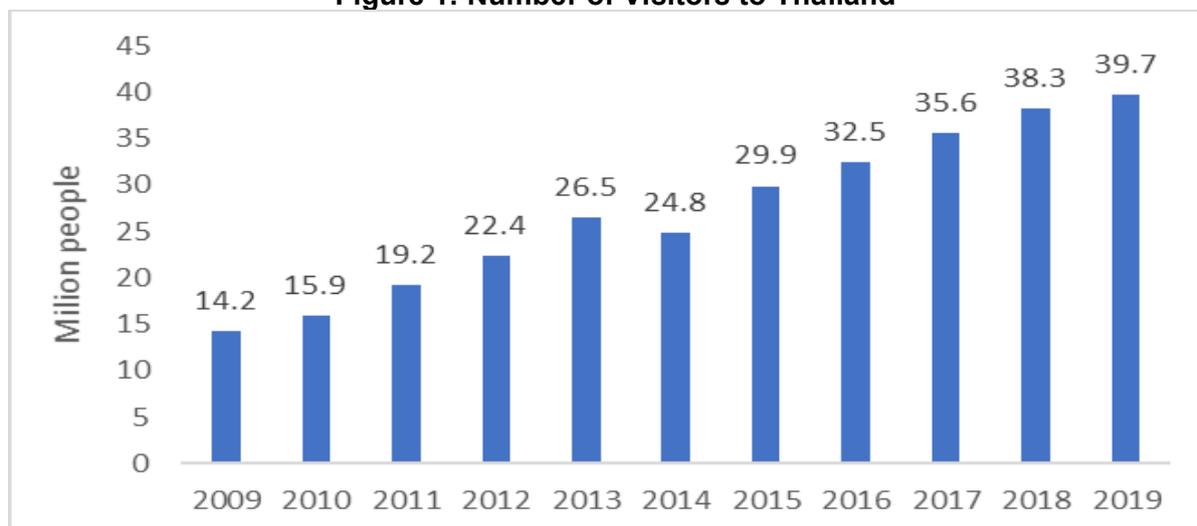


IMPACT OF COVID-19 ON THAILAND'S TOURISM SECTOR

A. Importance of Thailand's tourism sector

1. **Tourism is one of Thailand's main economic sectors.** Over the past decade, the tourism sector has grown in importance in Thailand. The number of foreign tourist arrivals in Thailand also had grown rapidly from 14.1 million in 2009 to 39.7 million in 2019.¹ According to the World Travel and Tourism Council, the direct and indirect contribution of travel and tourism to Thailand's GDP in 2019 was about 20% and tourism sustained about 8 million jobs (21% of total employment).² In 2019, Thailand recorded a total B1.9 trillion receipts from foreign tourists (65% of the sector's receipts) or 11.5% of its GDP. The latest national income account data revealed that daily foreign tourist spending was around \$192 per person, which was more than double of domestic tourists spending.³ Within the foreign tourists, those from East Asia (the People's Republic of China [PRC]; Japan; Republic of Korea; Hong Kong, China and Taipei, China) are the largest in terms of tourist receipts and numbers, contributing 39.5% of all receipts from international arrivals and accounting for 41% of total foreign tourists. Europe is the second largest source of tourist receipts contributor at 25.2% of all receipts from foreign arrivals, but ASEAN is second in terms of the number of arrivals (26.7%).

Figure 1: Number of Visitors to Thailand



Source: Ministry of Tourism and Sports.

2. **Tourism sector contributes significantly to inclusive growth, job creation, and poverty reduction.** Empirical evidence suggests that tourism development has a positive impact on poverty reduction and inclusive growth. Every 1% increase in tourist arrivals is associated with a 0.12% reduction in the number of poor people in the destination.⁴ For the case of Thailand, success in poverty reduction in the past decade is often linked to the tourism sector. For example, during 2000–2017, Phuket, a tourist destination, had one of the highest rate of poverty reduction in the country.⁵ Tourism sector also contributes to inclusive growth by providing the poor with more opportunities for employment and entrepreneurial activity.⁶ There is also a strong link between the tourism and the informal sector.⁷

¹ Ministry of Tourism and Sport (2019): Tourism Statistics.

² World Travel and Tourism Council. 2020. Thailand 2020 Annual Research: Key Highlights (accessed 7 June 2020).

³ KKP Research. 2020. [How can Thai economy recover without foreign tourists?](#) (accessed 7 June 2020).

⁴ Asia-Pacific Economic Cooperation. 2016. Tourist Arrivals and Inclusive Growth. Singapore.

⁵ World Bank. 2019. Taking the pulse of poverty and inequality in Thailand. Bangkok.

⁶ San Andres et al. 2016. Tourists arrivals and Inclusive Growth.

⁷ Cakmak, E. and Cenesiz, M. 2020. Measuring the size of the informal tourism economy in Thailand.

3. **Importance of Thailand in regional tourism.** Thailand receives 51% of international visitors coming to the Greater Mekong Subregion (GMS). Many of the visitors to Thailand will visit other countries in the region with up to 30% of long-haul market visitors estimated to visit multiple countries in the GMS.⁸ An early recovery of the tourism industry in Thailand may be influential in boosting demand for other countries in the GMS. A survey of tourists from PRC on their intended travel plans post COVID-19 puts Thailand as their second most preferred international destination.⁹ Thai people are also a major source of tourists within the region. It is the 4th largest source market for tourists in the GMS with nearly 3 million travelling in 2018. It is also the main source market for the Lao People's Democratic Republic (Lao PDR) and Myanmar. In 2018, Thai people comprised 49% of total international visitor arrivals to Myanmar and 47% to the Lao PDR.¹⁰

4. **However, Thailand's tourism sector is the hardest hit by the COVID-19 pandemic.** Due to COVID-19, in March 2020, the government declared a state of emergency and imposed strict travel bans for foreign tourists coming to Thailand. As a result, foreign tourist arrivals completely collapsed during April and May. The Tourism Authority of Thailand (TAT) estimates that the number on foreign tourist arrivals will plunge by almost two-thirds to 14 million (decline by 65% year-on-year) in 2020, with the assumption that foreign visitors will return to Thailand in October 2020, while domestic tourism will start to improve in June or July 2020. In the first quarter of 2020, the service sector GDP contracted by 1.1%, mainly from the declined number of tourists which negatively affected tourism and tourism-related sectors, particularly transportation and storage, and accommodation and food service activities. Consequently, the government expects that GDP in the second quarter of 2020 would fall sharply even though there are positive signs that economic activities will start to return to pre-COVID-19 levels following the relaxation of containment measures. The tourism industry is expected to suffer a \$50 billion loss in revenue (9.5% of GDP) in 2020. Thailand's aviation industry has experienced a 52% drop in passenger demand in the first quarter and is expected to lose \$8.3 billion in revenue in 2020. Many informal businesses whose livelihoods depend on tourist spending, which fell 40% year-on-year in the first quarter, are at risk.

B. Government's Response and Exit Strategy for the Tourism Sector

5. The TAT, under the Ministry of Tourism and Sports, is mandated to promote Thailand's tourism industry. TAT is closely coordinating with other government agencies, particularly the Ministry of Public Health and the Ministry of Finance, on policies to help the tourism sector recover from COVID-19.

6. The government issued public health directives that prioritized health and safety including a ban on inbound flights to Thailand since March 2020, which has subsequently been extended until the 30 June 2020. Private tourism operators have needed to take measures to implement public health directives, including the suspension of operations to comply with social distancing and curfew policies that have been implemented since April 2020. The lockdown has gradually been eased since May 2020, but the tourism industry must still cope with drastically reduced demand and comply with health and safety policies relating to social distancing that have cost implications and significantly reduced their capacities.

7. In the immediate aftermath of the global downturn in the tourism industry, the government needed to manage and mitigate the crisis by taking significant and swift measures

⁸ Mekong Tourism Coordinating Office. 2017. [Greater Mekong Subregion Tourism Sector Strategy 2016-2025](#). Bangkok.

⁹ Ivy Alliance Tourism Consulting, China Comfort Travel Group and the Pacific Asia Travel Association. 2020. Survey Report on Chinese Tourists' Travel Intent After the End of COVID-19 Epidemic.

¹⁰ ADB calculations using data from United Nations World Tourism Organization's Tourism Satellite Accounts.

necessary to support the tourism sector. This included the introduction of several tax incentives and a soft loan program worth \$4.8 billion to help Thai companies, especially SMEs, alleviate the business downturn impact of the COVID-19 pandemic. Travel and tourism companies, most of which are SMEs, are a primary focus of attention for these relief measures. The Bank of Thailand will also provide soft loans worth \$15.9 billion for SMEs, including \$317.5 million dedicated for tourism-related businesses. Furthermore, the government has dedicated \$12.7 billion for economic and social recovery projects.¹¹ This includes workplans and projects related to tourism, hospitality industry, restoration and quality enhancement of tourist destinations, healthy and security improvement for tourists, high-technology services, capacity building of entrepreneurs are eligible to request for the budget. The government has also rolled out several social assistance programs to support informal workers, many of them are from the Northeastern and Northern provinces of Thailand.¹² This includes a cash handout program of B5,000 per person per month for three months to 16 million informal workers. Other social assistance measures include online skill trainings for tourism sector employees affected by COVID-19.

8. Thailand was among the first countries in region to develop hygiene and safety standards, to build consumer confidence and prepare for re-start of international tourism. The TAT is creating a Security and Health Administration (SHA) certification that requires all tourism businesses to adhere to certain guidelines and regulations concerning hygiene. The TAT is currently working with other ministries and the private sector to formalize the certification before rolling it out across the country.

9. The Government will take a phased approach to tourism sector recovery as travel restrictions are lifted. The immediate focus is on domestic tourism. Thailand has a relatively large domestic tourism market (domestic tourists took 166 million trips, generating \$31.7 billion in revenue in 2019). On 16 March 2020, the Government approved three packages totaling \$711.1 million to boost domestic tourism. The first package, totaling \$76.2 million, will reward 1.2 million medical staff and volunteers across the country with 1-night field trip (maximum B2,000 per person) organized by local travel companies. This package is estimated to benefit 13,000 tourism operators and generate at least \$206.3 million into the economy. The second package, totaling \$571.4 million, will provide e-vouchers (maximum B3,000 per person per night for maximum 5 nights for accommodation and maximum B600 per room per night for maximum 5 nights for other travel-related activities) to Thai travelers. This package is expected to benefit 24,700 hotels and accommodations and 36,755 restaurants. Finally, the third package, totaling \$63.5 million, will offer 2 million domestic airlines tickets to travelers with a discount rate of B2,500 per one round-trip. The package is expected to generate 2 million domestic trips.

10. The government is expected to initiate bilateral and regional agreements for 'Travel Bubbles' that allow for reciprocal open borders with other destinations that also have their coronavirus situation under control. For the travel bubble to work, at least three criteria need to be satisfied. First, tourists will need to feel safe. To that end, Thailand's SHA will help build consumer confidence and prepare for re-start of international tourism. Second, visitor arrivals will need to be from source markets that also have COVID-19 under control. When viewing the top source markets for Thailand in 2019, most likely the PRC (11.7 million), Malaysia (3.7 million), Republic of Korea (1.9 million), Japan (1.6 million), Hong Kong, China (1.1 million), Singapore (1.1 million), and Viet Nam (1.1 million) will be the regional tourism source markets during the COVID rebound. Third, the tourism location will need to have adequate infrastructure in place to provide a safe and positive experience for both tourism

¹¹ To be financed from government funds and/or by other development partners.

¹² Approximately 5.5 million informal workers employed in hotels and restaurants, wholesale and retail trade and transport and storage sectors).

workers and tourists themselves. To that end TAT has begun the process of identifying and preparing well-developed tourism destinations with international connections to receive the first wave of inbound visitors when borders reopen.

C. ADB Experience and Assistance to Tourism Sector

11. ADB has engaged with the TAT by supporting tourism industry development in the Greater Mekong Subregion (GMS) tourism industry since the early 2000s. ADB's tourism sector assistance has been consistent with the sustainable, inclusive, and more balanced tourism development plans and policies of Thailand and the other participating GMS countries. Between 2003 and 2019, ADB provided \$294.5 million in loan and grant assistance to the GMS tourism industry.¹³

12. ADB has played a critical role as the impartial coordinating institution that convenes GMS countries through the GMS Tourism Working Group and paved the way for the creation of the Mekong Tourism Coordinating Office (MTCO) in 2005.¹⁴ The MTCO is hosted by Thailand under its Ministry of Tourism and Sports, and it serves as the secretariat of GMS cooperation for sustainable and inclusive tourism. The MTCO is acting as an honest broker to foster collaboration through a trust-based coalition between key GMS tourism stakeholders to speed up recovery and enhance country and regional resilience. Effective communication and marketing to let travelers know when a destination is safe to entice travelers back to the GMS region is critical so ADB will support the MTCO and the GMS Tourism Working Group to prepare a new GMS Tourism Marketing strategy, which will emphasize COVID-19 recovery, diversification, and resilience.

13. ADB will prepare and disseminate knowledge briefs that: (i) enhance awareness on policy issues and actions that can facilitate tourism recovery; (ii) sharing knowledge, lessons, and experiences on COVID-19 tourism recovery strategies, policies, and plans; (iii) exploring collaborative tourism responses and coordinated actions geared towards increased resilience, preparedness, and effective recovery; and (iv) strengthening connections between policy makers, development planners, and relevant stakeholders tasked with spearheading the COVID-19 tourism crisis recovery.

14. ADB has provided technical assistance to the Bangkok-based Pacific Asia Tourism Association (PATA) to launch the Crisis Resource Center (CRC) in response to COVID-19.¹⁵ The CRC is a unified platform that provides reliable and up-to-date policy statements, authoritative information, and tourism indicators from around the globe. The aim of the CRC is to provide a global centralized repository of reliable information for users including Destination Marketing Office and tourism SMEs based on their needs including on various government relief and support efforts. The TAT and many Thai tourism businesses are member that will benefit from this open source information. ADB and PATA are in discussions to further collaborate on a tourism industry big data project to generate other open source information to help COVID-19 recovery.

¹³ Including GMS Mekong Tourism Development Project, 2003–2011 (\$37.3 million); GMS Sustainable Tourism Development Project, 2009–2016 (\$19.0 million); TA 6179-REG: GMS Tourism Sector Strategy (\$0.8 million); TA 6279-REG: Preparing the Sustainable Tourism Development Project (\$0.9 million); TA 8233-REG: GMS Tourism Infrastructure for Inclusive Growth (\$1.2 million); GMS Tourism Infrastructure for Inclusive Growth Project, 2014–2019 (\$108 Million); Second GMS Tourism Infrastructure for Inclusive Growth, 2018–2024 (\$122 million), TA 8136-MYA: Myanmar Tourism Master Plan (\$0.225 million); Grant 9156-CAM: Improving Market Access for the Poor in Central Cambodia (\$1.9 million); Grant 9184-MYA: Economic Empowerment of the Poor and Women in the East-West Economic Corridor (\$3.0 million); and TA 9510-REG: Mekong Tourism Innovation (\$0.225 million).

¹⁴ Mekong Tourism Forum. <https://www.mekongtourism.org/>.

¹⁵ Pacific Asia Travel Association Crisis Resource Center. <https://ptrm.pata.org/>.

15. ADB will use the opportunity of the anticipated “new normal” to encourage Thailand and other GMS countries to relaunch a more inclusive, sustainable, and resilient tourism industry. ADB launched the Mekong Innovative Startups in Tourism (MIST) accelerator in 2017, which is operated annually by MTCO, to support tourism startups with impactful technology solutions.¹⁶ The MIST accelerator supported about 40 tourism startups to expand their operations in the GMS resulting in 23 commercial partnerships signed and about \$2 million potential investment raised.¹⁷ For example, PSOD funded a Thai travel startup company that has grown into the largest peer-to-peer platform connecting inbound tourists to over 20,000 local individual tour guides, 60% of which are women. During the COVID-19 pandemic, TAT and ADB partnered with the company to distribute agricultural products to local markets through their community of tour guides. In partnership with PATA and leading corporate hospitality companies, ADB has also launched Travel Lab Asia in 2019 to identify, test and scale cleantech and circular economy technology solutions to promote more sustainable and resilient tourism.¹⁸

¹⁶ Mekong Innovative Startups in Tourism. <https://mist.asia/>.

¹⁷ ADB. 2019. [Technical Assistance Completion Report: Mekong Tourism Innovation](#). Manila.

¹⁸ ADB Ventures. <https://ventures.adb.org/labs/>.