

# Insight



How competitive is Thai tourism  
(and what can we do to improve it)?

## How competitive is Thai tourism (and what can we do to improve it)?

“By most measures, Thailand's tourism sector has performed well. The performance of the sector reflects Thailand's good value as a tourist destination. It has a large number of well-known attractions compared to many of its competitors. This has made tourists willing to pay for accommodation in Thailand more than nearly twice compared to other nearby destinations—Thailand premium. But the competitiveness and resilience of the sector is being severely tested and eroded by concerns about security.

Barring any severe political unrest, we expect tourism to recover nicely in 2010 and grow by about 8-10% to a record number of 15 million tourist arrivals. However if serious unrest occurs, the industry would grow lower than expected depending on its magnitude and duration. But of greater concern is the longer-term outlook. Our analysis indicates that “business as usual” is not likely to result in a much greater contribution of tourism in the form of sustainable increases in arrivals, spending or length of stay. Existing attractions and activities may not be able to serve tourist arrivals with an average annual growth of 5%, doubling the size by 2020.

Given its convenient location and connections, Thailand is well-placed to take advantage of many of the trends in tourism going forward, e.g., Asia-Pacific, within-region, short-haul travel. It is also suited to niche trends such as golf, health, and elderly tourism. But realizing this potential will require concerted action at all levels: government; sector and firm. It requires government to shift towards a much greater focus on developing the supply-side—including new and improved attractions and activities, critical infrastructure as an enabling environment such as public transportation, water supply and electricity, and issuance of regulatory with effective consequences to maintain the natural beauty of attractions —rather than demand-side or promotional activities.

”

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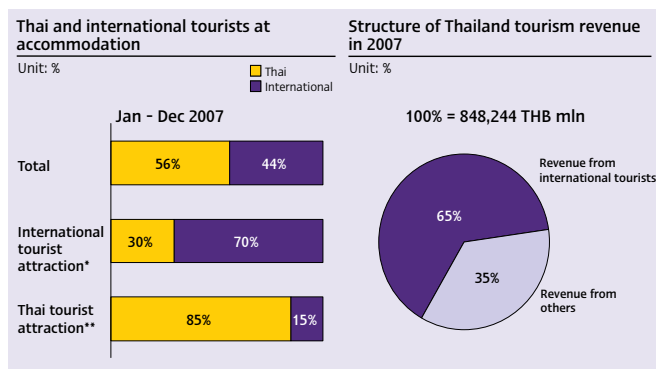
# I. Thailand's tourism sector: where we are today

By most measures, the tourism sector has performed well and is a key driver of the Thai economy. International tourist arrivals grew at a compound annual growth rate (CAGR) of about 5% between 1999 and 2009, reaching a peak of 14.6 million arrivals in 2008, well above other regional comparators such as Japan, Korea, Singapore and Indonesia. International tourist expenditure (incl. inter-country transportation expense) is estimated to account directly for about 8% of GDP, but the indirect (multiplier) effects of this spending are likely to be high given the large employment footprint of sectors related to tourism. Hotels and restaurants and retail trade alone account for over 22% of total employment in Thailand.

Thailand is ranked the 4<sup>th</sup> in Asia-Pacific, accounting for 8% of total international tourists travelling in Asia-Pacific. While Thai tourists have a greater contribution in terms of visitor numbers, but in terms of revenue international tourists have contributed about 65% of total. Almost 40% of that is from European tourists although more than half of international tourists are from Asian countries and another 27% are from Europe.

## Thai tourism: facts and figures

**Figure 1: 65% of total tourism revenue is from international tourists**



\* Accommodations in Bangkok, Pattaya, Hua Hin, Chiang Mai, Mae Hong Son, Krabi, Phuket, Koh Pha-ngan, Koh Samui, Koh Tao, and Phang-Nga

\*\* Accommodations in other provinces

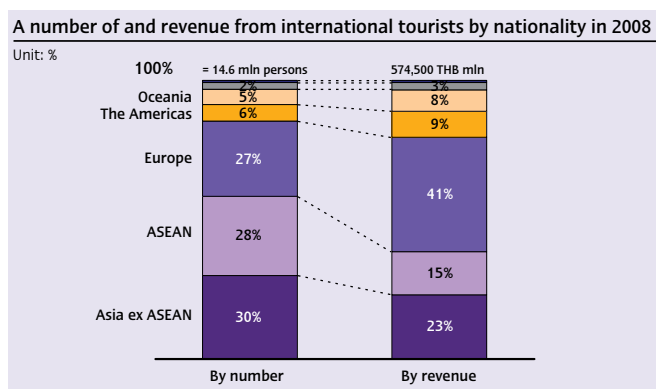
Source: Office of Tourism Development (OTD); Tourism Authority of Thailand (TAT); and SCB EIC analysis

**Figure 2: A number of international tourists increase at a CAGR of 5%**



Source: Datastream; OTD; and SCB EIC analysis

**Figure 3: European tourists are the most important in terms of both number of tourists and revenue generation**



Source: OTD; and SCB EIC analysis

**Figure 4: Although Thai tourism industry is ranked 4<sup>th</sup> in the region, the growth is so slow and not even qualified in Top 5**



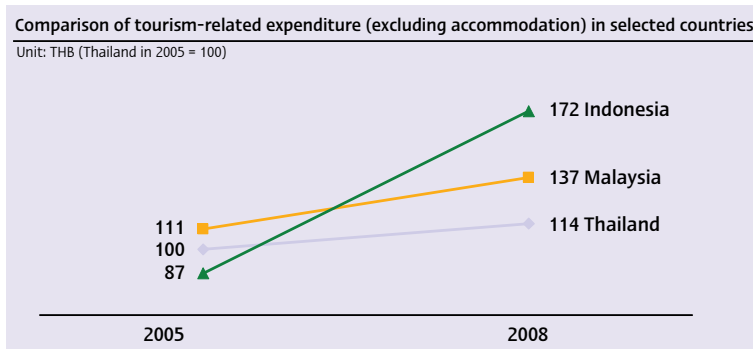
\* Figure includes daily visitors across Malaysia-Singapore border

\*\* Figures are a number of international tourists in 2009 and CAGR during 1999-2009

Source: UNWTO; and SCB EIC analysis

The strong performance reflects Thailand’s “good value”... The typical basket of goods and services purchased by a tourist— including food, shopping, domestic travel, activities and entertainment but excluding accommodation—is about 50 and 20 percent less expensive in Thailand compared to Indonesia and Malaysia. Higher inflation and exchange rate appreciation in other countries has improved the price competitiveness of Thailand.

Figure 5: Travelling in Thailand is about 20% cheaper than that in other countries in the region

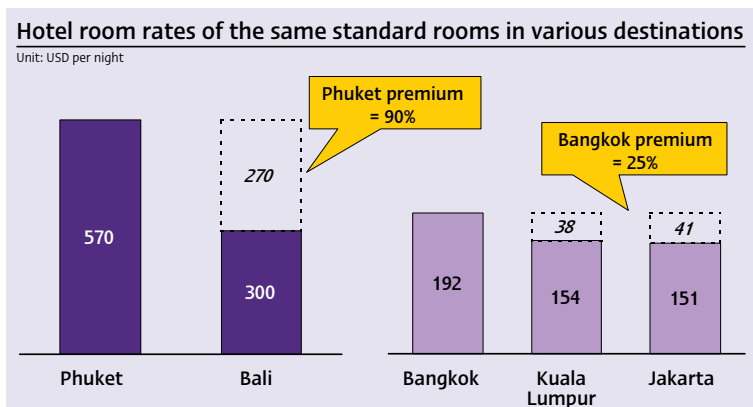


Source: SCB EIC analysis

...as well as its inherent attractiveness as a tourist destination. Good food, scenic locales, and friendly people all add up to an inherent competitive intangible for Thailand, one for which people are willing to pay a “Thailand premium.” Our analysis of same chain-same type rooms, for example, indicate a premium on room rates on the order of 25 percent for rooms in Bangkok compared to those in Kuala Lumpur and Jakarta. The “Phuket premium”, compared to Indonesia’s Bali, is over 90%. Thailand’s competitiveness in tourism has been enhanced by its many, well-known attractions which have kept it in the forefront of tourists’ minds and have allowed it to punch above its weight in tourism. (See Box: Who are really Thailand’s competitors in tourism?: an attraction- and activity-based analysis).

Thailand has a premium. Competitiveness of Thai tourism has made tourists willing to pay for accommodation more than nearly twice compared to other near by destinations.

Figure 6: Tourists are willing to pay “Thailand premium” compared to the neighboring countries



Source: Based on web-based rates of same chain-same type rooms among Sheraton and Shangri-la Group of Hotels; and SCB EIC analysis

Thailand has been punching above its weight in tourism.

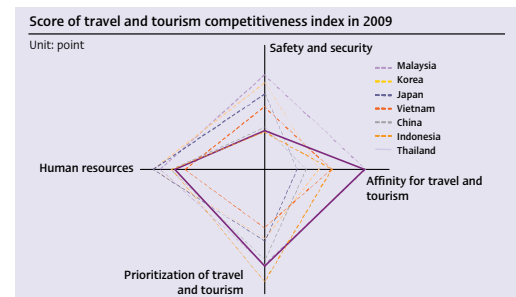
**Where does Thailand's competitiveness really suffer? Security, security, security.** Thailand scores very well on most dimensions of travel and tourism competitiveness. From the Travel & Tourism Competitiveness Report 2009 by World Economic Forum, Thailand is ranked the 39<sup>th</sup> out of 133 countries, up from the 42<sup>nd</sup> last year. Its "affinity for travel and tourism" (defined as tourism openness, attitude of population towards foreign visitors and the extension of business trips recommended)<sup>1</sup>, for example, is second to none among its regional comparators. But its safety and security score is at the very bottom.<sup>2</sup> This is particularly worrisome as safety and security were cited as the most important criteria in choosing a tourist destination by most nationalities in a recent survey by the Tourism Authority of Thailand.

**Figure 7: Safety and security are the most important criteria for tourists when choosing destination**

Nationality of tourist	Japan	China	UK	Germany	Malaysia
<b>Safety and security</b>	1	1	1	2	1
Country's image	2	2		3	
People	3		3	4	3
Culture	4	4	2	1	
Price / promotion	5				4
Quality of services		3	5		2
Tourist attraction		5	4		5
Tourism activity					
Cleanliness				5	
Shopping places					
Transportation					

Source: Tourism Authority of Thailand (TAT); and SCB EIC analysis

**Figure 8: Safety and security are still Thailand's weakest link**



Source: The Travel & Tourism Competitiveness Report 2009; and SCB EIC analysis

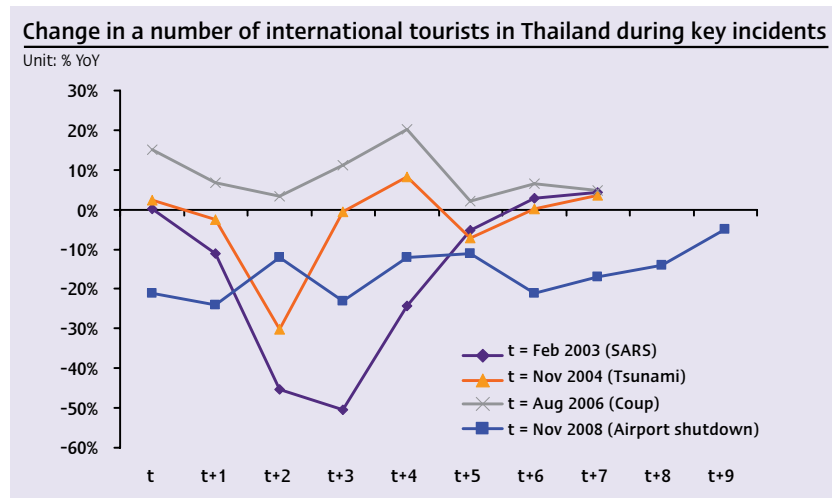
Enduring political unrest after the airport closure caused a drop in tourist arrivals for nearly 10 months.

**While the sector has been resilient, it has been severely tested by the 2008 airport closure and political unrest.** Tourism has typically bounced back relatively quickly for Thailand, even after such episodes as SARS in 2003 and the tsunami in 2004. But the 2008 airport closure and political unrest have had a longer and more lingering effect. A number of tourist arrivals dropped after the airport closure in November 2008 and started to bounce bank in the following two months; however, enduring political unrest caused a drop to continue for almost 10 months. While tourist arrivals in Thailand recently recovered quite strongly during the fourth quarter of 2009, it dropped off quite sharply during much of the year. The bulk of the slowdown in 2009 was not due to the global crisis, but rather to factors specific to Thailand. The airport closure in November 2008, the unrest in Bangkok and the ignominious ASEAN Summit meeting in Pattaya in April 2009 were all extensively covered on CNN and other international media. As a result, tourist arrivals dropped by 16% during the first and second quarters of 2009 in Thailand, compared to only about 4% and 1% for the rest of Southeast Asia.

<sup>1</sup> Defined by World Tourism Organization (UNWTO)

<sup>2</sup> Besides competitiveness implied by UNWTO indicators with regards to safety and security, the latest TRI (Terrorism Risk Index) ranking by Maplecroft, a London-based risk consulting firm, indicated that Thailand is world ranked the 9<sup>th</sup>, up from the 11<sup>th</sup> last year. This is the first time ever that we fell in the extreme risk group.

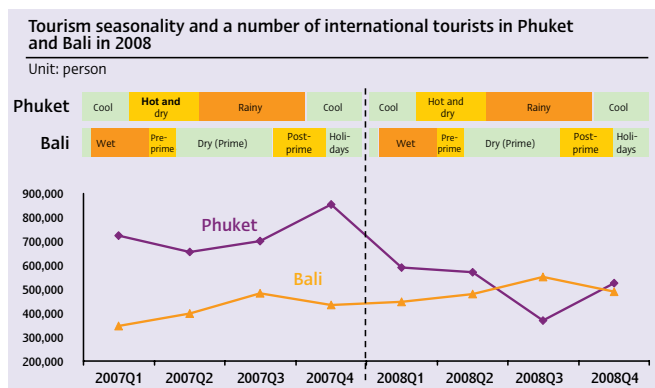
Figure 9: Thai tourism took nearly 10 months—slower than usual—to recover after the airport closure.



Source: TAT; and SCB EIC analysis

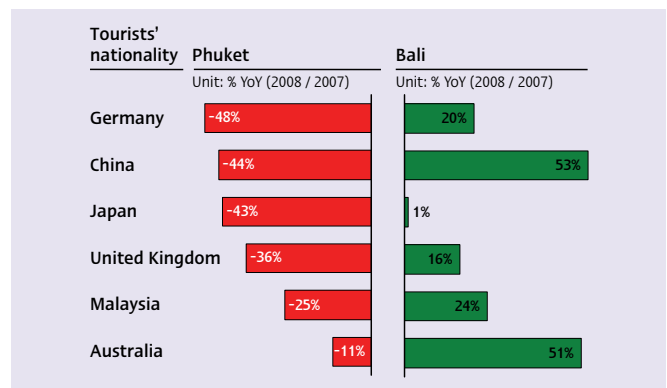
**Tourists have choices: Phuket v. Bali.** The political unrest has hit even Phuket. Tourist arrivals in Phuket, which had outpaced Bali regardless of season, dropped below those of Bali during 2008Q3. Much of this is likely to have been the result of switching as the drop in Phuket—and the increase in Bali—occurred pretty much across all nationalities. Fortunately, however, tourist arrivals recovered quite strongly during the fourth quarter of 2009, and we expect to see the recovery continue into 2010.

Figure 10: Tourist arrivals to Phuket, compared to Bali, apparently dropped during political unrest in Thailand



Source: Bali Tourism Board; OTD; and SCB EIC analysis

Figure 11: Tourists have switched from Phuket to Bali especially during political unrest in Thailand



Source: Bali Tourism Board; OTD; and SCB EIC analysis

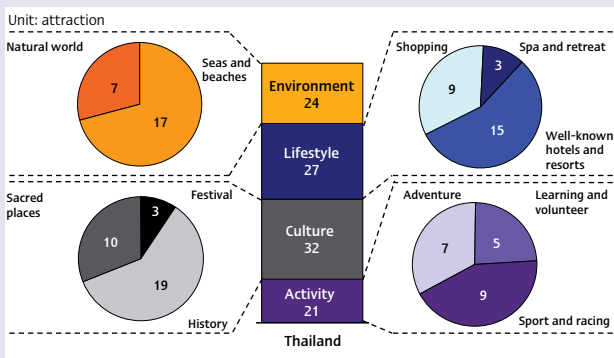
## Who are really Thailand's competitors in tourism?: an attraction- and activity-based analysis

It depends upon what people want to do. If tourists want to see cultural sites, then Luang Prabang in Lao PDR might be an attractive destination compared to Thailand. But if they want beaches, then landlocked Lao PDR is not much competition for Thailand. For this reason, we analyze Thailand's competitors along the different kinds of activities pursued by tourists.

**What is Thailand known for?** Though Thailand has a lot of attractions to offer, not all of them are known to international tourists. We therefore compare only attractions that are recognized among tourists, which are not limited to just beaches that Thailand has always been known for. We base our analysis on top, high-traffic, international travel websites such as worldreviewer.com; worldtravelguide.net; and agoda.com and track the number of tourist attractions mentioned by category. Over a hundred attractions and activities are mentioned for Thailand. It is not just beaches. There are also numerous lifestyle and cultural attractions. For example, nine specific shopping attractions—e.g., Yaowaraj's old market, Dam Nern Saduak floating market, Jatuchak market, Chiang Mai night market, River City, Emporium, Mah Boon Krong (MBK), Siam Paragon and Central World—are cited.

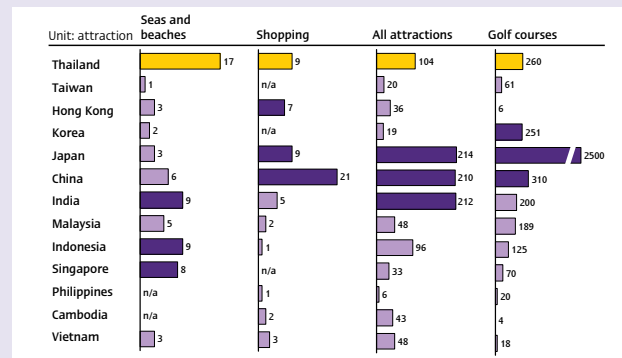
**What other countries have well known attractions in these areas?** We then track mentions for other countries to see who are our main competitors in these areas. In **shopping**, for example, the standout is China with 21 shopping attractions. For **beaches** and islands, however, the clear leader is Thailand with 17, followed by 9 each for Indonesia and India. For **golf**, the extreme outlier is Japan with a total 2,500 golf courses, it is worth noting that Thailand with 260 courses is the third in the region, after China (310)<sup>3</sup> In terms of pricing and value for money, Thailand is also highly competitive. The green fee in Thailand is about 40% cheaper than that in Japan.<sup>4</sup>

Figure 12: Over a hundred attractions and activities are mentioned for Thailand



Source: Worldreviewer.com; worldtravelguide.net; Agoda.com; and SCB EIC analysis

Figure 13: Main competitors for Thailand are China, Japan, Korea and India



Source: Worldreviewer.com; worldtravelguide.net; Agoda.com; Euromonitor International; and SCB EIC analysis

Thailand's competitiveness in tourism has been enhanced by its many, well-known attractions which help to keep it in the forefront of tourists' minds. While the above analysis is based on a simple count of the number of attractions mentioned, it does provide an indication of (international) awareness of an attraction. Despite having over 7,000 islands, for example, the Philippines had fewer beach attractions cited than Thailand. For its size, Thailand also has an impressive number of total attractions cited (104), compared to the roughly 200-odd attractions cited each for Japan; China; and India

<sup>3</sup> Figures as reported in Euromonitor International

<sup>4</sup> Based on golf courses in LPGA tournament

## II. Near and long-term outlook: Where are we headed?

**Barring any severe political unrest, we expect to see a good bounce in tourist arrivals and revenue in 2010.** We expect tourist arrivals to grow by about 8-10% in 2010, bringing tourist arrivals to a new, all-time high of over 15 million. Much of the growth will be driven by Asian tourists, especially from Korea and China, in line with the more rapid economic recovery in these countries. However, as tourists especially from Asia are quite sensitive to safety and security, if serious and enduring unrest occurs, tourist arrivals would grow lower than expected, depending on the magnitude and duration of the effects. For example, the explosions at the bank in Bangkok during the end of last month may have a more serious impact than demonstration, but relatively less than the airport closure. In line with the growth of tourist arrivals, tourism receipts are also likely to grow by about 8% after a drop of 8% last year due to tight spending and strong demand for lower room rates. (See Box: 2010 outlook: what drives tourist arrivals?).



## 2010 tourism outlook: what drives tourist arrivals in Thailand?

Based on our interviews with leading international tour agencies, we found that they use rates of economic growth of major locations of tourist origins to forecast growth of tourist arrivals when developing their business plans for next years. Nevertheless our analyses show that there are other key drivers. Economic growth rates of major locations of tourist origins, real foreign exchange rates and oil prices are key drivers for growth of international tourist arrivals to Thailand. There are also uncontrollable drivers such as political unrest and natural disasters. To forecast growth of tourist arrivals, we developed a model of every major location of tourist origins individually so as to gain the most accurate and precise figures possible.

Our analyses indicate that an income-related driver determined by the country's economic growth rate is the most important driver affecting tourist arrivals across all nationalities. It implies that people will travel more as they have or believed that they will have higher income. Real foreign exchange rates and oil prices have less impact. This may be because Thailand is presently competitive in terms of pricing. The model we developed also considers the incidents having impacts on tourist arrivals, e.g., SARS, Tsunami, coup and airport closure. As a result, the model could generate satisfying results in estimating changes in tourist arrivals.

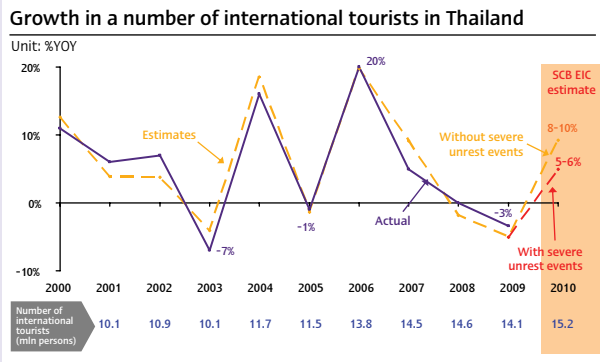
**We expect tourism to recover nicely in 2010 and grow by about 8-10% to a record number of 15 million tourist arrivals. However if serious and enduring unrest occurs, the industry would grow lower than expected depending on its magnitude and duration.** We expect high growth rates of tourist arrivals from Korea, India, China and Australia. Growth rates of Chinese and Indian tourist arrivals are from their higher-than-average economic growth while that of Korean tourists is from foreign exchange rates and low base in 2009. For Japanese tourist arrivals, a number are likely to remain unchanged when comparing to 2009 as Japanese Yen is weakening and its economy is not really growing.

In line with our forecasted tourist arrivals, receipts from international tourists would increase at 8%, driving total revenue to THB 570 billion in 2010. We presumed tourists' traveling behaviors remain unchanged especially length of stay and spending. Length of stay appears to be stagnant for the past several years. Also spending is not likely to change much as their economies are in the early stage of recovery.

Hotels with different level of stars will be affected by growth of tourist arrivals in 2010 differently depending on tourist preferences in hotel classes. For example, based on survey by Tourism Authority of Thailand, 20% of Japanese tourists prefer 2-star hotels, 40% of the Indian and Malaysian tourists prefer 3-star hotels and other nationalities tend to prefer 4-star hotels.

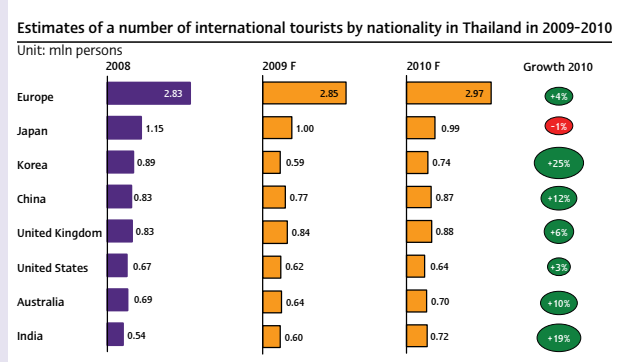
Our forecasted tourist arrivals by nationalities together with tourist preferences in where to stay indicate that most of the tourist arrivals in 2010 would prefer 3-star hotels, followed by 4-star, 5-star and 2-star hotels. However, when considering an increase in new supply of hotel rooms, 2-star hotels could expect the highest growth of occupancy rate when comparing to other hotel classes as their new supplies appear to increase at a slower pace than a number of tourists preferring to stay at 2-star hotels. 4-star hotels would experience a drop in occupancy rate because new supply seems to grow relatively fast.

Figure 14: In 2010 tourist arrivals are expected to grow by about 8-10% from the previous year



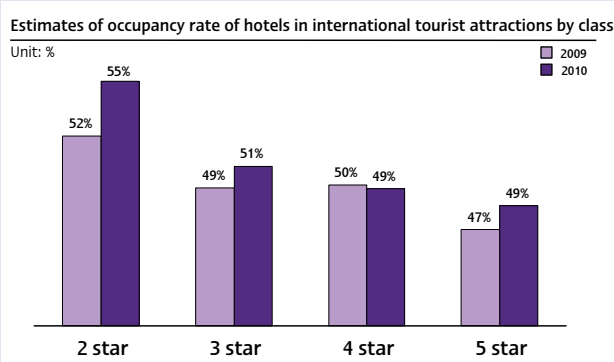
Source: Datastream; OTD; and SCB EIC analysis

Figure 15: Tourists from Korea, India, China and Australia will increase significantly mainly due to their economic recovery



Source: Datastream; OTD; and SCB EIC analysis

Figure 16: Occupancy rates of 2-star and 3-star hotels are expected to grow faster than those of 4-star and 5-star hotels



Remark: Forecasts are based on tourist arrivals and hotel preference by nationalities and the expansion of hotel supplies by star level  
Source: TAT; and SCB EIC analysis

Figure 17: Based on forecasted tourist arrivals in 2010, total revenue from tourism is expected to rise by 8%

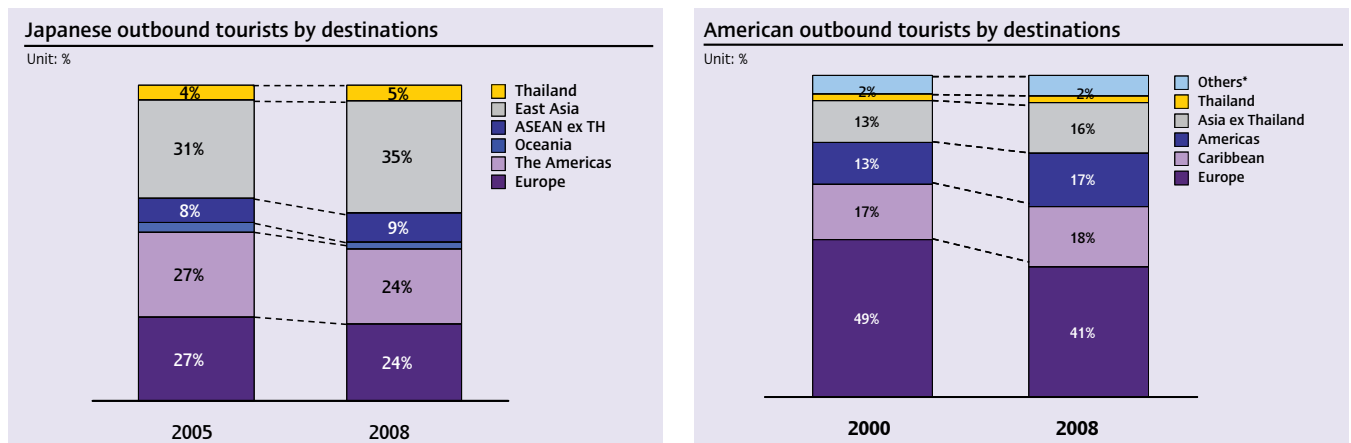


Source: TAT; and SCB EIC analysis

The more interesting question is what the longer term outlook for tourism looks like for Thailand. Higher tourism receipts can only come from increases in the number of tourists; their length of stay; their average daily spending; or some combination thereof. In what follows, we assess the longer term outlook for each.

**Number of tourists.** During the past 10 years, tourist arrivals grew at a CAGR of 5.1%. Is a similar growth rate reasonable over the next 10 years? Projections of 1,500 million tourists worldwide in 2020 by UNWTO indicate that the total tourism market for Asia-Pacific could see growth of about 6.5% per annum. If Thailand were able to maintain its market share, this would suggest potential demand growth of the same order of magnitude. But Thailand may find it difficult to grow at the same rate as the overall Asia Pacific market. Data on outbound Japanese and US tourists indicate a fairly clear trend. Europe has seen a steady decline in market share. If Thailand is unable to grasp opportunity in these markets, or can only maintain its overall market share, the real winner in terms of increased market share has been the rest of East Asia (e.g., China, Korea, and Japan).

Figure 18: Asia is increasingly popular among Japanese and American tourists



Source: Japan Tourism Marketing Co.; and SCB EIC analysis

\* Others include Africa, Middle East and Oceania  
 Source: The Office of Travel and Tourism Industries US; and SCB EIC analysis

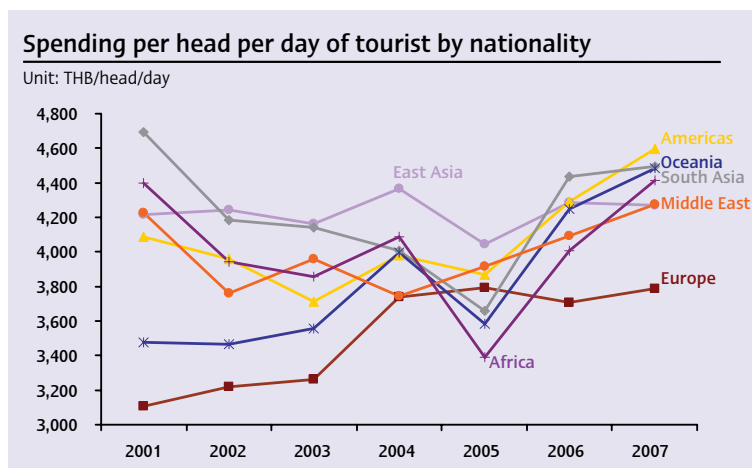
**But can we really handle that many more tourists “as is”?** Even assuming a slightly slower-than-the region growth rate of 5% per annum would imply that total annual tourist arrivals increase to 26 million by 2020. **With no change in the seasonality of tourist arrivals, this would imply that peak season Q4 tourist arrivals more than double from 4.2 million in 2009 to 7.8 million in 2020!** Existing hotels in top destinations such as Phuket are typically already at full capacity in Q4, and there are fewer beaches where we can build new hotels. Nature is not an infinite resource. Nobody wants Phuket to look like a concrete jungle as Costa del Sol in Spain.

The implication is clear: maintaining its arrivals market share will require Thailand to go beyond its competitive, “comfort zone” of sand and sea. Beach tourism will always be subject to seasonality. The demand clearly reaches its peak in Q1 and Q4. The gap of tourist arrivals during peak and low seasons in 2009 was as high as one million. To get tourists to come in during non-peak times will require developing new attractions as Thai beaches can accommodate tourists well only in Q1 and Q4.

**Spending per tourist.** If increasing the number of tourists is subject to capacity and other considerations, what about getting them to increase their spending? Again, this may be difficult with business as usual for two reasons. First, past trends indicate no discernible pattern towards higher spending by tourists over time. Second, the three largest expenditure items in tourist spending in Thailand are accommodation (28%); shopping (26%); and food (18%). People come here for the inexpensive shopping and food. Growth in accommodation rates are bound to be somewhat constrained by competition and will require additional investment. Our pricing analysis of 70 beachfront hotels in Indonesia and Thailand<sup>5</sup> indicate that while adding amenities and getting extra marketing by travel agents can help improve pricing slightly, what really helps accommodation rates are big ticket items like higher stars or pool villas. As a result, the area that is most likely to offer the greatest scope for increased spending is sightseeing and entertainment: getting people to do more things while they are here. Again, this requires developing new attractions and new activities.

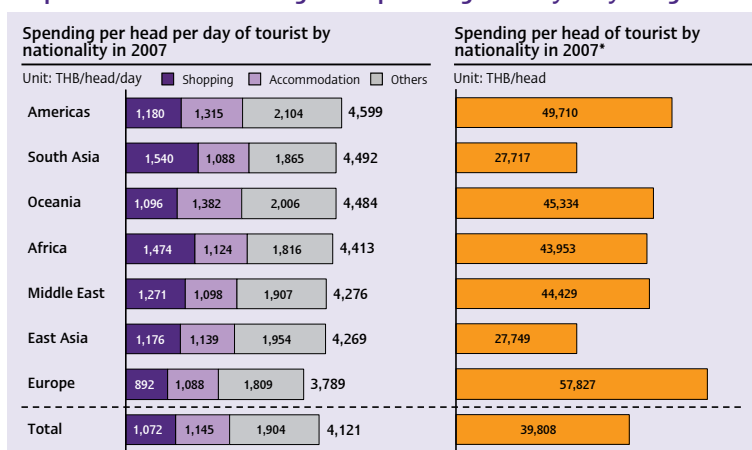
The greatest scope for increased spending is sightseeing and entertainment: getting people to do more things while they are here.

**Figure 19: Daily spending by tourists does not have a pattern and have been changing during the past 10 years**



Source: OTD; and SCB EIC analysis

**Figure 20: European tourists have highest spending as they stay long**

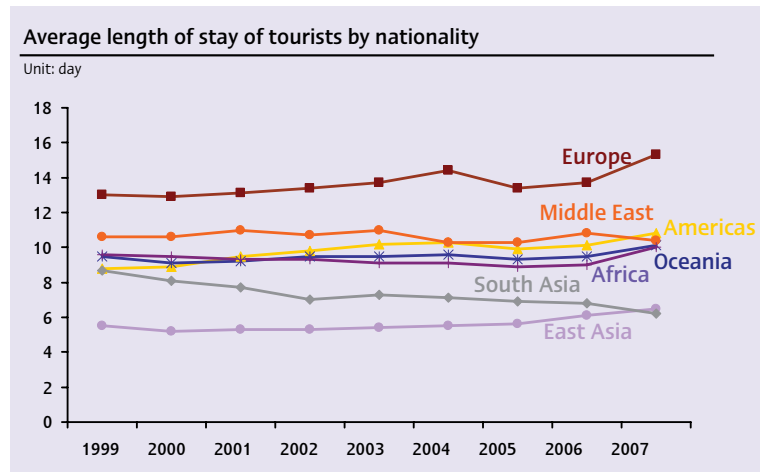


\* Calculation based on average length of stay during Jan – May 2007  
 Source: OTD; and SCB EIC analysis

<sup>5</sup> More details are available in SCB EIC Note "How we raise accommodation prices in light of tourism recovery?" dated March 2, 2010

**Length of stay.** Without any changes to the way we do business, on current trends the length of stay is likely to decrease, not increase. Over the past 10 years, there has been little discernible increase in the average length of stay. But going forward, much of the increase in tourist arrivals will be driven by tourists from Asia, whose average length of stay is about half of the Europeans. Most long-term travel projections also foresee much more rapid growth in short-haul rather than long-haul travel. The former are also typically associated with a shorter length of stay, hence making it difficult to raise overall average length of stay.

**Figure 21: Length of stay by international tourists have not changed much**



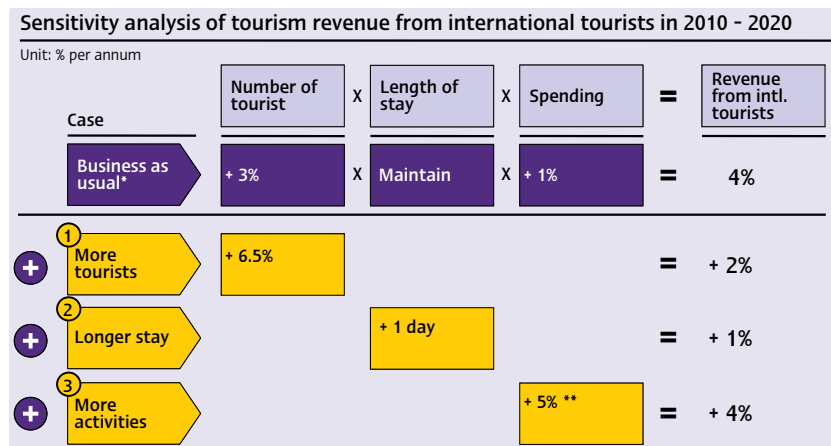
Source: OTD; and SCB EIC analysis

Without any changes to the way we do business, the average length of stay is likely to decrease, not increase.

**What does this all add up to?** We can increase receipts from international tourists mainly by increasing the number of tourists and their spending. If no new attractions developed, receipts from international tourists may grow at 4% per annum, compared to an average rate of 7.6% for the past 10 years.

An improvement of existing attractions with an aim to maintain its Thailand's market share in Asia, which can accommodate a 6.5% increase in tourist arrivals in Asia-Pacific, will result in an additional 2% revenue growth per annum through the next 10 years. Meanwhile, if the development of new attractions and activities could lead to a 5% growth of spending per annum, it will drive total tourism receipts to grow for additional of 4% per annum through the next 10 years. This means that long-term and sustainable growth of Thai tourism would require new tourist attractions and activities rather than the 'business as usual' at present.

Figure 22: Developing new tourist attractions and activities is required to drive for more tourism revenue on a sustainable basis



\* Under 'business as usual' conditions, the industry will not be able to cope with a CAGR of 5% in tourist arrivals, or significantly increase spending. In this case, we assume a 3% growth in tourist arrivals and 1% growth in spending, which are slightly lower than average.

\*\* Changes in spending by international tourists move with within a ban of -3 to +7%. In this case, we assume new attractions and activities can increase tourists' spending by 5% per annum.

Source: SCB EIC analysis

Thinking that everything will continue “as is” with business as usual is not likely to get us where we want to be. The point of the above exercise was not to make accurate 10-year forecasts—it is hard enough to get even 1-year forecasts right—but to provide order-of-magnitude sensitivity analyses to highlight what needs to be done if we want to have a reasonable expectation of ending up somewhere near where we would like to be in 10 years.

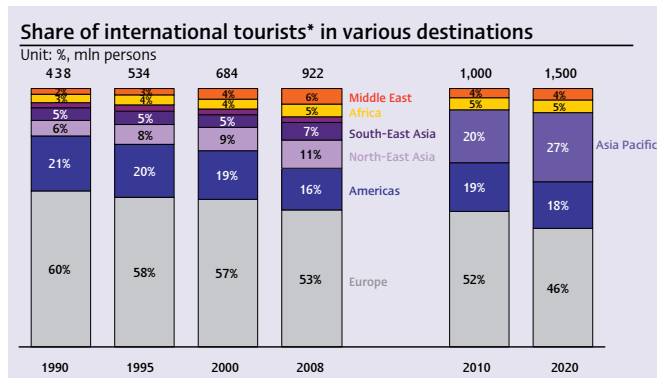
### III. Improving our competitiveness

What then needs to be done? The above analysis clearly highlighted that **new attractions and activities** will be needed to improve the contribution of tourists, especially in terms of increased arrivals (off-peak) and spending. These new attractions and activities should tap into the dominant global and regional trends. **What are some of the key tourism trends going forward?**

**More Asia-Pacific tourists and tourism.** Long-term projections by the World Tourism Organization indicate a much larger share of tourist arrivals in Asia-Pacific, from 20% in 2010 to 27% by 2020, largely at the expense of Europe.

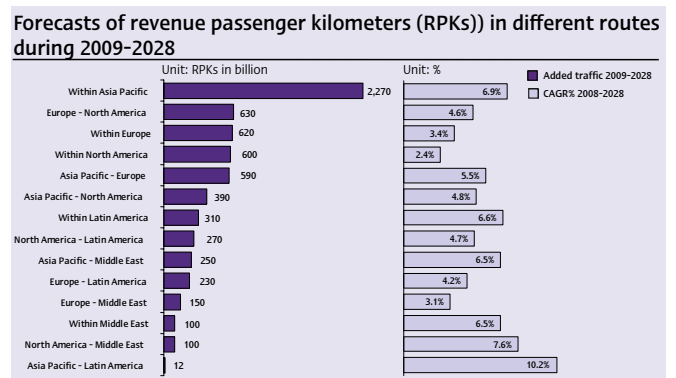
**More shorter haul travel.** Much of the above will be accounted for by tourists from the region. Long-term forecasts of passenger traffic by Boeing also indicate that shorter-haul travel within the Asia-Pacific region will increase by 7% per annum, and will account for the highest traffic routes in the next 20 years where traffic units will rise to 2.3 trillion.

Figure 23: Asia has become a popular destination



\* International tourists include people on business and family trips  
Source: UNWTO; and SCB EIC analysis

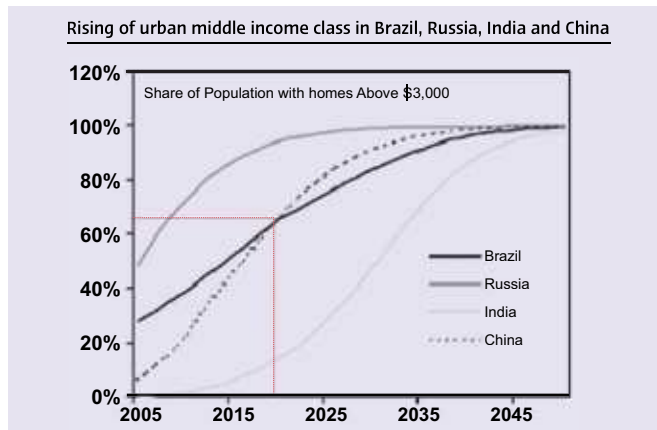
Figure 24: More short haul travel especially within Asia



Source: The Boeing Company (Boeing); and SCB EIC analysis

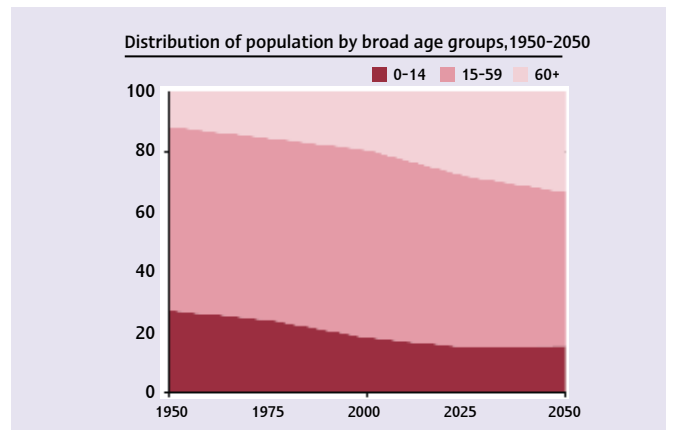
**More Chinese, Indian and elderly tourists.** Long-term trends are inevitably driven to a large degree by demographics. Two trends appear inescapable. First, Chinese and Indians will become richer. The next ten years will see a huge increase in the urban middle class in China and India. As part of the urban middle class lifestyle, they will increasingly travel. Second, there will be a lot more old people, who have savings and free time. Because people are also staying healthier longer, they will be able to travel for longer.

Figure 25: By 2020 Chinese middle class will account for nearly 70% of total population and their income will be 5 folds of today



Source: Goldman Sachs

Figure 26: Elderly people, especially in retirement age, is on a rising trend



Source: United Nations

ASEAN Free Trade Agreement seems to be another influential factor affecting Thailand tourism. Under AEC Blueprint, share ownership limit for ASEAN investor in tourism-related businesses should be increased and temporary expatriate in the businesses should be encouraged. However, the details of the latest agreement signed in February 2009 for businesses in service sector remain unchanged compared to the current agreement in use. Consequently the free trade agreement has no impact on Thailand tourism in 2010, although there might be some impact on Thailand tourism when the AEC Blueprint is ever effective.

**Thailand has good potential to take advantage of these and other trends.** Figure 27 lists some of the trends in tourism that have been generating some recent “buzz.” Given its location and convenient travel connections, Thailand is obviously well-positioned to benefit from the whole Asia-Pacific, within-region, short-haul tourism story. With its numerous quality courses, it is also well-placed to benefit from the widespread appetite of affluent Asians for golf and **golf tourism**. The increasing popularity of Thailand’s internationally-accredited hospitals and well-known spa resorts also shows its potential for **wellness and health tourism**. The traditional and well-ingrained respect for elders shows it has the soft skills required to benefit from **elderly tourism**.

**Figure 27: ‘Buzz’ and trends affecting the tourism industry**

Global trend	Description / motivation factor
1 Funemployment	Global economic crisis caused an increase in unemployment from 2.5% in 2008 to 6.6% in 2009. More people are cash poor and time rich.
2 Price sensitive	Communication and internet technology enable tourist to conveniently search for information and best price. Tourism industry will be more competitive.
3 Golf trend	Rising trend in urban middle income class in Asia will lead to increase in golf players and golf-related businesses
4 Wellness and health tourism	Wellness and health tourism will grow along with health care trend and competition among countries aiming at becoming a medical hub
5 Rise in short haul tourism	Higher economic growth in emerging countries in Asia make people more cash rich and time poor which are likely to travel within region
6 Aging population	Elder population who have saving and free time will increase significantly
7 Green tourism	Campaign on global warming catches more attention and may lead to more environment conscious travelers
8 Charity tourism	Nowadays, 250,000 persons a year travels for charity tourism. Most of volunteers (about 65,000 persons) are American

Source: Euromonitor International; IPK International; and SCB EIC analysis



But realizing this potential will require concerted action at all levels: government; sector; and firm. Government should shift resources towards a much greater focus on developing the supply-side—including new and improved attractions and activities, critical infrastructure as an enabling environment such as public transportation, water supply and electricity, and issuance of regulatory with clear consequences to maintain the natural beauty of attractions—rather than demand-side or promotional activities

Nevertheless the demand-side strategy that is crucial and should not be missed is to gain trusts on the country’s safety and security, which requires cooperation from all parties. For example, the government should communicate with the embassy of every country to clearly and continually clarify about the political unrest or any other incidents, while any related agencies, business groups and associations, can take advantage of their network (e.g., travel agents and hotels in overseas) to further communicate to tourists. Another action that can be done is setting up an information center specifically on safety and security, so as to distribute information and enhance trusts among tourists widely.

Figure 28: Examples of practices need actions at the government, sector and firm levels to improve competitiveness of Thai tourism

Emerging segment	National level	Sector level	Firm level
Unseen Thailand	<ul style="list-style-type: none"> <li>Identify new key destinations in TH (e.g., Sukhothai, Nan)</li> <li>Ease up how to get to the new destinations, e.g., build new roads and international airports</li> <li>Exempt visa fees and airport taxes for tourists from our key markets</li> <li>Maintain good quality of natural resources, e.g., develop rules and regulations with clear punishment on waste water treatment</li> </ul>	<ul style="list-style-type: none"> <li>Invite well known travel agencies and travel reviewers for free trial visits</li> <li>Promote new key destinations to relevant tourist markets, e.g., create one-stop info point</li> </ul>	<ul style="list-style-type: none"> <li>Open hotels with appropriate room types</li> <li>Adopt piggyback strategy by offering combo tour package visiting current hot destinations and new key destinations (e.g., Phuket then Trang, Bangkok then Sukhothai)</li> </ul>
Wellness and health tourism	<ul style="list-style-type: none"> <li>Ensure human resource sufficiency in relevant fields, e.g., increase a number of medical college student intakes, make sure that our training programs are accredited</li> <li>Ease work permit procedure to attract international human resources</li> </ul>	<ul style="list-style-type: none"> <li>Develop one-stop info point, e.g., list providers by service types</li> </ul>	<ul style="list-style-type: none"> <li>Offer tour package with medical check-up program or wellness retreat</li> <li>Offer retirement care services</li> </ul>
Unique package for niche market	<ul style="list-style-type: none"> <li>Exempt taxes for language schools, esp East Asian languages</li> </ul>	<ul style="list-style-type: none"> <li>Develop websites for key niche markets</li> <li>Offer information in various local languages, esp East Asian languages</li> </ul>	<ul style="list-style-type: none"> <li>Position themselves for niche markets, e.g., hotels for pet lovers, zero-carbon pollution hotels</li> <li>Thailand: "golf academy". Offer tour package for golfers, training program for amateurs to turn professional and/or lessons for youths</li> </ul>

Source: Discussions with industry experts; and SCB EIC analysis

**Supply-side strategy should focus on develop new attractions and activities.** Thailand as a tourist destination has an image of crystal clear sea and beautiful beaches, while in fact we have more than that to offer. The government should play a key role in developing sufficient infrastructure—including public transportation, water supply and electricity—so that tourists can easily access to new attractions such as Sukhothai, which has gained increasing popularity among German tourists (3% of total visitors). In addition, the government should consider issuing appropriate regulatory with effective consequences to maintain the natural beauty of attractions. It is difficult to market new attractions and activities, but the revitalization of existing attractions is much more difficult.

**The government should develop critical infrastructure** as it is a major hold back of Thailand's competitiveness. For example, the operators at Railey, a well-known beach in Krabi where Bill Gates of Microsoft has been on board for lunch, have to produce fresh water for customers by themselves. The Northeastern part of Thailand, which accounts for one-third of total area, has only one international airport of the total eight countrywide. Samui Island, where there are about 300 hotels accommodating one million international tourists a year, have waste water management problem under three waste water treatment facilities. Despite that Phuket has just one more waste water treatment facility than Samui, there has never been a problem dealing with waste water.

**Figure 29: Examples of issues that call for the need to develop infrastructure for the Thai tourism industry**

Type of infrastructure	Impact	Example indicating insufficiency
<b>1</b> Public transportation	<ul style="list-style-type: none"> <li>• Tourists have difficulty in travelling between attractions</li> <li>• Unless local airports are upgraded to international ones, they are unable to serve charter flights</li> </ul>	<ul style="list-style-type: none"> <li>• Serving nearly three million international tourists a year, Phuket has no public transportation</li> <li>• Having the same size of 500 thousand square kilometers as Thailand, France has efficient transportation system, well supporting nationwide tourism promotion</li> <li>• Of all 17 airports in Thailand, only half are international. Northeastern part has only one international airport in Udonthani</li> </ul>
<b>2</b> Basic infrastructure such as water, electricity	<ul style="list-style-type: none"> <li>• Lack of basic infrastructure causes inconvenience for tourists</li> <li>• Entrepreneurs have more burden in supplying basic infrastructure for tourists</li> </ul>	<ul style="list-style-type: none"> <li>• Hotel operators in Railey beach, Krabi, must supply freshwater for customers by themselves</li> <li>• Two gas stations in Pai, Mae Hong Sorn, are inadequate to serve 200 thousand visitors a year</li> </ul>
<b>3</b> Waste management	<ul style="list-style-type: none"> <li>• It lessens attractiveness of tourist attractions</li> </ul>	<ul style="list-style-type: none"> <li>• Three waste water treatment facilities management are inefficient to serve almost 330 hotels with one million international tourists a year in Koh Samui</li> </ul>

Source: Discussions with industry experts; and SCB EIC analysis

**Promotion of wellness and health tourism.** We should be gearing towards making Thailand a destination for this purpose, as well as for long-stay after retirement. The government should be playing a key role in developing indispensable medical staff and personnel, supporting domestic education, and reduce impediments for experts to work in this field. Certainly the infrastructure such as transportation helping to provide timely medical services is required. Meanwhile related associations can help in developing an information/coordination center to provide necessary information to this tourist segment.

**Development of services designed in response to niche market.** The variation of tourists' needs call for more tailored services. The operators should develop services to better respond to specific markets. For example, Thailand may be positioned to be Asia's golf school which may include offering package tours for golfers and short courses for kids. We may also promote pollution-free hotel business for environment conscious travelers.

*These are among the various approaches we can push forward to enhance Thailand's competitiveness in tourism on a sustainable basis. It is clear that "business as usual" is not likely to result in a much greater contribution of tourism. Now the key question is not about 'what we have to do', but it is a question of 'when to start working on it'.*

# SCB EIC summary main forecasts

March 2010

Key indicators	2009 Share (%)	Unit	Actual	SCB EIC forecasts				Consensus		BOT		
			2009	10Q1	10Q2	10Q3	10Q4	2010	2009	2010	2009	2010
<b>Real GDP growth</b>		% YOY	-2.3%	6.3%	4.5%	3.4%	2.8%	4.2%	-3.4%	4.3%	-2.7%	3.3-5.3%
<b>Demand-side</b>												
Private consumption	53%	% YOY	-1.1%	3.7%	3.2%	2.8%	2.2%	3.0%	-1.4%	2.7%	-(1.0-2.0)%	3.5-5.5%
Public consumption	10%	% YOY	5.8%	2.8%	2.5%	3.5%	1.1%	2.5%			5.0-6.0%	1.0-2.5%
Investment (GFCF)	21%	% YOY	-9.0%	4.9%	3.7%	3.0%	1.8%	3.3%	-9.7%	5.8%		
Private investment	15%	% YOY	-12.8%	5.8%	4.6%	3.7%	2.2%	4.0%			-(12.0-14.0)%	9.5-11.5%
Public investment	6%	% YOY	2.7%	2.0%	1.5%	1.5%	0.6%	1.4%			2.0-4.0%	-0.1 to 1.0%
<b>Supply-side</b>												
Agriculture	9%	% YOY	-0.6%	-1.5%	0.0%	1.6%	3.2%	0.9%				
Manufacturing	39%	% YOY	-5.1%	10.1%	5.8%	3.5%	2.9%	5.4%				
Services	52%	% YOY	-0.3%	5.1%	4.1%	3.6%	2.7%	3.9%				
<b>External sector</b>												
Export growth (USD)		% YOY	-14%	22%	21%	13%	10%	16%	-17%	16%		
Import growth (USD)		% YOY	-25%	40%	31%	19%	13%	24%	-25%	19%		
Current account		USD bln	20.3	6.1	1.6	3.6	2.7	14.0	14.2	11.8	19.5-21.5	8.0-11.0
<b>Key rates</b>												
Headline inflation		% YOY	-0.8%	3.4%	3.3%	2.6%	2.6%	3.0%	-0.8%	3.3%	-0.9%	3.0-5.0%
Core inflation		% YOY	0.3%	0.4%	1.1%	1.4%	1.4%	1.1%			0.3%	1.3-2.3%
Policy rate (RP-1D) (end period)		% p.a.	1.25%	1.25%	1.25%	1.50%	1.75%	1.75%				
Exchange rate (period average)		THB/USD	34.3	32.9	32.4	32.3	32.2	32.4				
Exchange rate (end period)		THB/USD	33.2	32.8	32.3	32.2	32.0	32.0				
<b>Oil prices –WTI (period average)</b>		USD/bbl	61.7	76.8	80.0	81.0	81.3	79.8				
<b>Oil prices –WTI (end period)</b>		USD/bbl	74.5	76.0	82.0	80.0	82.0	82.0				

source: Consensus Economics; Bank of Thailand; SCB EIC forecasts

as of February 2010

as of January 2010

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