

Tourism Industry

Vulnerability, resilience, and Covid-19

Mr. Bhanupong

Lecture 19

Course Syllabus

Lecture 19

- A background of tourism industry in Thailand is presented.
- We investigate how the industry was adversely affected by various shocks.
- The tourism industry is resilient, as it has recovered from various external shocks.
- Covid-19- led downturn

Outline

1. Impact of Covid-19
2. Tourism industry's characteristics
3. Shocks, vulnerability, and resilience
4. Impact of global recession and political instability
5. Microeconomics of hotel business
6. Medical tourism
7. China Factor
8. Dealing with the Covid-19

1. Impact of Covid-19

- The value of global trade is set to fall by 7% to 9% in 2020 from the previous year, despite signs of a fragile rebound led by China in the third quarter, according to United Nations report
- UNCTAD: No region was spared by an estimated 19% year-on-year plunge in world trade in the second quarter, as the Covid-19 pandemic disrupted economies)
- Global trade recovered somewhat in the third quarter, when it was estimated at about 4.5% less than in the same period a year ago.

An aerial photo shows unused tourist buses parked on a lot near Suvarnabhumi Airport, March 8, 2020 . (AFP)



Beaches won't reopen fully until vaccines become available



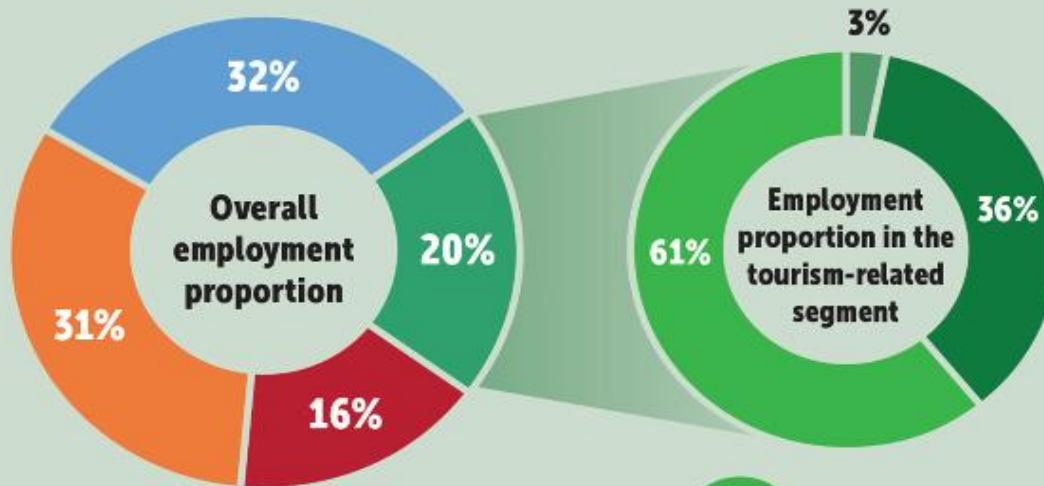
Deserted Pathumwan intersection and skywalk after City Hall ordered all malls closed until April 12 to curb the C-19 spread



Emergency Decree: March 26

- Tourism is crucial to Thailand as spending by foreign visitors amounted to 1.93 trillion baht last year, or 11% of gross domestic product (GDP).
- 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.

TOURISM EMPLOYMENT WOES



Non-farm



Tourism-related



Agriculture



Manufacturing



Self-employed



Employees



Employers

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

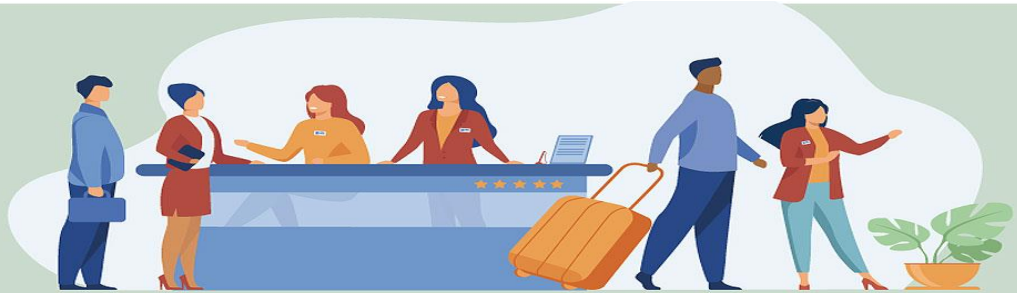
A Covid-19 star

Nikkei Asia: October 22, 2020

- Thailand has emerged as a "COVID-19 star" in holding down case numbers -- but its tourism-reliant economy has also suffered among the worst.
- In a stark example of the problems facing small businesses, a survey by a group of Thailand-based tourism and hospitality companies in May found that its 85-plus members had retained only 2% of staff on full salaries, with 67% on negotiated reduced salaries, 17% furloughed and 14% laid off.
- Many cited the urgent need for financial assistance, and said special soft loans from commercial banks were "difficult to impossible to access."

By September 2020

COVID-19 IMPACT ON TOURISM



Findings based on a survey of 628 tourism businesses in Thailand, Sept 16-23, 2020

■ Proportion of customers

● Before Covid-19 ● Present

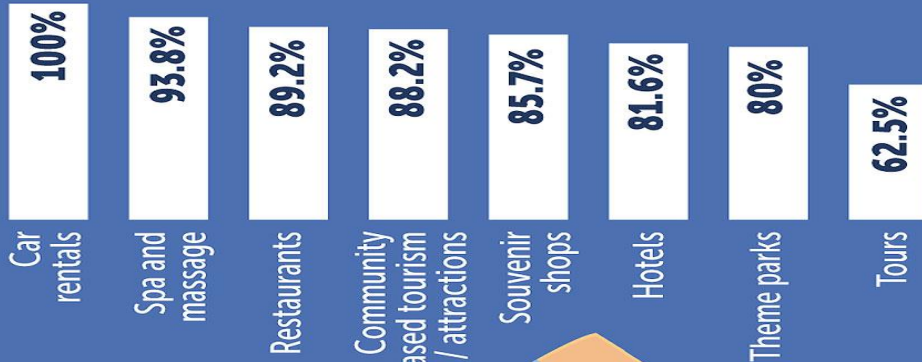


■ Proportion of reopened and closed businesses



- Lack of foreign customers **76.5%**
- Insufficient cash flow **22.7%**
- Insufficient customer demand **16%**

■ Percentage of businesses reopened, by category







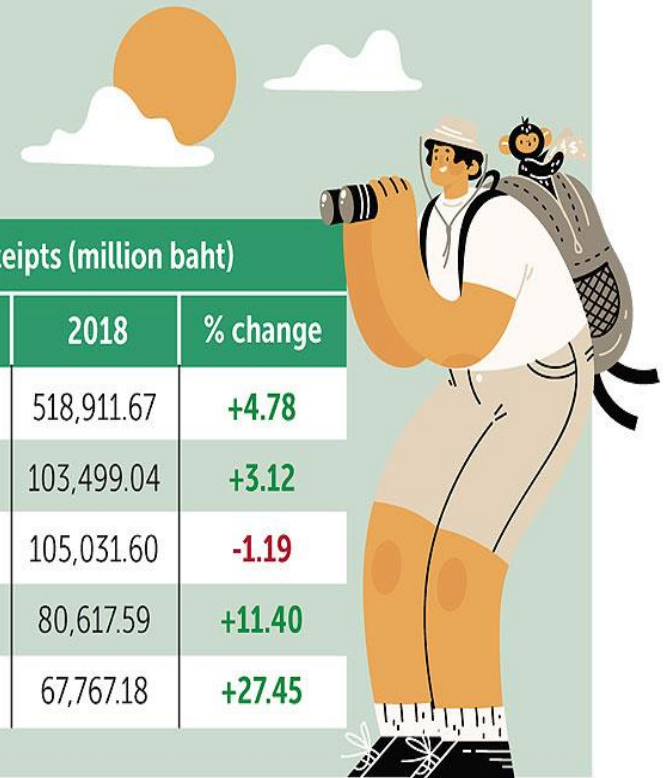
China's travel ban hit hotels hard

Individuals caught in group clampdown

28/1/ 2020

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

The Bank of Thailand

- The central bank forecasts the economy to contract by 7.8% this year, with the figure expected to improve to a contraction of 3.6% next year.
- According to Mr Setthaput, the economic contraction stems mainly from external demand for tourism and exports.
- Foreign tourist arrivals are estimated at only 6.7 million this year, a significant fall from an average 40 million in previous years, with tourism income losing about **1.6 trillion baht** or 10% of GDP.

Finance Minister

- Finance Minister “purchasing power is likely to fully recover over the next two years.”
- "Economic recovery to pre-Covid levels will start with recovering domestic consumption,"
- The government has already relaxed lockdown measures and allowed a select group of Chinese tourists to enter to resuscitate the tourism sector."

Commerce Ministry

- The Commerce Ministry reports that exports in September shrank by just 1.4% (easing from a 7.9% drop in August, 11.4% dip in July and 23.2% fall in June), with the figures in the first nine months contracting only 2.1% from the same period of last year.
- Exports for the whole year are expected to decrease by only 1% from the 3% fall projected earlier.

Before the lockdown

- *Even without covid-19, Thailand's growth has been the lowest in Southeast Asia.*
- *The impact of the China-U.S. trade disputes contributes to the low growth caused by collapsing merchandised exports.*
- *Political turmoil since the military coup in 2014 has worsened investor sentiment and damped consumer confidence.*

The lockdown

- *The international tourism industry shutdown further aggravated the already weakened economy, caused a 2% contraction in the first quarter of 2020, and 12 % in the second quarter.*
- *Nevertheless, Q3 growth is less negative than the Q2, because economic activity has been back to normal after the gradual lockdown easing and when the fear of the pandemic has subsided.*
- *The shutdown of export and tourism growth engine contributes to output contraction-albeit lower in subsequent quarter.*

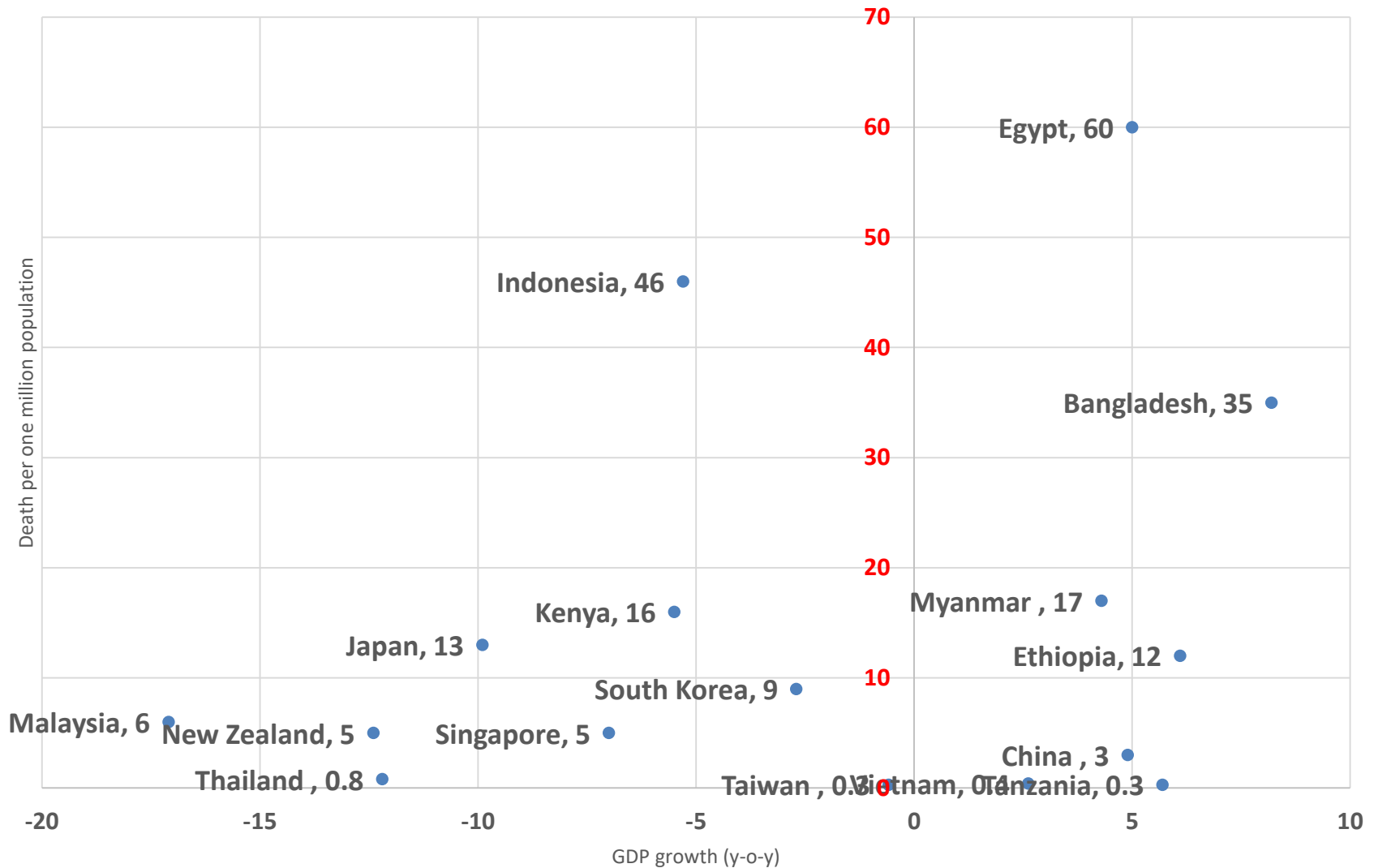
A paradox

- *The real paradox is the fact that Thailand gives so much importance to death caused by the coronavirus rather than deaths from accidents.*
- *Up to 10 October 2020, there were 59 people died of the Covid-19, and 10,967 from road accidents.*
- *On October 5 alone, there were 69 deaths from road accidents.*
- *Apparently, it is more difficult to prevent deaths caused by road accidents than the deadly pandemic.*

A tradeoff relationship

- *There seems to be a tradeoff between death caused by the Covid-19 and economic hardship (lower growth). The latter also leads to high number of suicides.*
- *The lockdown and strict controls reduce both economic activity and the spread of the coronavirus.*
- *While Thailand has succeeded, other countries have not. So, travel bans remain.*

GDP growth and Deaths from Covid-19 (per 1million population)



Low cases, high cost

- Southeast Asian governments have become painfully aware of the trade-offs between fighting the pandemic and shoring up their flailing economies.
- Since the outbreak of COVID-19 they have experimented with mixed success in re-opening their economies in the absence of an effective vaccine.
- In Thailand, the closure of borders helped ward off the virus even as it now ravages neighboring Myanmar and prompts fresh lockdowns in the Philippines and Indonesia.
- But Thailand has paid a high price for its public health success.

The triple shock of Covid-19

- Within Southeast Asia, the World Bank's growth forecasts for individual countries contain some grim "low case" estimates.
- Thailand is the worst hit economy with an estimated 10.4% contraction, followed by the Philippines (-9.9%) and Malaysia (-6.1%).
- Unlike its main trading partners, China, the U.S. and the EU, Southeast Asia's reliance on external markets has made it more vulnerable to the "triple shock" of COVID-19: *the pandemic itself, the economic impact of containment measures and reverberations from the global recession.*

Growth and health performance

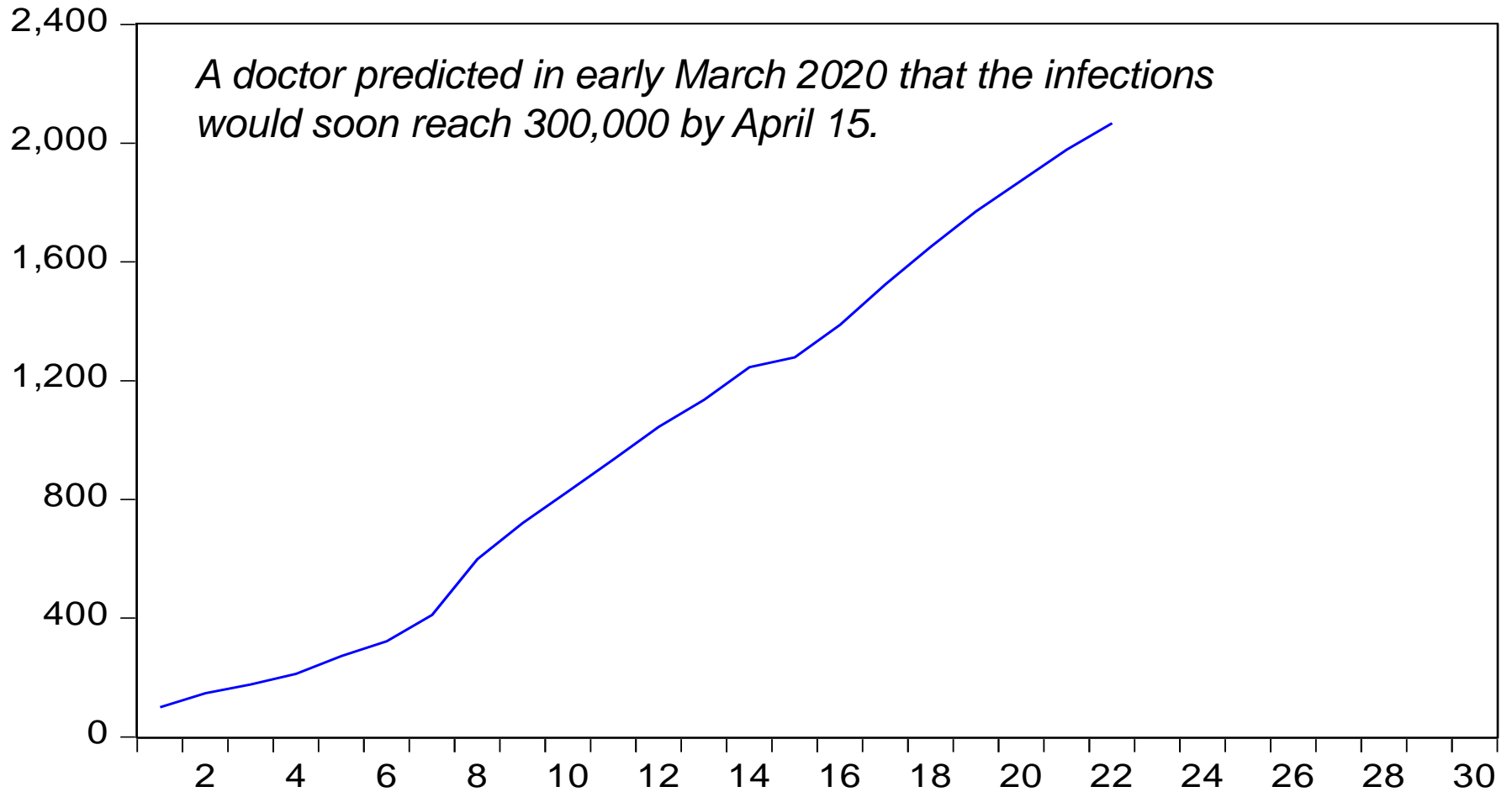
Whether a country can sustain growth during the pandemic depends on

- (1) Public stimulus policy
- (2) Consumer confidence
- (3) Industrial composition: a country which relies on retail and hospitality will suffer more from the lockdown more than country with large manufacturing sector.

Who is afraid of the deadly virus?

- *The scary scenario painted by a group of doctors from two teaching hospitals is either caused by a poor understanding of statistical forecast or a genuine intention to scare the public and the government so that hospitals would not be overwhelmed by surging infection cases.*
- *A doctor predicted that, due to the second wave, the number of infections would rise to 10,000 by the end October 2020.*
- *Another doctor predicted in early March 2020 that the infections would soon reach 300,000 by April 15.*
- *Thanks to these scaremongering doctors, the Thais have become afraid of the deadly virus.*

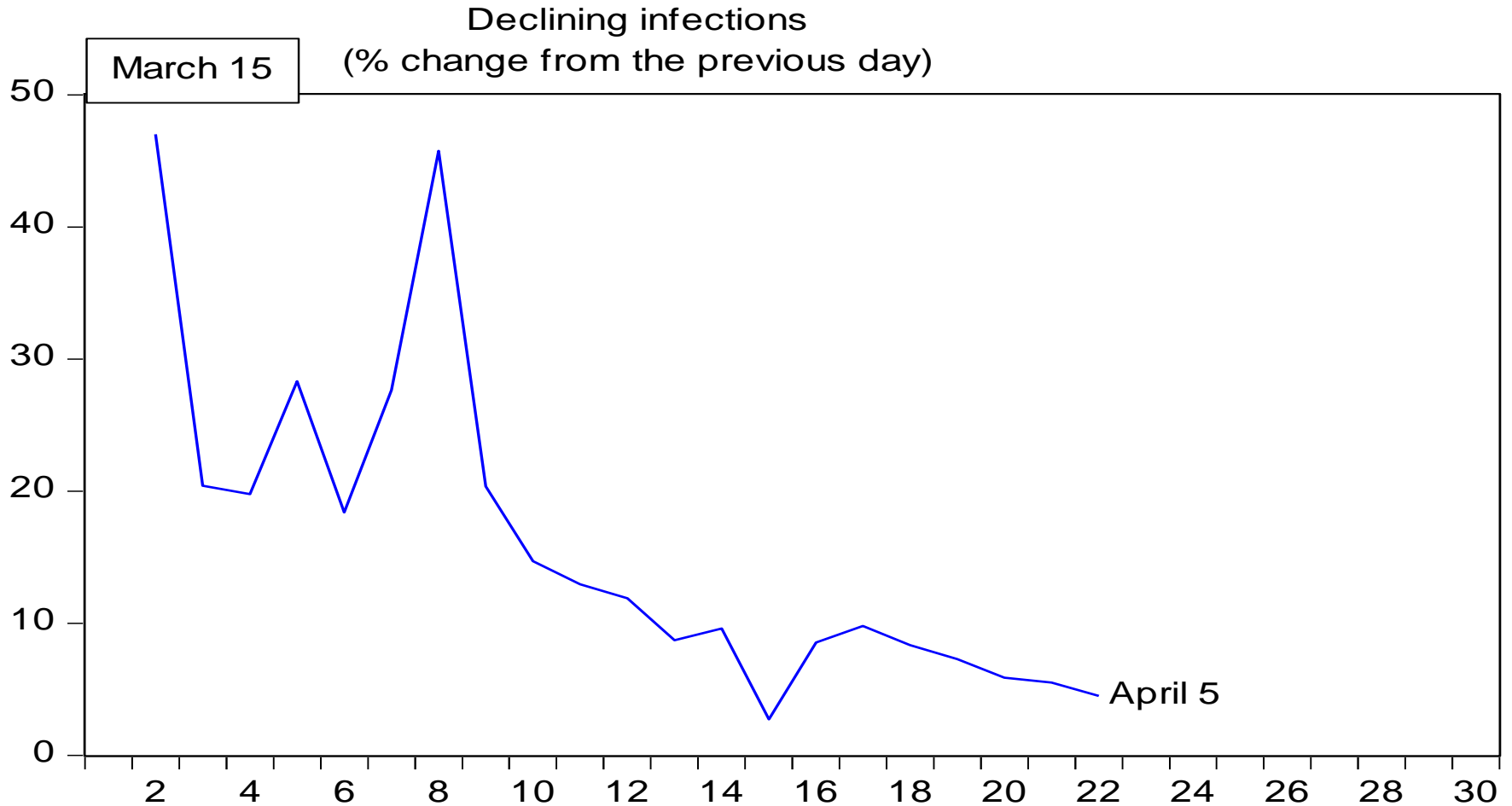
INFECTIONS from March 1 to April 15



After watching news channel more than two hours



Using the rate of change to remove non-stationarity



Social responsibility

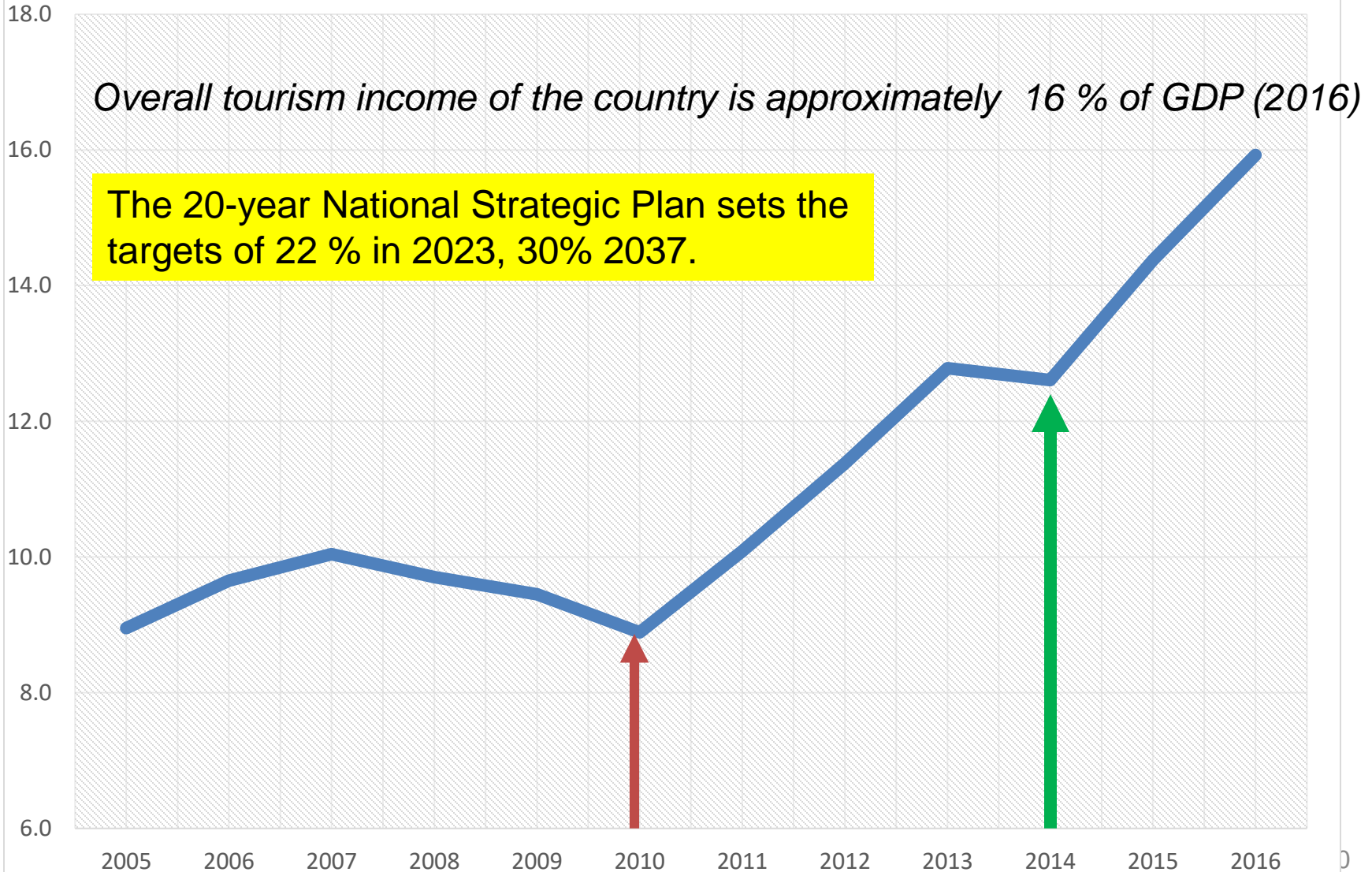
- *The Thais had already begun wearing masks in the last quarter of 2019 when the country suffered from bad air quality caused by rising dangerous particulate matters (PM2.5).*
- *The Thais have got used to face masks. Wearing masks is not a political statement, unlike in the U.S. It is a matter of health awareness.*
- *Wearing masks indicates social responsibility.*

2. Industry Characteristics

- Highly labor intensive: generating employment and *migration*.
- Strong linkages (backward and forward) to other sectors.
- Generating 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

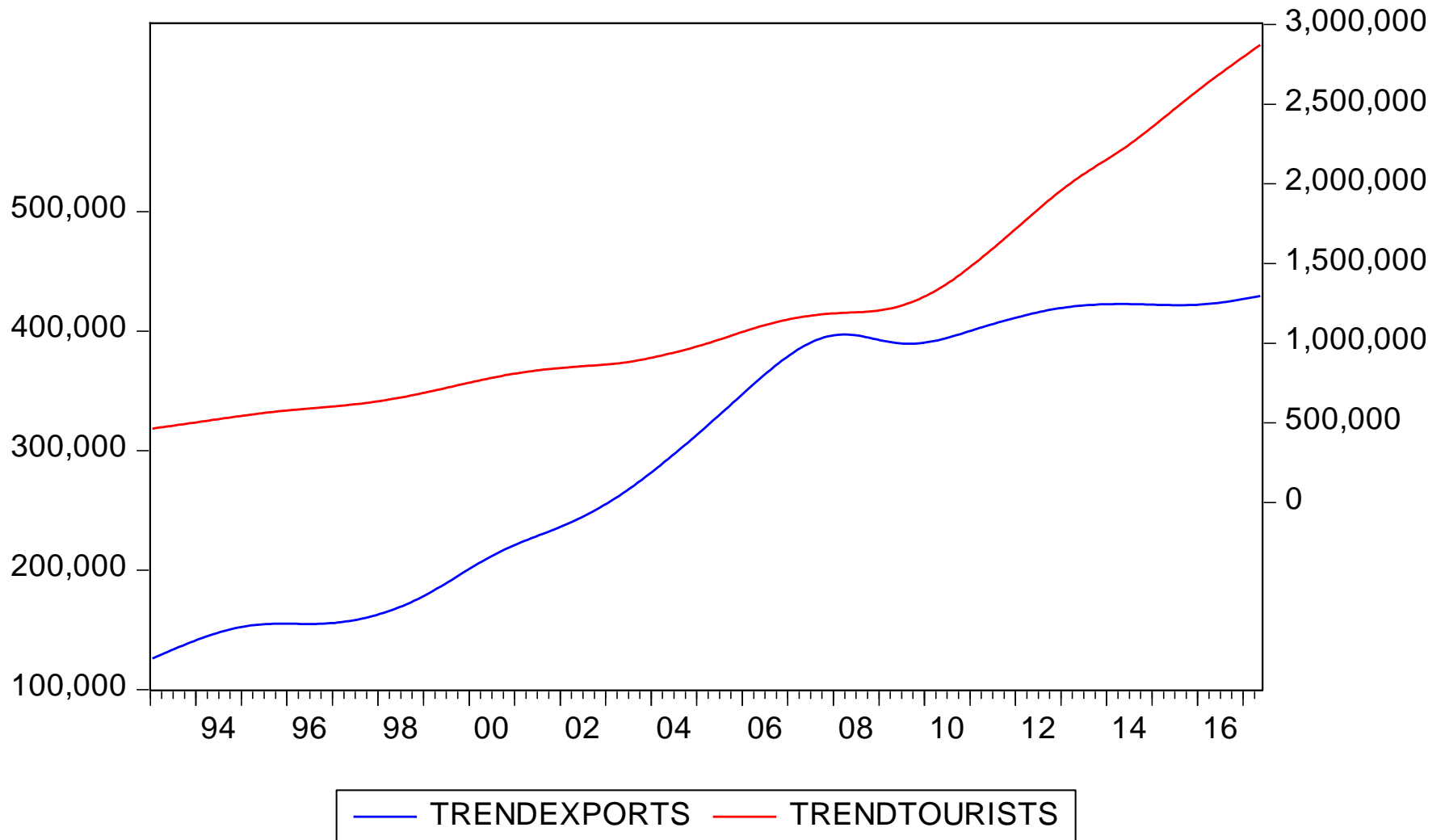


Thailand's tourism sector is not unique

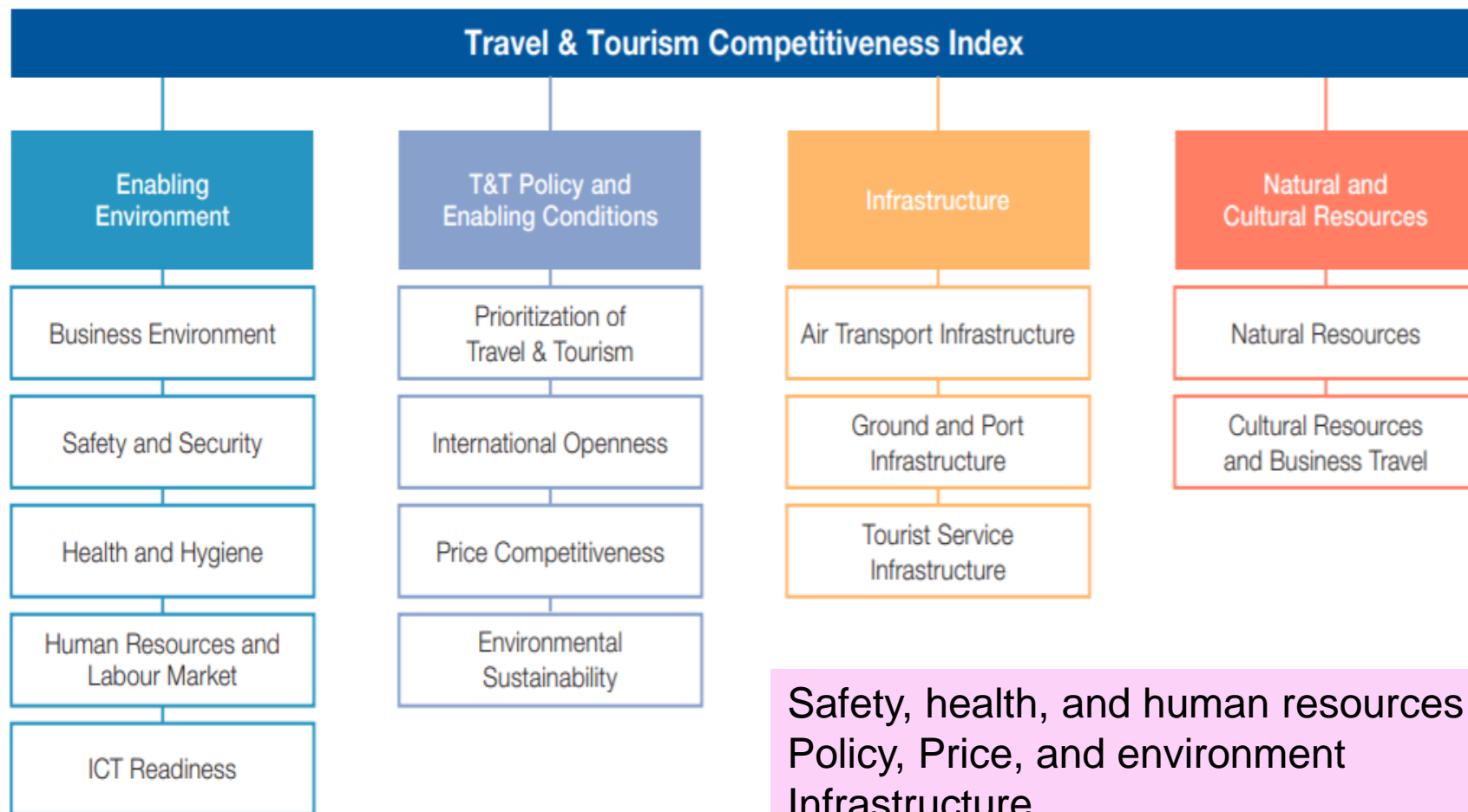
World Travel and Tourism Sectors are *resilient*

- 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

*As commodity exports slowed down, tourism industry rose
2018-2019 and so did the property sector*



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

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
52	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	3.1
63	Viet Nam	3.9	-4	0.4	2.7
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

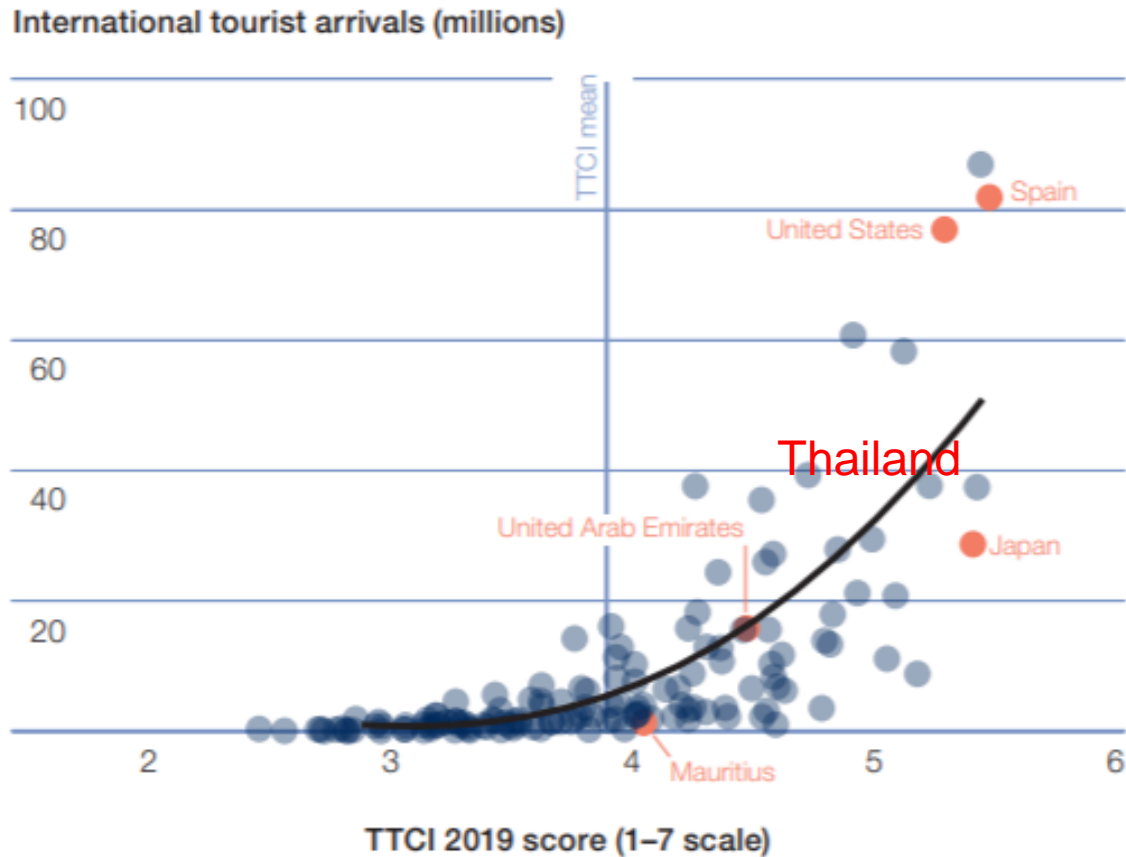
Vietnam: 3.9

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 higher the TT Competitiveness index, the higher the number of tourist arrivals

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



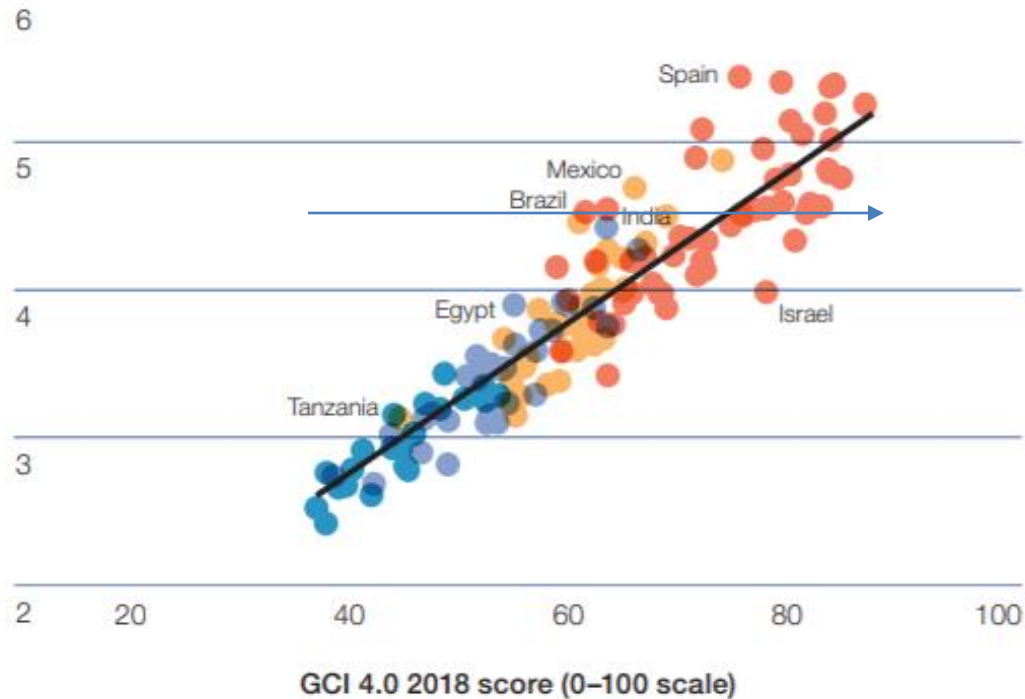
Note: International tourist arrivals excludes Liberia, (2017 or latest available).
Top performers for each region are highlighted.

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

Figure 3: Correlation between travel & tourism and overall competitiveness

The higher the TTC index,
The higher the nation's competitiveness

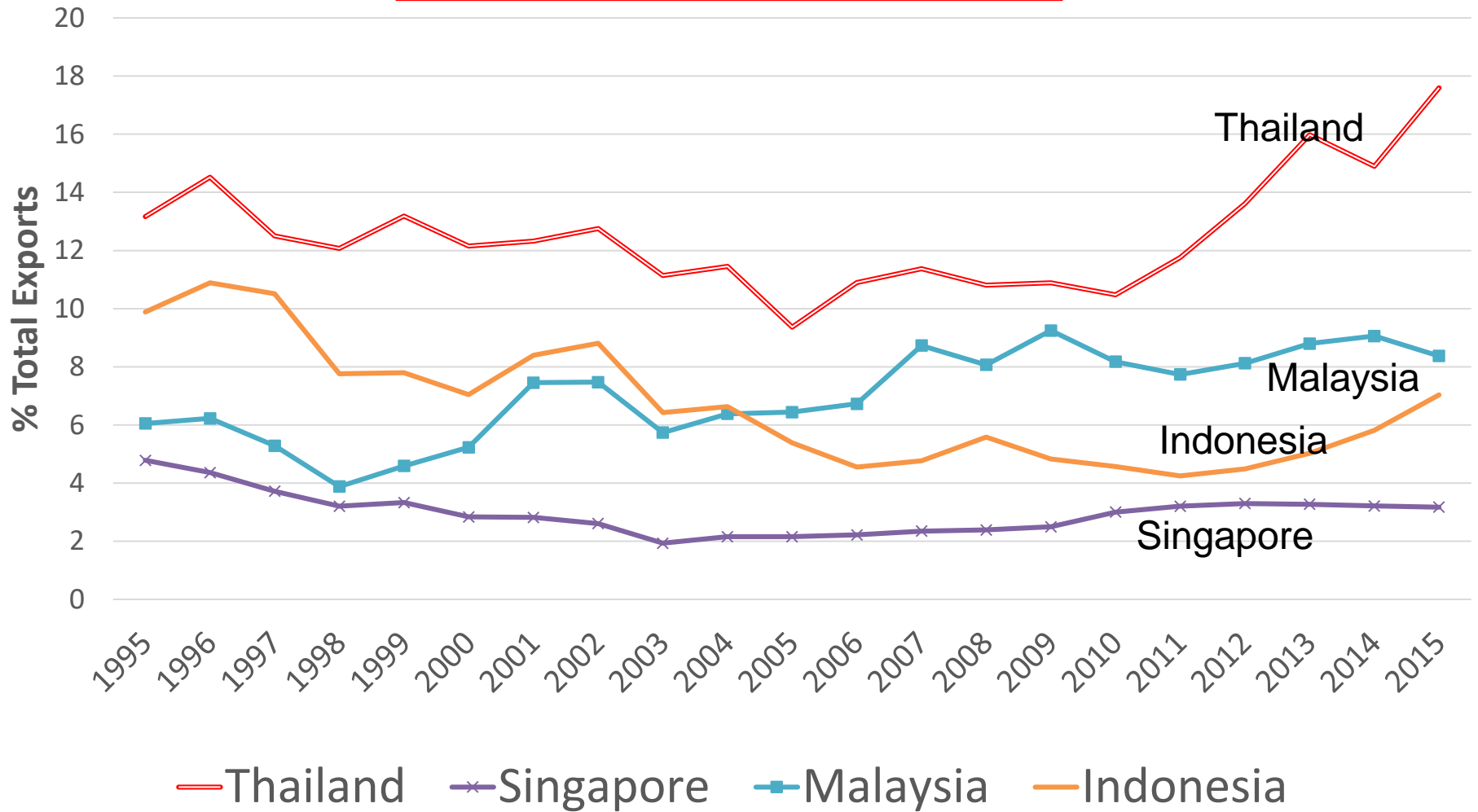
TTCI 2019 score (1–7 scale)



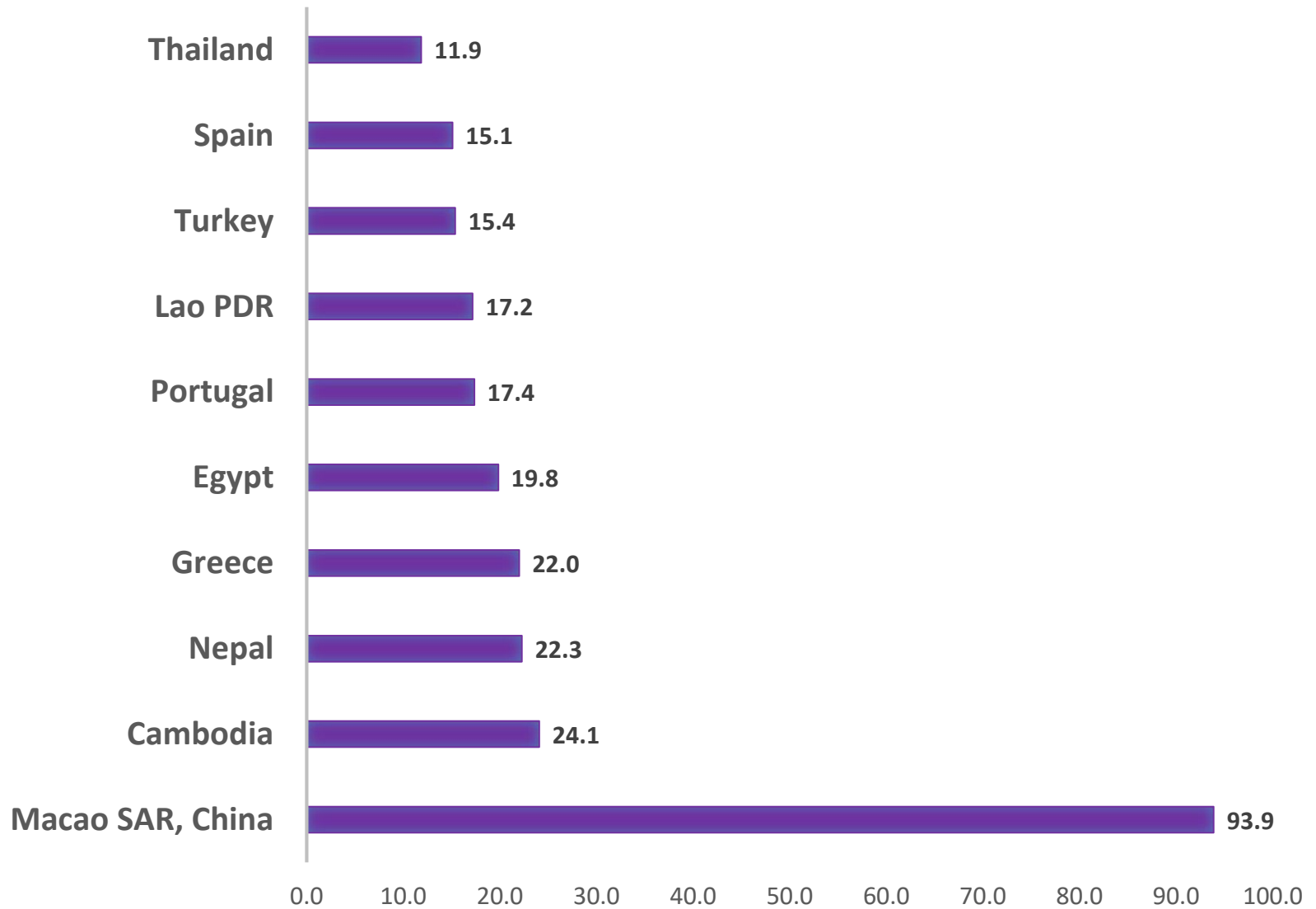
Key

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

Receipts from international tourism (% total exports)

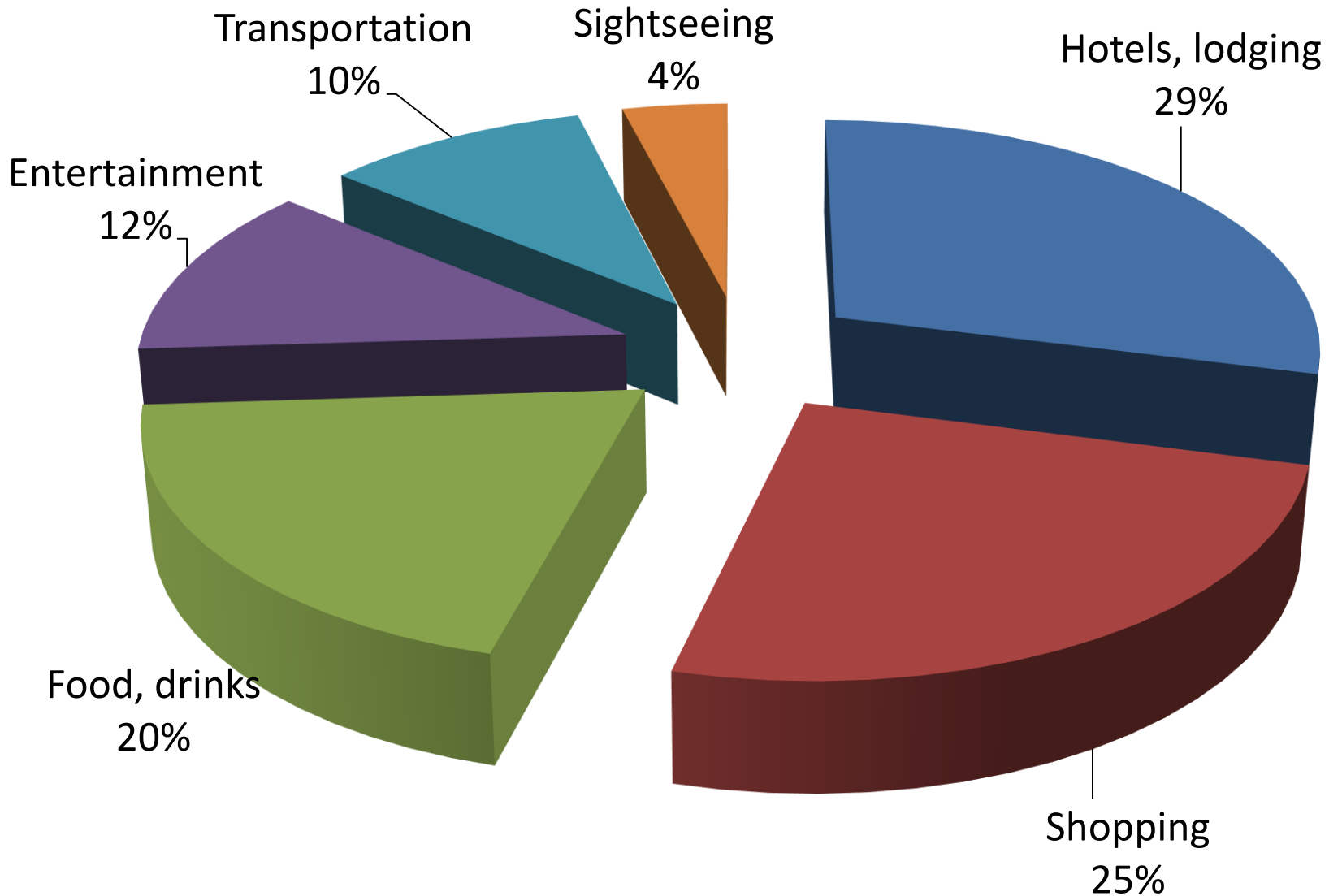


THE RELATIVE IMPORTANCE OF TOURISM RECEIPTS (% EXPORTS)

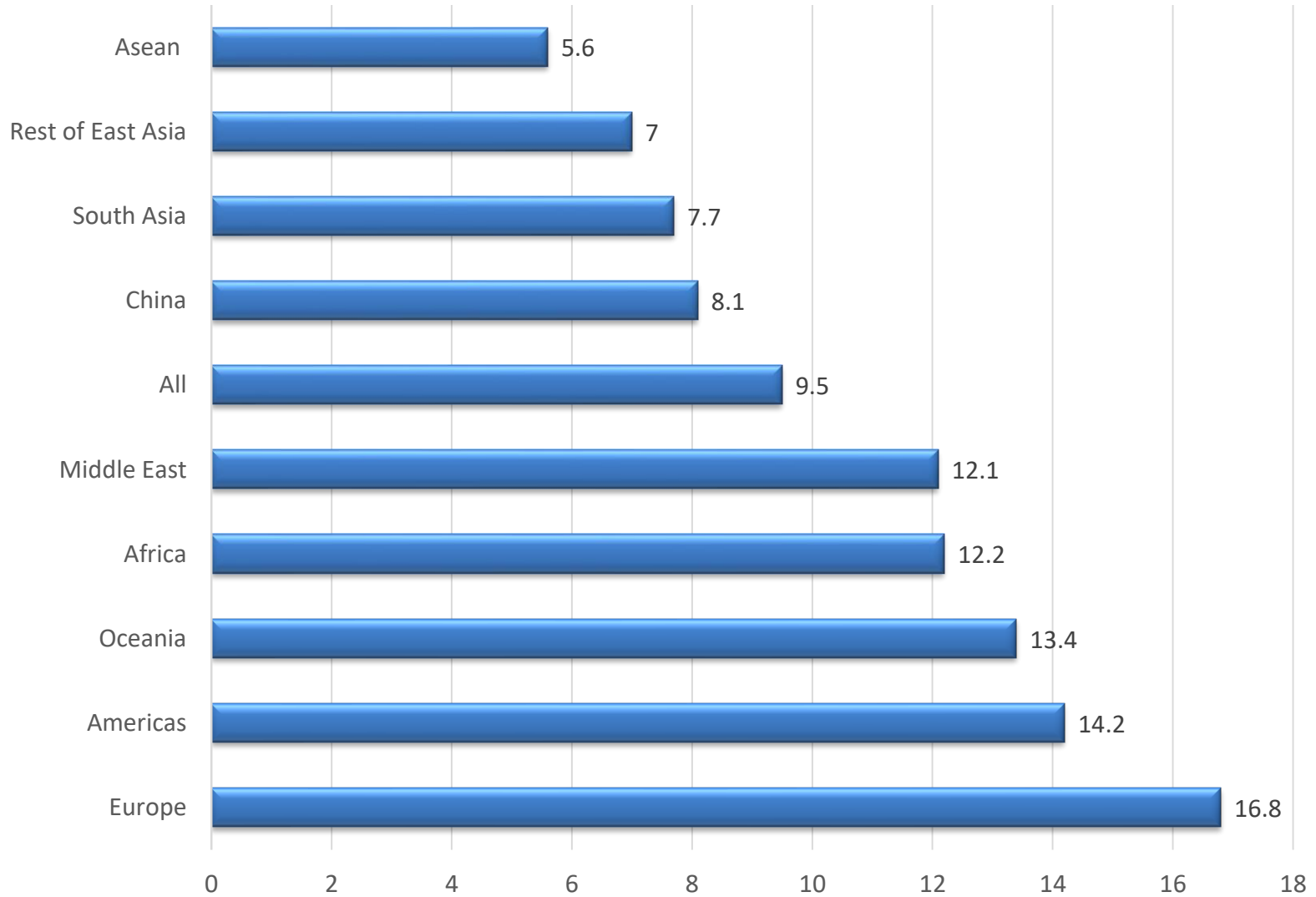


Daily expenditure of international tourists: 2015

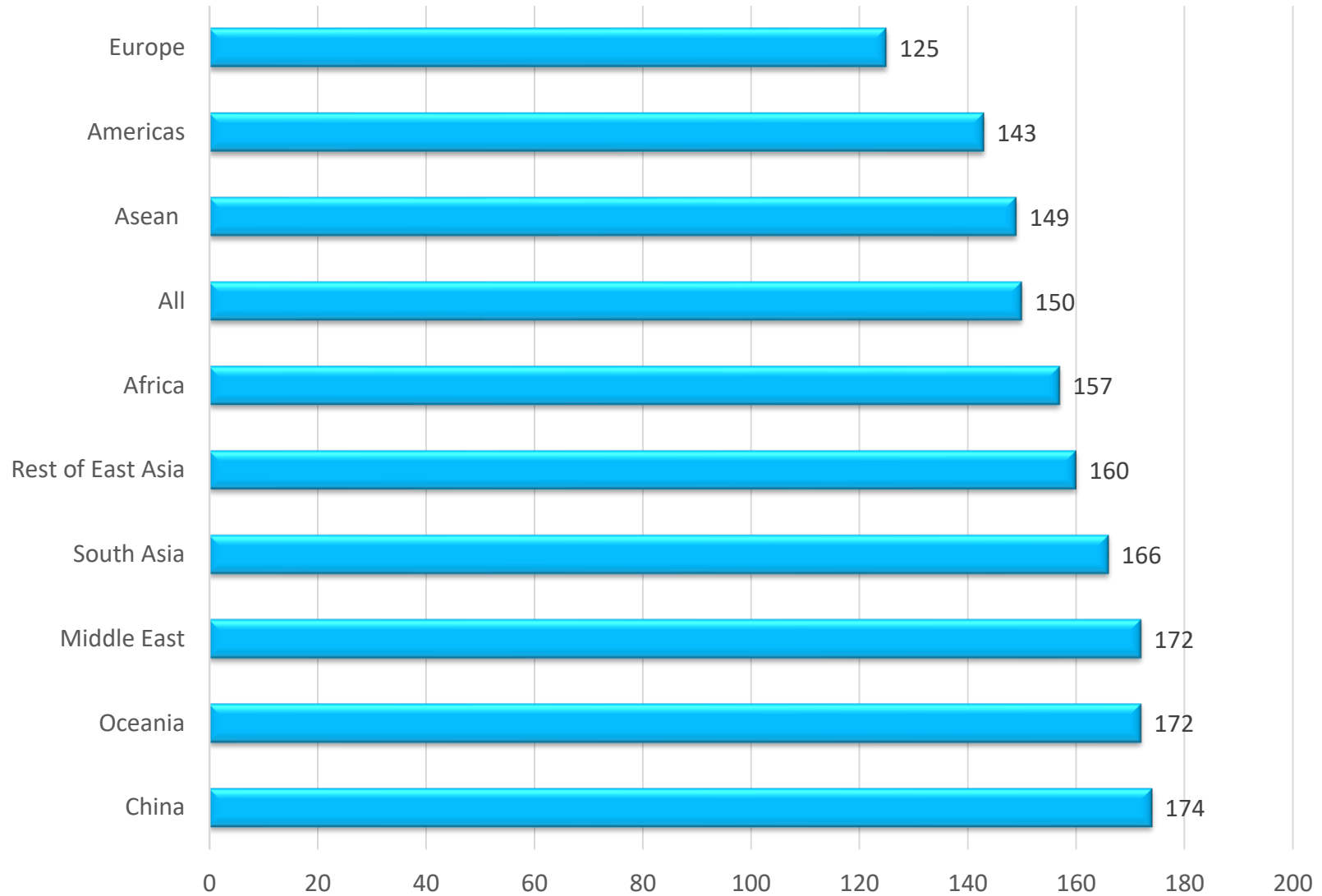
Forward Linkages



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



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

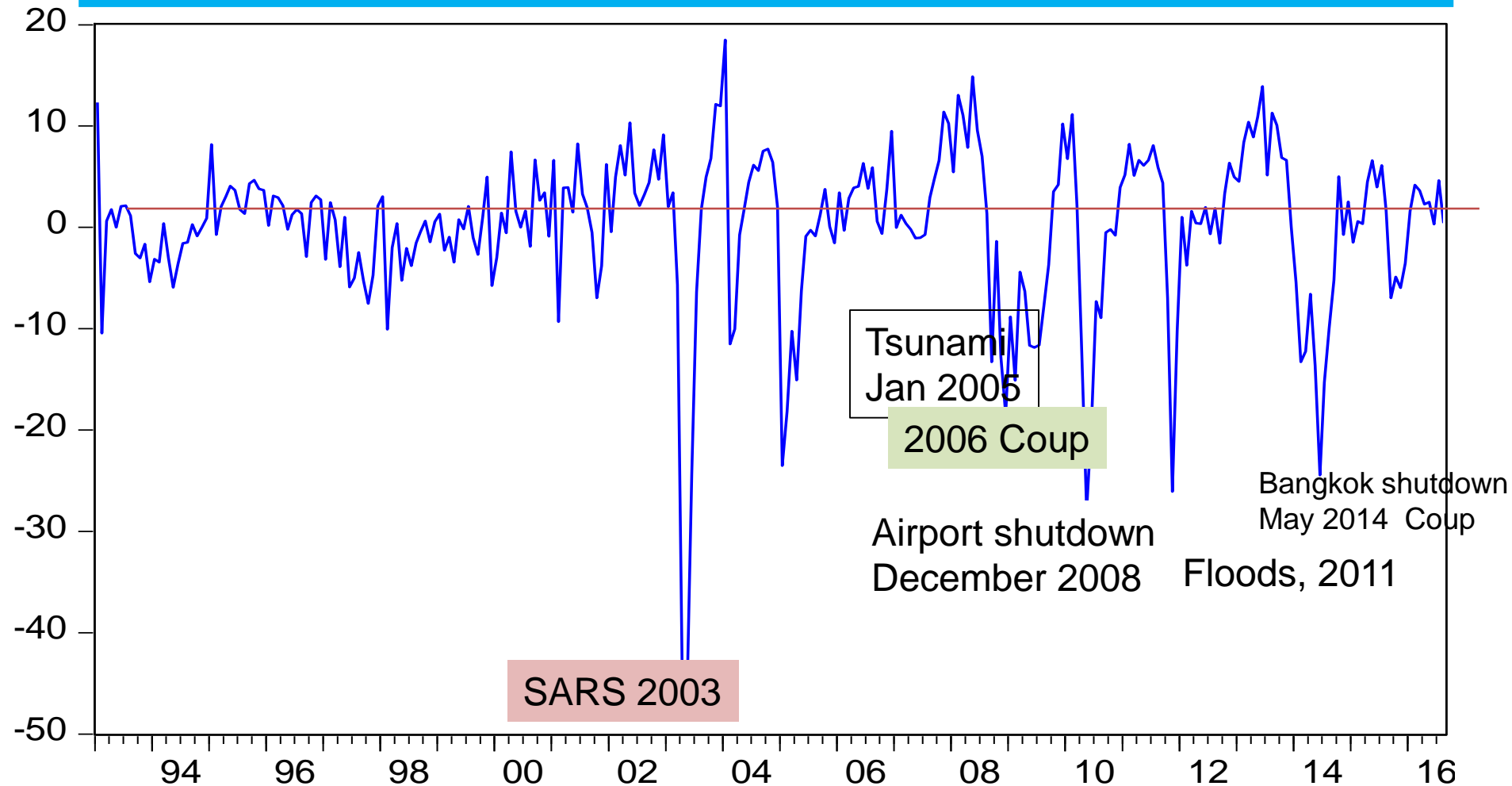


Determinants of tourism demand (inbound and outbound)

- 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)
- Preferences (They keep on coming back)
- **Shocks** (transitory disturbances)
- Long-lasting impact of pandemics

3. Shocks, vulnerability, and resilience

Number of tourists: Deviation from the trend

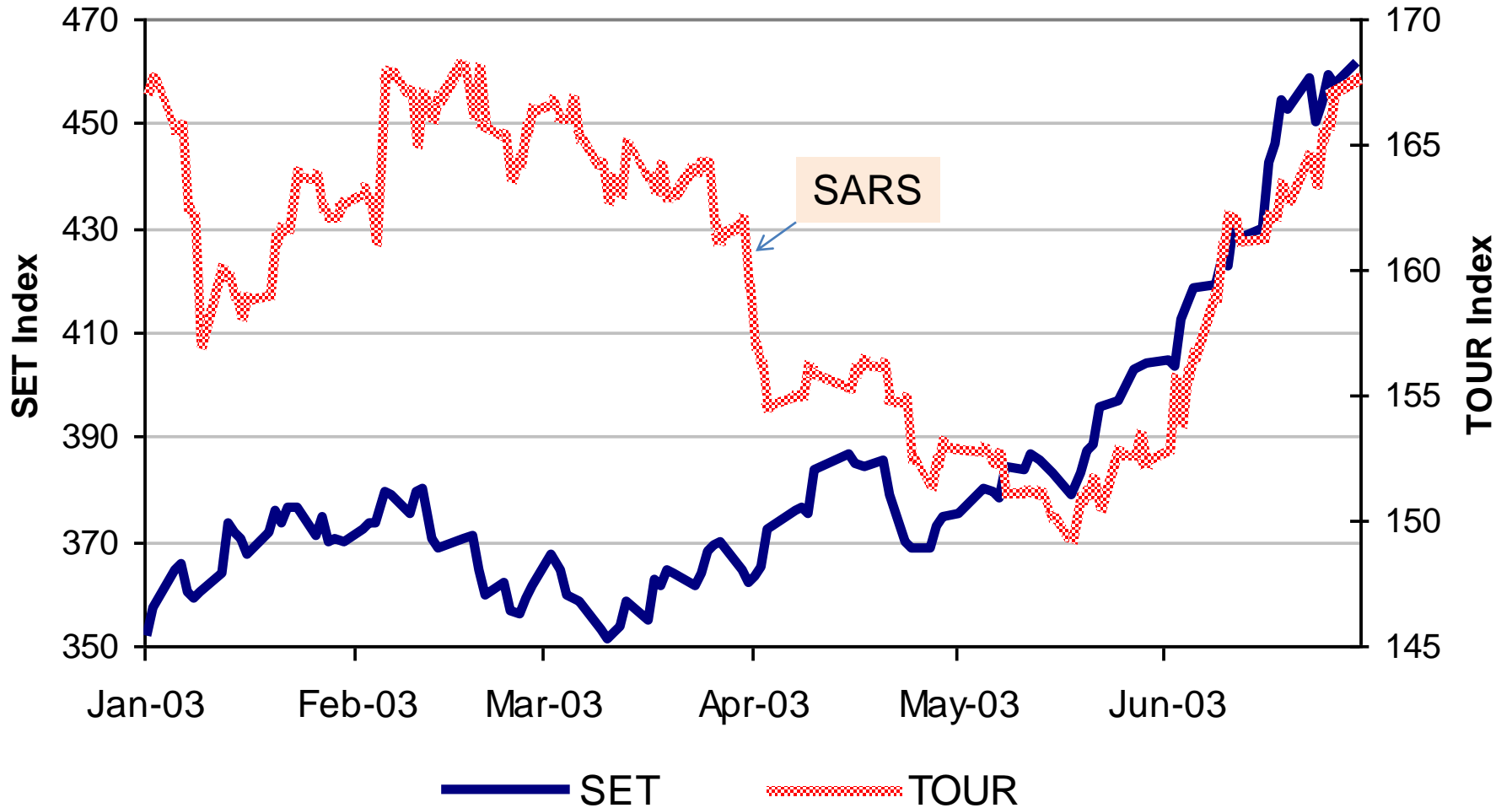


Increasing gyrations of the disturbances: moving up and down in an uncontrolled way

When SARs broke out 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, dyspnea, and pneumonia
- Tourism industry suffered considerably from **travel restrictions**.
- The ***pattern of stock price recovery was*** similar for the case of tsunami and SARS shocks.
- ***But the Covid-19 is more deadly, spreading faster and wider, and remains much longer than SARs***

SARS Impact on the Stock Market



Source: Stock Exchange of Thailand (SET)

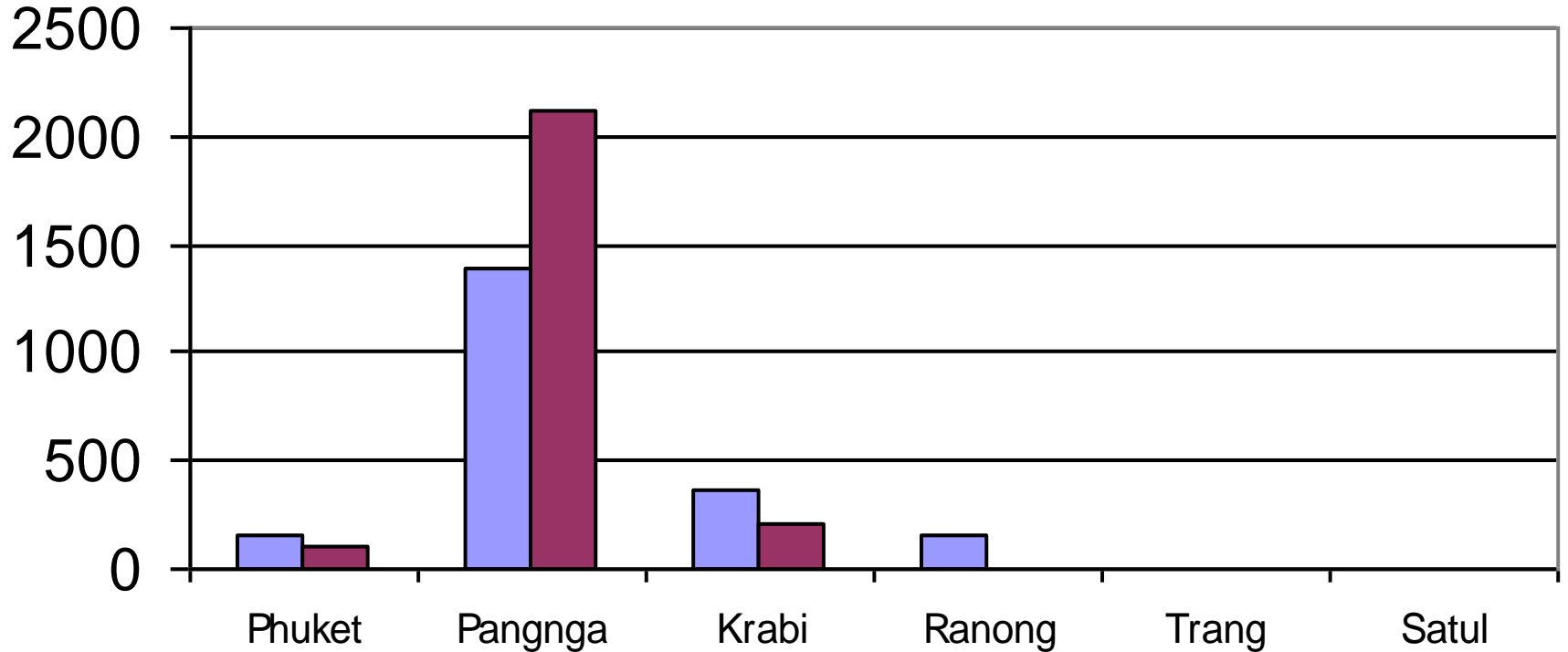
Tourism and hotel industry sector were hit temporarily

When the tsunami struck at 9:50 am
Sunday 26th of December 2004



Tsunami Death toll (2004)

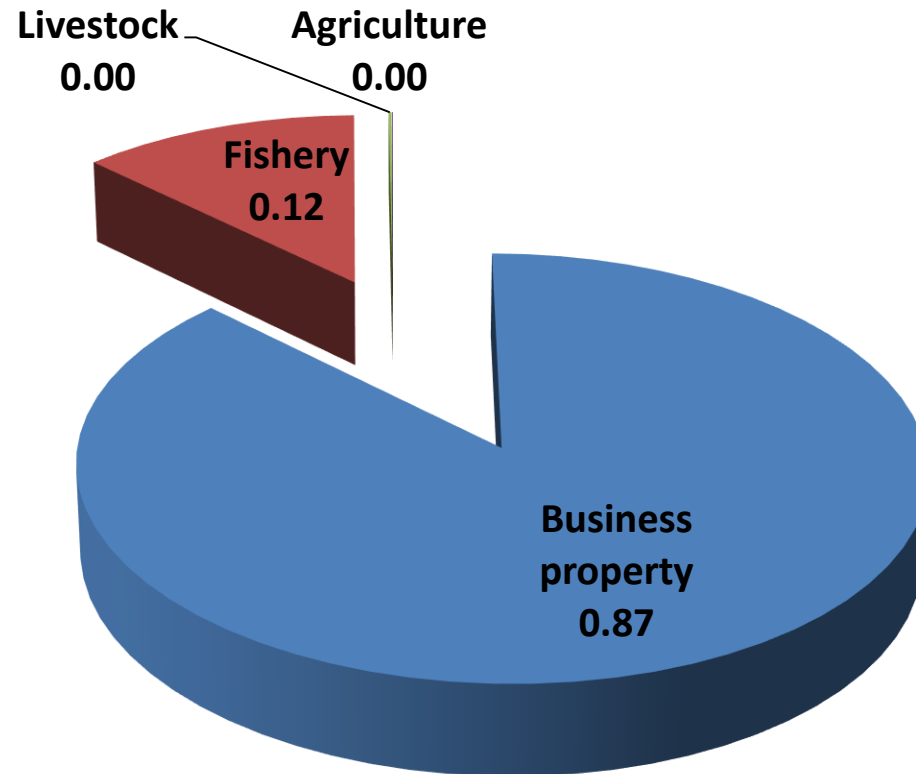
Figure 2: Thai and Foreigner Death Toll



Source: DDPM

■ Thai ■ Foreigner

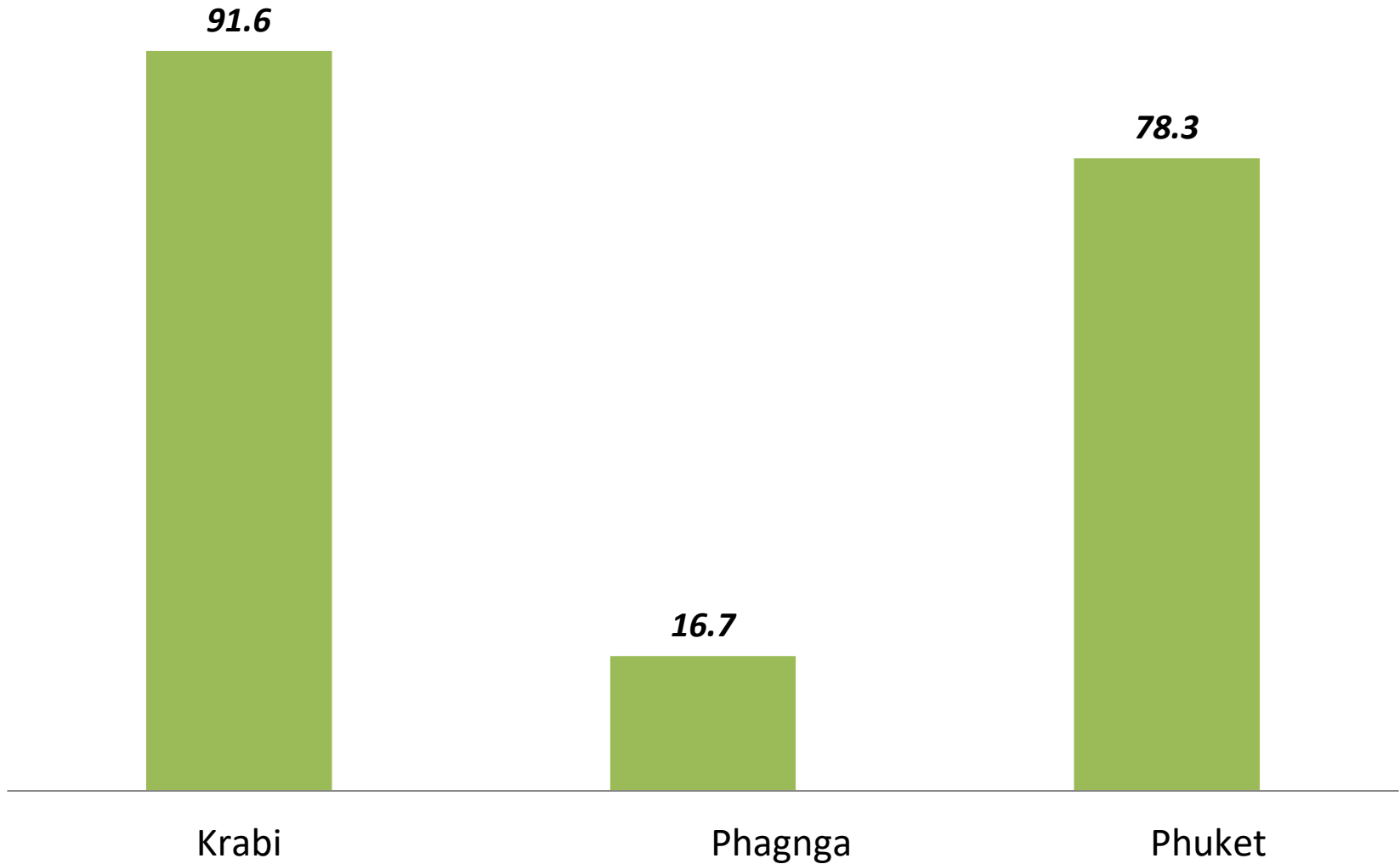
Tsunami and damages in 2005



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.

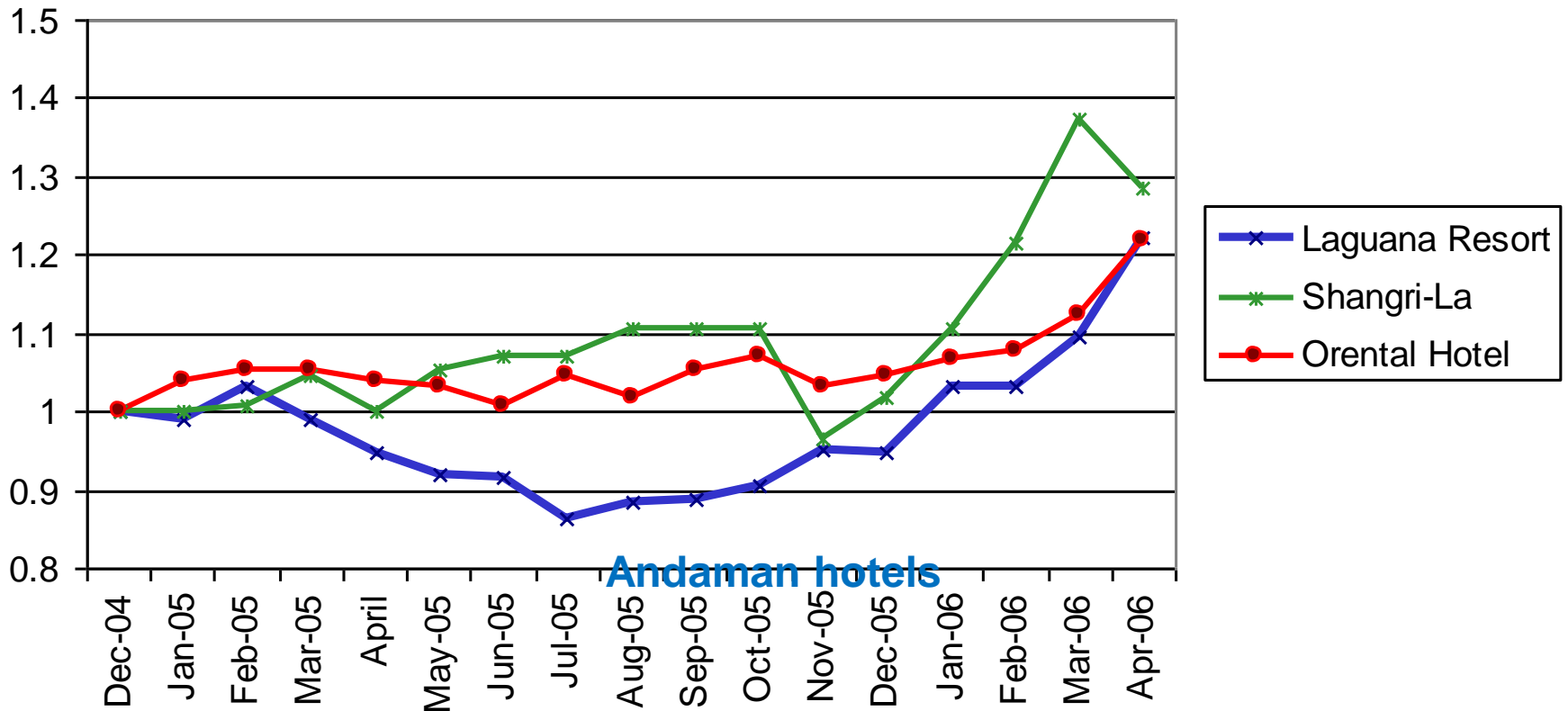
Impact on the stock market was minimal and short-lived

- 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 **one month** to regain their ground.

Andaman-exposed hotels

- 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

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

But there is no substitution in the case of Covid-19

Policy responses to the tsunami

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

Problem from the demand side

- With massive capital injection, supply constraint is not a problem in the long run.
- A sustainable recovery requires a demand pull from private and public sectors,
- Although 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: greater export market access

- 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.

Shocks and rebounds:

Give it time, this too shall pass



4. Impact of political instability

- 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.

Bangkok Airport Shutdown in 2008



While Thailand lost, neighboring countries gain

- 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**

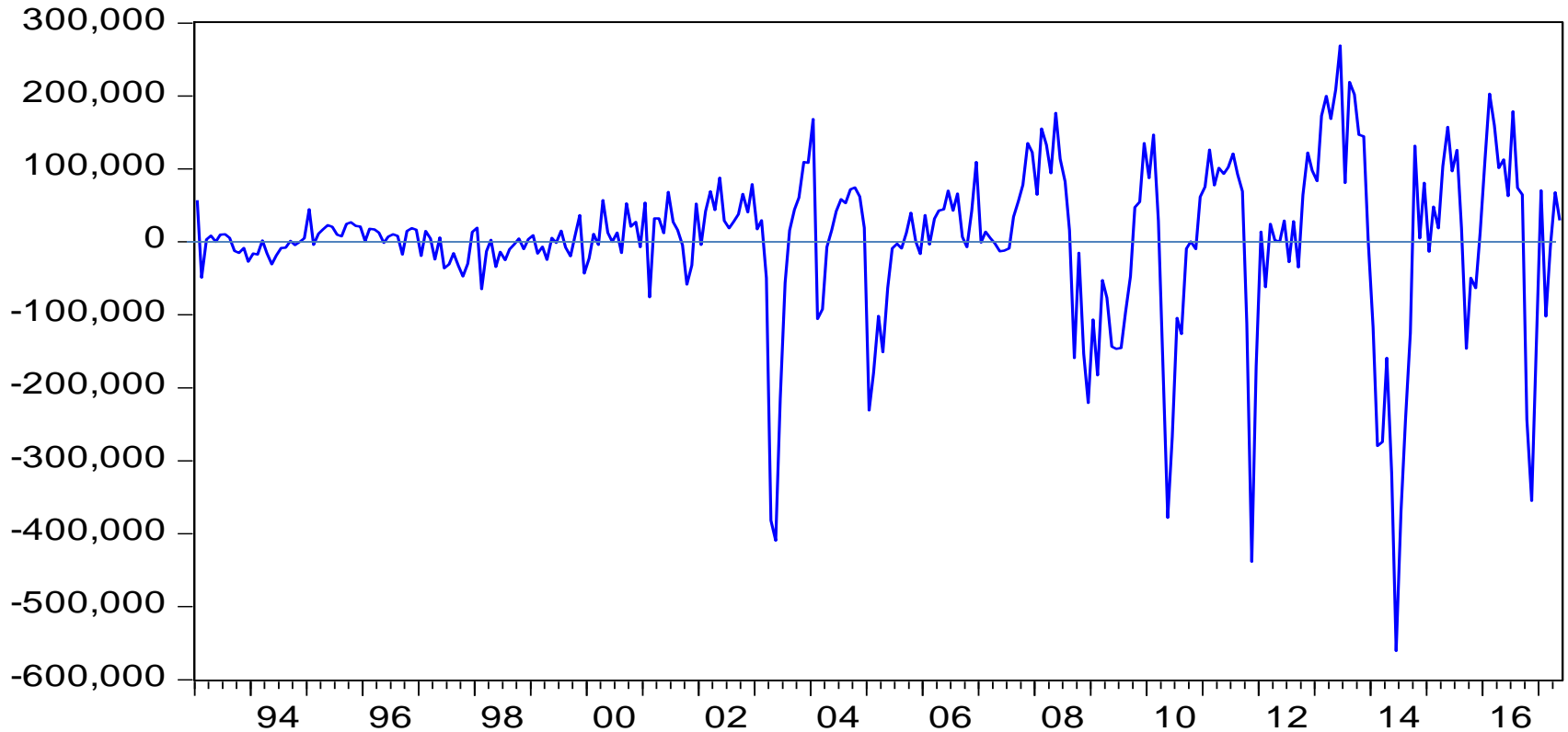


The opportunity cost of the anti-government protest (from falling tourism revenue) is not that great

5. Microeconomic Analysis of Tourism Industry

- Hotel performance is not only affected by macroeconomic cycles and consumer trends, but is also linked to ***airlines and travel companies***; seasonality of demand, product innovation(online booking: Thomas Cooks was closed down) which also affect performance.

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

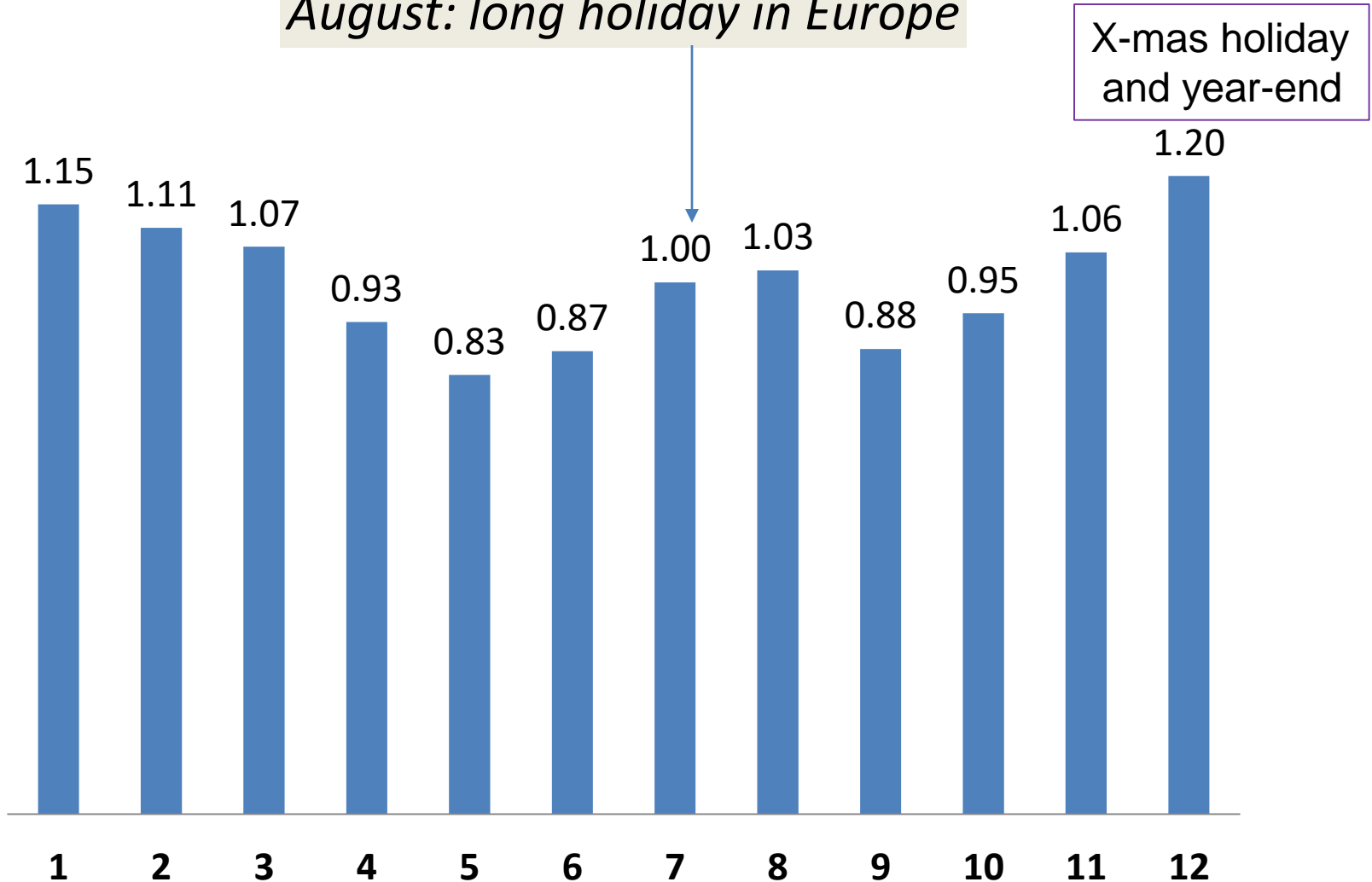


The travel and hospitality industry is operating through increasingly prolonged periods of uncertainty and instability.

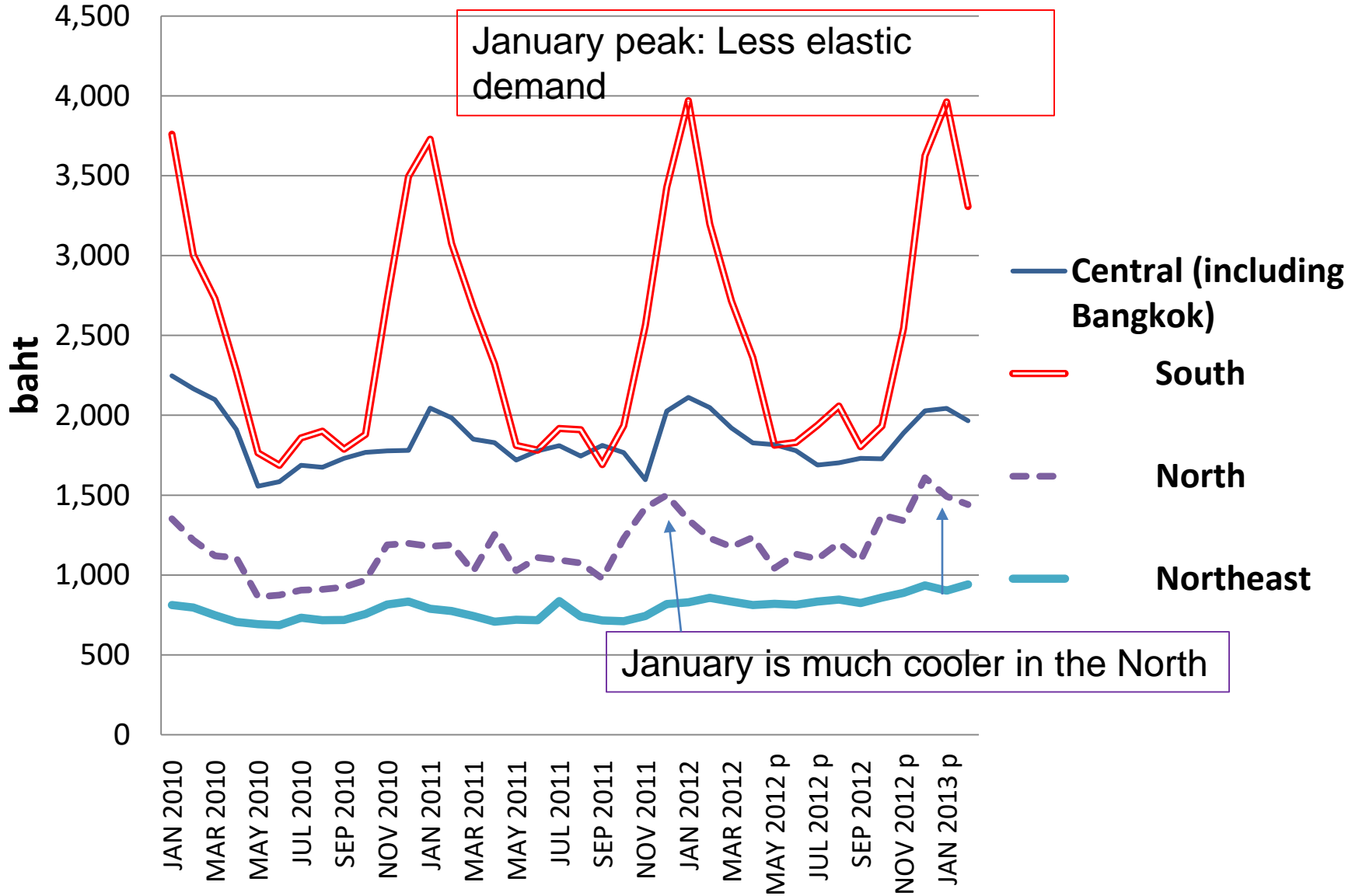
Microeconomic Analysis

- 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 hotel room rate



Source: Bank of Thailand

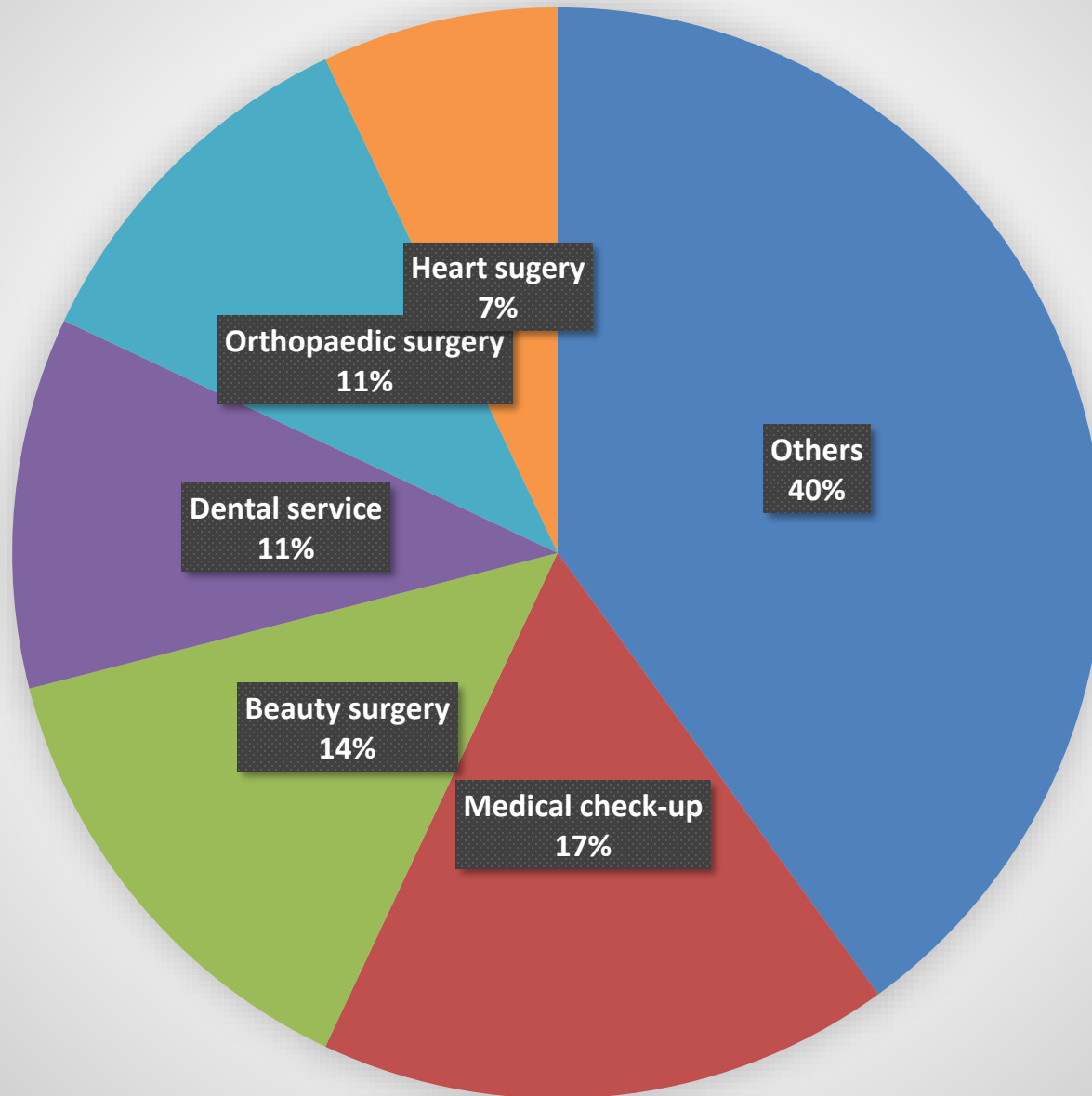
Expect the Unexpected

- 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.

6. 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.

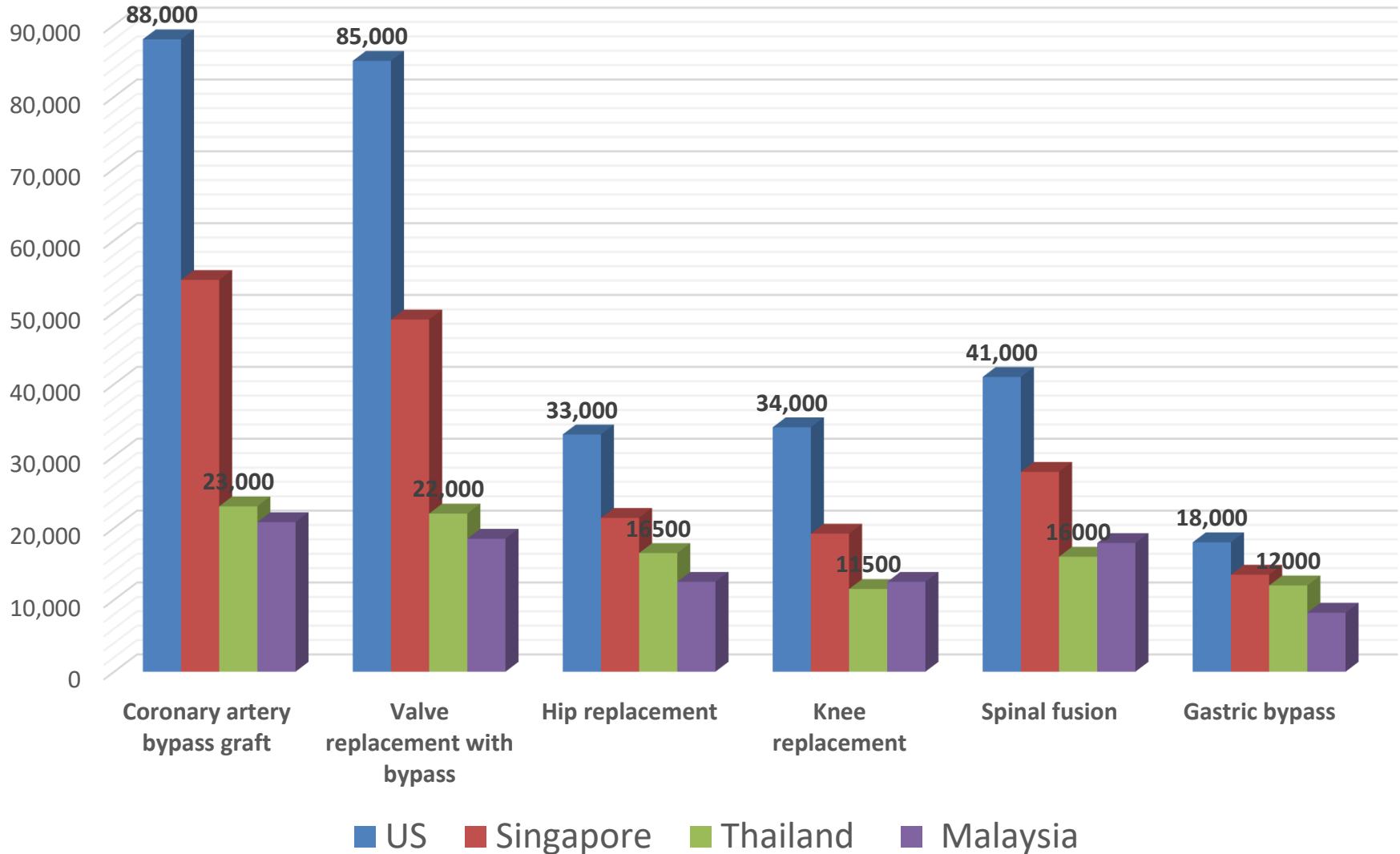
popular medical services among foreign visitors



Popular Medical Services

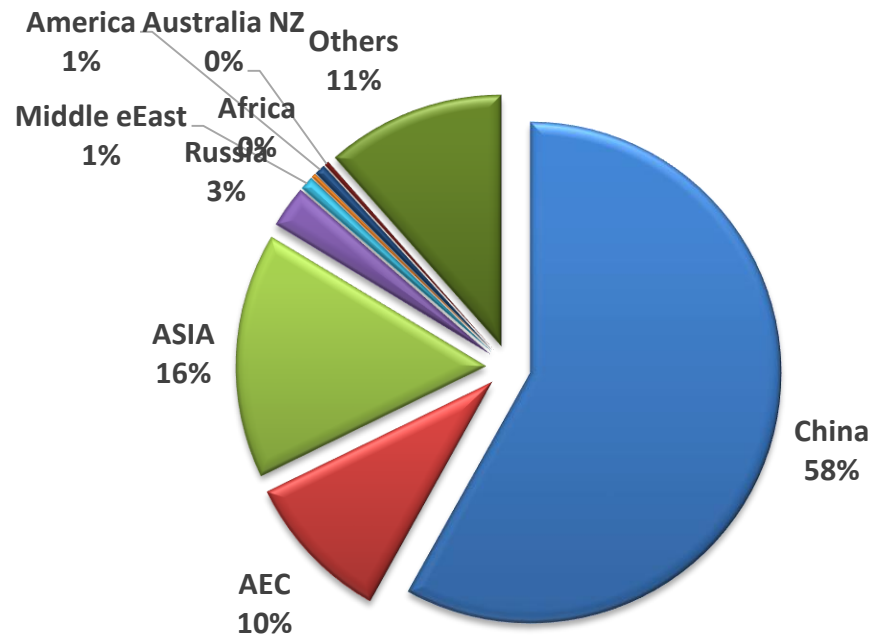
- Popular medical services among foreigners include **standard checkups, cosmetic surgery, and dental services.**
- Beside tourists, there are expats working in Thailand and neighboring countries where medical service standards remain relatively low, encouraging them to come to Thailand.
- *Myanmar and 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



7. China Factor

The importance of chinese tourists share in 2019



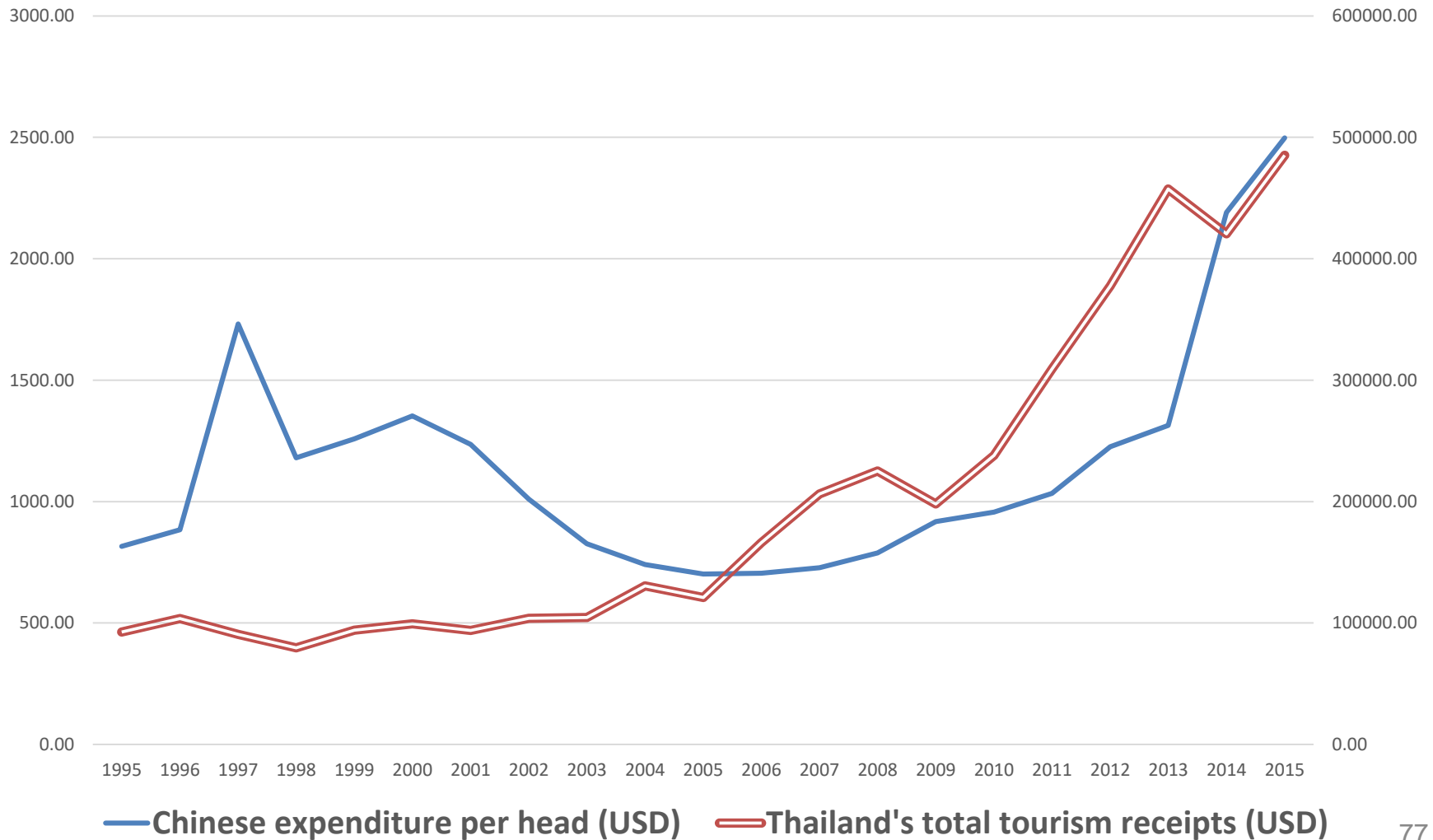
Workers prepare plates of **mango with sticky rice**, a popular local dessert for thousands of Chinese tourists, in an outdoor banquet in Muang Thong Thani in Nonthaburi province outside Bangkok on **Jan 20, 2019** as part of a government promotion to attract more Chinese tourists.

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



But January 2020 is a different story

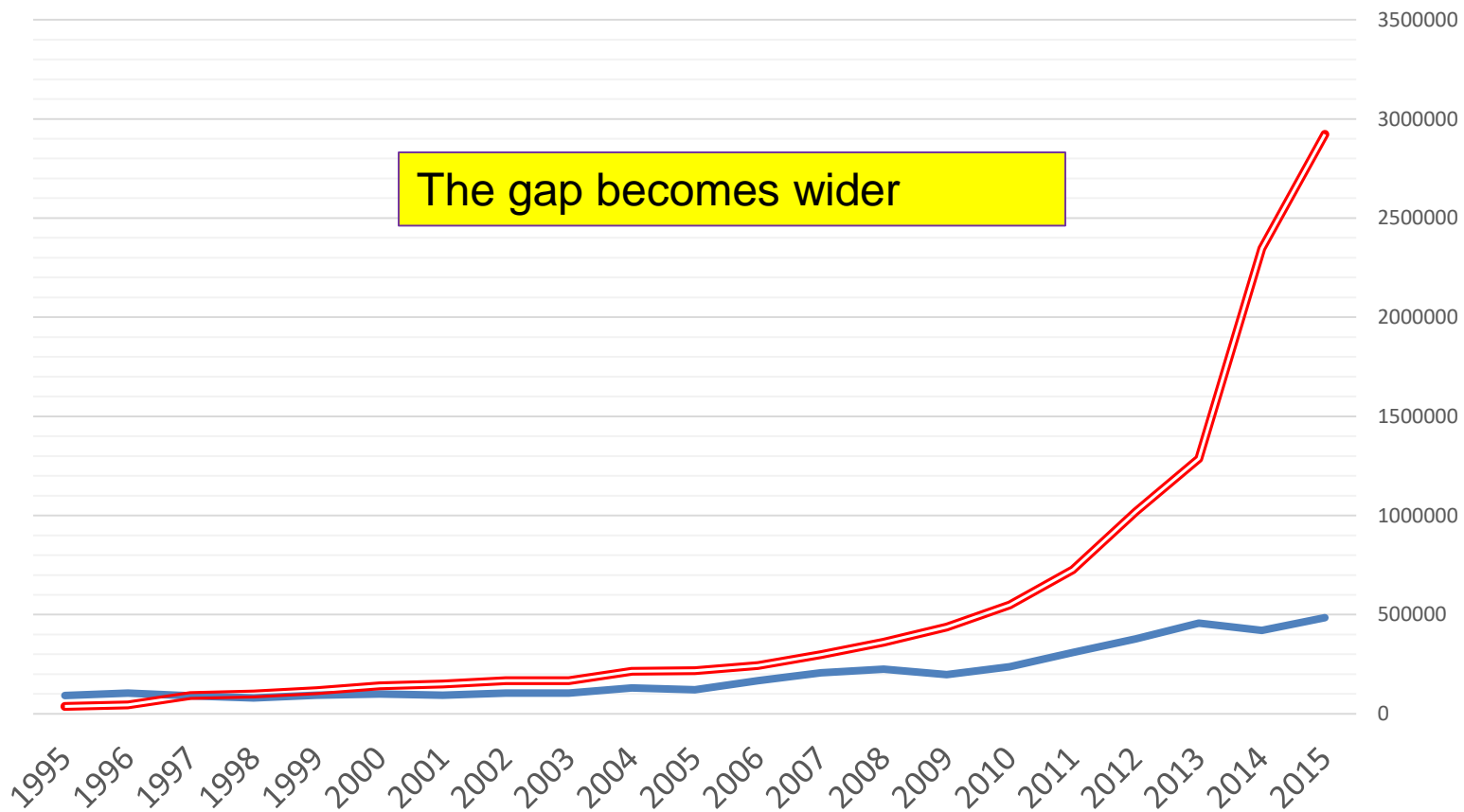
Chinese expenditure per head and Thailand's total tourism receipts



International tourism: Thailand's Revenues and Expenditures

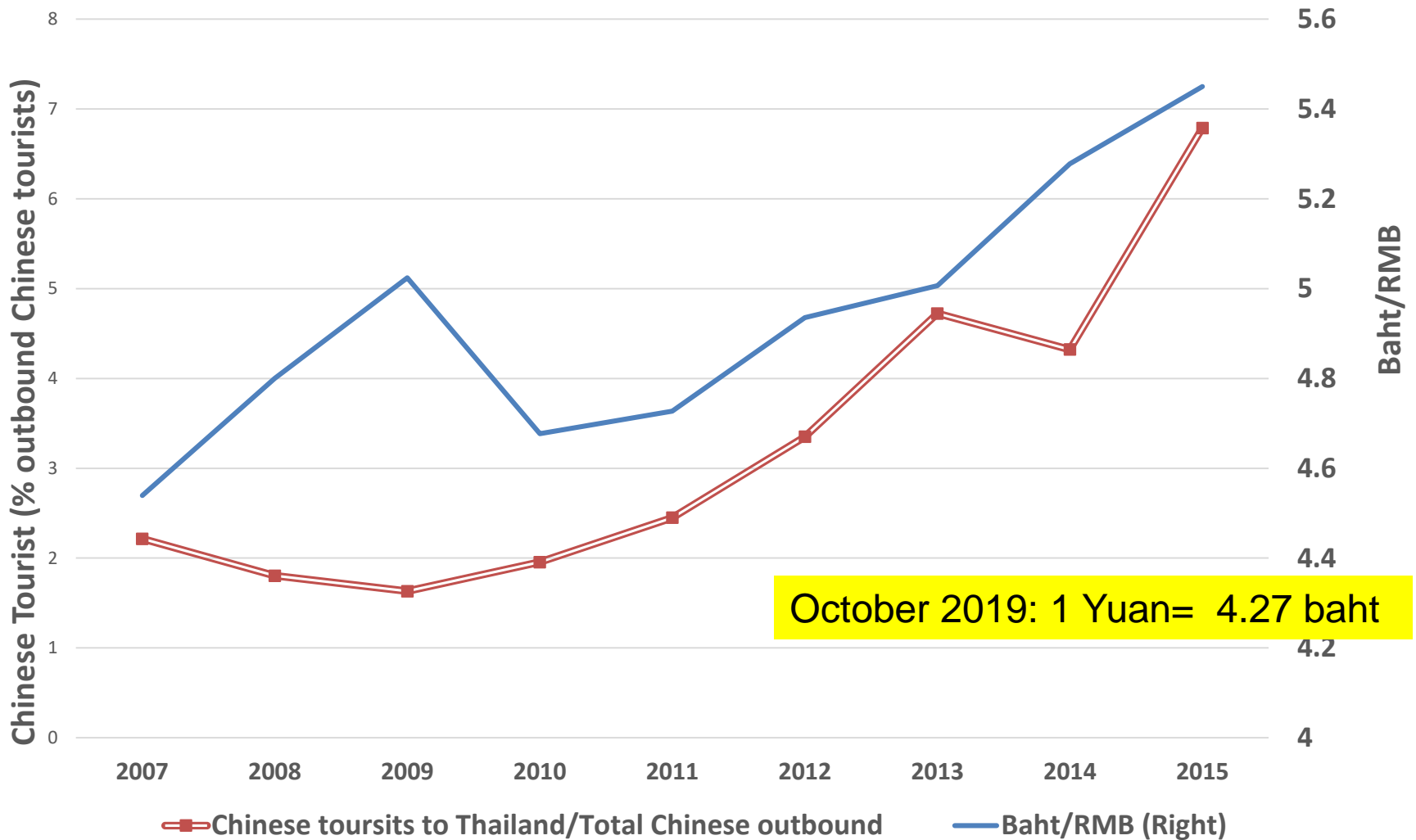
Source: World Bank
Thousands USD

— Thailand's receipt — China's international expenditure



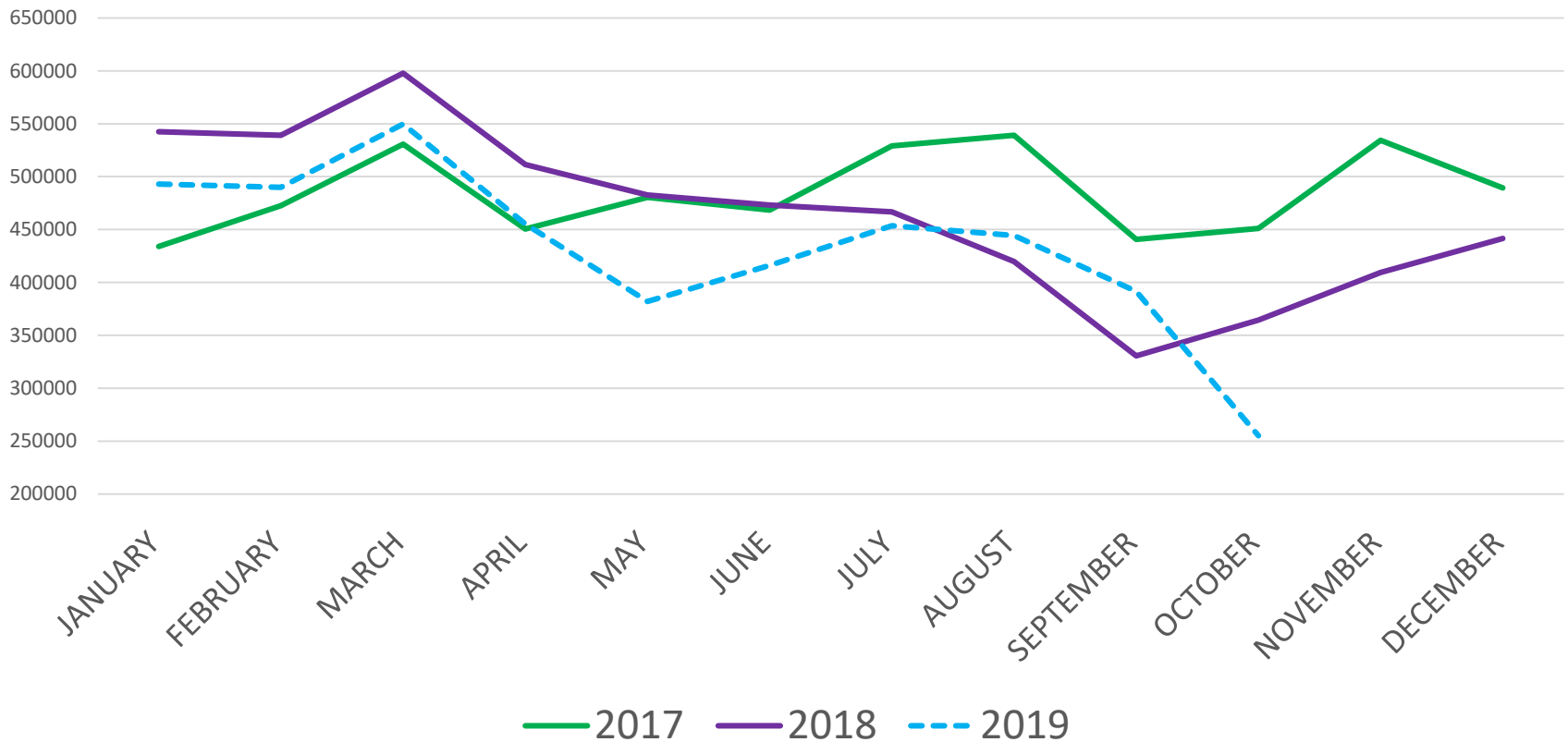
Exchange Rate Matters

Cheap baht boosted Chinese tourists



8. Dealing with the Covid-19 the Covid-19

Number of tourist arrivals



Hotel occupancy rate: Jan-Aug 2020

AVERAGE HOTEL OCCUPANCY RATE



	Total rooms*	Average occupancy during Jan-Aug (%)**	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
 Bangkok	78,656	31.3 (-54.8%)	85.2	71.8	21.0	12.1	7.2	9.8	20.0	22.9
 Phuket	99,504	22.5 (-52.8%)	77.5	61.3	28.5	0	0	1.1	5.1	6.1
 Hua Hin	17,527	34.2 (-28.4%)	63.1	62.6	26.5	0	8.8	28.7	44.1	40.2

Source: Tourism Authority of Thailand

*Including hotels that remain closed

**From available rooms

BANGKOK POST GRAPHICS

An empty beach in Phuket as travel restrictions have left the usually thronged island deserted.



Weighing the consequences

As pressure rises to reopen tourism with laxer measures

BANGKOK POST 19 OCT 2020

- What is the real cost for tourists when planning an outbound trip to Thailand in the Covid-19 era?
- Apart from sufficient budget for a quarantine facility, which for the most luxurious trip can be as high as 300,000 baht per person, tourists must consent to dedicated extra time for a **14-day quarantine** -- a condition that only allows people who don't have time and money constraints to visit the country.
- While high-net-worth travelers may agree to spend vacation here, their visits will be just *a drop in the ocean* when compared with 1.9 trillion baht Thailand recorded last year from foreign tourist receipts.

Tourism Authority of Thailand

- According to data from the Tourism Authority of Thailand (**TAT**), the upscale market or those earning over US\$60,000 a year made up less than 20% in the past five years as officials struggled to generate a healthier portion of high-end travelers.
- Since the strict lockdown was eased in the second quarter, the **Association of Thai Travel Agents** (Atta) has repeatedly called for a shorter quarantine period or, ideally, no compulsory quarantine to attract intra-regional travelers who don't want to spend two weeks in confinement for their four- or five-day trip.

Travel Bubble

- China and Taiwan are considered low-risk countries.
- If applied, the scheme would draw 100,000 travelers a month and help repair the broken tourism engine with at least 5 billion baht in revenue, Atta said.
- Hong Kong and Singapore recently reached agreement on a travel bubble policy, which will soon let people from those two countries travel back and forth without being quarantined.

Special Tourist Visa (STV)

- special international groups allowed in earlier and those applying for a special tourist visa (STV) are not enough, as the expected number is just **1,000 per month**, a far cry from the monthly figure of 3 million last year.
- "The STV model with a 14-day quarantine is only a **minor remedy** to the large-scale devastation of the tourism industry,"
- In a normal situation tourists from low-risk countries total at least 1 million per month.