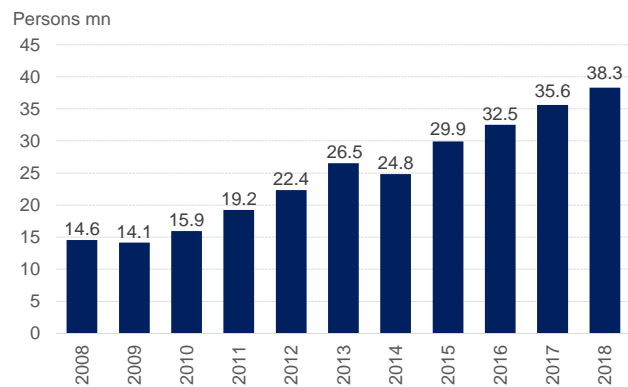
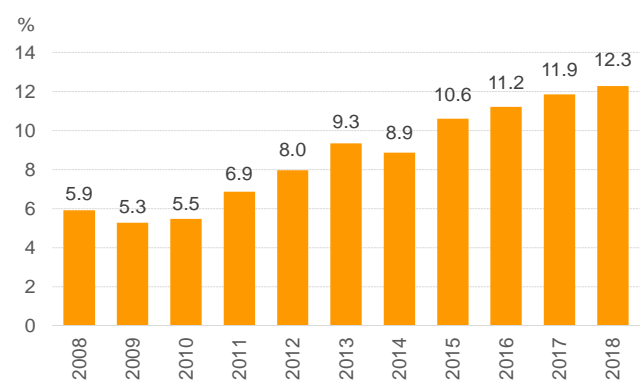


Tourism: Still a reliable driver of growth?

- The number of visitors to Thailand has grown rapidly from 14.1m in 2009 to 38.3m in 2018 (Chart 1).** As a result, tourism has become ever more important as a driver of Thailand's GDP growth, accounting for 12.3% of GDP in 2018 compared to only 5.3% in 2009 (Chart 2). According to the World Travel & Tourism Council (WTCC) report, the total contribution of travel and tourism to GDP is forecast to rise by 5.6% per year to 28.2% of GDP in 2028. Moreover, the industry is an important source of employment, with total contribution of travel and tourism to employment was 15.5% of total employment in 2017 (5,834,000 jobs)– this figure is forecast to rise to 22.3% of total employment in 2028. Consequently, this underlines the increasing importance of the tourism sector to the Thai economy.

Chart 1: Number of visitors to Thailand


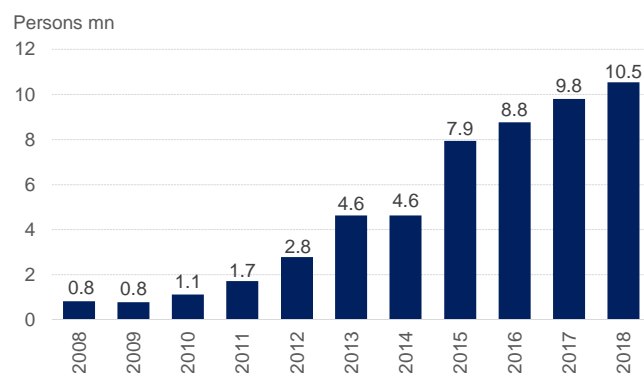
Source: Ministry of Tourism and Sports

Chart 2: Thailand's tourism revenue to GDP


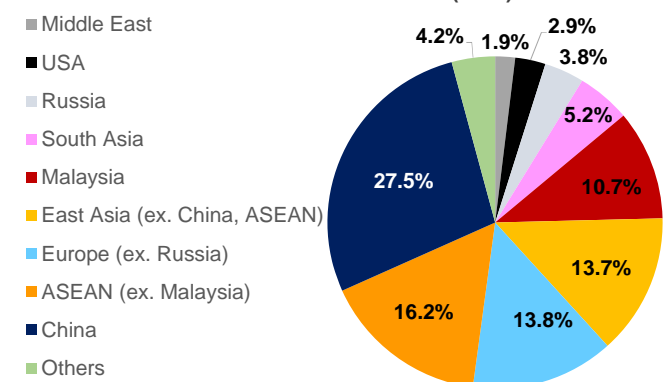
Source: Ministry of Tourism and Sports, CEIC

The dizzy rise of the Chinese tourist arrivals

- It was hard to imagine that, only a decade ago, in 2008 only about 0.8 million Chinese visited Thailand while the number rose to over 10 million in 2018 (Chart 3).** This undoubtedly played a crucial role in the opening up of the U-Tapao international airport by the Thai government to accommodate the influx of Chinese tourists. In addition, a new hi-speed rail link between the three major airports –Suvarnabhumi, Don Muang and U-Tapao– will be operational by 2025 according to the Eastern Economic Corridor (EEC) office in order to further improve connectivity between the three airports.
- As of 2018, the number of visitors from China accounted for 27.5% of total visitors, followed by the distant second group from Malaysia with a 10.7% share (Chart 4).** On the whole, the number of Chinese visitors slightly exceeds the number of ASEAN tourists in 2018 while both groups, together, account for more than 50% of total visitor arrivals.

Chart 3: Number of Chinese Tourists in Thailand


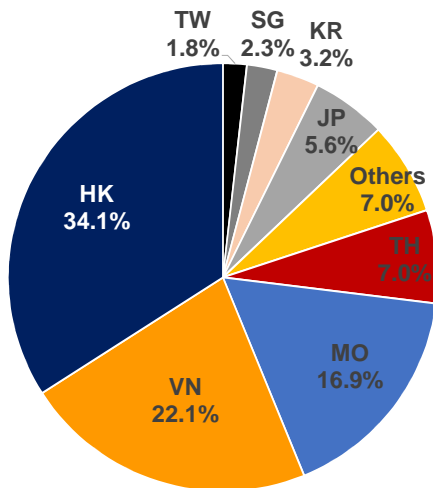
Source: CEIC

Chart 4: Breakdown of total tourist arrivals (2018)


Source: CEIC

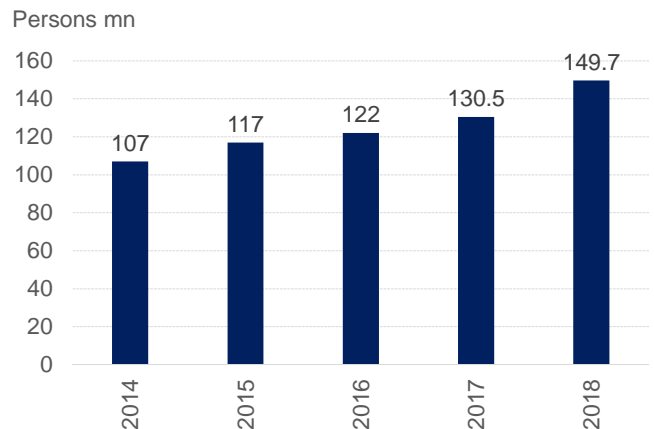
- Given the rising importance of Chinese tourists to the Thai economy, it is worth seeing a bigger picture that Thailand as a destination attracts only about 7% of total outbound tourists from China in 2018– well below the top three destinations for Chinese outbound tourists: Hong Kong (34.1%) Vietnam (22.1%) and Macau (16.9%) (Chart 5). In 2018, the number of outbound tourists from China was 149.7m, much higher than the 2014 figure of 107m (Chart 6). The fact that the number of Chinese tourists has been growing at a rapid pace as China’s economy continues to grow suggests the number will rise even further in the near future. Chinese outbound visitors will underpin the tourism sector, not just in Thailand but also in other countries in the region too.

Chart 5: Breakdown of Chinese outbound tourism by destinations (2018)



Source: CEIC

Chart 6: Number of outbound Chinese tourists

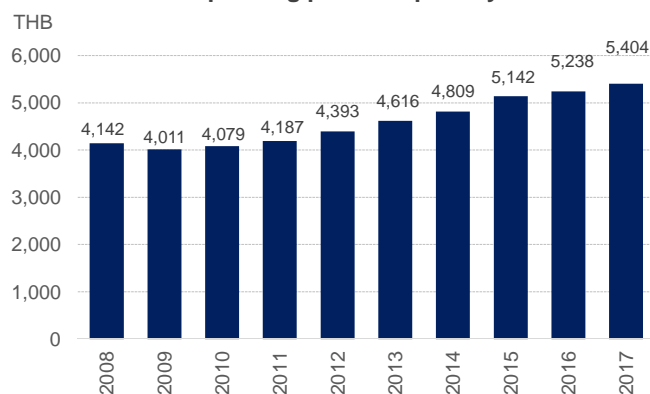


Source: CEIC

Tourism in Thailand

- According to the WTCC report, the breakdown of the tourism spending for Thailand in 2017 is as follows– **88.2% leisure and 11.8% business**. Therefore, Thailand should aim for more business tourists to boost spending per head per day. The tourist spending per head per day in Thailand has risen from 4011 thb in 2009 to 5404 thb in 2018 (Chart 7). There is room for the authority to boost total revenues by targeting quality tourists instead of trying to maximize headline visitor arrival figure.
- If we rank the top 5 tourist spending by countries, we see that China makes up for 29% of total revenue, followed by Russia 5.8%, US 4.2%, South Korea 4% while Malaysian visitors only account for 5.7% of total revenue (Table 1). The share of tourist revenue is in sharp contrast with the Malaysian tourists which represent a 10.7% share of tourist arrivals.

Chart 7: Tourist spending per head per day in Thailand



Source: National Statistical Office

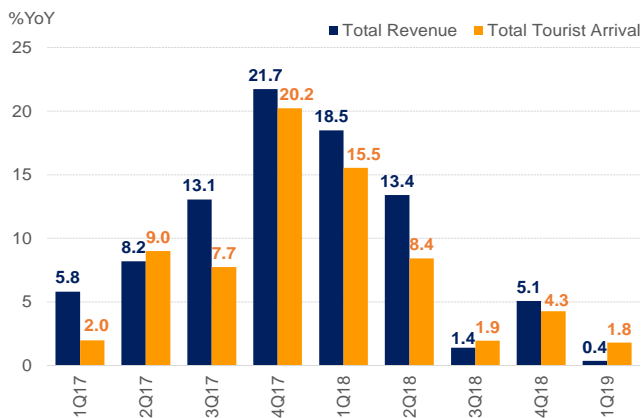
Table 1: Top five visitor receipts by nationalities

Country	Share of total tourism revenue
China	29.0%
Russia	5.8%
Malaysia	5.7%
USA	4.2%
South Korea	4.0%

Source: Ministry of Tourism and Sports

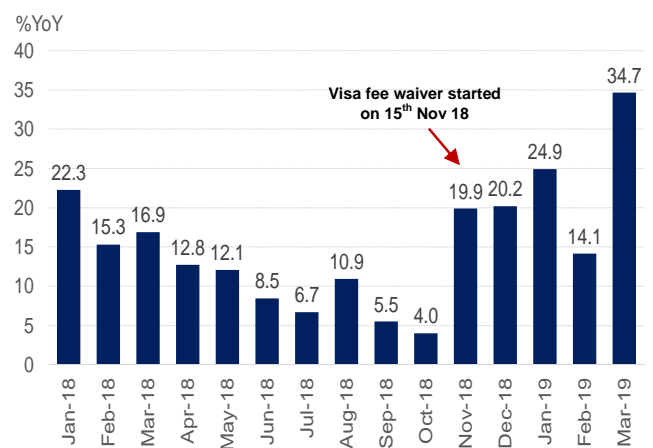
- For Q1 2019, the number of visitors to Thailand only rose by 1.8% YoY, a sharp slowdown from 8.4% a year ago, which, together with the changing composition of inbound tourists, led the tourism revenue for Q1 2019 to edge up only 0.4% (Chart 8).** The government has targeted the visitor arrivals for 2019 to be 41m. In response to a slowdown in tourism, the visa fee waivers has recently been extended for another six months to the end of October 2019 as this appears to help support a rebound in the number of Chinese tourists. In addition, the number of Indian visitors rose sharply since the introduction of the visa fee waiver in November 2018 (Chart 9).
- In our view, tourism may hit a wall in the near term as the world economy is set to slow against the backdrop of escalating trade tensions between the US and China.** Weakness in the world economy will obviously be a drag on tourism and spending. As such, we expect a slowing of visitor arrivals in 2019. That said, we are bullish for the longer term prospect of tourism as a key growth driver for Thailand.

Chart 8: Tourist arrival and Tourism revenue growth



Source: Ministry of Tourism and Sports

Chart 9: Indian tourist arrival growth



Source: Ministry of Tourism and Sports

Burin Adulwattana

Chief Economist/Strategist

burin.adulwattana@bangkokbank.com/ +66 2 230 2657

Boochita Pitakard

Research Associate

boochita.pitakard@bangkokbank.com

Bangkok Bank Public Company Limited

The information contained in this report has been obtained from sources believed to be reliable. All reasonable effort has been made to ensure the facts stated herein are accurate and that the opinions contained herein are fair and reasonable. Where any information and statistics are quoted from any external source, such information or statistics should not be interpreted as having been adopted or endorsed by Bangkok Bank as being accurate. Neither Bangkok Bank nor any of its directors, officers, employees, and advisors nor any other person shall have any liability whatsoever for loss or damage howsoever arising, directly or indirectly, from any use of this information. The facts and information contained herein are as up to date as are reasonably possible and may be subject to revision in the future. Any opinions presented herein represent our subjective view and our current estimates and judgments which are based on various assumptions that may be subject to change without notice, and may not prove to be correct.

This report is for the recipient's information only. It does not represent or constitute an advice, offer, recommendation, or solicitation by Bangkok Bank and should not be relied as such. Neither Bangkok Bank nor any of its directors, officers, employees or advisors nor any other person makes any representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this report. Neither Bangkok Bank nor any of its directors, officers, employees and advisors nor any other person shall have any liability whatsoever for loss or damage howsoever arising, directly or indirectly, from any use of this report.