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# THAILAND FOCUS 2021

August 2021

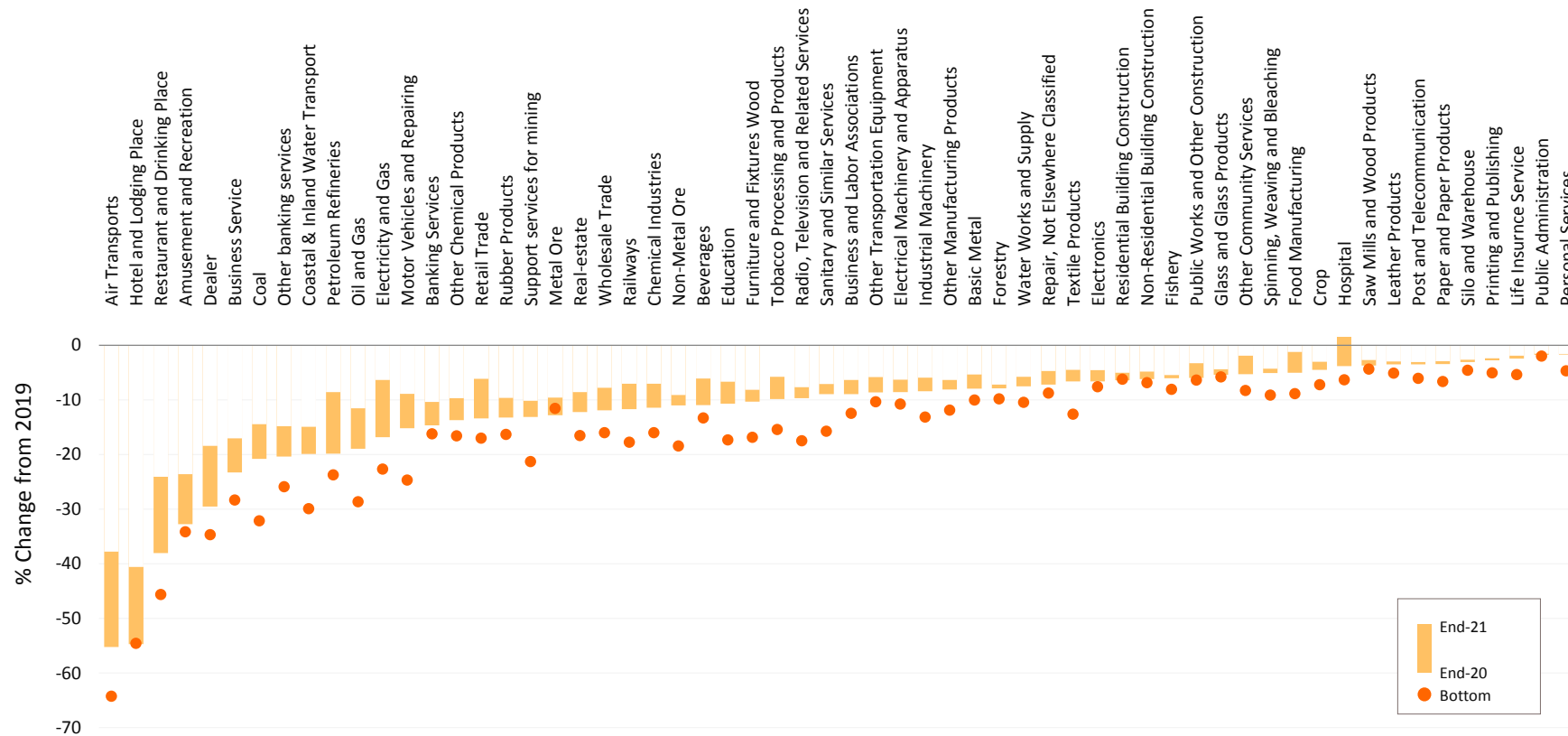


**Krungsri Research**

# New round of partial lockdown continues hitting hospitality sector and overall demand

Our study found that air transportation, hotel & lodging places, and restaurant would be the hardest-hit sectors, followed by the recreation, dealers, and business services. The severe impacts would not only be generated by a collapse in tourism sector and supply disruption (both domestically and internationally), but the negative income effect would also be a key factor leading to a damage in those sectors.

## Sectoral Impacts from COVID-19



Source: GTAP, Krungsri Research

# Tourism: Despite a potential improvement in 2022, it will take several years to return to pre-COVID level

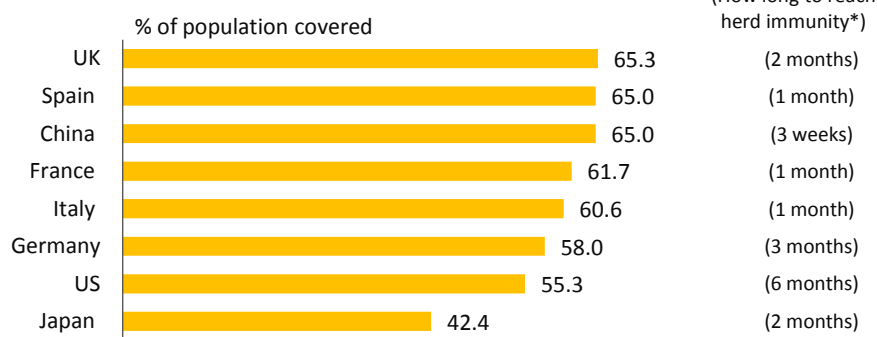
In 2021, the number of foreign tourists is expected to plunge to only 150,000, dampened by

- (i) Severe outbreak in Thailand
- (ii) Postponed reopening of Thailand's selected tourist destinations
- (iii) The US and the EU's downgrades of Travel Advisory for Thailand
- (iv) Slow recovery in Thailand's key tourist markets due to resurgence of new cases with Delta variant.

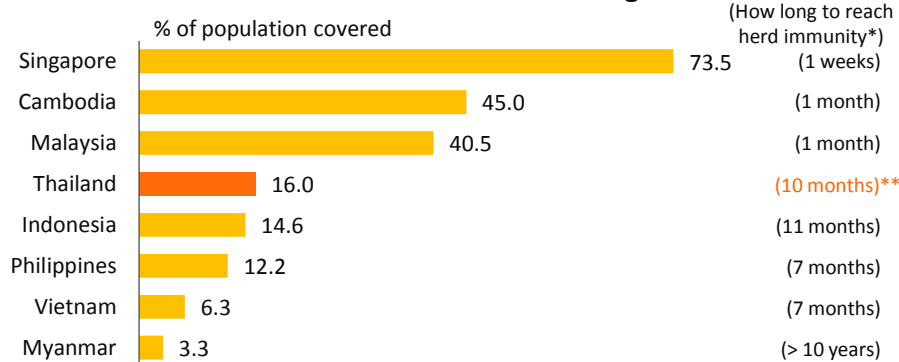
In 2022, tourism sector would improve but still far below pre-COVID level supported by

- (i) Higher vaccination rate in Thailand
  - (ii) Relaxation of containment measures
  - (iii) The reopening of the Thai economy, expected to begin in mid-2022.
- However, COVID-19 amid concern over vaccine efficacy will continue to depress tourist arrivals, particularly from Asia.**

## Global COVID-19 Vaccination Progress



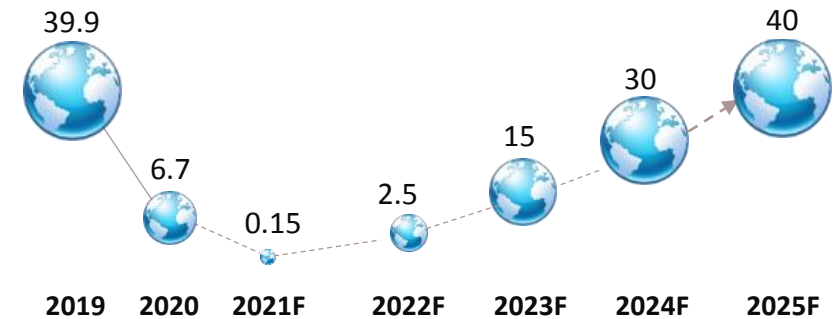
## ASEAN COVID-19 Vaccination Progress



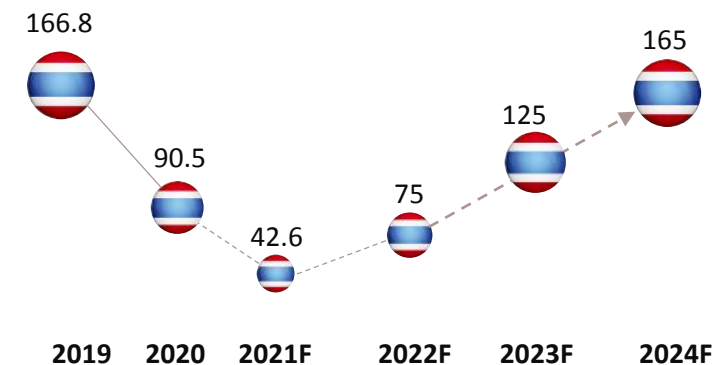
Note: \*75% of population completely vaccinated (based on the current pace of vaccination)  
 \*\*75% of population completely vaccinated (assuming 250k doses a day)

Source: Bloomberg (Data as of 13 August 2021), Our World in Data, MOTS, Krungsri Research

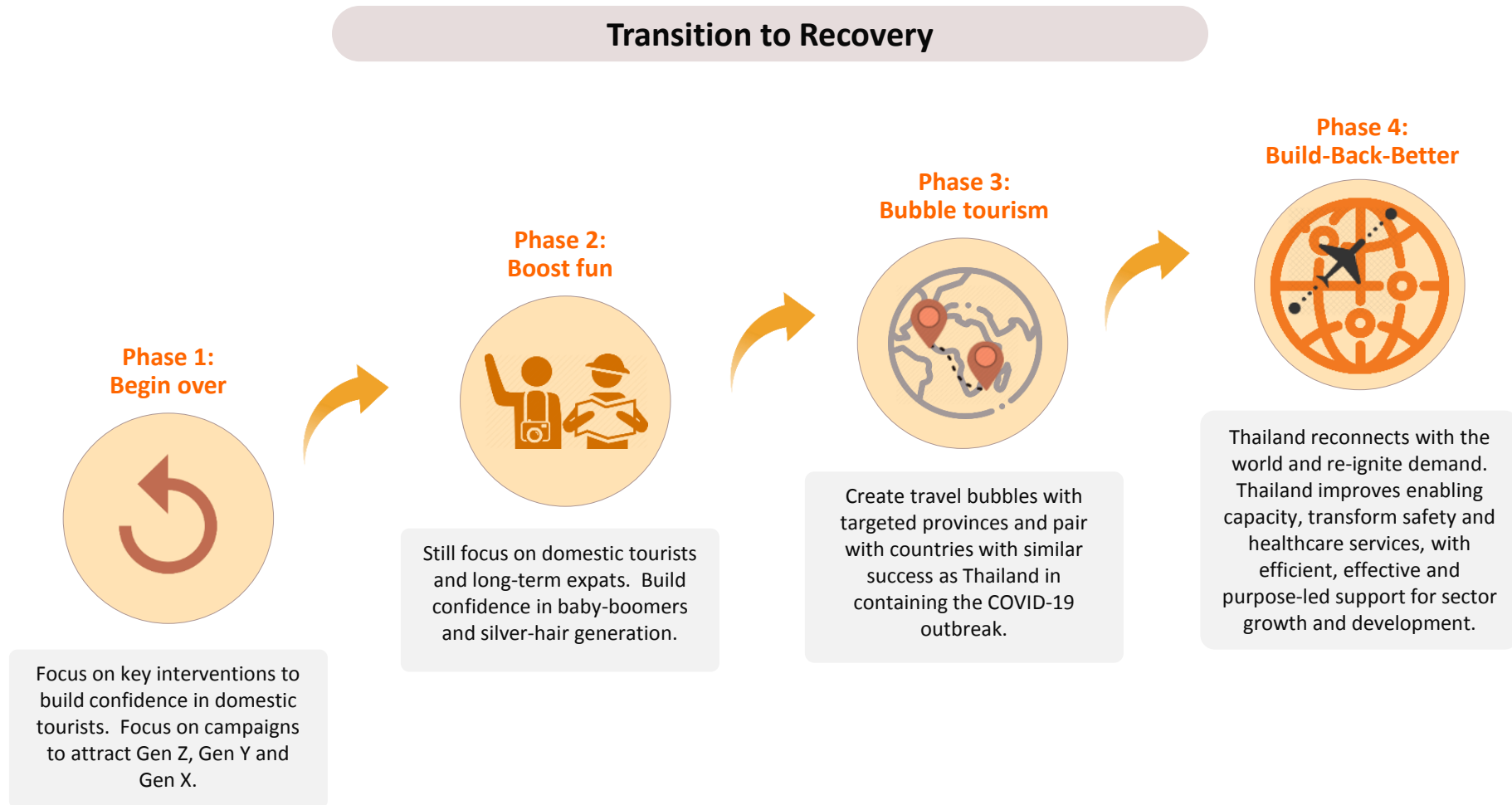
## Forecast of Foreign Tourist Arrivals (mn persons)



## Forecast of Thai Tourists (mn trips)



# The 4Bs: Paths to recovery for the Thai tourism and hotel industry



Source: Krungsri Research

# COVID-19 is causing a shift in megatrends that affect tourism

## Factors Affecting the Future of the Hotel Industry

### Growing middle-class / shifting generation

Rising income in a growing middle-class population. Countries have an ageing society and the younger generation appear to be influenced and driven by technology.



### Demographic and social change

Changing demographics to polarize tourist preferences. Silver-haired tourists, who are branded at-risk, are changing travel habits.

### Emerging destination

More new and emerging destinations will attract and retain the middle-class travelers and meet their travel interests.



### Individualization

Prefer personalized trips and services that directly meet the needs and interests of a traveler. This includes customized itineraries.

### Technology and digitalization

Technology is integrated in daily life with mobile internet, navigation systems and smartphones. The internet has changed the way people explore and experience travel.



### Digital transformation and automation

Rapid advancement from digitalization to the transformation of technologies. The use of AI, predictive analytic, IoT, robotics, etc become common in tourism business.

### Health and healthy lifestyle

People are more concerned about health. Integration and cooperation between healthcare and tourism sectors will create opportunities for medical tourism.



### Health and hygiene

Global movement towards improving health, hygiene and well-being, transcending all aspects of public, private and professional lives.



# Adaptive Strategies for Future Tourism and Hotel Industries

## Future Tourism



### Demand pattern

More personalized (Medical Tourism, Creative Tourism, Cultural Tourism)



### Sustainability

Environmental and health concerns



### Technology

Digital transformation (data analytics, IoT, Robotics and AI)



### Borderless industries

Demand from different businesses are closely integrated



### Risk and uncertainty

Cautious of risk mitigation and responses



## Hotel Response Strategies

### Crisis response

- Prepare liquidity
- Obey measures
- Keep business afloat

### Demand response

- Customer segmentation and personalization
- Optimized channels
- From accommodation provider to hospitality service providers

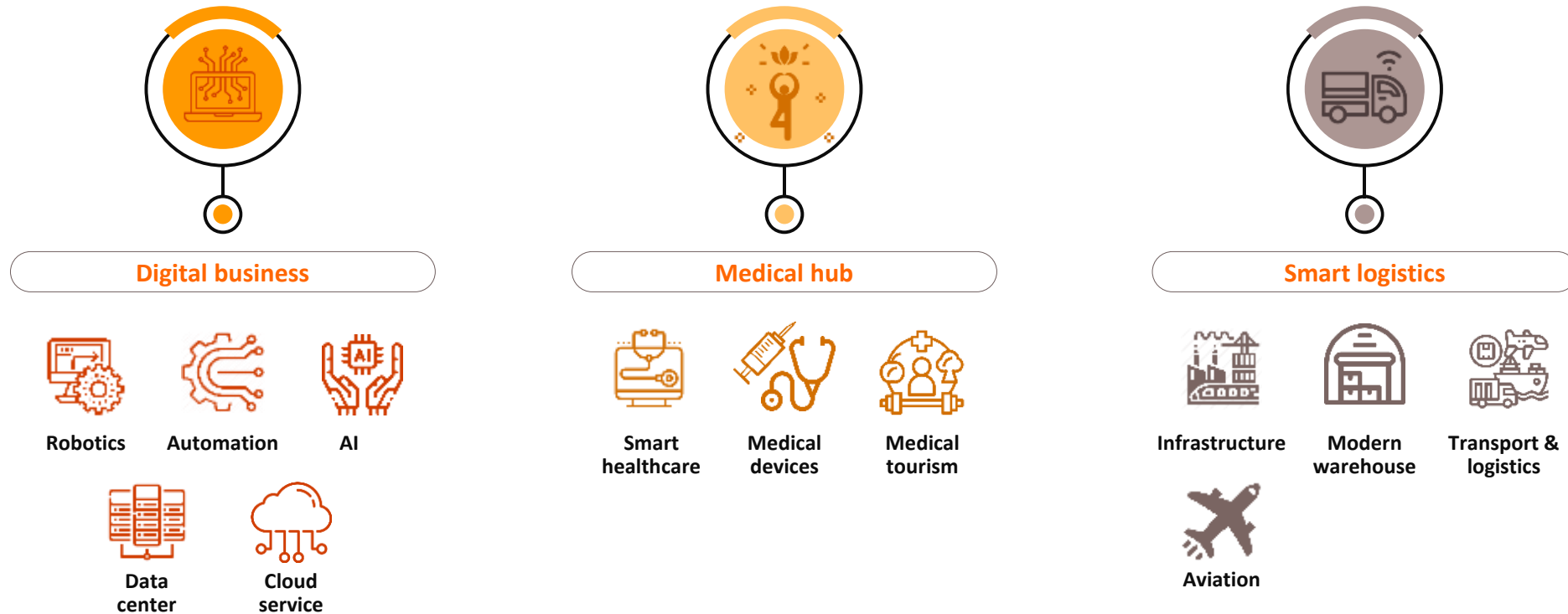
### Reduce risks

- Reduce dependency on single market
- More diverse revenue streams
- Reduce fixed costs

### New opportunity

- Partnership with other businesses
- Networking and service matching

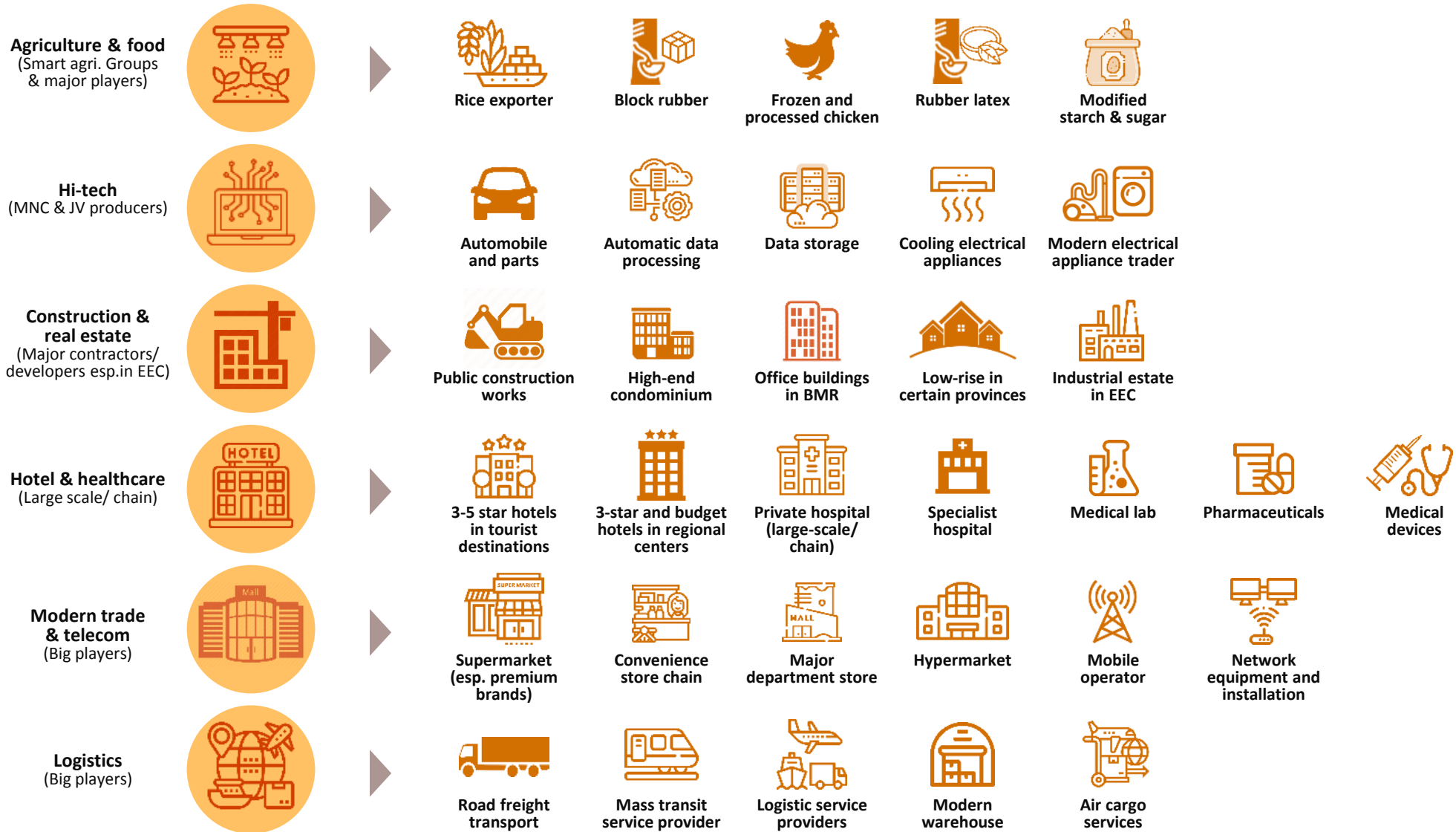
# Pandemic-induced expansion: 3 major potential sectors could perform well



- **Digital business** from accelerating adoption of digital technologies: Investment value of digital business applied for BOI promotion increased by 119% in 6M21 (43.7% p.a. during 2017-2019, -79% in 2020)
- **Medical hub** supported by rising hygiene and wellness trend: Investment value of medical business applied for BOI promotion increased by 234% in 6M21 (16.3% p.a. during 2017-2019, 233% in 2020)
- **Smart logistics** connected with regional logistic networks: Flagship infrastructure projects in the EEC targeted to complete in 2024-2025 include high-speed train (with project investment value at THB225bn), Laem Chabang port (THB84bn), Map Ta Phut port (THB55bn), U-Tapao International Airport (THB290bn), and Maintenance Repair & Overhaul (MRO; THB10bn).

Source: EEC Office, Local press, Krungsri Research

# Industrial transformation: the broad technology disruption will lead to industrial transformation





# Developed economies generally perform better, but developing economies enter the top-rank list in some sectors

The SPI shows that overall, developed economies are more competitive than developing economies, with the former led in order by the US, China, Germany, the UK and Japan, but each of these excelled in a different area. The US performed best in services. China was most competitive in complex, high-tech industries, while Germany and Japan were notably strong in motor vehicles. For developing countries, some can perform very well. For example, Chile and Vietnam coming in second in the rankings of sectoral potential for respectively mining and textiles.

## Overall Industrial Potential, Ranked by Country

1	United States	17	Taiwan	33	Sweden	49	Lithuania
2	China	18	India	34	Greece	50	Morocco
3	Germany	19	Netherlands	35	Thailand	51	Portugal
4	United Kingdom	20	Korea	36	Indonesia	52	Tunisia
5	Japan	21	Brazil	37	Peru	53	Czech Republic
6	France	22	Singapore	38	Philippines	54	Croatia
7	Italy	23	Argentina	39	Hong Kong	55	Romania
8	Saudi Arabia	24	Poland	40	Colombia	56	Hungary
9	Russian Federation	25	Finland	41	Malaysia	57	Slovak Republic
10	Spain	26	Belgium	42	Kazakhstan	58	Slovenia
11	Switzerland	27	Israel	43	Costa Rica	59	Latvia
12	Canada	28	Denmark	44	Brunei Darussalam	60	Cyprus
13	Ireland	29	Norway	45	Luxembourg	61	Bulgaria
14	Mexico	30	Chile	46	Vietnam	62	Iceland
15	Australia	31	Austria	47	South Africa	63	Estonia
16	Turkey	32	New Zealand	48	Cambodia	64	Malta

Source: OECD, calculation by Krungsri Research

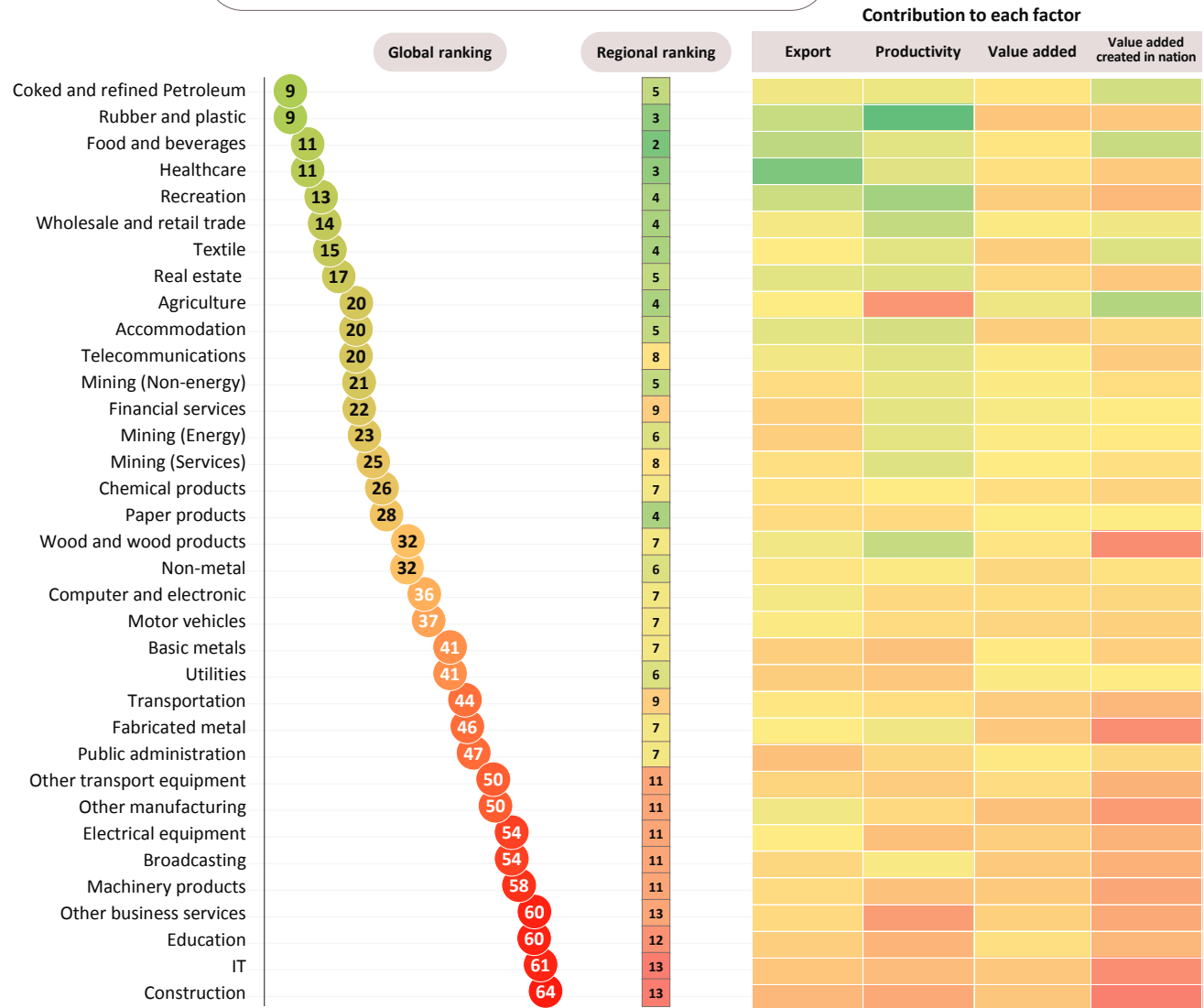
# Thailand is at 35th global ranking, and the second in ASEAN

## Thai Sectoral Potential Ranking

Overall, Thailand came 35th out of the 64 countries assessed, putting it in 2nd place among the ASEAN nations, Thailand achieved a ranking in the top 15 countries globally in 7 sectors. These include coke and refined petroleum products (9th); rubber and plastic products (9th); food and beverages (11th); healthcare (11th); recreation (13th); wholesale and retail trade (14th); and textiles (15th).





















For more details, SPI shows that generally, the majority of Thai industry has sufficiently high levels of expertise in supplying goods and services, and they are able to respond effectively to global demand. However, Thai industry is weak in adding value to its production.

As a result, rates of capital accumulation are low, which then restricts the ability of businesses to invest in new technology, ultimately limiting the development of the sector and holding back the economic growth ahead.



Source: OECD, calculation by Krungsri Research

# Each sector's potential is related to different factors; this could suggest strategy priority and preferred partnership countries

<b>Motor vehicle</b> 	<b>Position in supply chain</b> The industry would prefer to <b>moving toward upstream</b> in GVC	<b>Technology</b> 	<b>R&amp;D</b> 	<b>Length of supply chain</b> Prefer "shorter supply chain"	<b>Participation in GVC</b> Increasing participation in GVC would boost sector's potential	<b>Preferred partners</b> <ul style="list-style-type: none"> <li>● Japan</li> <li>● China</li> <li>● Indonesia</li> </ul>
<b>Healthcare</b> 	<b>Market size</b> Healthcare business is looking for gaining more customers.	<b>Ease of doing business</b> 	<b>Technology</b> 	<b>R&amp;D</b> 	<b>Position in supply chain</b> The industry would prefer to <b>moving toward downstream</b> in GVC	<b>Preferred partners</b> <ul style="list-style-type: none"> <li>● Indonesia</li> <li>● Vietnam</li> <li>● Malaysia</li> </ul>
<b>Computer and electronic</b> 	<b>Position in supply chain</b> The industry would prefer to <b>moving toward upstream</b> in GVC	<b>R&amp;D</b> 	<b>Technology</b> 	<b>Participation in GVC</b> Increasing participation in GVC would boost sector's potential		<b>Preferred partners</b> <ul style="list-style-type: none"> <li>● Korea</li> <li>● Taiwan</li> <li>● China</li> </ul>
<b>Chemical</b> 	<b>Participation in GVC</b> Increasing participation in GVC would boost chemical sector's potential	<b>Position in supply chain</b> The industry would prefer to <b>moving toward upstream</b> in GVC	<b>Ease of doing business</b> 	<b>R&amp;D</b> 	<b>PORT</b> 	<b>Preferred partners</b> <ul style="list-style-type: none"> <li>● Vietnam</li> <li>● Malaysia</li> <li>● Philippines</li> </ul>
<b>Food &amp; beverage</b> 	<b>Raw materials</b> The industry would prefer to establishing greater security over the supply of inputs	<b>Credit</b> 	<b>Technology</b> 	<b>Position in supply chain</b> The industry would prefer to <b>moving toward upstream</b> in GVC	<b>East to do business</b> 	<b>Preferred partners</b> <ul style="list-style-type: none"> <li>● Singapore</li> <li>● Cambodia</li> <li>● Malaysia</li> </ul>
<b>Transportation</b> 	<b>Rail</b> The industry would require public infrastructure investment	<b>Market size</b> Large markets are beneficial in terms of the economies of scale	<b>Port</b> The industry would require public infrastructure investment	<b>Air</b> The industry would require public infrastructure investment	<b>Ease of doing business</b> 	<b>Preferred partners</b> <ul style="list-style-type: none"> <li>● Singapore</li> <li>● Malaysia</li> <li>● Japan</li> </ul>

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