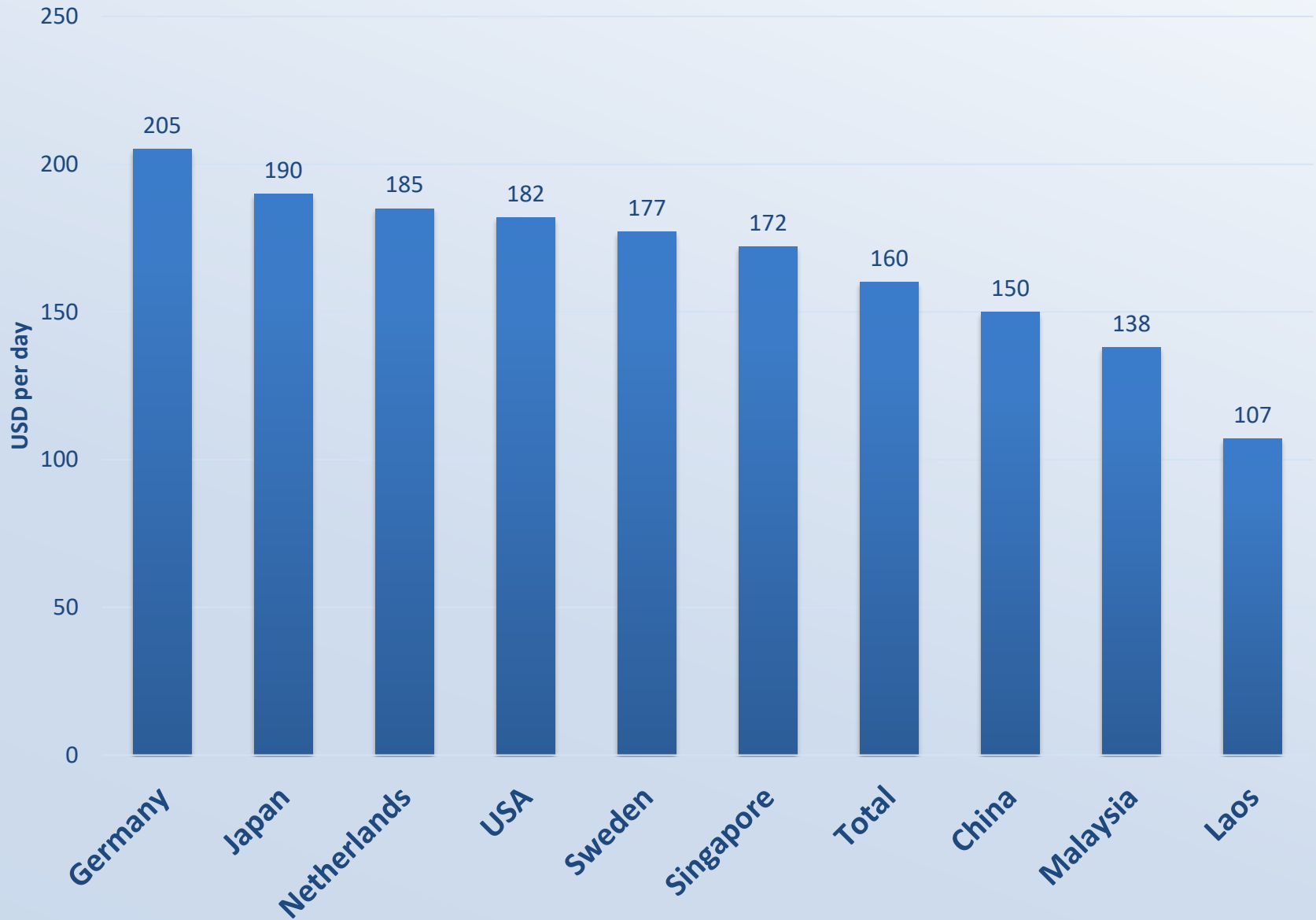
Number of visitors in 2017

Source: Mastercard's 2017 Global Destination Cities Index

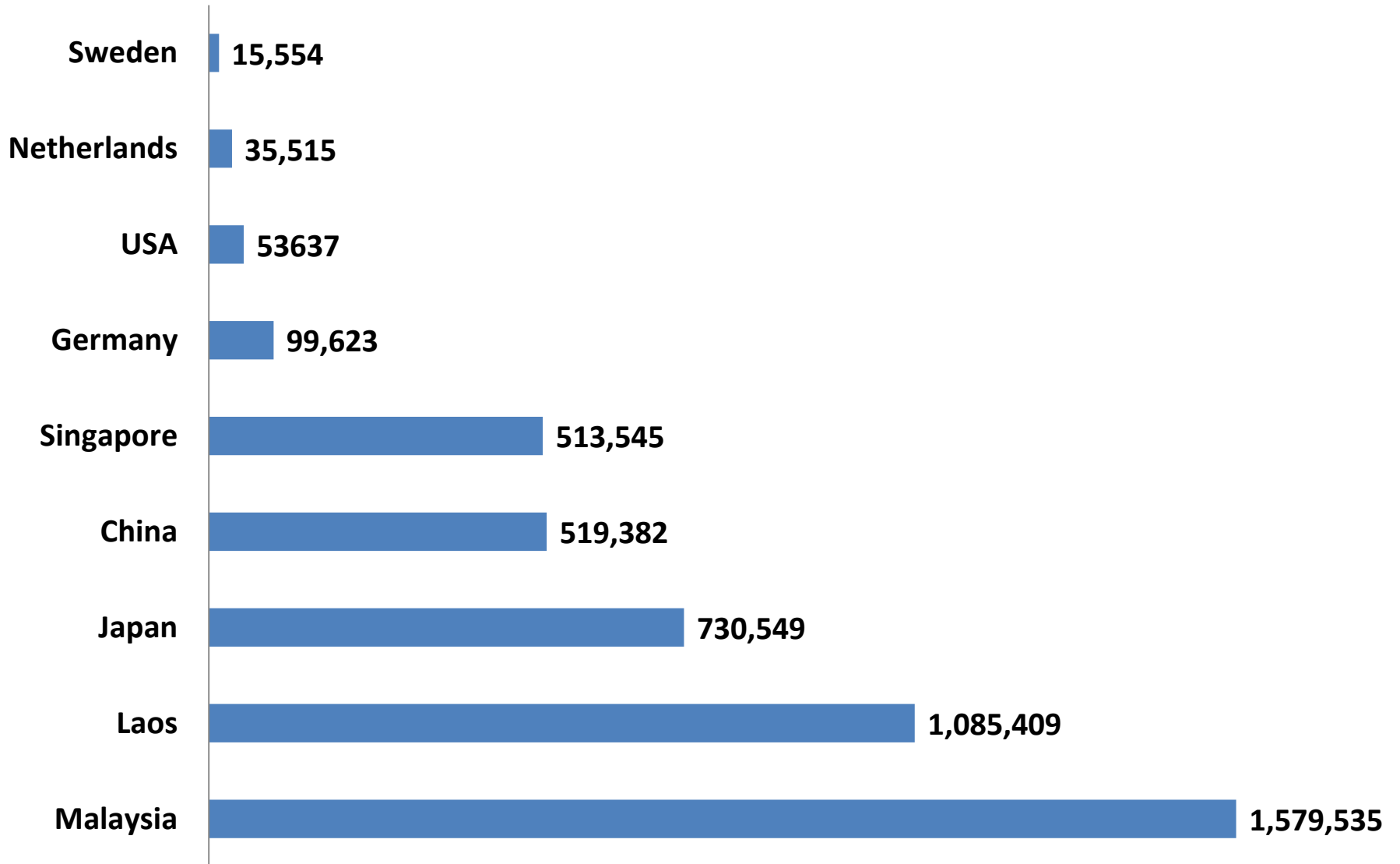


Source: Mastercard's 2017 Global Destination Cities Index

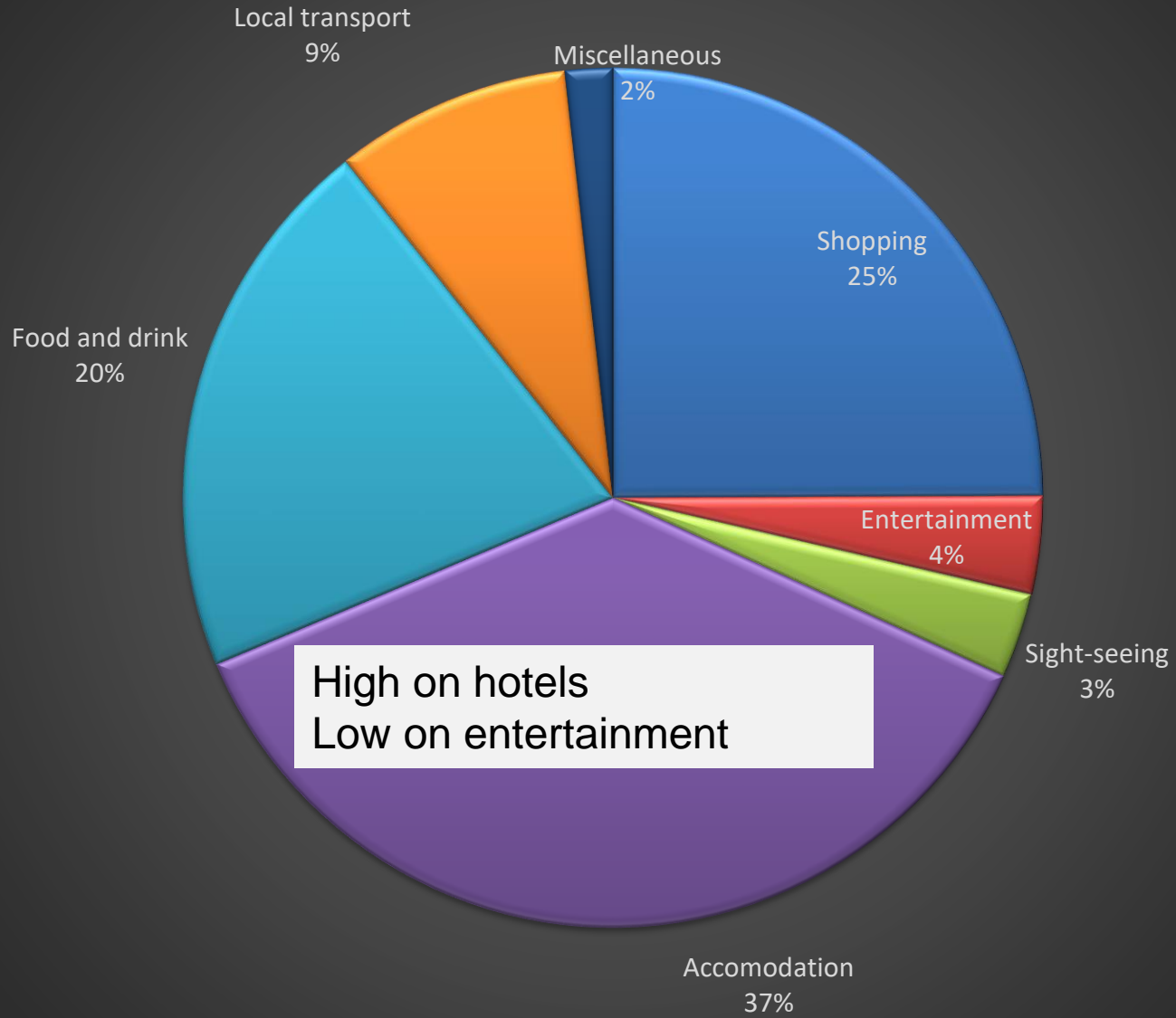
Thai tourists' average spending in various countries in 2015



Number of outbound Thai tourists in 2015



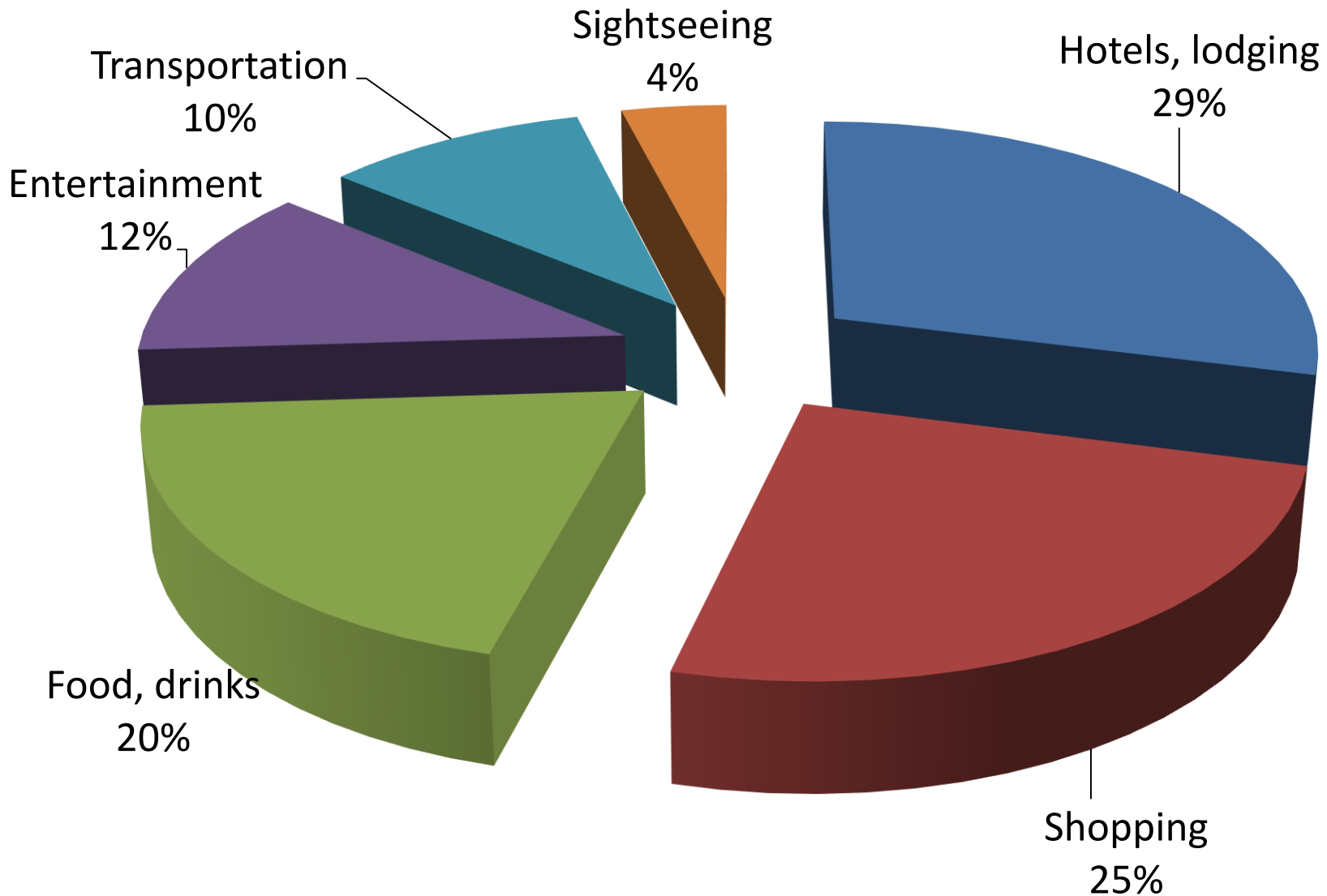
Thai tourists' spending pattern



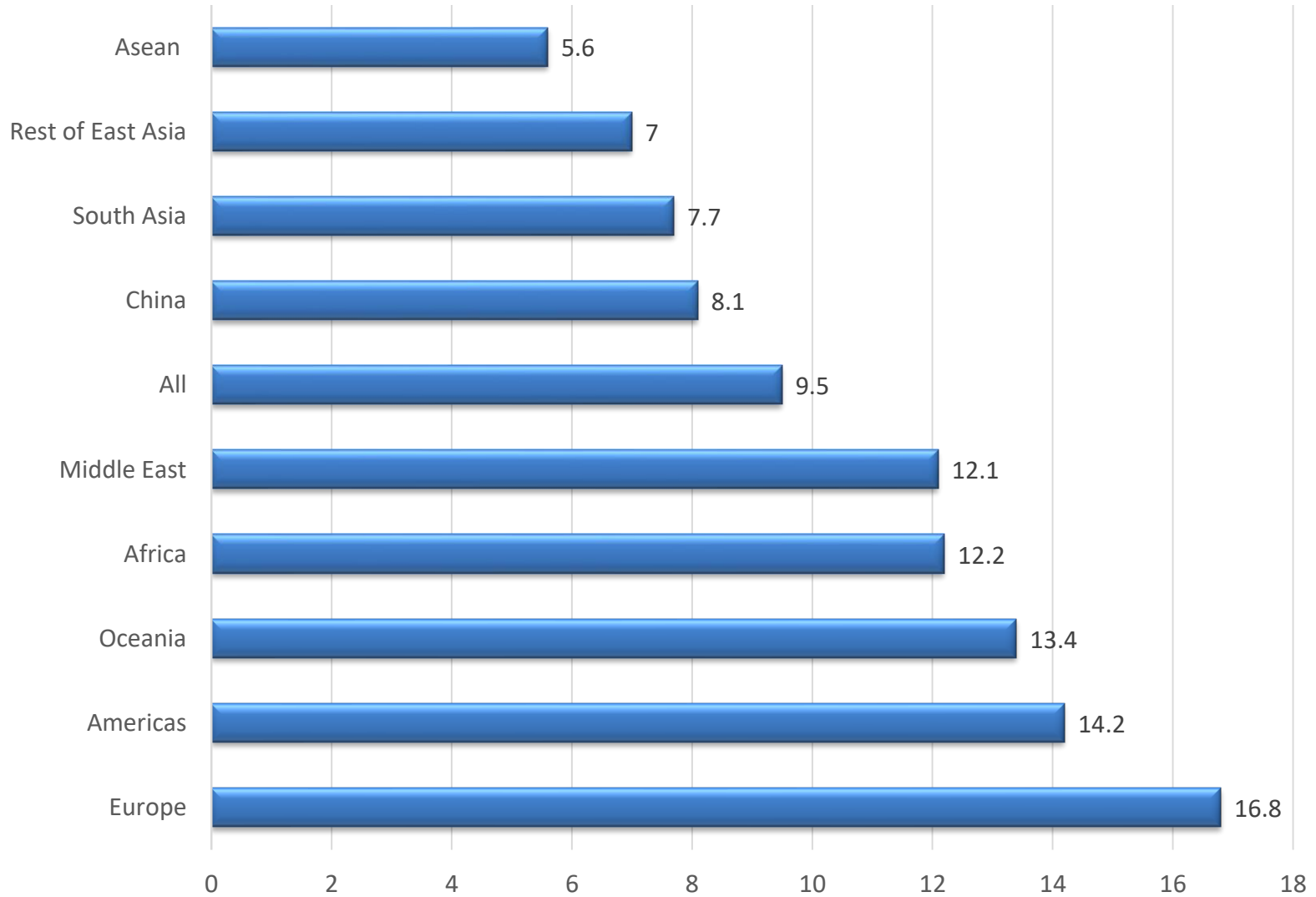
■ Shopping ■ Entertainment ■ Sight-seeing ■ Accommodation ■ Food and drink ■ Local transport ■ Miscellaneous

Daily expenditure of international tourists: 2015

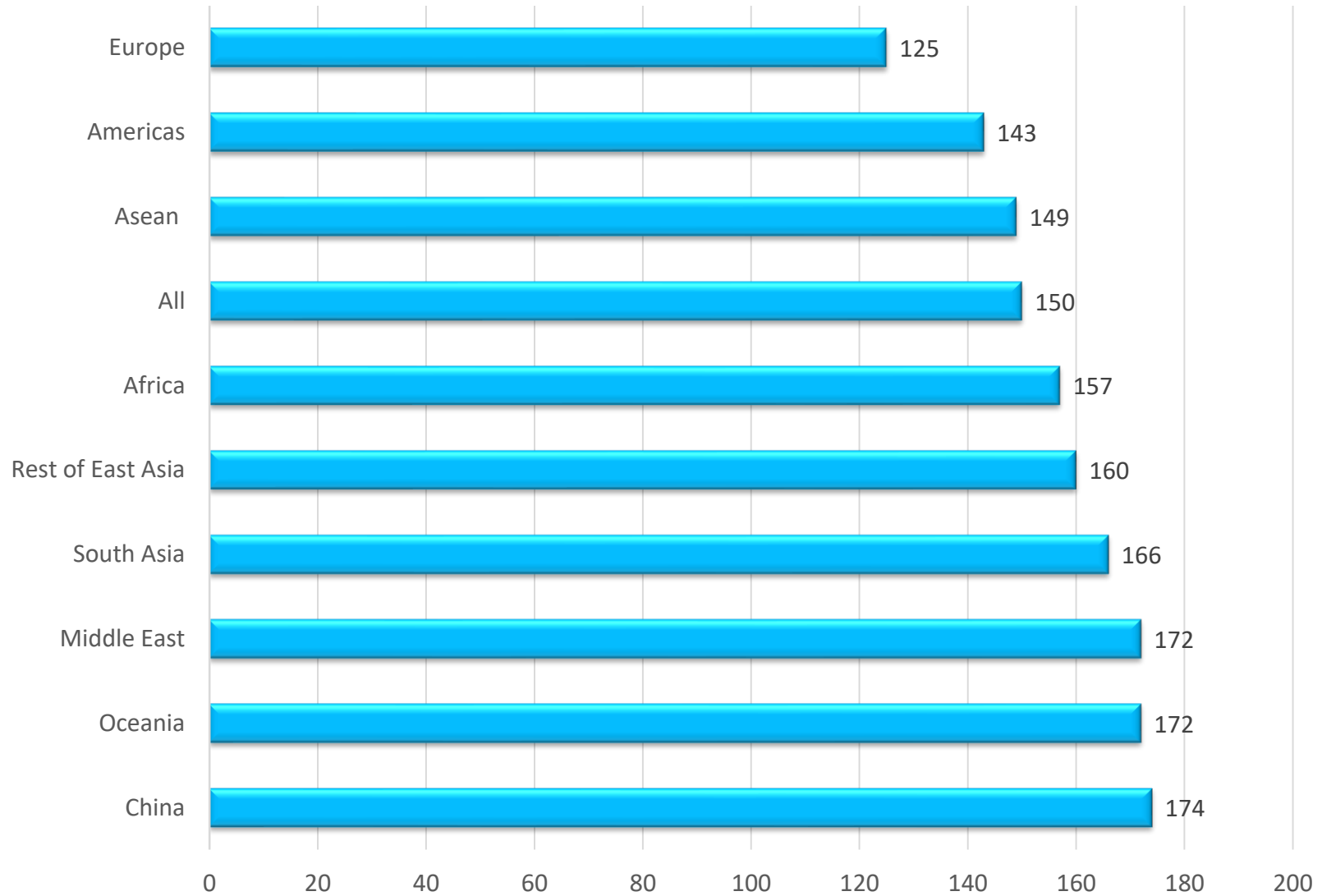
Forward Linkages



Average length of stay by regions (number of days spent in Thailand)



Average spending per day, per international tourist (USD/ day)

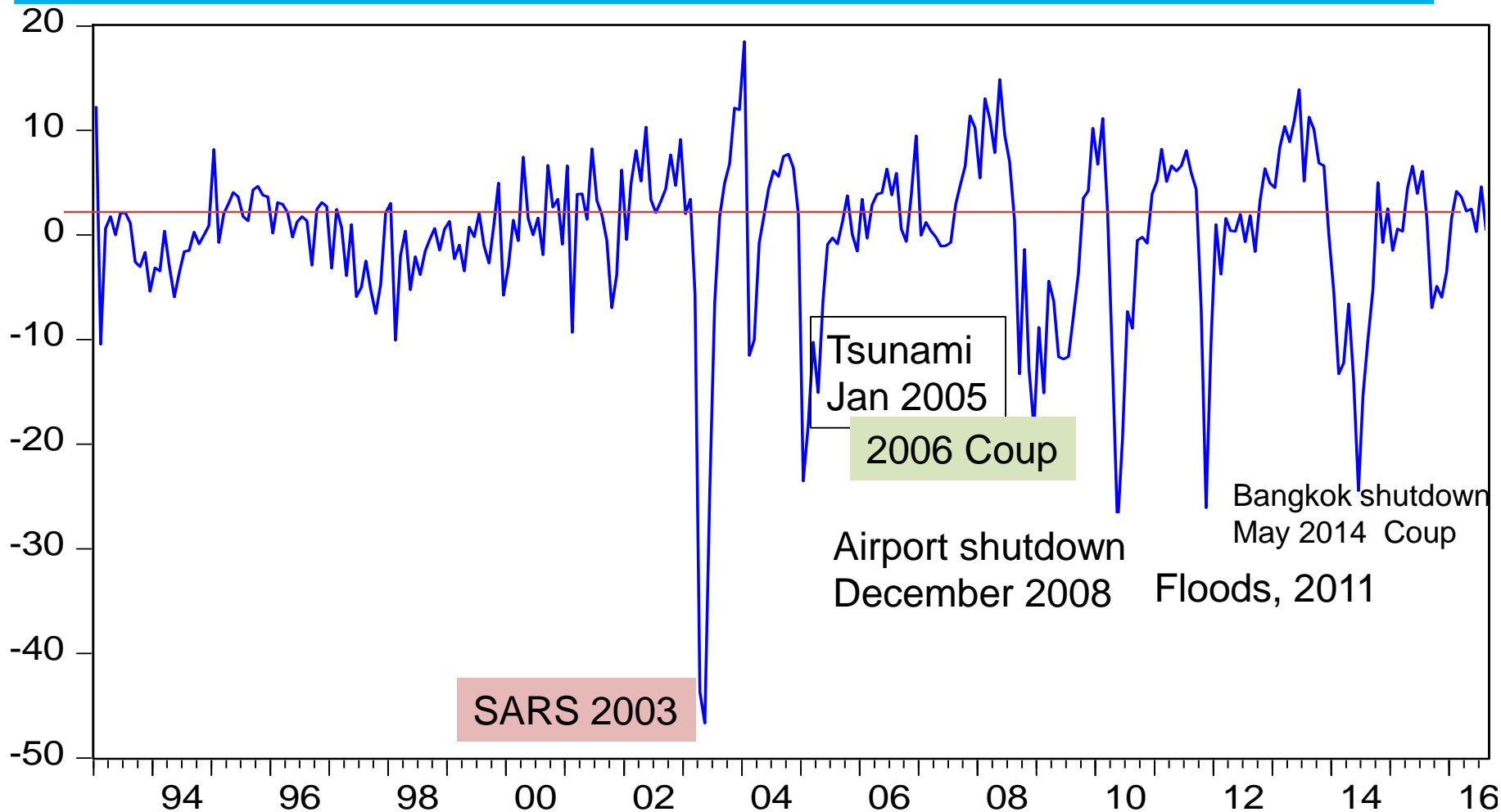


Determinants of tourism demand (Both inbound and outbound)

- Income (income elastic demand: luxurious service)
- Relative prices (plenty supply of hotel rooms)
- Exchange rates (strong baht is unfavorable to the industry)
- Transportation and transaction costs (airfare, oil prices, visa fee)
- Perception of safety (Erawan shrine bombing, and Covid-19)
- Preferences (They keep on coming back)
- **Shocks** (transitory disturbances)

2. Shocks, vulnerability, and resilience

Number of tourists: Deviation from the trend

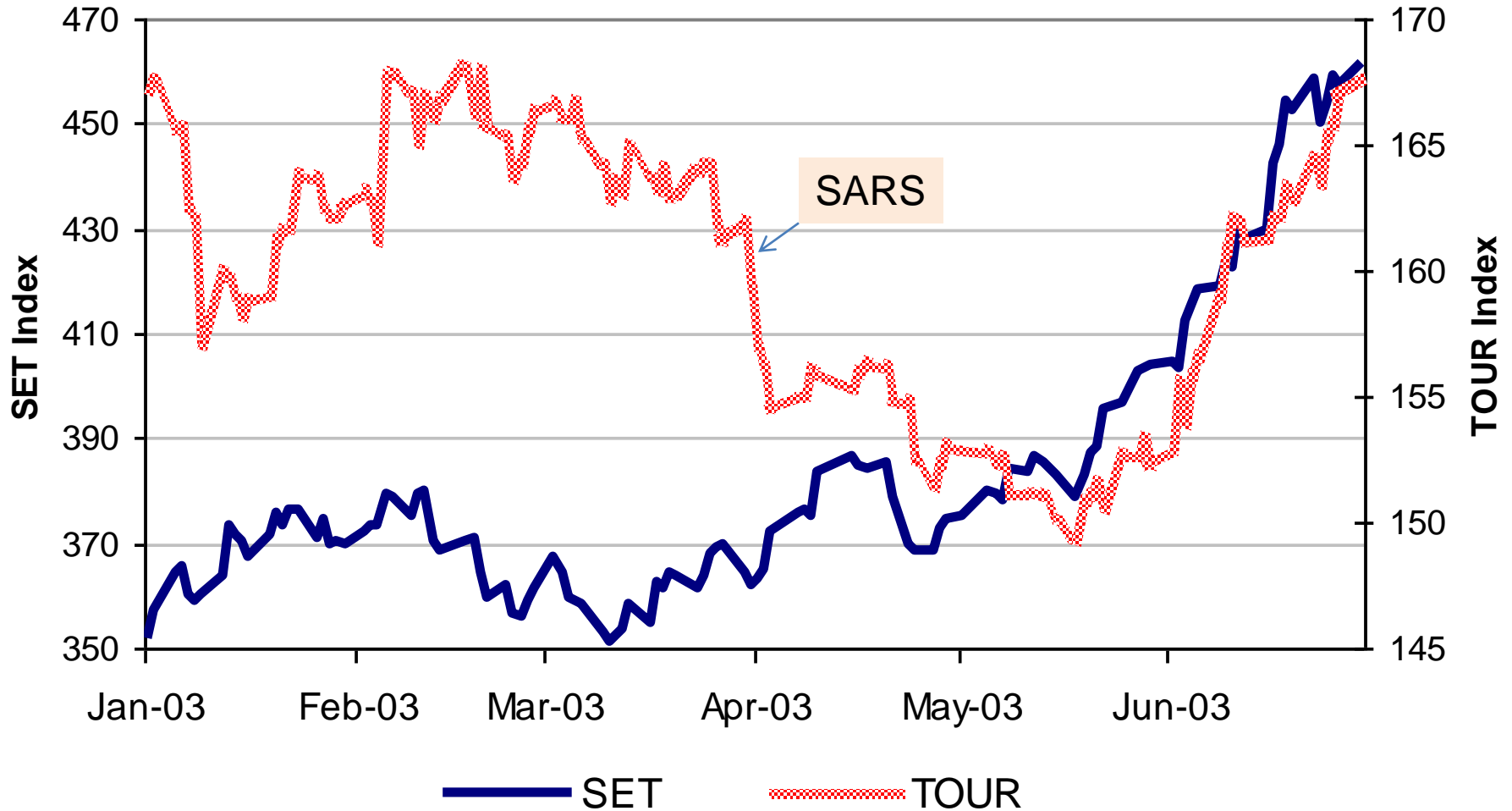


Increasing gyrations of the disturbances: moving up and down in an uncontrolled way

When **SARS** attacked in 2003

- SARS (Severe Acute Respiratory Syndrome) is the disease caused by ***SARS coronavirus***.
- It causes an often severe illness marked initially by systemic symptoms of muscle pain, headache, and fever, followed in 2–14 days by the onset of respiratory symptoms, mainly ***cough, and pneumonia***
- Tourism industry suffered considerably from **travel restrictions in response to SARS outbreak.**
- The ***pattern of stock price recovery was*** similar for the case of tsunami and SARS shocks.

SARS Impact on the Stock Market



Source: Stock Exchange of Thailand (SET)

Tourism and hotel industry sector were hit temporarily

Blocked airways: coronavirus and air travel

- Evidence from previous pandemics should worry airline investors. From peak to trough, Asian airlines saw a **35% drop** in monthly passenger numbers due to the **SARS** outbreak in 2003.
- Few industries will be as hard hit by the Wuhan coronavirus as **aviation**; travel bans and fear are taking their toll.
- The United Arab Emirates, one of the world's biggest hubs, said it will suspend flights to and from Chinese destinations outside Beijing.
- And so did THAI airways

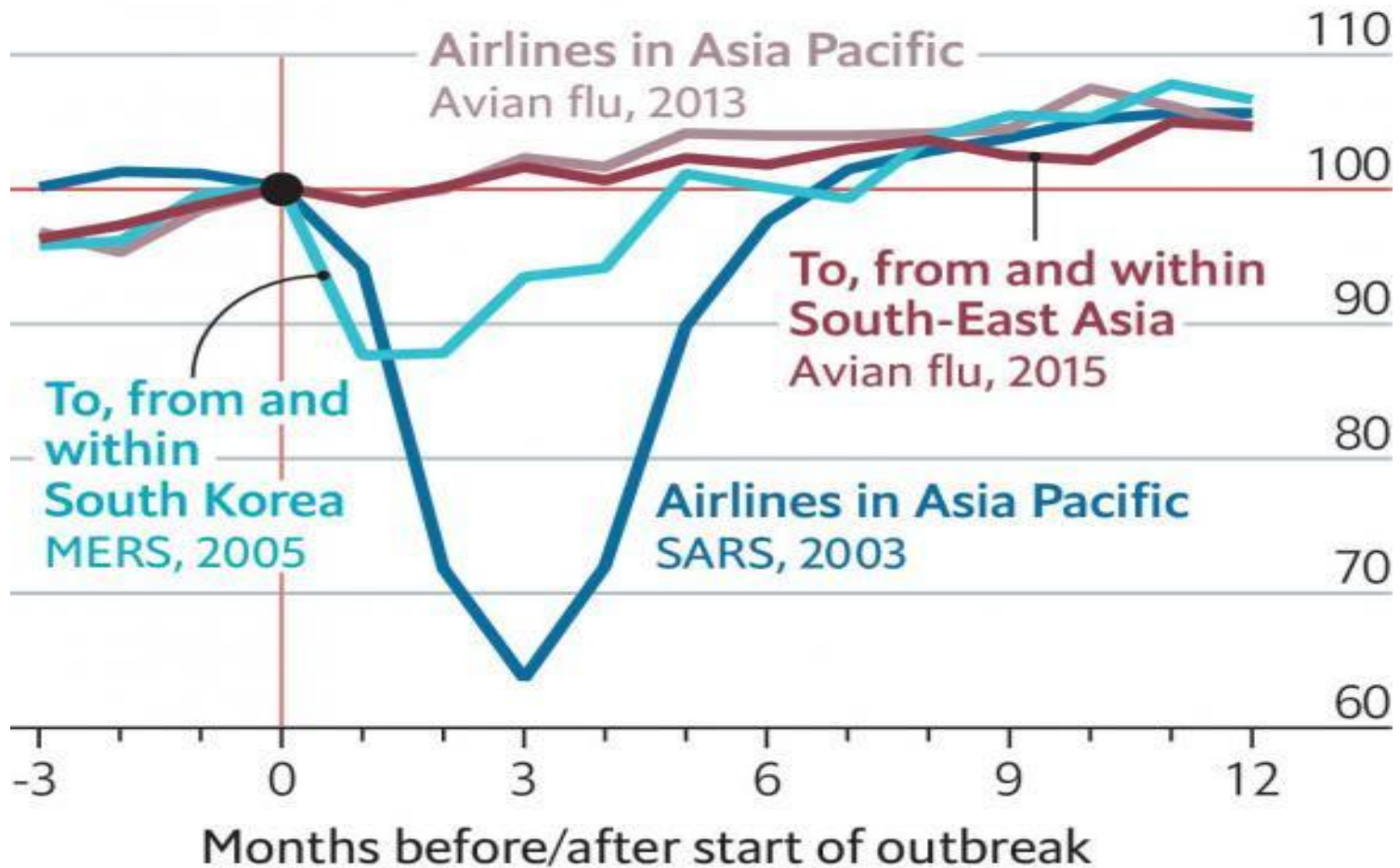
Learn from the past experience: **Ebola**

- The impact on airlines of the *Ebola outbreak* in West Africa in 2014 was worse still. International air-passenger arrivals in Sierra Leone fell by a whopping 93%.
- And many places unaffected by coronavirus should worry about too, if travelers across the world decide to stay at home whatever the risk.
- Ebola caused hotel bookings in Tanzania to fall by half—even though it was about 3,000 miles (4,800km) from the outbreak and never had a single case of the disease.

Air sickness

Impact of virus outbreaks on aviation

Revenue-passenger km, start of outbreak=100



Source: IATA

China's travel ban hits hotels hard

20 January 2020

- Thai hotels are preparing for another slump in bookings as the Chinese government's ban on outbound group tours inconveniences independent travelers, a segment that makes up 60% of all Chinese visitors to Thailand.
- Another collapse in travelers come from the meetings, incentives, conferences and events (Mice) segment, which draws a large portion of revenue from overseas participants.

Impact on stock markets

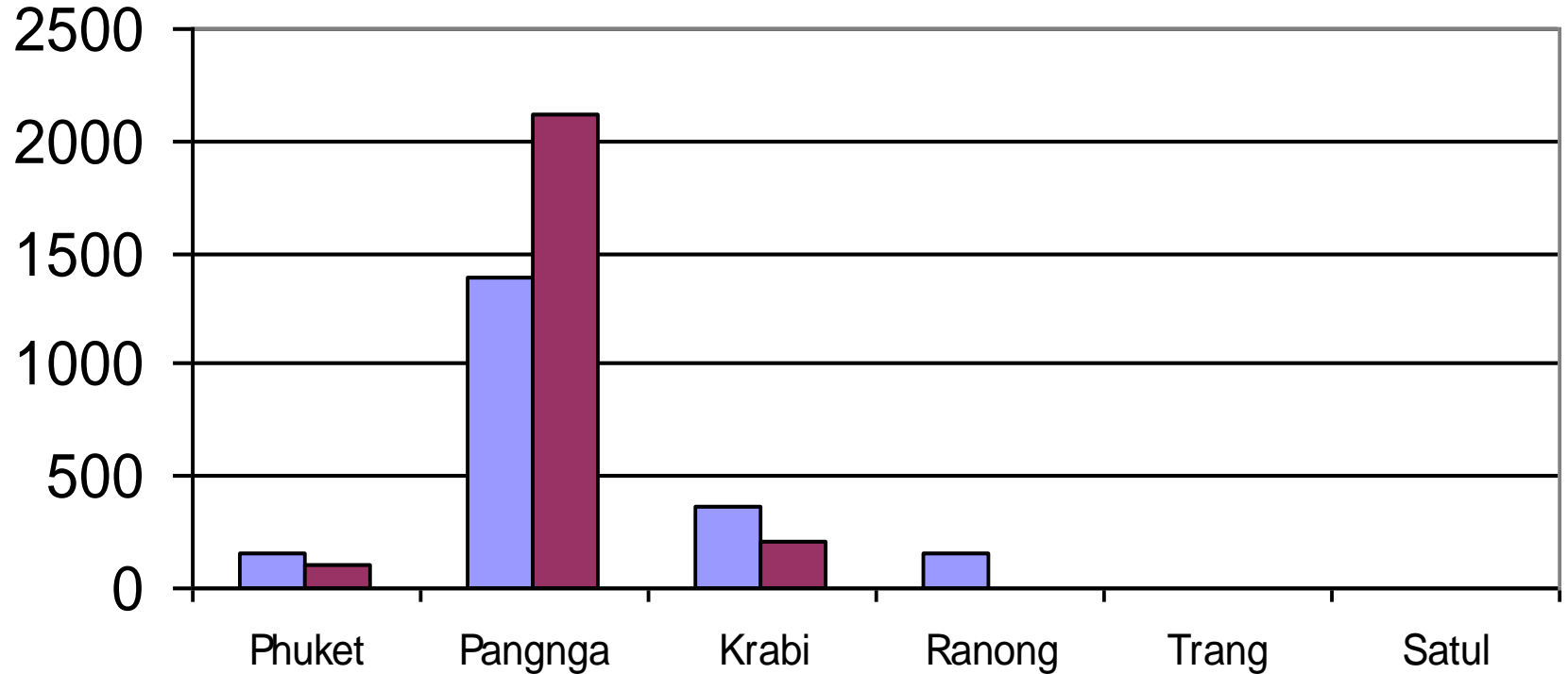
- After reopening for the first time since January 24th, stockmarkets in China plummeted in light of the alarming spread of the coronavirus in the period since.
- Despite China's central bank's stimulus measures—injecting 1.2trn yuan (\$173bn) into financial markets—the Shanghai Composite index fell nearly 8%, its biggest fall in more than four years.
- The Fed did the same huge stimulus but could not stop wall street from its plunge
- The yuan fell as well.
- *Let's turn to examine the impact of natural disasters*

At 9:50 am
Sunday 26th of December 2004



Tsunami Death toll (2004)

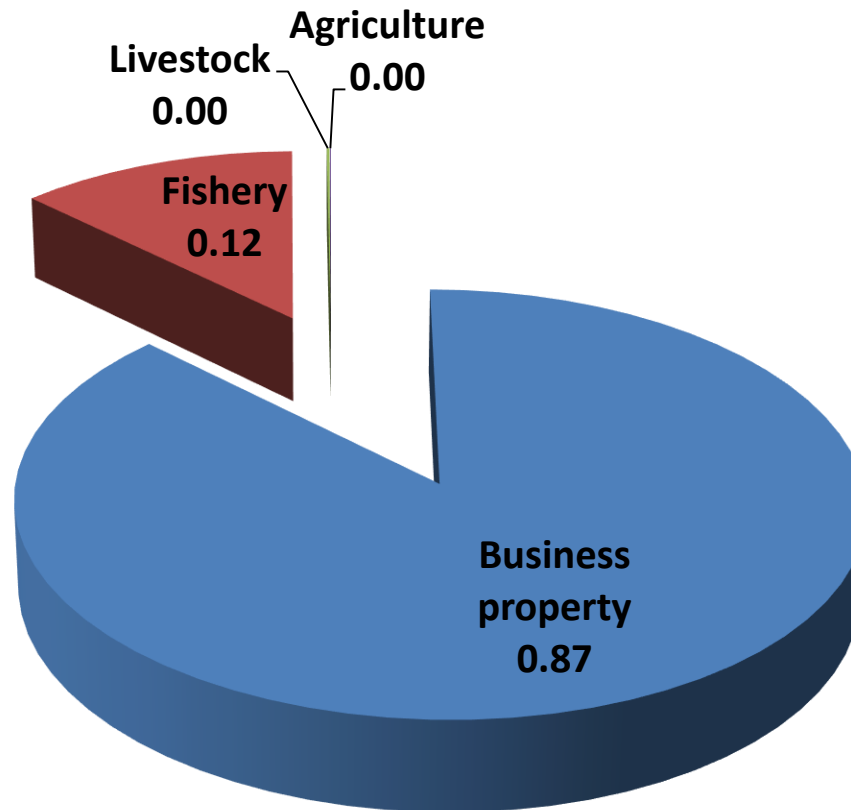
Figure 2: Thai and Foreigner Death Toll



Source: DDPM

■ Thai ■ Foreigner

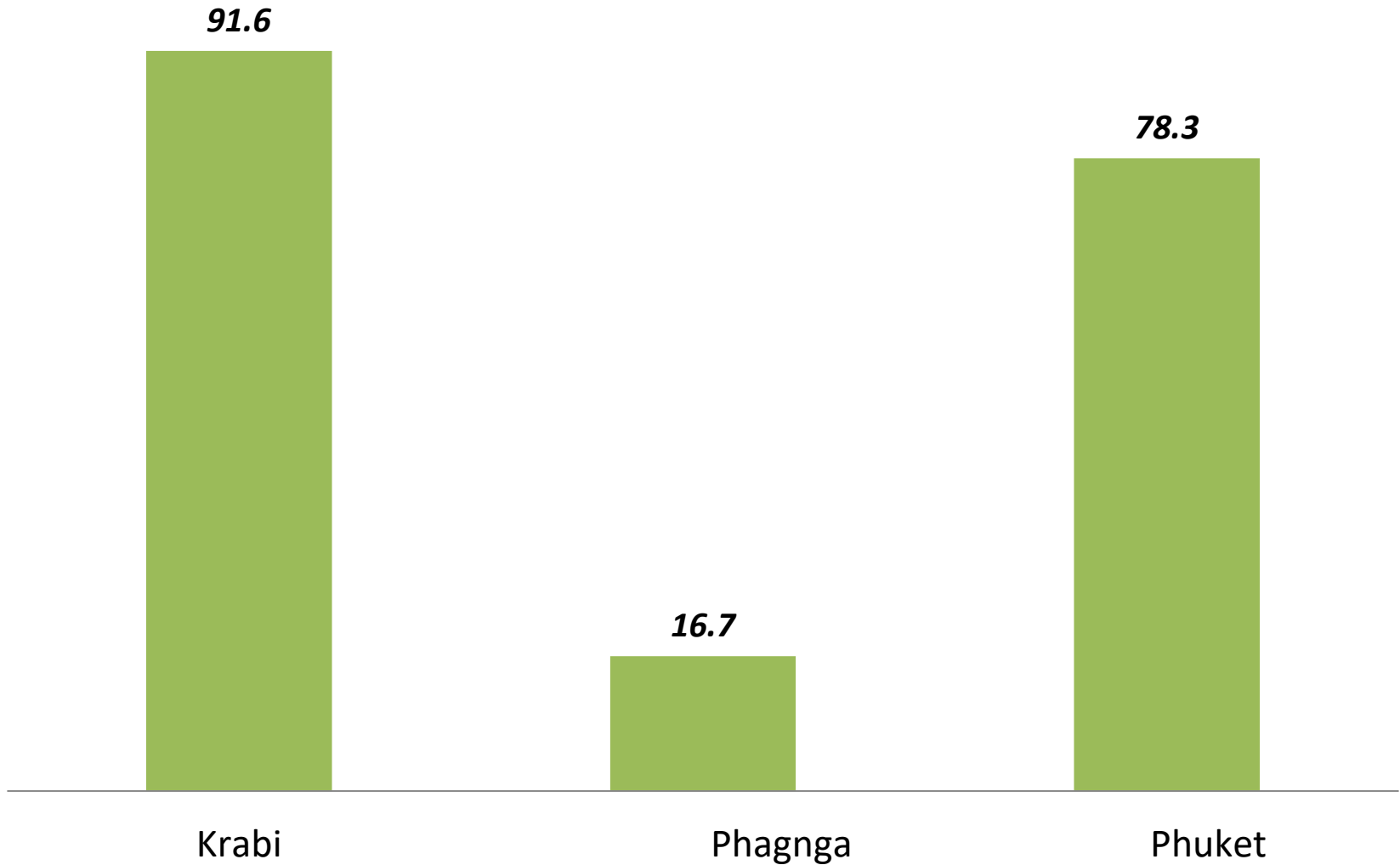
Tsunami and damages in 2005



Source: Department of Disaster Prevention and Mitigation

Immediate impact on hotel rooms: On January 12, 2005

■ percent left



Phagnga: khao lak

- The most severely hit province
- The number of hotel rooms was reduced from 6,000 rooms to 1,200 rooms.
- Revenue declined from 8 billion baht to just 200 million baht in 2005.
- High season started in November.
- By November 2005, a recovery by 100 % fully booked hotels.

The road to recovery

- Physical destruction by the tsunami still left (January 2005) some facilities to serve visitors after the disaster. Supply factor was not the main concern, except for Phagnga.
- The survival of the industry heavily relied on the ***demand side***.
- International visitors dropped by 10 % in 2005Q1, reducing income by 7.8%
- How did the industry survive?

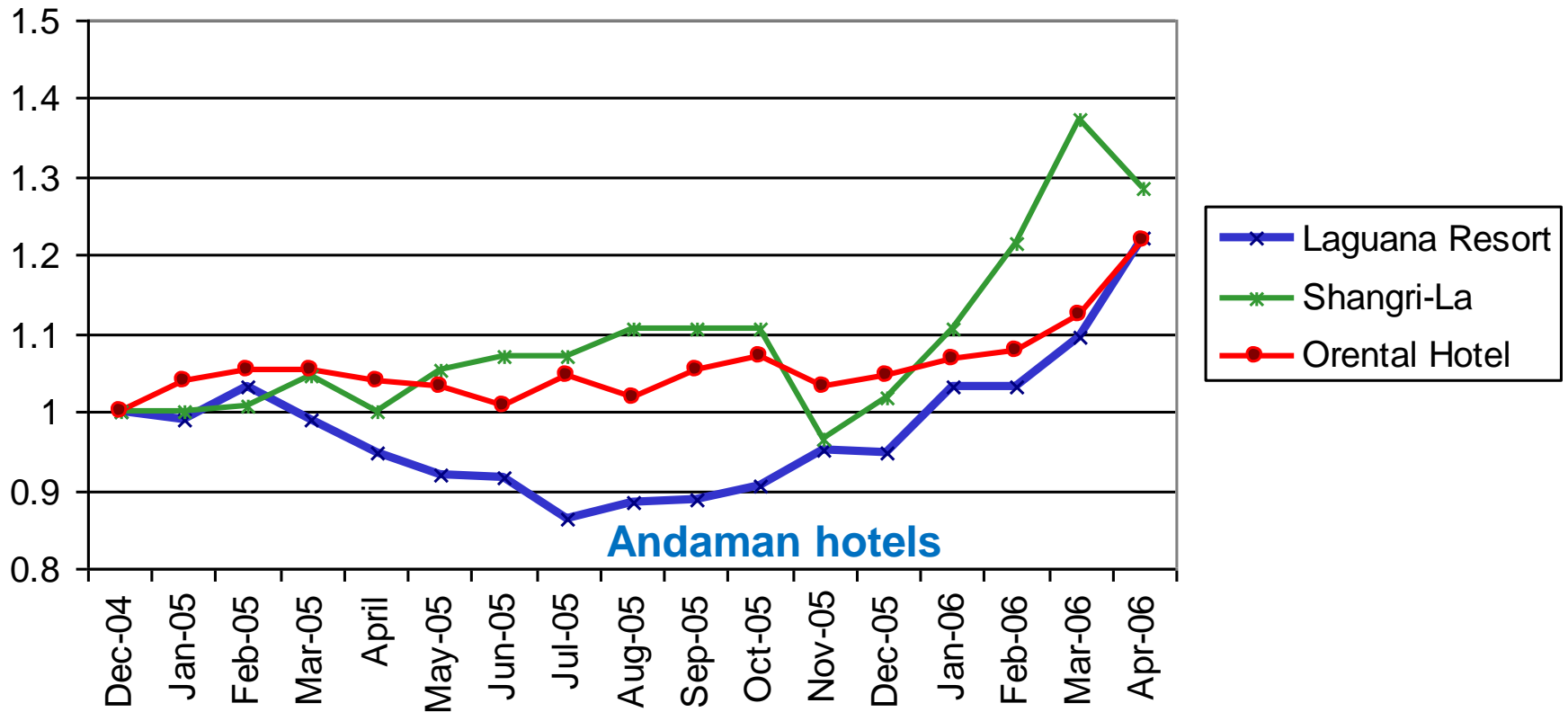
Impact on the stock market: Minimal and short-lived

- On December 27, 2004 The Securities Exchange of Thailand (SET) index fell by **1 %** only, while the hotel index fell by **2.5 %**.
- It took the SET index **four days** to rebound to pre-tsunami level.
- However, it took the overall **hotel stocks** for **30 30 days** to regain their ground.
- *How long will it take the SET to regain its pre-Covid-19 level?*

Andaman-exposure hotels suffered most

- Hotels with Andaman beach exposure (Laguna resort) suffered considerably,
- But Thailand does have other sandy beaches aside from Phuket, Phangnga, and Krabi
- Other hotels (Oriental and Shangri-la) benefited from migration of visitors from the three southern provinces.
- Hotel concentrating their operation in these provinces suffered losses, while other hotels with diversified locations were able to maintain their revenues.

Asymmetric impact of tsunami on hotel stocks



Diversification is the key to resilience

Laguna resort suffered more due to the lack of hotels
In other parts of Thailand.

Policy responses to the tsunami: fiscal and monetary measures

Tax exemption to tsunami victims

28 billion budget allocation for reconstruction

20 billion baht of **soft loans** by the Bank of Thailand.

Bank of Agriculture provides three-year **interest-free credit** to affected farmers.

Government Saving Bank and SME Bank have become more active in lending.

Implication from the consumption smoothing hypothesis: To maintain normal consumption level, credit must be provided to those who were affected by the disasters

What are Thailand's policy response to Covid-19 to rescue the tourism industry?

Demand matters most

- With massive capital injection, supply constraint is not a problem in the long run.
- A sustainable recovery requires a uplifting demand from private and public sectors.
- There was a shortage of labor supply in the hotel business, pushing higher wage rates as the industry slowly recovered.

The right way to help Thailand after the Tsunami

- Thailand can handle the finance of tsunami disaster by her own resources.
- **International assistance** should be directed to other countries with greater needs for help.
- But Thailand asked for one thing: A reduction to tariff barriers and **greater market access** to Thai products.
- Countries which suffered from natural disasters would suffer more by **downgrading of sovereign debt** rating agencies:
- The cost of international borrowing goes up (**higher risk premium**) as growth potential is badly affected.

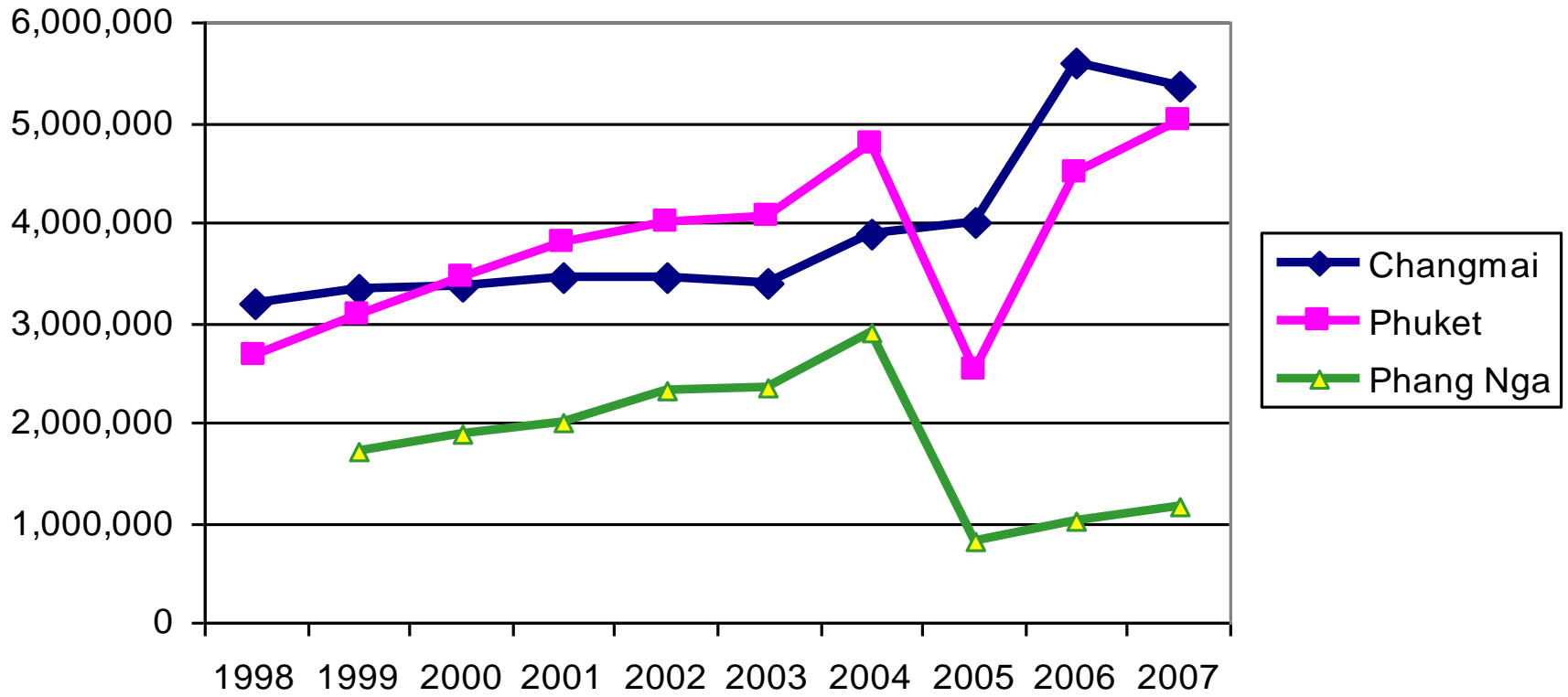
A friend in need is a friend indeed

- The **EU cut down the tariff** rates on imported shrimp from Thailand.
- The tariff declined from 12 to 4.2 percent for fresh shrimp, from 20 to 7 percent for processed shrimp. (The return of the **GSP for another three years**).
- There is ***no limit*** to imports of shrimp from Thailand into the EU (as the share of Thai shrimp in the EU was small).
- **Japan** offered to help by cutting the tariff rates of 20 agricultural products to **zero** to help Thai farmers hit by drought and the tsunami.
- As a part of confidence-building public investment, the **tsunami warning system**, with ***cooperation*** among countries to share and maintain the system, can serve as an invaluable public goods in the Andaman region.

Rebound after the shock

Give it time, this too shall pass

Number of visitors in major tourist destinations



Kao Lak, May 2014



3. Political instability affects the tourism industry

- Countries affected by political unrest inevitably experience a decline in the number of international tourists and in tourism receipts.
- *No country has been able to shield* its tourism sector against the impacts of insecurity.
- In an era of growing political turmoil, the tourism sector is facing a significant test.

*The 290- billion-baht loss, thanks to the 10-day-
airport shutdown in 2008*

- The shutdown of the **two** airports by People's Alliance for Democracy (PAD) protesters from **Nov 25 to Dec 4, 2008** Thailand **290** billion baht in lost revenue in tourism, service and transportation sectors, according to a report by the Bank of Thailand.
- The cabinet endorsed a one-billion-baht budget to be used for reviving and stimulating the tourism industry.

What did the travel agency ask?

- Association of Thai Travel Agency called on the government to weaken the baht to **37** to the US dollar, in order to ensure the sector's growth and efficient competitiveness.
- In hindsight, the 37 baht proposal was unwarranted. The hotel business still survives at the current 30 baht.
- *Will 35 baht to the dollar help the industry in 2020?*

Bangkok Airport Shutdown in 2008



From airport shutdown (2008) to Bangkok shutdown (2014), and to Bangkok lockdown (2020)

- Thailand experienced a decline in tourists' confidence beginning in December 2008 when international airports started closing and many foreign tour agents quit the country.
- **It led to a 3% year-on-year decrease in foreign tourist arrivals and a 12% decrease in foreign tourism receipts in 2009.**
- The effects continued into 2010, with nearby countries benefitting from an increase in visitors.
- Since the bad deeds of the PAD leaders went on without punishment, they were emboldened to carry on the unthinkable: the Bangkok Shutdown in 2014.

**Anti-government protesters occupy key sites, roads and ministries on
the first day of the PDRC-led urban siege campaign:
January 13, 2014**



Lesson learned

- Tourism industry is constantly bombarded by both external and internal shocks: SARS, Avian Influenza, oil price shocks, tsunami, terrorist bombing, military coups, and political violence, and Covid-19.
- The industry is vulnerable to *lost confidence* that induces negative sentiment spiral.
- Give it time, the industry will rebound after experiencing new unexpected shocks.
- Remember the Erawan shrine bombing?

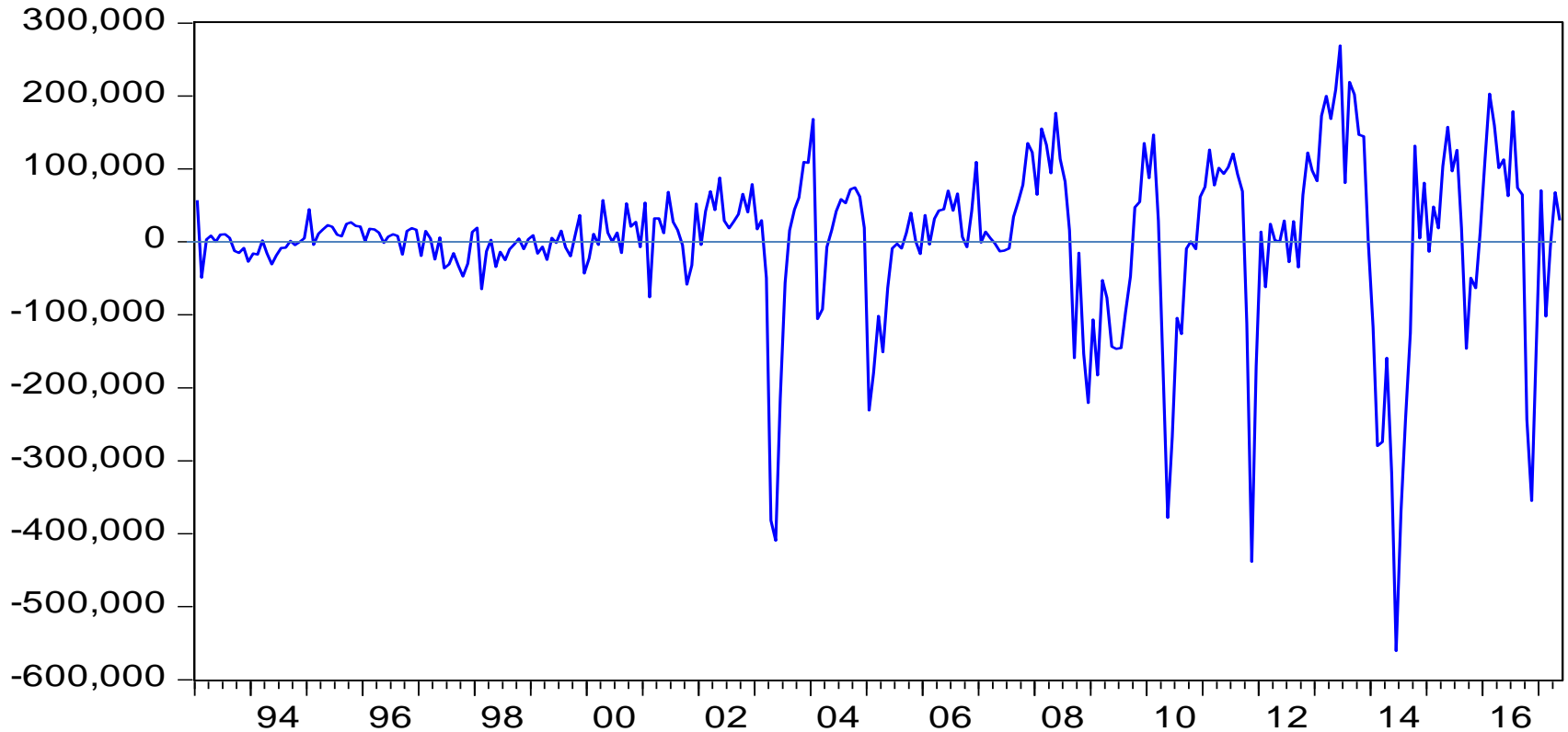
4. Microeconomic Analysis of Tourism Industry

- Hotels are complex organizations, creating value for consumers and investors by combining people and technology.
- Their performance is not only affected by macroeconomic cycles and consumer trends, but is also linked to that of **parallel sectors** such as *airlines and travel companies*; seasonality of demand, product innovation(online booking: Thomas Cooks was closed down) which also affect performance.
- More to come in 2020.

The hotel industry faces unique challenges

- Demand shocks impact the industry in differing ways: *Economic volatility, Political instability, Terrorism, and Pandemics*
- Effective business leaders seek to understand the impact of different shocks and develop the tools required to manage the consequences.
- Operating in a globally inter-connected and consumer-led environment, the hotel industry is exposed to various risks of business interruption.

Number of international tourists (Departure from trend; Jan 1993-May 2017)

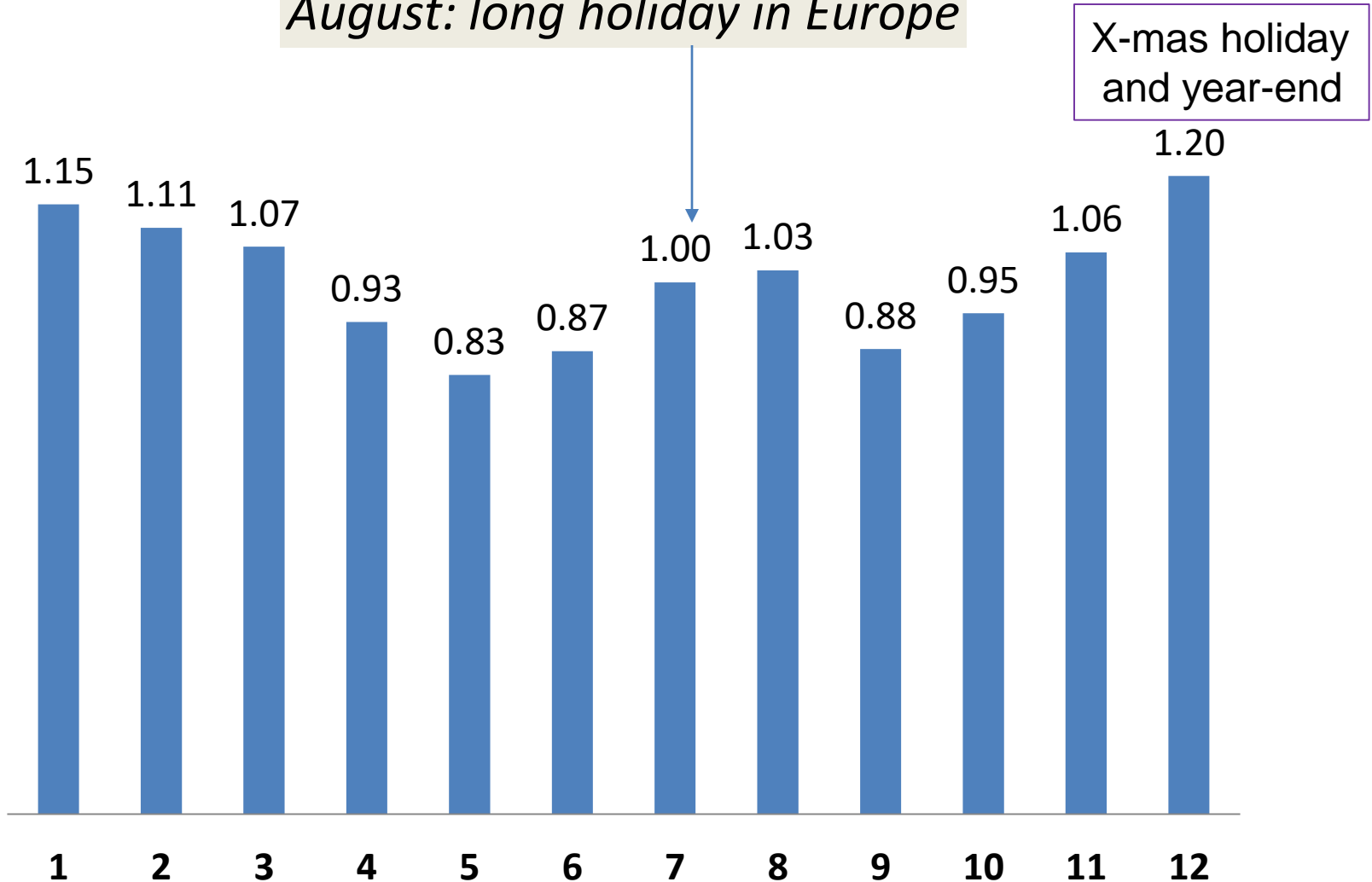


The travel and hospitality industry is operating through increasingly prolonged periods of uncertainty and instability.

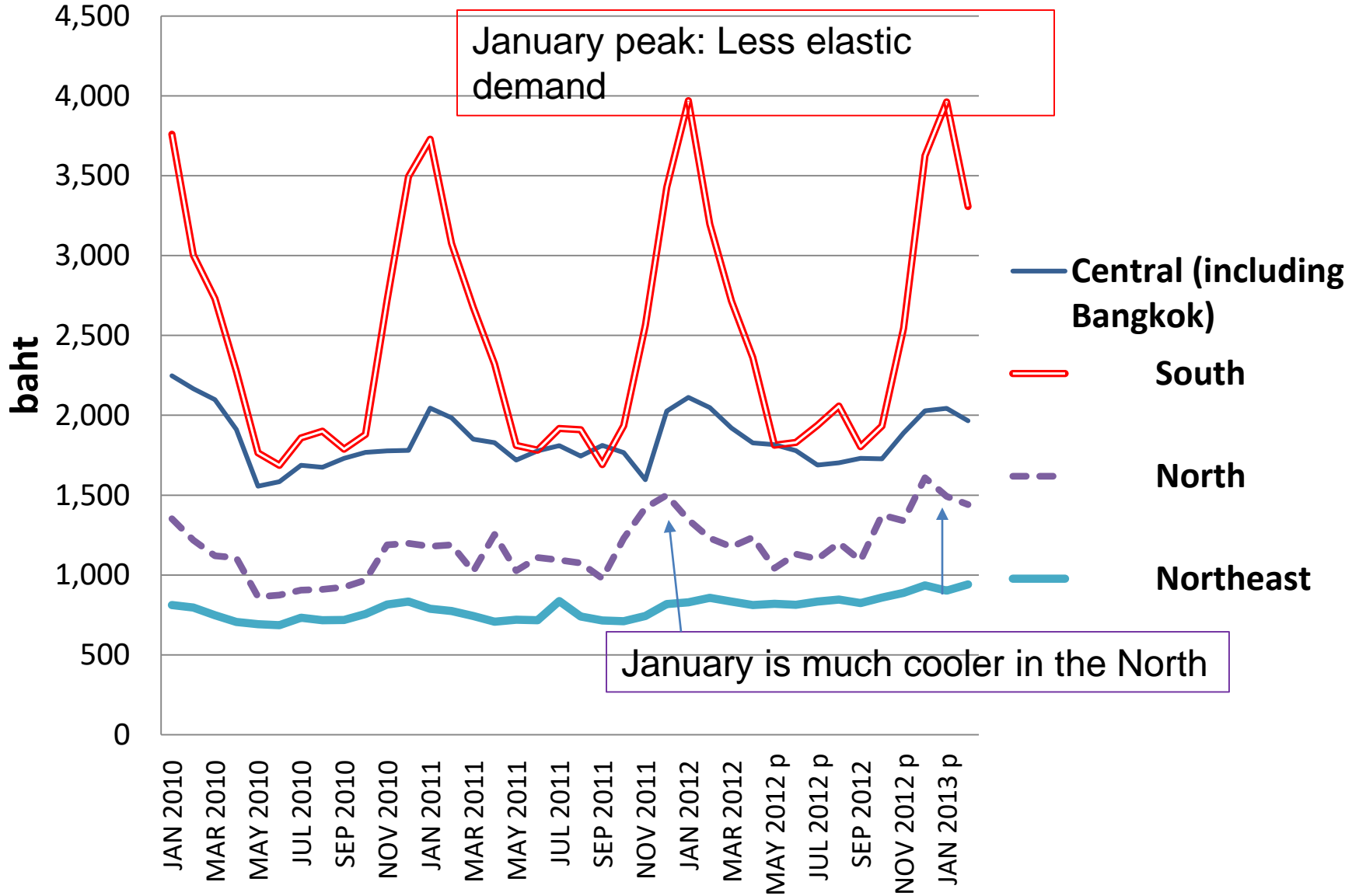
Microeconomic Analysis

- Seasonality and peak-load pricing
- Economies of scope: Revenues from MICE
- Uncertainty and risks affects supply and demand sides through reducing long term profitability and investment

Monthly number of tourists:
Ratio to moving average
August: long holiday in Europe



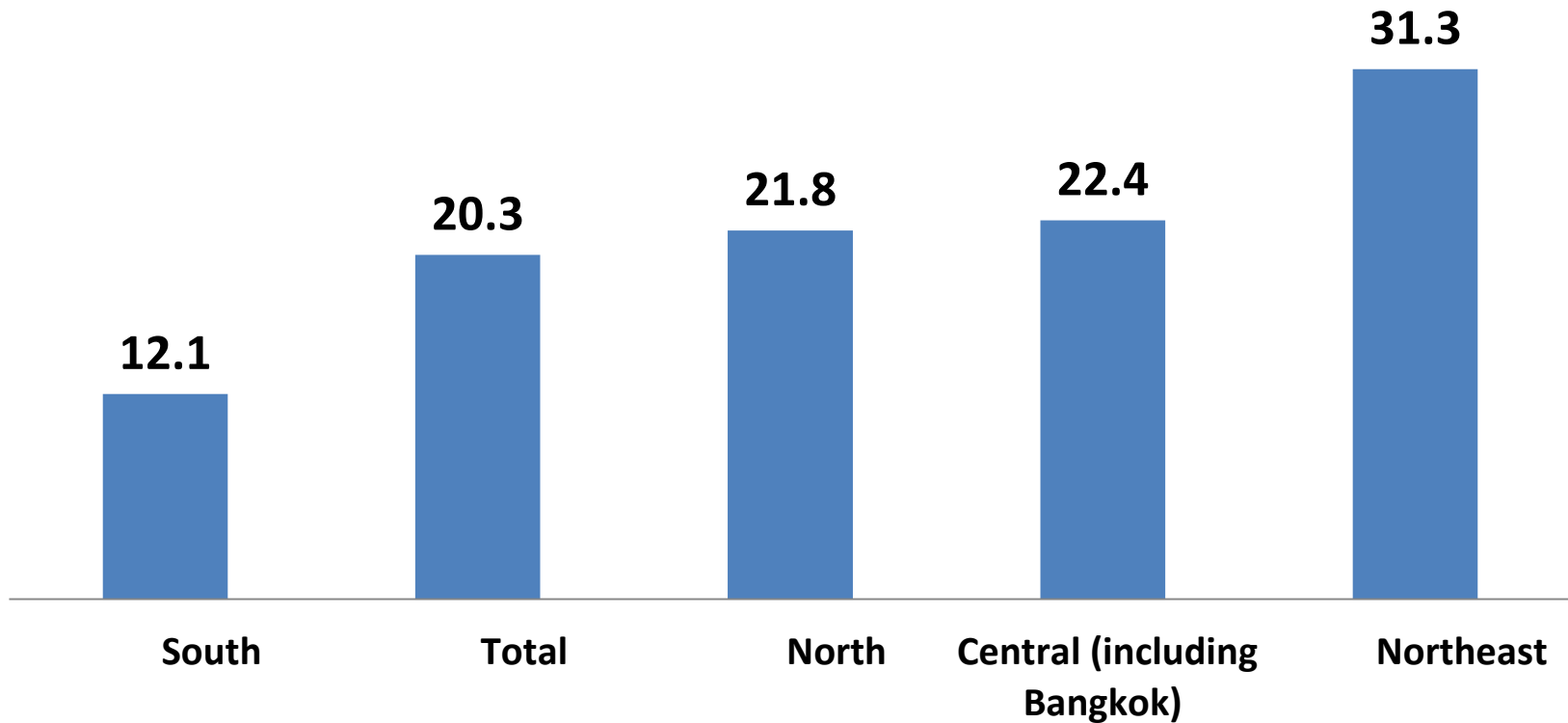
Average room rate



Source: Bank of Thailand

Revenues generated by Meeting, Incentives, Conferences, and Exhibitions (MICE)

average share: 2010-2012



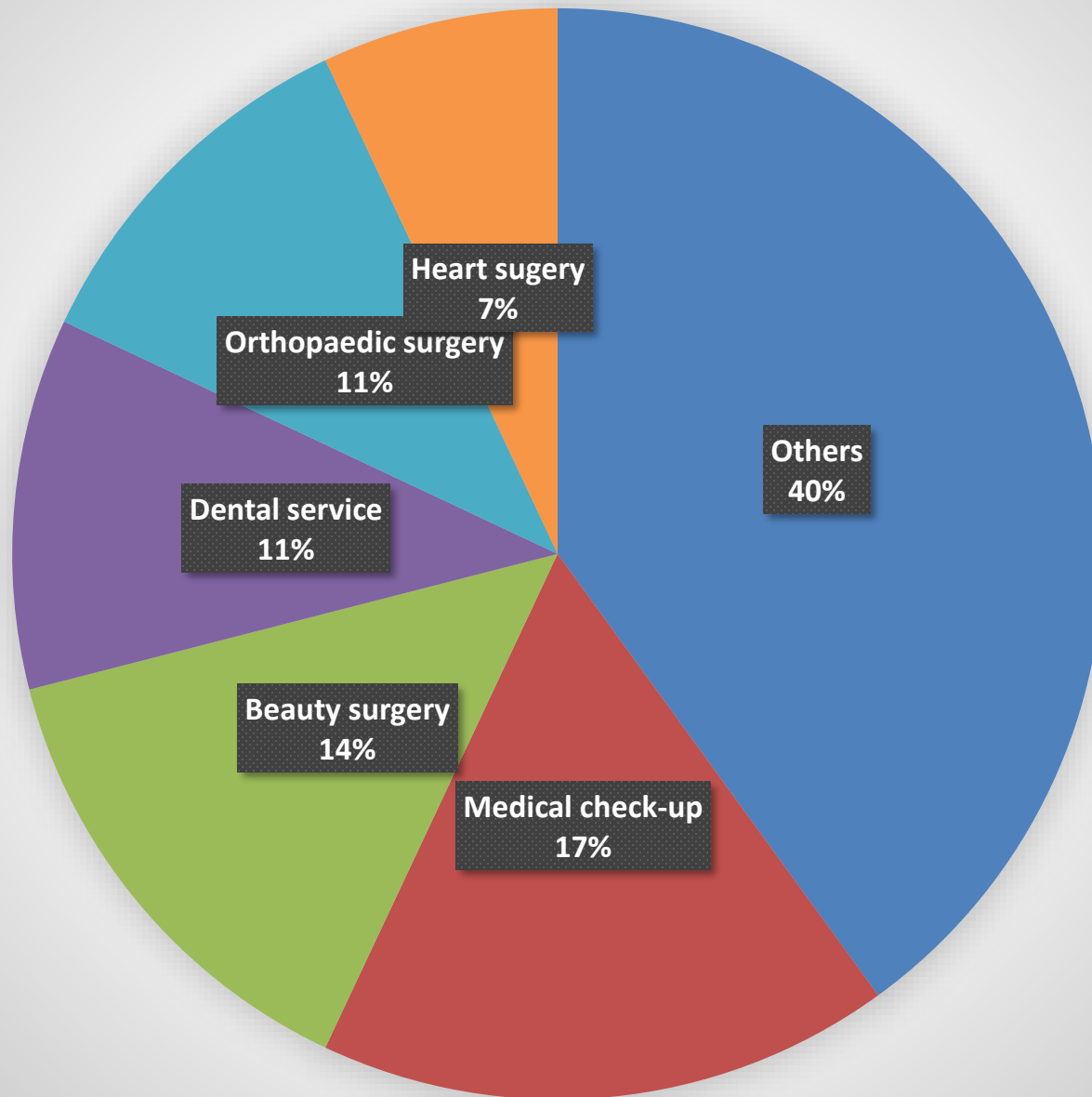
Living with uncertainties: Expect the Unexpected

- The hotel industry needs to adapt to living with uncertainty (scale down operation and temporary staff reduction)
- **Preparation** is the key to surviving shocks, minimizing fallout and maintaining hotel performance.
- To succeed in this environment, companies will need to identify and understand the entire risk picture, to prepare for the unforeseeable and to be agile enough to respond to new opportunities.
- *Those who are well prepared will emerge from a crisis as winners with a stronger position and capitalize on the recovery.*

5. Medical tourism

- With strong support from the government, demand for Thai medical services from foreigners rise substantially.
- The revenue generated from foreign patients in Thai private hospitals rose from 25% in 2011 to **30% in 2015**. This trend is expected to continue over the next several years.
- With increasingly health-conscious foreign tourists and the integration of ASEAN Economic Community, the number of foreigners coming to Thailand as medical tourists is expected to rise.

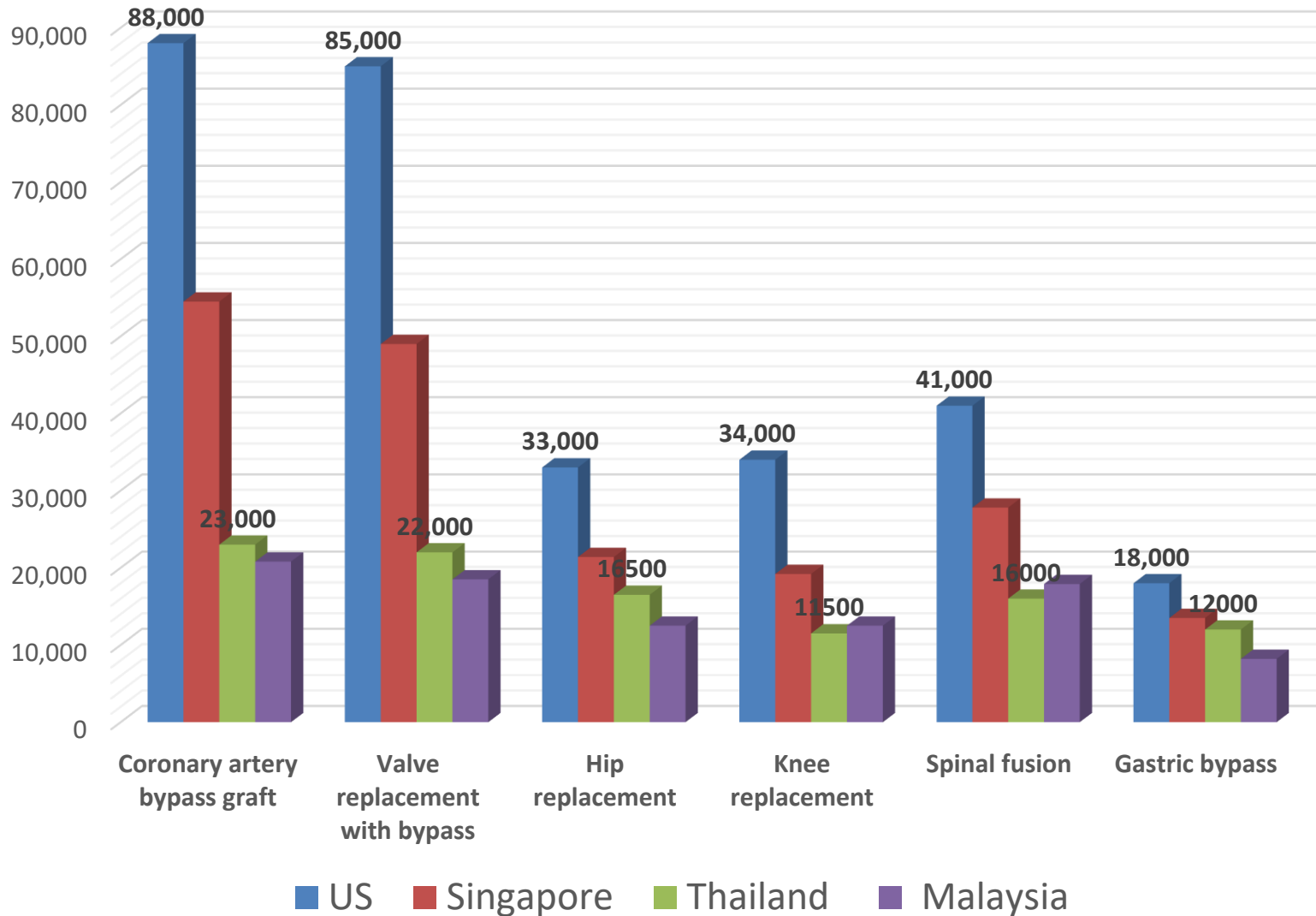
popular medical services among foreign visitors



Popular Medical Services

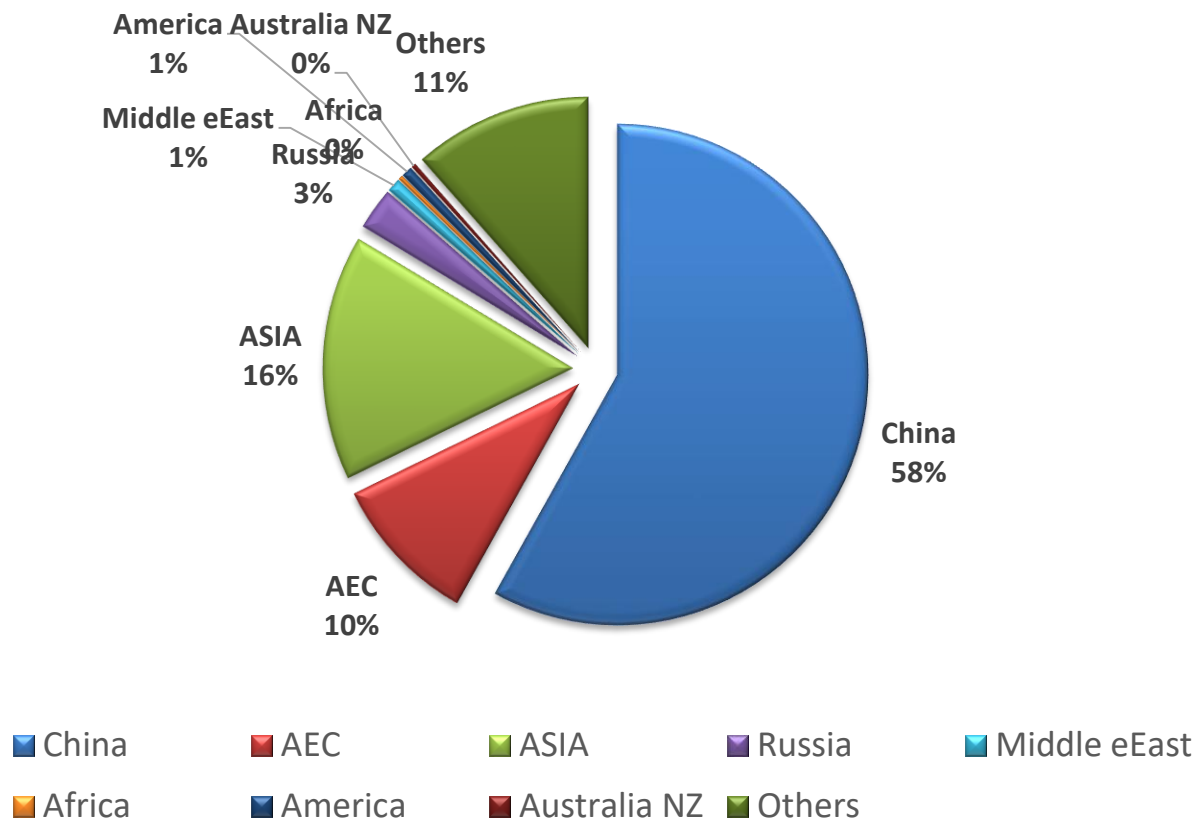
- Popular medical services among foreigners include **standard checkups, cosmetic surgery, and dental services**.
- Beside tourists, there are expats working in Thailand and neighboring countries where medical service standards remain relatively low, encouraging them to come to Thailand.
- *Myanmar and the Middle east* accounted for the largest proportion of foreign patients.
- Thai private hospitals are expanding their services to Indonesia, Vietnam, and China to offset the drop in revenue from Thai patients.

Comparison of Medical Costs USD per person



6. China Factor

The importance of chinese tourists share in 2019

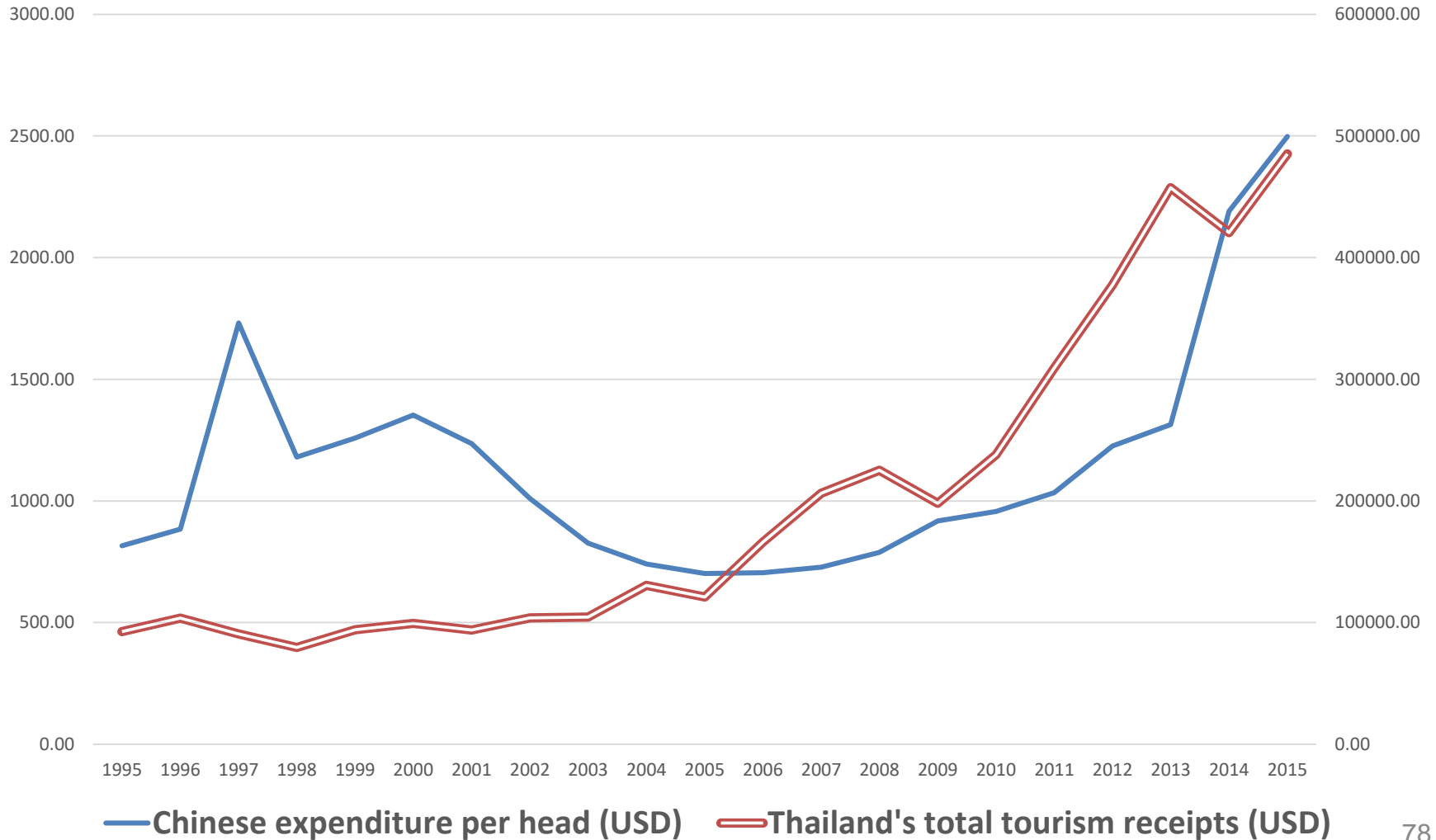


Workers prepare plates of **mango with sticky rice**, a popular local dessert for thousands of Chinese tourists, in an outdoor banquet in Muang Thong Thani in Nonthaburi province outside Bangkok on Jan 20, 2019 as part of a government promotion to attract more Chinese tourists.

The huge event aims to set a Guinness World Record for the largest serving of mango sticky rice.



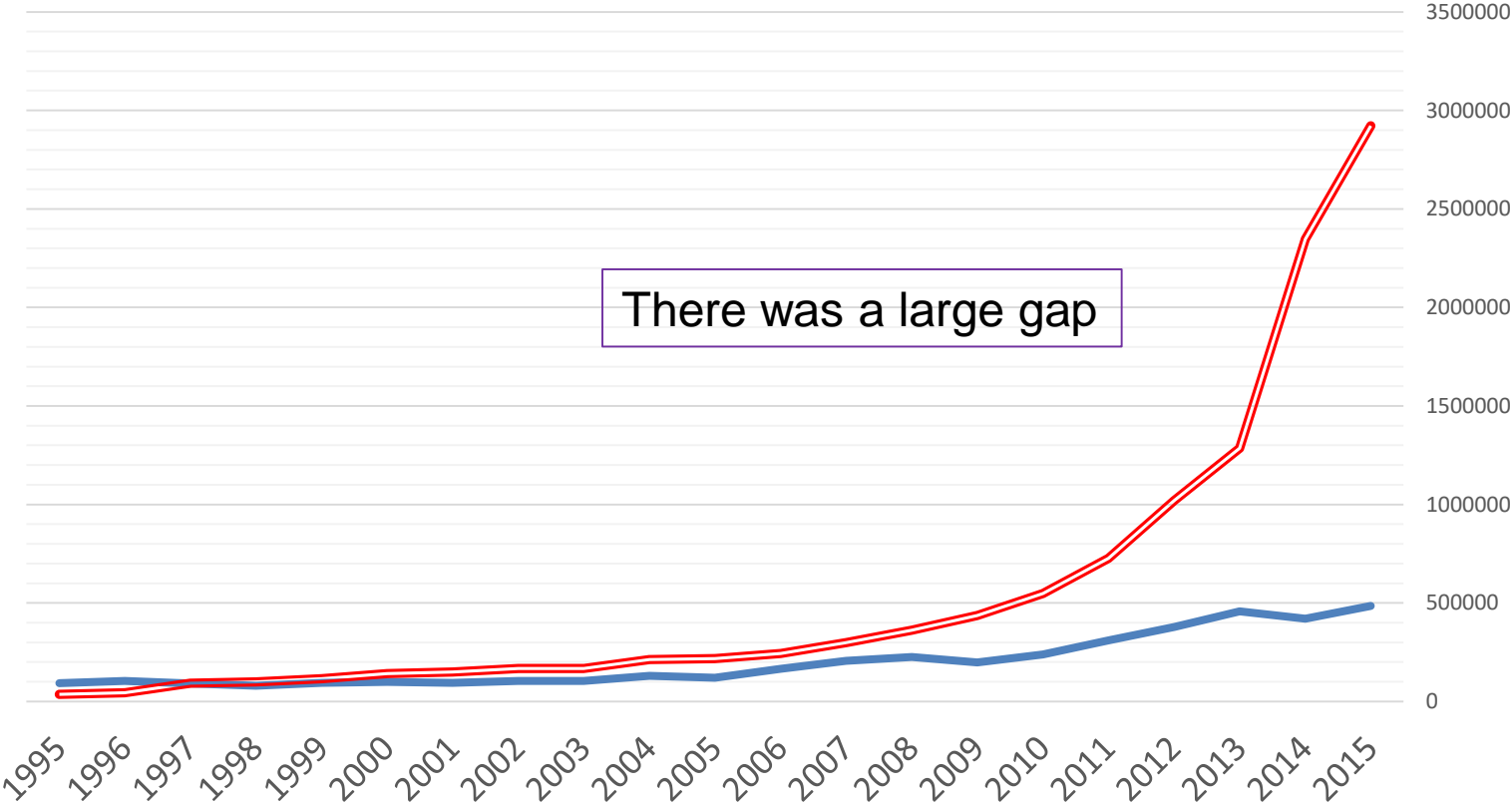
Chinese expenditure per head and Thailand's total tourism receipts



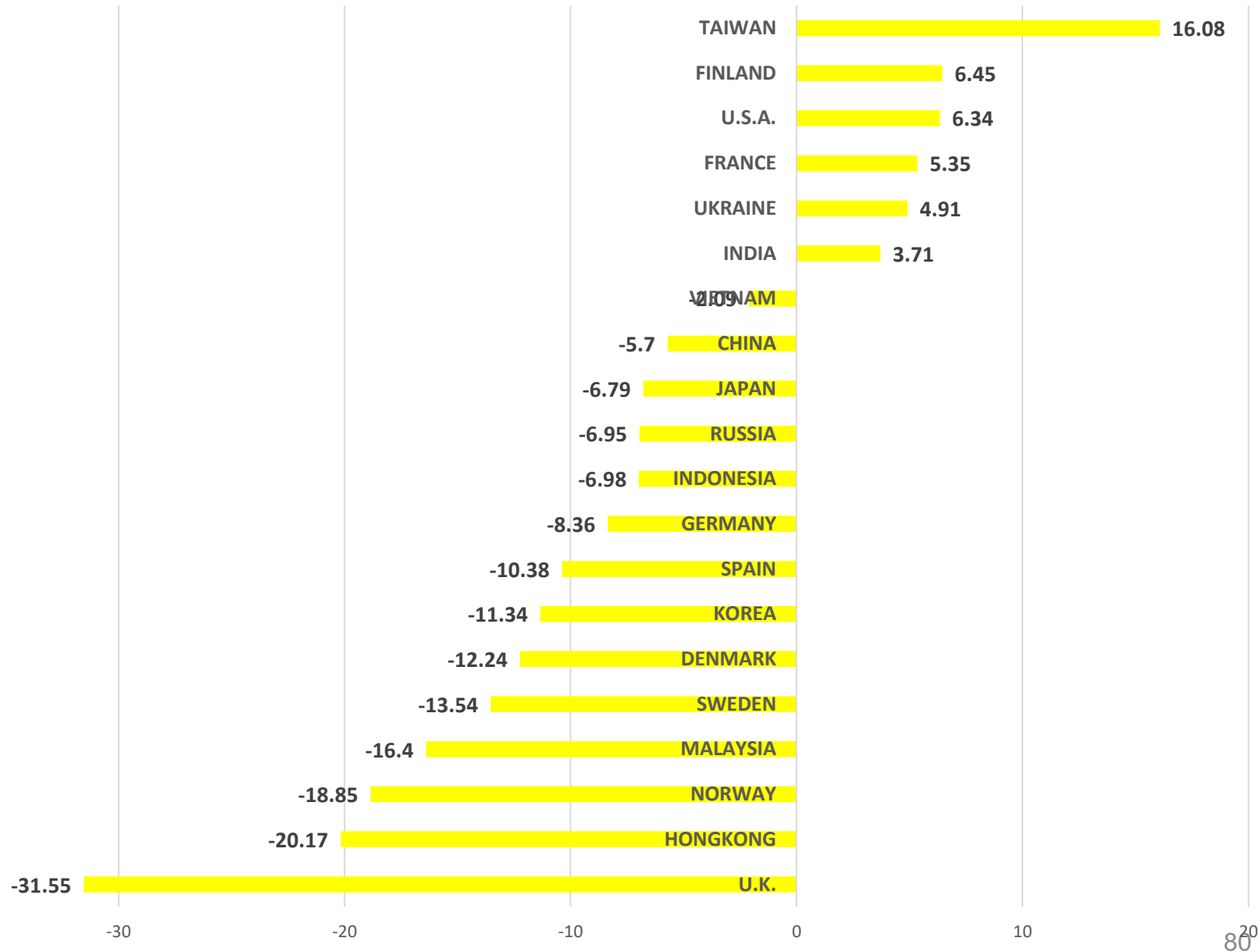
International tourism: Thailand's Revenues and Expenditures

Source: World Bank
Thousands USD

— Thailand's receipt — China's international expenditure

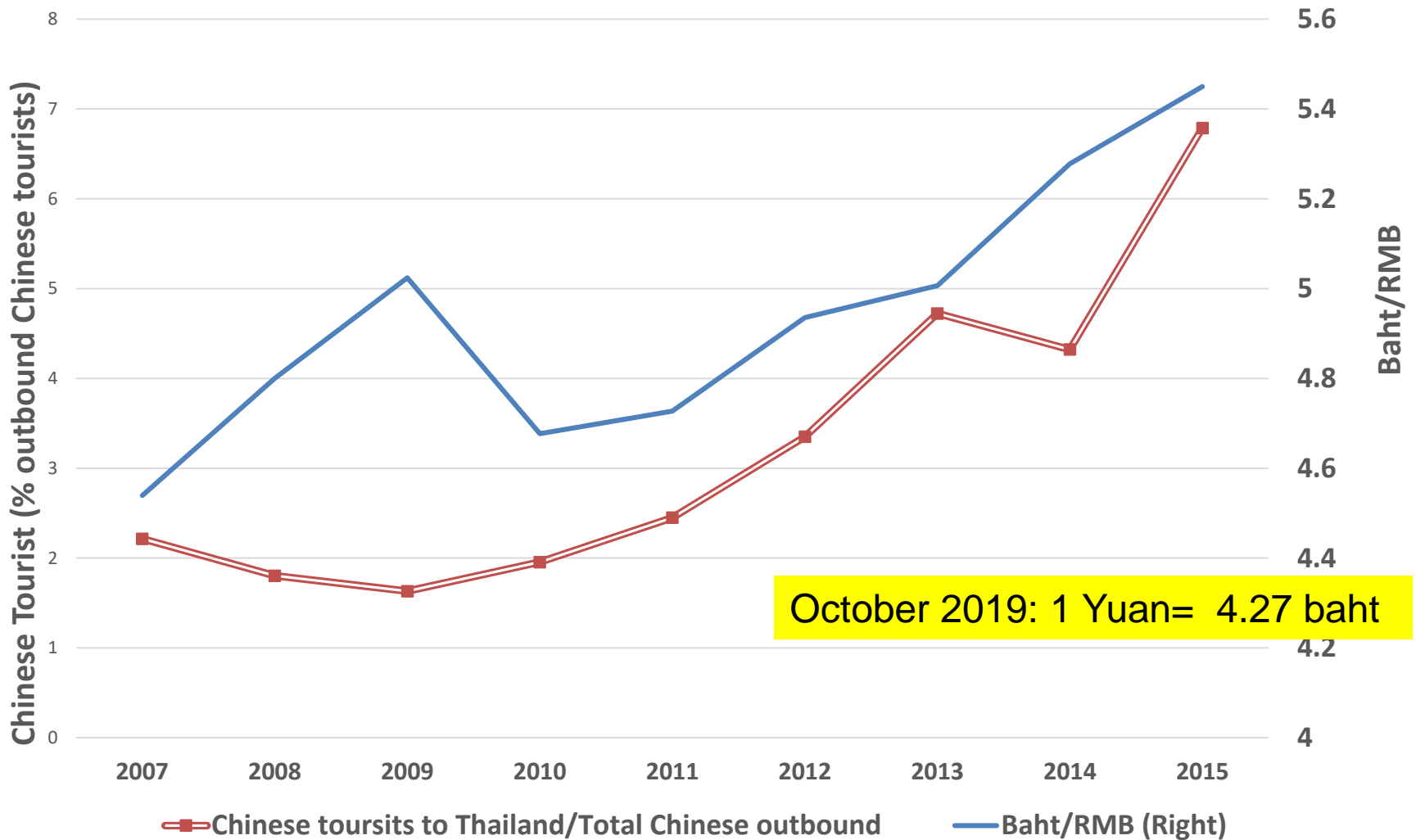


Percentage change in number of tourists Jan - Oct 2019



Exchange Rate Matters

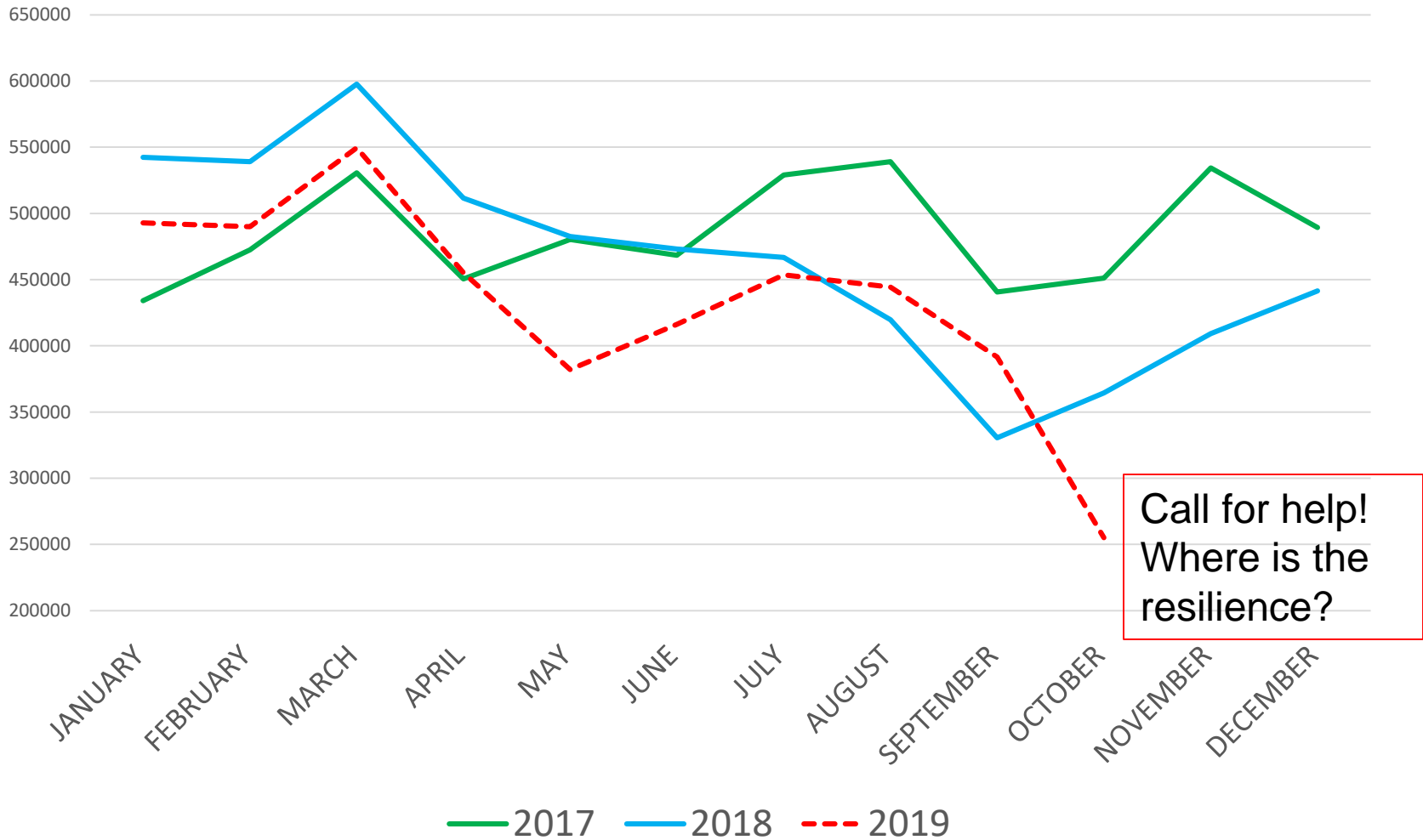
Cheap baht boosted Chinese tourists



7. Something terrible has happened in 2019 Covid-19

- December 2018, the busiest month ever, was considered Thailand's tourism goldmine
- There has been a slump in tourist arrivals since January in 2019.
- From April to May 2019, the arrivals dropped from 3,195,006 to 2,726,808.

Number of tourist arrivals



Revenue Per Available Room (RevPAR)

Bangkok Post: January 19, 2020

- Despite hotels in Thailand tallying a 6% plunge in revenue per available room (RevPAR) in 2019, the prospect of 40 million tourist arrivals in 2020 year has led to the likely addition of **50,000** new rooms across the country over five years.
- *This is obviously not true in light of the coronavirus outbreak.*
- The weak performance resulted from a decline from the Chinese market and other headwinds.
- Of the total, **15,000 of the new rooms will be in Bangkok**, which was the least affected destination with a 2% dip in RevPAR in 2019

Revenue Per Available Room (RevPar)

- At the Thailand Tourism Forum 2020, STR forecast Bangkok hotels will improve RevPar this year by 2.2%, buttressed by meeting, incentive, conference and exhibition travelers, apart from the strong leisure market.
- "Thailand was not the only country suffering from softer demand from Chinese tourists, as rivals in Southeast Asia and New Zealand also felt the sting after the Chinese government upgraded domestic infrastructure, such as high-speed trains, aiming to spur the domestic economy,"

January 21, 2020

- RevPar in popular beach destinations such as *Phuket, Krabi and Koh Samui dropped by more than 10% last year.*
- Chiang Mai, another popular destination, saw a RevPar decline of 9%, while Pattaya and Hua Hin fell by 4% and 2%, respectively.
- *Last year, the overall hotel occupancy rate stood at 73.1%.*
- The rate will drop slightly in 2020 due to uncontrollable challenges.(Are you kidding?)
- "The Thai hospitality segment has to diversify from China into India, Japan, South Korea and the US because these markets contribute almost 20% of international arrivals

Points to ponder

- If the tourism industry is flexible and resilient, it would regain its steady state growth path in time after encountering a shock, provided that appropriate policy responses are applied.
- How can the government make the tourism industry more resilient to shocks?
- What should be responses of the tourism industry to internal and external shocks? How should the industry react to these shocks.
- *Should the baht stay undervalued to rescue the industry in time of crisis?*