

The recovery in foreign tourist arrivals – a key risk to Thailand’s economic recovery

Thailand’s economic recovery in the period ahead remained highly uncertain and would depend largely on the recovery in foreign tourist arrivals. This is because income from spending by foreign tourists accounts for 11 percent of GDP and tourism-related businesses accounts for 20 percent of total employment in Thailand.

If the COVID-19 pandemic is prolonged further by additional wave of infections and virus mutations, the recovery in foreign tourist arrivals might be slower than expected. The Committee assessed 3 recovery scenarios for the Thai economy based around the efficacy of COVID-19 vaccines and the duration of achieving a widespread coverage of COVID-19 vaccination, both of which would determine the pace of Thailand’s border re-opening, tourism sentiment, and overall economic activities. Foreign tourist figures in 2021 is expected to could be between 0.1 million to 3 million, which would result in GDP growth ranging from -1.7 to 3.0 percent (Chart 1). The details of each scenario are as follows.

Chart 1 Foreign tourist figures and GDP growth projections under the 3 scenarios

	1. Baseline		2. Worse case (3 rd wave of COVID-19 infections)		3. Worst case (A virulent virus mutation)	
	2021	2022	2021	2022	2021	2022
Foreign tourist figures (million persons)	3.0	21.5	0.1	10.0	0.1	0.1
Economic growth (percent)	3.0	4.7	- 0.5	3.5	- 1.7	- 0.3

Source: forecast by Bank of Thailand

1. In the baseline, foreign tourist figures in 2021 would be 3.0 million and GDP would grow 3.0 percent. In this scenario, a coverage of vaccination in both Thailand and abroad is effective and well-underway in 2021. The government can relax quarantine requirements for foreign tourists arriving in Thailand starting from the second quarter and provide exemptions for those that have been vaccinated and possess certificates showing that they are COVID-19 free starting from the fourth quarter. For 2022, it is expected that the proportion of people who have been vaccinated in both Thailand and abroad would be high enough to reopen to foreign visitors without requiring vaccine certificates or negative COVID-19 test results within the second half of the year. Foreign tourist figures in 2022 are expected to be 21.5 million and GDP would grow 4.7 percent.

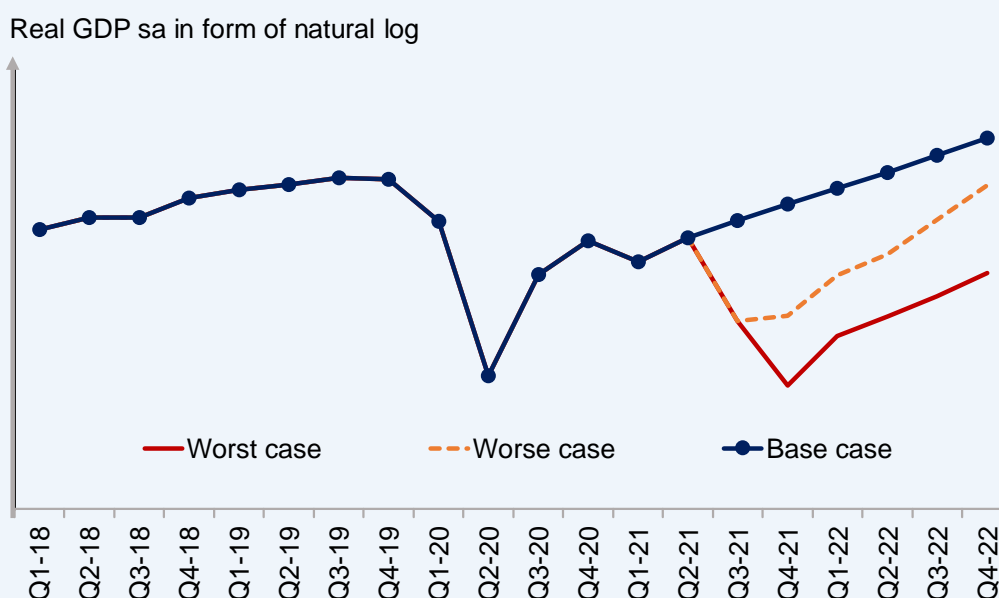
2. In the worse case, foreign tourist figures would not recover through to end-2021 and GDP would continue to contract from 2020. The assumptions for this scenario are as follows. First, there is a third wave of COVID-19 infections in Thailand in the latter half of 2021 while vaccine procurement and distribution are also delayed. As such, the conditions-free re-opening of Thailand’s borders is pushed back even further. Second, international travel restrictions and domestic travel promotion campaigns in China could impact the recovery in the number of Chinese tourists who have been the main source of income for Thailand’s tourism industry. Third, virus mutations in many countries hinder the effectiveness of vaccine and thus affecting demand for tourism. **In this scenario, foreign tourist figures**

would be 0.1 million in 2021 and 10 million in 2022 and the Thai economy would contract by 0.5 percent in 2021 before resuming positive growth of 3.5 percent in 2022.

3. In the worst case, foreign tourist figures would recover significantly slower than the baseline scenario. This is under the assumption that the mutation of the virus becomes more severe across countries, rendering vaccines ineffective in reducing hospitalization rates and deaths. New vaccines are developed and starts being distributed in early-2023. The re-opening of Thailand’s border to foreign tourists would be pushed back to the latter half of 2023. Delays in vaccine development would also impact Thailand’s economic growth through exports given that trading partners’ growth would slow down from strict containment measures and affect the supply chain. **In this scenario, foreign tourist figures would be 0.1 million for both 2021 and 2022, and the Thai economy would contract 1.7 percent in 2021 and 0.3 percent in 2022.** It is important to note that the Bank of Thailand’s assessment of the worst case scenario was intended to evaluate the crisis situation and potential impact on financial system stability, as well as to prepare contingency measures as needed.

The situation remains highly uncertain and there are many factors that would affect the recovery in tourism. The Committee would closely monitor the recovery in foreign tourist figures given its significant implications for Thailand’s economic recovery going forward (Chart 2). In particular, the Committee will monitor vaccination progress in Thailand and abroad, the virus mutation of COVID-19 and the efficacy of vaccines, infection rates in Thailand and abroad, and progress in re-opening Thailand’s borders to foreign tourists to re-evaluate the different recovery scenarios periodically.

Chart 2 Three scenarios of Thai economic growth projection



Source: Projected by the Bank of Thailand