Hotel sector outlook: Recovery narrows as China weakens, Long-haul offsets downside

"Tourism momentum has improved. The distribution of its gains has not."

Thailand's hotel sector entered the first quarter of 2026 with a mixed outlook. The recovery is continuing, but it is becoming increasingly segmented by source markets, hotel quality, and geography. Overall tourism momentum has improved compared with late 2025. Yet year-on-year comparisons reveal a less comfortable reality. Growth is now more dependent on long-haul travelers and higher-end hotels, even as demand from Chinese visitors continues to soften.

This pattern suggests that the recovery is not stalling, but it is narrowing.

Foreign demand: China drags, long-haul stabilizes

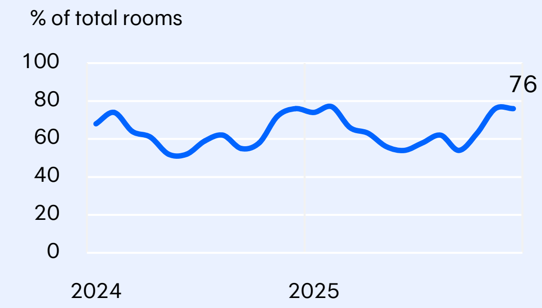
Survey results from the Thai Hotels Association and the Bank of Thailand indicate that more than half of hotel operators expect Chinese arrivals to decline year on year in the first quarter of 2026, making China the weakest segment among all foreign visitor groups. This contrasts with long-haul markets, which are expected to expand year on year, particularly for four-star and above hotels and properties located in the southern region.

There is, however, a more encouraging cyclical signal. Compared with the fourth quarter of 2025, expectations for foreign arrivals have improved across all segments, including China, short-haul markets excluding China, and long-haul travelers. The recovery is gaining momentum as 2026 begins. But the underlying weakness remains concentrated where Thailand once relied most heavily. China has yet to return as a reliable volume driver.

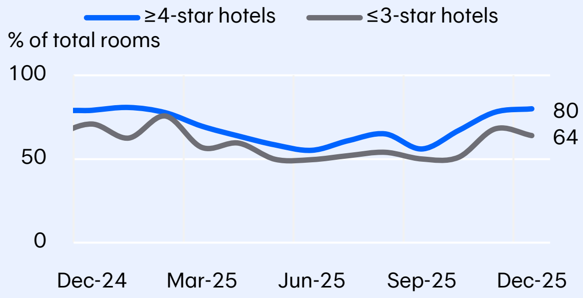
Occupancy rate: holding up, but only at the top end

Headline occupancy figures remain solid. The average hotel occupancy rate stood at 76 percent in December 2025, unchanged from both the previous month and the same period last year. January 2026 is expected to see a modest seasonal easing to 74 percent. Demand, therefore, remains broadly stable, but shows little sign of accelerating.

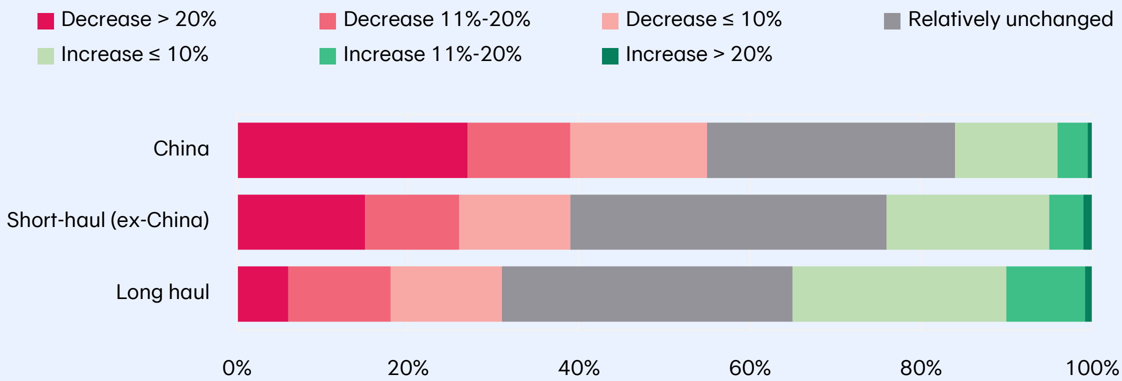
Average Occupancy Rate



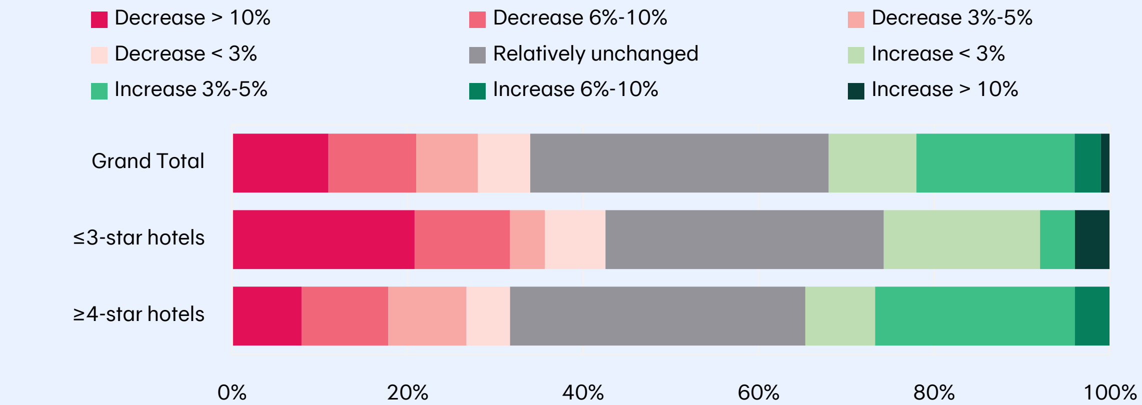
Average Occupancy Rate by Hotel Category



Share of Respondents Expecting YoY Changes in Foreign Demand (Q1 2026, %)



Share of Respondents Expecting YoY Changes in Average Daily Room Rates (Q1 2026, %)



Source: Bank of Thailand.

Beyond the headline figures, the split is clear. Stability in overall occupancy is driven primarily by four-star and above hotels. Hotels rated three-star or below experienced a decline. Rooms may be filled, but increasingly only in higher-quality segments.

Regionally, occupancy rates were largely flat month on month, with one exception. The northern region recorded an improvement, supported by large events, stronger tourism promotion, and intensified marketing activities. The absence of data for the northeast reflects limited survey responses rather than an improvement in conditions.

Pricing power: high occupancy, limited leverage

If occupancy provides reassurance, pricing does not. Despite relatively high room utilization, pricing power remains constrained. Most hotels report that average daily room rates in the first quarter of 2026 can be adjusted only marginally.

Hotels able to raise prices are predominantly upper-tier properties and those located in the South, benefiting from stronger long-haul demand. Elsewhere, conditions are less forgiving. Around one-fifth of lower-tier hotels expect room rates to decline by at least 10 percent year on year, highlighting continued competition and weak pricing leverage in mass-market segments. Volume is stabilizing, but margins are not.

A recovery that improves, but concentrates

Taken together, the survey points to a tourism recovery that is improving sequentially but narrowing structurally. Reliance on long-haul travelers and high-end hotels has increased, while traditional volume drivers, particularly Chinese tourists, have yet to recover convincingly.

As a result, the gains from tourism growth are becoming more concentrated, limiting spillovers to smaller operators and lower-end accommodation. Without a broader revival in regional short-haul demand and stronger pricing power across hotel categories, Thailand's hotel sector risks settling into an uneasy equilibrium. Occupancy may remain stable, but profitability will stay fragile, especially outside the premium segments.

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