Box 1: The outlook for tourist spending

Tourism is currently one of the key growth engines for the Thai economy. In 2023, the number of foreign tourists arriving in Thailand reached 28.2 million persons and generated income about 1 trillion baht. For 2024, it is expected that the number of foreign tourists would continue to grow. **As for tourism receipt in the period head, it would depend on tourists' spending pattern, which has changed from what was seen in the past.** This is reflected in their total spending per day as well as how much is spent across different goods and services such as accommodation, food, and shopping.

In 2023, spending per day by foreign tourists averaged 4,077 baht[1/], which was lower than the pre-COVID (2019) average of 5,172 baht per day. This was partly because tourists with lower spending per day made up a larger share of foreign tourists in Thailand, especially Malaysians. Meanwhile, the number of Chinese tourists, who have higher spending per day, has not returned to pre-COVID levels. **Nonetheless, hotel businesses expect that foreign tourists would have higher spending in 2024[2/].** 40% of hotel businesses view that tourists would spend more on accommodation compared to the previous year. 30% of hotel businesses view that tourists would spend more on other services such as spa, and food and beverage compared to the previous year. **Looking ahead, average daily spending is expected to increase partly due to the composition of foreign tourists. (the composition effect)** The number of foreign tourists with higher spending would increase especially those from China and the Middle East. These two groups have an average daily spending of 6,118 baht per day during the pre-COVID period, but make up only 14.6% of all tourists in 2023. However, these two groups are expected to make up a larger share of foreign tourists in 2024 at 22.5% and eventually increase to pre-COVID levels at 29.2% going forward.

Comparing spending across the different categories, accommodation remains the key driver of tourism spending as it constitutes the largest share of total spending[3/] (Chart 1). At the same time, room rates are likely to continue increasing going forward **(Chart 2).** Room rates on average grew 42.1% in 2023 and 34.6% during the first 4 months of 2024. This was partly due to change in spending behavior of foreign tourists. Tourists with higher spending power have given more importance to quality of services, which allowed businesses, especially hotels that are 4 star or higher, to pass on the higher costs both electricity and commission to the room rates more than before.

Note:

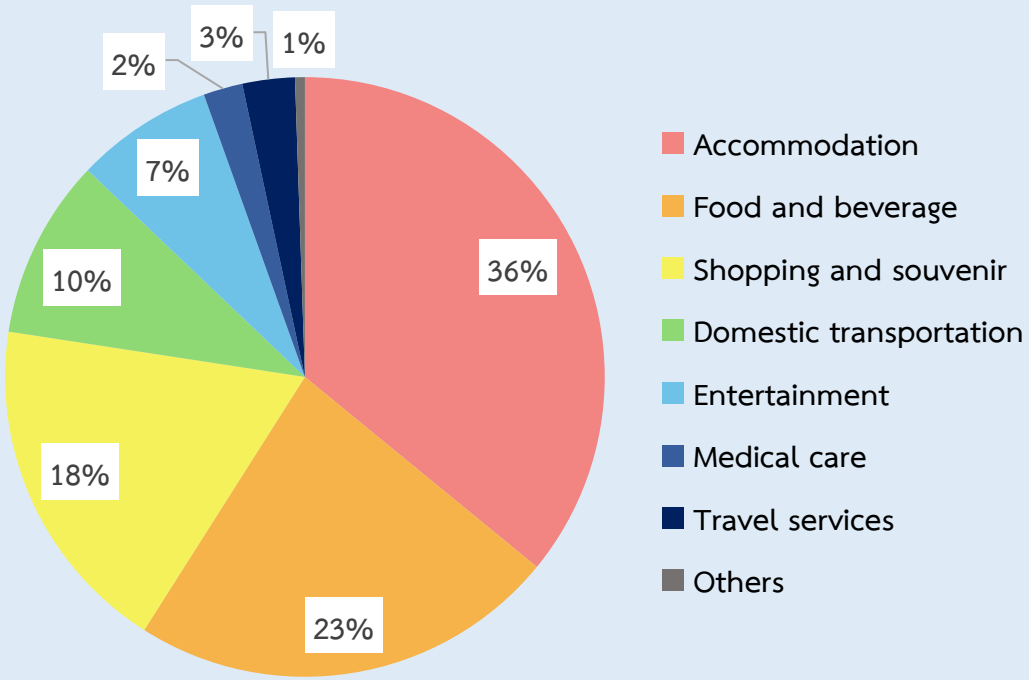
[1/] Findings from survey conducted by the Ministry of Tourism and Sports's tourism and sports economics division (preliminary data as of 23 April 2024)

[2/] Hotel business operator Sentiment Index (HSI) April 2024, surveyed by Thai Hotels Association and BOT.

[3/] Tourism spending in 2023 are categorized into accommodation (36%) food and beverage (23%) shopping (18%) and other spending (23%) such as transportation, tourism activities. Data from the Ministry of Tourism and Sports's tourism and sports economics division.

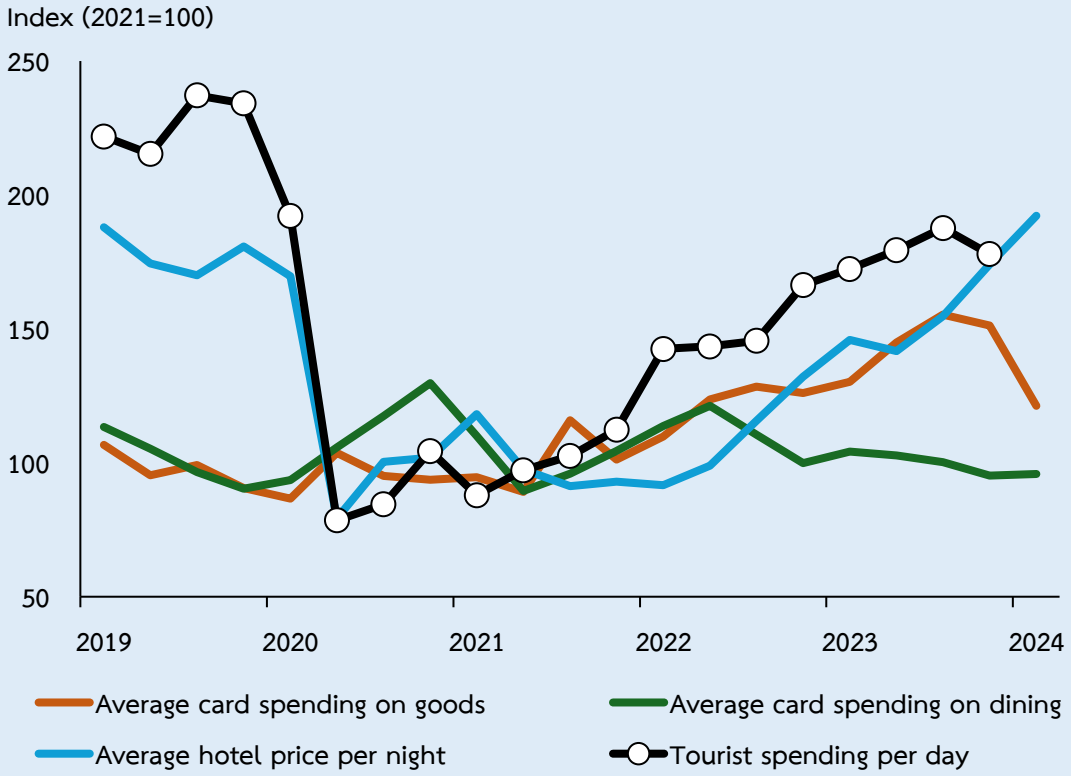
Box 1: The outlook for tourist spending

Chart 1: Foreign tourist spending by category in 2023



Source: Ministry of Tourism and Sports's tourism and sports economics division, preliminary data as of 23 April 2024

Chart 2: Tourism spending per day and spending indicators



Note: Card spendings are calculated from the average of credit card payments by non-resident card holders per transaction, data as of 31 March 2024

Source: Ministry of Tourism and Sports and Bank of Thailand

Box 1: The outlook for tourist spending

Tourism activities, such as diving and spa, are another category on which foreign tourists are likely to spend more due to increasing demand. This reflects that tourism activities overall could return to normal like pre-COVID period. Meanwhile, **the transportation spending category may see higher price adjustments** in line with increasing demand and higher energy prices.

However, **spending in the food and shopping categories were impacted by changes in tourists' behavior.**[4/] This was partly due to the increasing role of influencers on social media as well as rising accommodation costs, which left less budget for spending in other categories. At the same time, most tourists nowadays are free independent travelers (FIT) who prefer street food and local food, hence the overall spending on food has declined. This was also in line with the behavior of Chinese tourists, 73% of whom are looking for value-for-money and prefer local food[5/]. Likewise, tourists from other countries prefer to buy goods and services that are unique and have higher quality such as handicrafts and made-in-Thailand products. However, the purchases were smaller in quantity. This was contrast with the pre-COVID period when tourists tended to buy more general goods and buy in larger quantities.

In summary, the recovery in tourism income so far has been slow due to both lower foreign tourist arrivals as well as the changes in spending pattern. Looking ahead, however, **tourism spending is likely to pick up due to the composition effect, wherein the share of tourists with higher spending increases, as well as spending on accommodation and other activities that remain on an upward trajectory.** Nonetheless, there is a need to monitor risks to the recovery of tourism income that is still dependent on the length of stay, which might be decreasing globally due to micro-cation trends as a result of time constraints as well as multi-city travel trends where travelers briefly visit many countries in one trip. Notwithstanding, it is possible that the length of stay could also increase due to government measures to support the tourism sector. Most recently, the Thai government is implementing visa free programs for more countries, and increasing the maximum length of stay for foreigners to 60 days, which are expected to help foreign tourists decide to have a longer stay in Thailand during their visit.

Note:
[4/] Data from interviews with tourism-related businesses under the BOT's Business Liaison Program (BLP).
[5/] Chinese Travel survey by Dragon Trail in April 2024