

## **Thailand Tourism is Relying on Confidence**

**Panda Ketrungroch**

**Economist**

**Monetary Policy Department**

**Bank of Thailand**

TOURISM HAS CREATED substantial foreign income for the economy, accounting for about 6 per cent of GDP. Although the ratio of tourism receipts to exports amounts to only one-in-10, tourism spending circulates with tremendous velocity within the economy due to the many linkages to other industries.

Tourism also generates a tremendous amount of employment. Over 2 million workers, or 6.4 per cent of the labour force, are employed in hotels and restaurants.

That figure is an underestimate, as it fails to account for indirect employment increases for other retail businesses, including souvenir shops, handicraft stores and recreation services.

Given its significance, when a natural disaster, health epidemic or an economic or political crisis occurs, it is no surprise that the effects on the tourism industry always become a subject for headlines that requires careful analysis.

This industry has had to overcome a series of hurdles over the last six or seven years.

Starting with the Sars pandemic that spread throughout Asia in 2003, the number of tourists dropped with a low of a 50.5-per-cent decline year-on-year in May 2003.

In December 2004, the tsunami struck the southern provinces. That calamity led to a 30.1-per-cent decline year-on-year in January 2005. However, tourism has always picked up within two to three quarters after each drop.

Drawing the conclusion that the tourism industry is quite resilient to disaster may be misleading.

The story is quite different when there's a global economic crisis coupled with domestic political instability that has escalated from the end of 2008 to the Songkran festival last year.

Tourism experienced another downturn and this time, the duration was longer. The aftermath saw the number of tourists shrinking for 13 months from August 2008 to August 2009, mainly due to the fall in foreign income.

The global economy has recovered since the second quarter of 2009. Domestically, politics became more stable in the third quarter of that year. This has resulted in an unprecedented acceleration of tourism by the end of 2009.

The pent-up demand that was seen could be the result of foreigners being ready to spend but yet remaining hesitant and choosing to wait to see how the political crisis plays out before planning their trips.

Increases in foreign tourists were especially visible among Asians, reflecting the strong recovery in those countries that were the least affected by the economic and financial crisis. On the other hand, growth in American and European visitors has been more gradual.

The global economy is in recovery mode. The World Tourism Organisation has forecast 910 million tourists worldwide, representing an increase of 3-4 per cent this year, with 191 million or an increase of 5-7 per cent from the Asia-Pacific region alone.

However, if the domestic unrest lingers and continues to dissipate tourism confidence, those tourists may detour to neighbouring destinations instead. These places include Malaysia, Indonesia, Singapore and Vietnam.

As we speak, their governments are stepping up investment in public infrastructure to better handle future increases in global tourism.

---

(The views expressed are the author's own.)

**Published in The Nation on Monday, April 26, 2010**