An Analysis of Foreign Tourist Expenditure in Thailand

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Outline of Presentation

1. Importance of inbound tourism to Thailand
2. Factors that affect daily expenditure amount
3. Model
4. Results
5. Factors influencing tourism price
6. Conclusion and policy implications

1. Importance of inbound tourism to Thailand

⌘**High and rising share of revenue in GDP**

　3% in 1985 to 6 % in 2001

⌘**Highest income multiplier (=2)**

　1.3 times the rice exports multiplier

　2　times the textile exports multiplier

　3　times the electronic and electrical appliance exports multiplier

Table 2: Tourist Arrivals and Receipts in Current US Dollars

Year	Arrivals (millions)	Receipts (US$ millions)	Length of Stay (days)	Daily Expenditures (US $)
1993	5.761	5,047	6.94	126
1994	6.166	5,774	6.98	134
1995	6.952	7,655	7.43	148
1996	7.244	8,657	8.23	145
1997	7.294	7,039	8.33	116
1998	7.843	5,855	8.40	89
1999	8.651	6,692	7.96	97
2000	9.579	7,112	7.77	96
2001	10.133	6,731	7.93	84

Source: Tourism Authority of Thailand.

2. Factors that affect daily expenditure amount

Looking at …

1) Information on tourists

    - Expenditures positively affected by income

    - Expenditures negatively affected by price

2) Categories of expenditure

3. Model

❑ **Selected 15 countries:**
Malaysia, Singapore, China, Hong Kong, Japan, South Korea, Taiwan, France, Germany, United Kingdom, Canada, the United States, India, Australia, and New Zealand

❑ **Time period: 1985-2001**

$$\ln EXP_{it} = \beta_{0i} + \beta_{1i}\ln P_{it} + \beta_{2i}\ln GDP_{it} + \beta_{3i}\ln DAYS_{it} + \beta_{4i}\ln SEX_{it}$$
$$+ \beta_{5i}\ln REP_{it} + \beta_{6i}\ln TARR_{it} + \beta_{7i}DASIA * \ln TARR_{it}$$
$$+ \beta_{7i}D97 + u_{it}$$

P **is proxied by either**

 - Exchange Rate Index (*EXI*) =

   a foreign currency / Thai baht

or

  - Price Index (*PI*) = $P_{TH} / E^*_i P^*_i$.

4. Results

Variable	1	2	3	4
	baht/person/day	baht/person/day	$/person/day	$/person/day
LNEXI	++		+++	
LNPI		+		++
LNGDP	+++	+++	+	++
LNDAYS	-	.	- - -	- - -
LNSEX	.	.	.	++
LNREP	.	-	- - -	- - -
LNTARR	++	+++	+++	+++
D97	.	.	- - -	- - -
DASIA*LNTARR	- - -	- - -	- - -	- - -

Note : + is positively significant at 10% level; ++ is positively significant at 5% level; and +++ is positively significant at 1% level.

⌘ **Average length of stay and frequency of visit are negatively related to average daily expenditure**

⌘ **Tourists that come on group tours tend to spend more**

⌘ **Asian tourists that come on group tours tend to spend less**

⌘ **Daily expenditure rises as income rises**

⌘ **Daily expenditure rises as price rises and falls as price falls**

5. Factors Influencing Tourism Price

Table 3: Daily Tourist Spending in Thailand by Category, 1993 and 2000

		Real Thai baht
	1993	**2000**
Accommodation	814	760
Food and beverages	536	477
Sightseeing	185	144
Local transportation	195	232
Shopping	1,521	1,089
Entertainment	181	326
Misc.	124	113
Total	3,953	2,554

Source: Calculated from TAT.

1. **Accommodation**
    - ⬒**A surplus of hotel rooms**
    - ⬒**Cost of disseminating information**

2. **Food and Beverage**
    - ⬒**Kitchen of the world**
    - ⬒**Proliferating restaurant business**

3. **Local Transport**
    - ⬒**High growth rate of bus, taxi, van**
    - ⬒**Increasing gasoline price**

6. Conclusion and policy implications

- **Declining trend in daily tourist expenditures due to falling relative price.**

- **Tourism price is competitive.**

- **The government should neither worry nor adopt any intervening measures.**

- **Still, government should take actions to boost daily spending.**