

Thailand Hospitality

Annual Report 2020
& Outlook 2021



PLATVENTURES



Note from Plat Ventures

Dear Reader,

Thank you for taking the time to read *Thailand Hospitality: Annual Report 2020 & Outlook 2021*. 2020 was a tough year for the hospitality industry as a whole, not only in Thailand, but around the globe. Our goal in gathering and presenting the data in this report is to inform readers – both inside and outside of the industry – about the gravity of the situation in Thailand. We believe that only by understanding how far various industry metrics have fallen, can owners and stakeholders realistically plan and make decisions for the future. COVID-19 will pass, but the path to recovery and obtaining the holy grail of 2019 results, is still a long way off. Planning backed by data is the only way to chart a course towards survival.

In this *Thailand Hospitality* report we've drawn together data from the Airports of Thailand, the Ministry of Public Health, the Bank of Thailand, the International Monetary Fund (IMF), the Thai Chamber of Commerce and numerous other sources. This extensive data analysis allows us to paint an overarching picture of the current situation, enabling us to put the Thai situation in a global context.

Lastly, we want to remind readers that this report contains our opinions and interpretations; nothing in this report is meant to be taken as advice. We recommend readers seek proper legal and tax counsel before undertaking any investments or business transactions.

Thanks for reading.

- The Team at Plat Ventures

Unprecedented Disease Hits the World

Before the onslaught of COVID-19, Thailand had a robust tourism market. Since 2012, yearly growth rates averaged 9.4%, with tourist arrivals peaking at 41.7 million in 2019. In 2020, the number of foreign visitors was forecast to grow further, with the country heavily promoting 'secondary locations', places regarded as less commercial and more authentic.

Thailand has suffered greatly in the wake of the global COVID-19 outbreak. Like most places in the world, foreign tourist arrivals abruptly halted. In January 2020, the Chinese government ordered Chinese tour companies to cease operations, resulting in an immediate contraction of Chinese tourists. By April 2020, Thailand had closed its borders to all international arrivals; this move simultaneously protected the local populous and doomed the tourism sector and its ancillary businesses.

By the end of 2020, there were 83 million confirmed cases of COVID-19 worldwide. Fortunately, Thailand's swift policies thwarted major domestic outbreaks, with only 6,884 confirmed cases. However, from an economic standpoint, Thailand remained highly concerned about the disease. In terms of tourism, which accounts for 12-20% of GDP depending on how it is measured, the COVID-19 pandemic resulted in an 83% contraction of international tourists, with only 7.27 million arriving (the bulk of which was in Q1 2020).



COVID-19 infection

Global

83 million confirmed
58 million recovered
1.8 million deaths

Thailand

6,884 confirmed
4,240 recovered
61 deaths

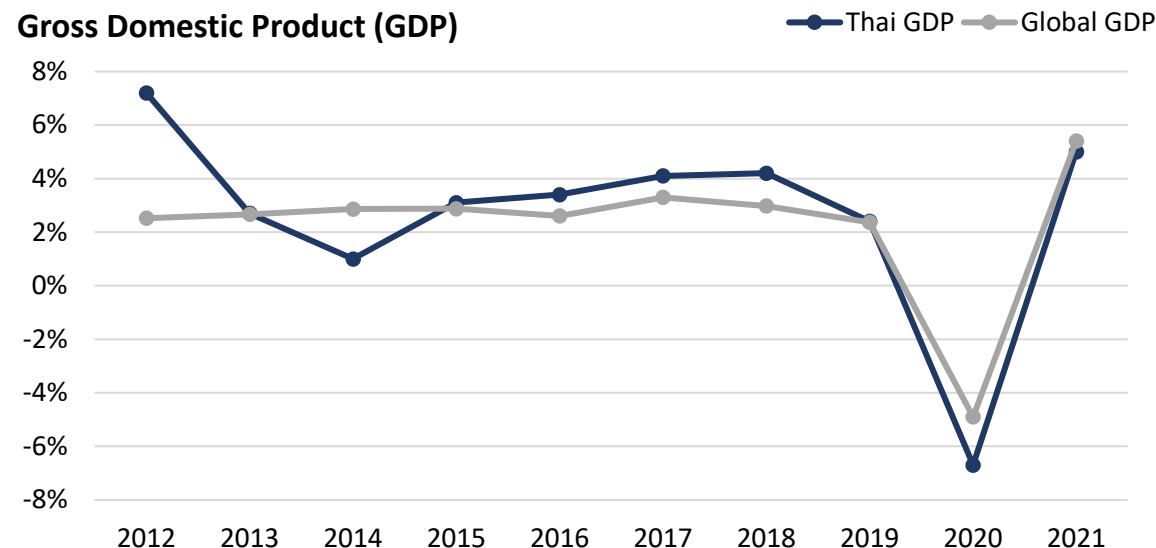
Damage Caused by the COVID-19 Pandemic

Controlling the spread of COVID-19 meant prohibiting most international travel, some domestic travel, closing travel and tourism-related businesses and limiting or closing businesses posing super-spreader potential like night clubs and bars.

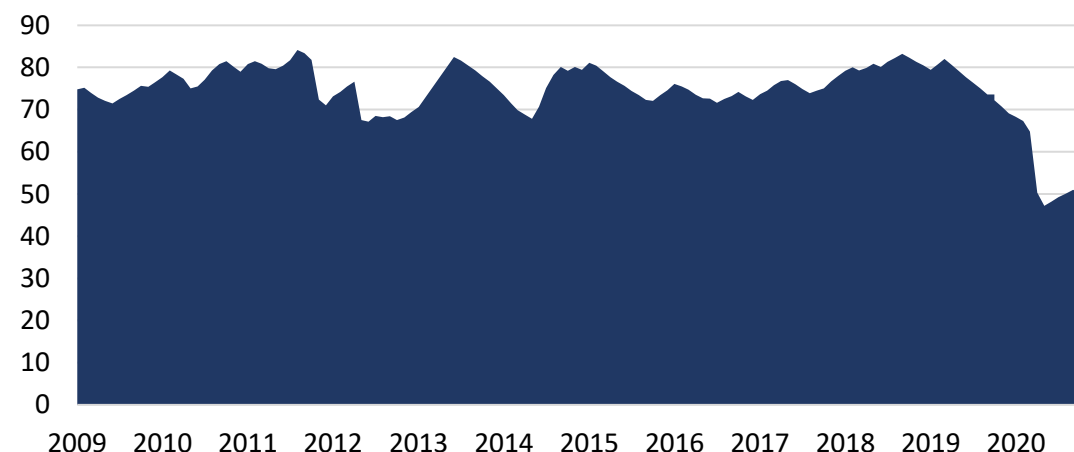
The adoption of strict policies to control the deadly pandemic severely disrupted economic activity. While lives were being saved, unemployment increased, compensation decreased, and many businesses went bankrupt. Whilst some businesses did benefit from the change, e.g., e-commerce and logistics, those sectors could not compensate for the overall loss. With less disposable income there has been a contraction of consumer spending. The uncertainty of tomorrow has pushed the Consumer Confidence Index (CCI) to an all-time low.

In 2020, the International Monetary Fund (IMF) estimated global GDP would decrease by 4.9%, and forecast growth of 5.4% in 2021. Thailand's GDP was hit harder than other countries because Thailand's GDP relies heavily on exports and tourism. Because borders remained closed and the Thai baht remained strong, negative growth was inevitable. The Bank of Thailand forecast that Thai GDP would shrink by 6.7% in 2020 and bounce back by 5% in 2021. GDP growth in 2021 is based on a very low GDP in 2020.

Gross Domestic Product (GDP)



Consumer Confidence Index (CCI)



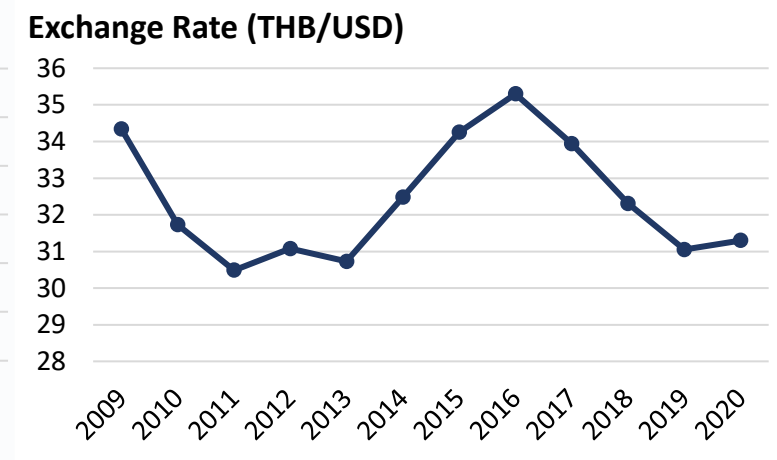
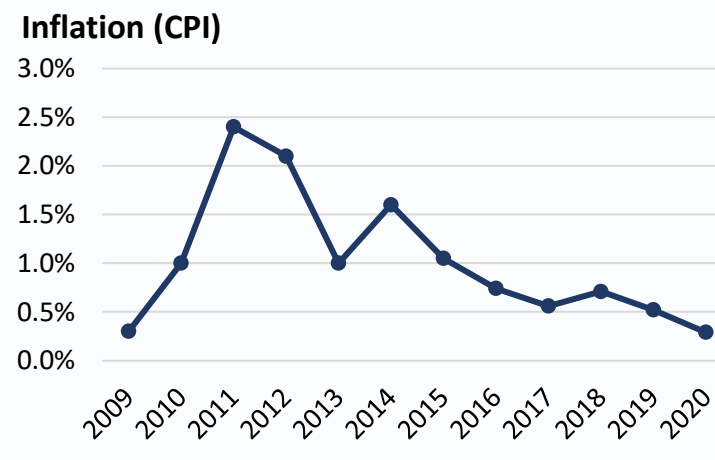
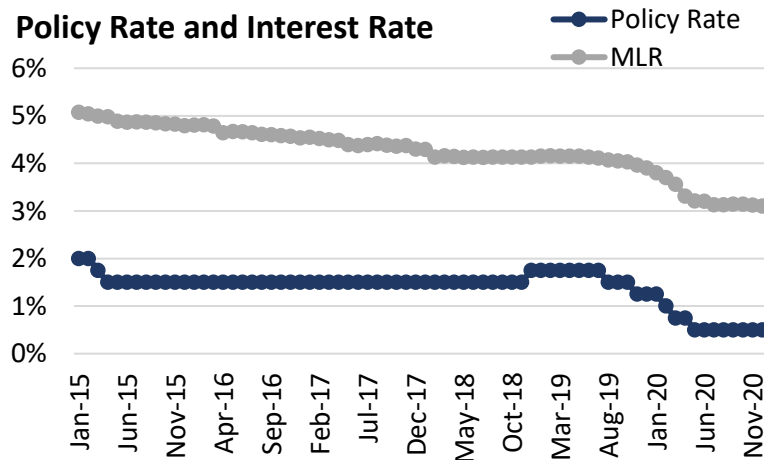
Source: Bank of Thailand, IMF, Thai Chamber of Commerce

Rate Movements

There is little that could have helped achieve economic growth in the face of such an unprecedented pandemic. Stimulus packages provided by the government had a muted effect on the economy as only a portion of the funds available were disbursed to the individuals and SMEs who needed them most. The result was that consumers had little disposable income to spend. In addition, net exports were down and companies limited investment in an effort to preserve cash. Interest rates reached a record low but banks were extremely conservative with lending, despite a Policy Interest Rate at 0.50%. The Bank of Thailand cannot force businesses to invest, but with such a low rate, there should be more money flowing through the economy.

The Thai economy was already stagnant before COVID-19, with inflation (CPI) at or below 1% since 2015. To further spur investment which can result in hiring and wage increases, the government is providing special incentives through the Board of Investment (BOI) and Eastern Economic Corridor (EEC).

The Thai Baht remains strong as Thailand maintains a surplus budget and the U.S. continues printing money. During 2014-2019 the U.S. Fed's balance sheet stood between USD4-4.5 trillion, but in 2020 quantitative easing jumped to USD7 trillion. As such, Thailand will need to foment growth that does not rely on depreciating the Thai Baht.



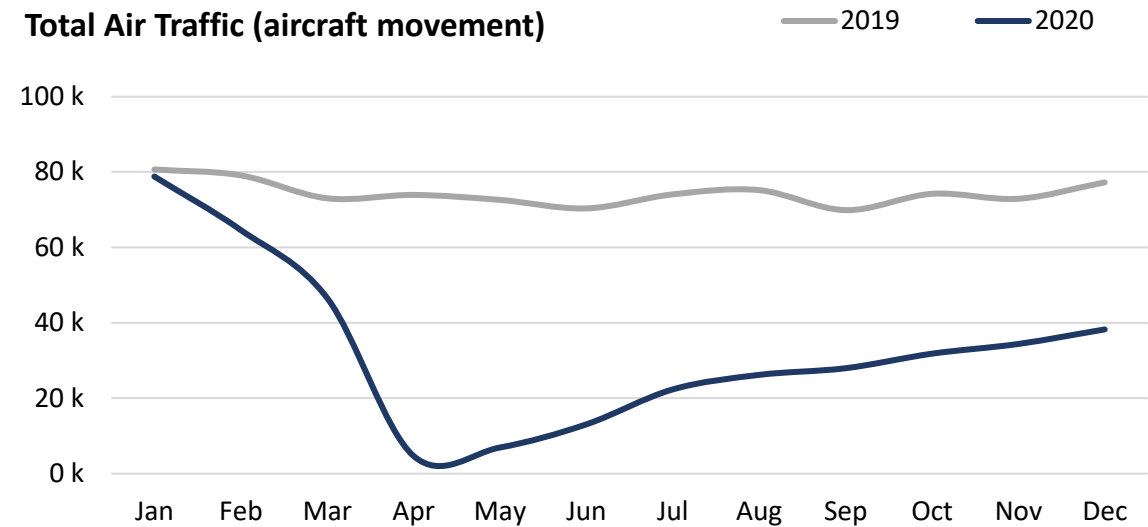
Source: Bank of Thailand

Subsidies to the Rescue

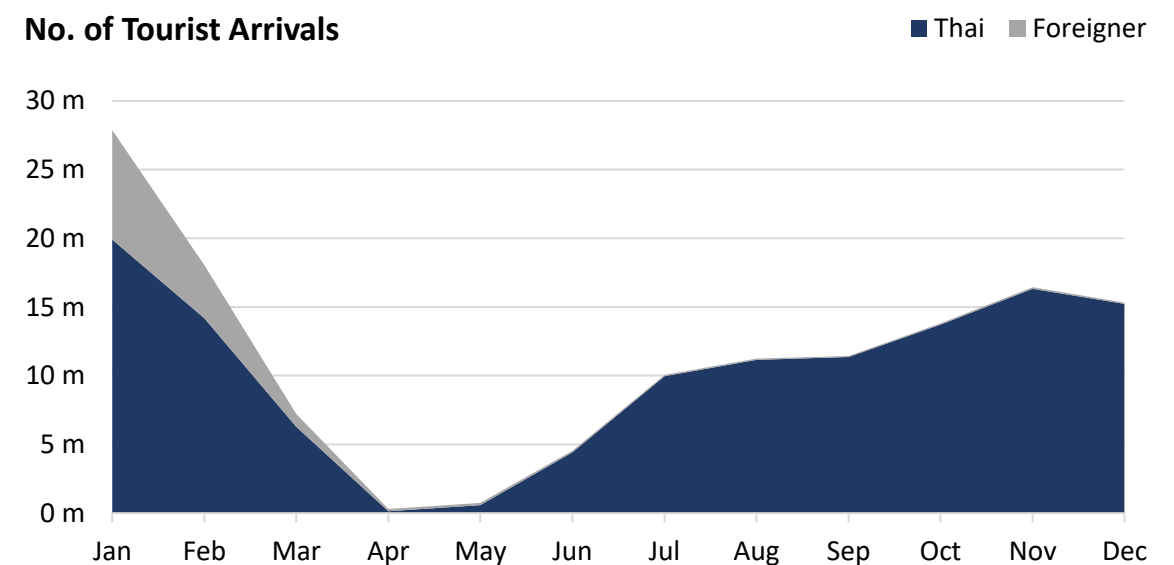
No amount of monetary policy could cope with the impact of COVID-19. The Thai government used fiscal policy in an attempt to help. Subsidies were disbursed using various methods, especially for those facing major financial difficulty, such as the newly unemployed. From May to July 2020, THB3,000-5,000 was given to people who matched specific criteria. For the few who were able to obtain it, the subsidy helped support immediate expenses, but it was nowhere near enough to move the country's economic needle.

By Q2 2020, total air traffic had dropped dramatically. The closure of the country to international tourist arrivals meant the tourism sector had to pivot quickly to capture domestic demand. With this in mind, the government launched the initiatives, 'We Travel Together' and 'Eat Out, Help Out', to promote spending in the hospitality sector by subsidizing 50% of the price. With huge discounts from hotels and the subsidy from the government, the level of domestic tourism soared, peaking in November and December 2020. However, this domestic tourism boom only benefited select markets, primarily those within a few hours' drive of Bangkok. Hotels in destinations requiring a flight from the capital city continued to suffer. Lower-end hotels also suffered disproportionately because they could not compete with 'price dumping' luxury properties.

Total Air Traffic (aircraft movement)



No. of Tourist Arrivals



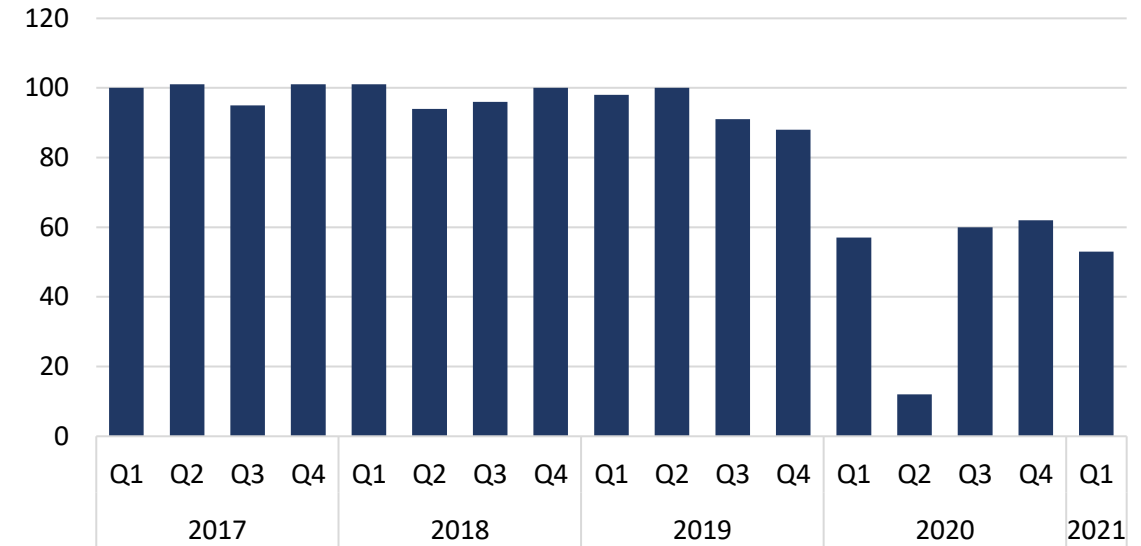
Source: Airports of Thailand, Ministry of Tourism

Confidence Remains Low

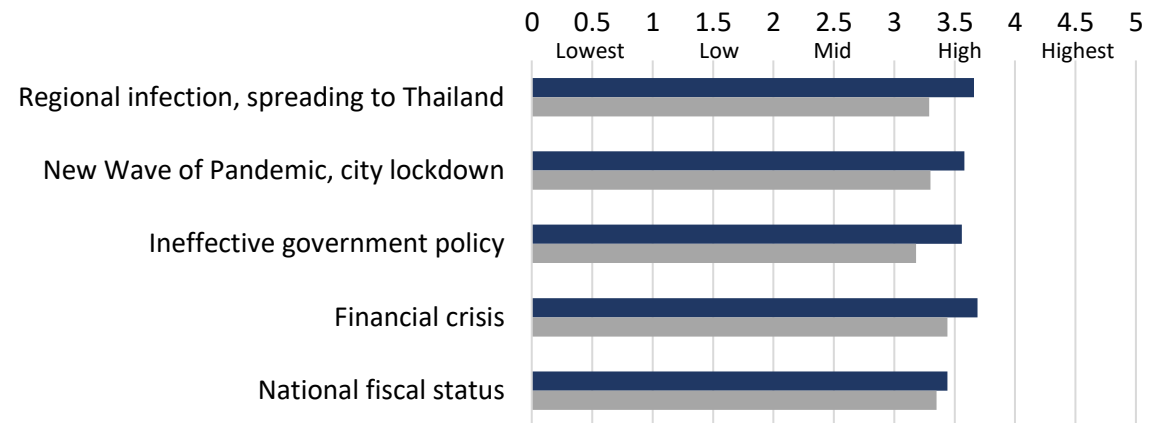
The campaign ‘We Travel Together’ helped boost the sales volume of select hotels, resorts, and airlines. Conversely, the ‘Eat Out, Help Out’ campaign aided the food and beverage (F&B) industry. Despite all this, operators do not see much light at the end of the tunnel. Collective confidence among operators remains low, hovering at 50-60 points. Why? Because even tepid demand is reliant on heavy discounts, promotions, and subsidies. Any shock to demand sends revenues crashing instantly. Plus, the partial recovery did not happen evenly across Thailand. Cities like Bangkok, Hua Hin, and Chiang Mai benefitted most; while destinations further afield (Phuket, Krabi, Samui) barely make ends meet.

Many uncertainties persist. The Thailand Tourism Council reported at the end of 2020 that both tourism operators and tourists remain concerned with the ongoing pandemic. Currently, they fear the daily rise of infections and the threat of more lockdowns. In the long-run, there are concerns that defaults in the hospitality sector could lead to a financial crisis and that the government’s pandemic-era subsidies could lead to long-term deficits. All of these concerns impact consumer spending and investment.

Confidence Index of Thailand Tourism Operators



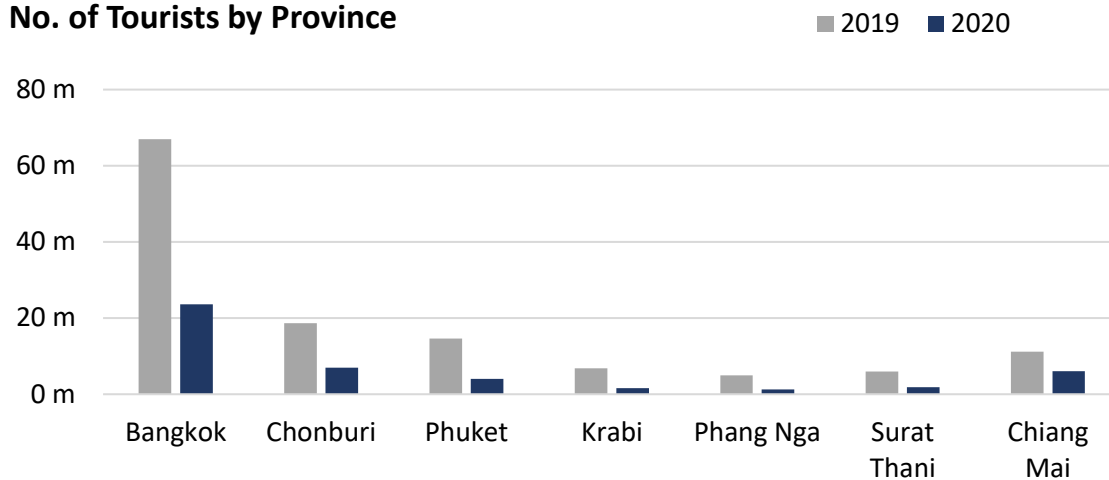
Tourism Operators and Tourists Concerned Factors



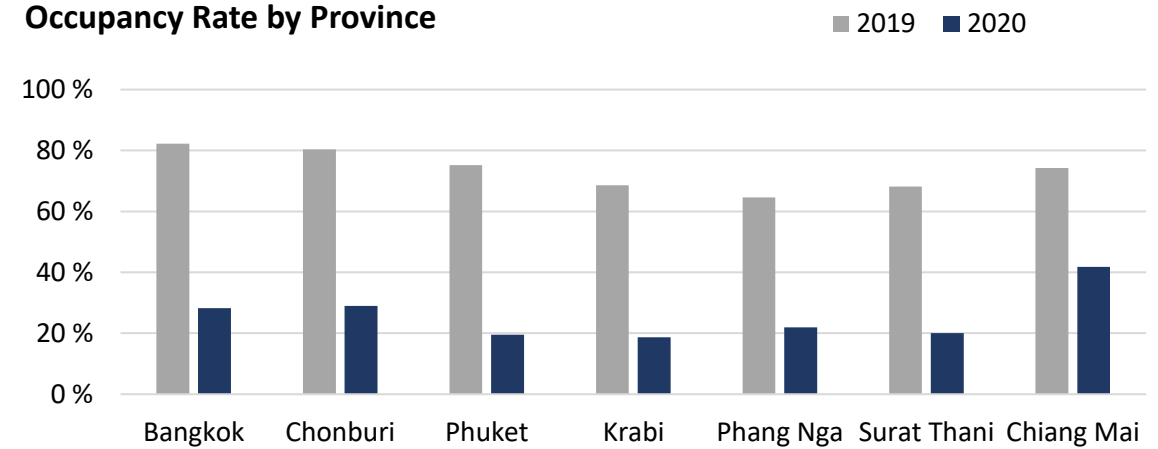
Source: Thailand Tourism Council

2020 Tourist Destination Performance

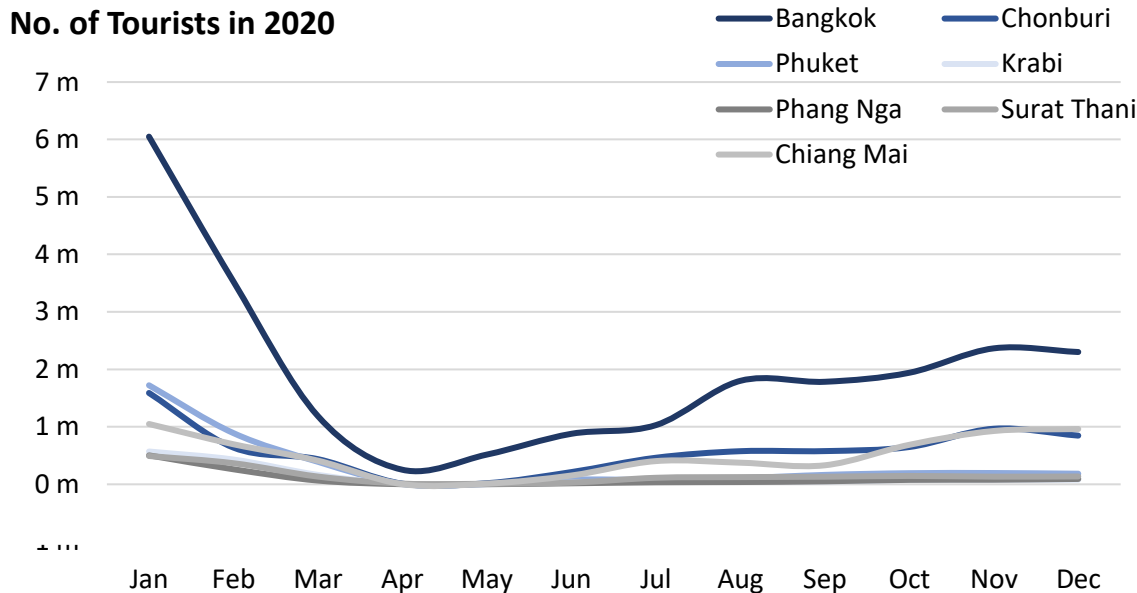
No. of Tourists by Province



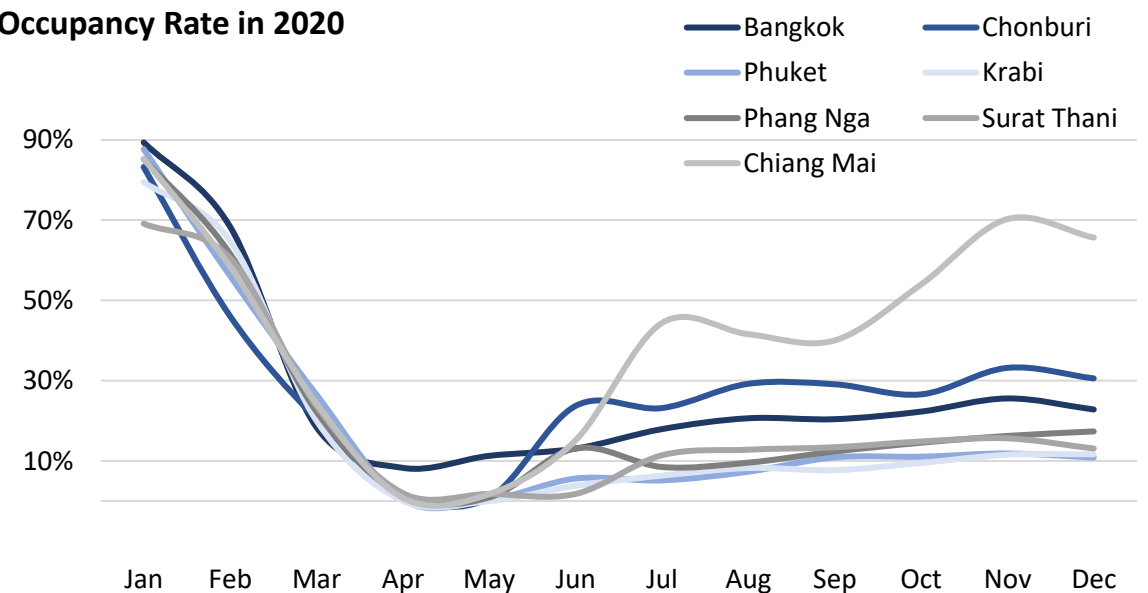
Occupancy Rate by Province



No. of Tourists in 2020



Occupancy Rate in 2020



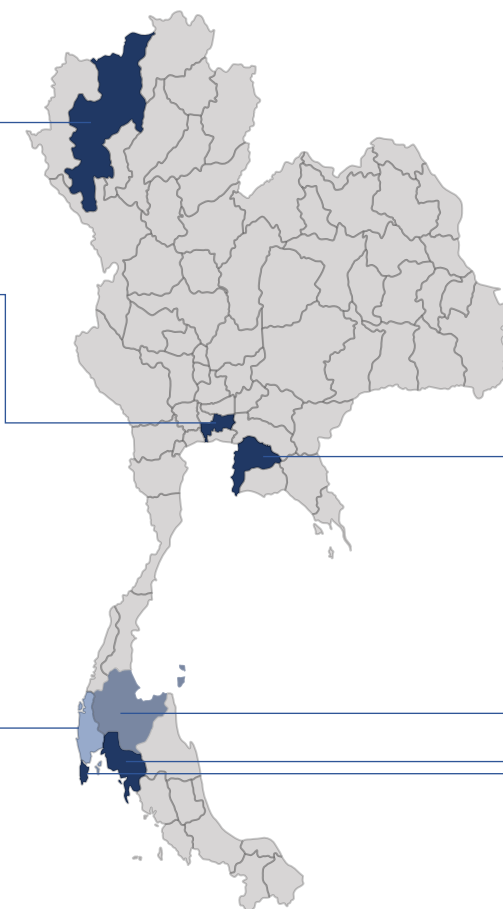
Source: Ministry of Tourism

2020 New Hotels

In 2020, many new hotels opened amidst the pandemic crisis. Most of them are 4-5 Star properties. However, some major operators delayed their project developments. For example, Minor Group postponed the opening of Avani Khao Lak, Phang Nga from 2020 to 2021.

Similarly, Asset World Corporation (AWC) postponed the opening of many projects: Melia Chiang Mai moved from early 2021 to late 2021; Intercontinental Chiang Mai Mae Ping moved from mid-2021 to mid-2022; and the Ritz-Carlton Reserve, Bangkok at Asiatique the Riverfront, moved from 2022 to 2023.

Name	Stars	Keys
Chiang Mai		
Ama's House	5	8
Hotel Rosy	3	22
THEE Vijit Lanna by TH District	4	39
Glory Boutique Suite	5	47
NORN Nimman13 Boutique Hotel	3	50
Bangkok		
Amanah Bangkok Hotel	4	42
Ashley Hotel BKK	4	45
VIX Bangkok at Victory Monument	3	57
Hotel Ordinary Bangkok	4	65
Kaya Heritage Hotel	4	66
Pannarai Hotel Bangkok	4	78
4 Monkeys Hotel	4	78
Novotel Suites Bangkok SKV 34	4	140
The Quarter Silom by UHG	4	141
ASAI Bangkok Chinatown	3	224
Phang Nga		
None		



Name	Stars	Keys
Chonburi (Pattaya)		
The Shade Residence	3	36
Mandarin Eastville	5	272
OZO North Pattaya	4	406
Surat Thani (Ko Samui)		
The Canale Samui Resort	4	35
Krabi		
Tiny Krabi	2	18
Banyan Tree Krabi	5	72
Phuket		
OYO 601 C W Mansion Phuket	2	20
Ratri Hotel Phuket Old Town	4	42
Poolrada Boutique Hotel	4	77
Thames Tara Pool Villa Rawai	4	80
Metadee Elite	5	194
Wekata Luxury	4	206
Wyndham Grand Nai Harn	5	353
Four Points by Sheraton Patong	4	600

2021 Outlook

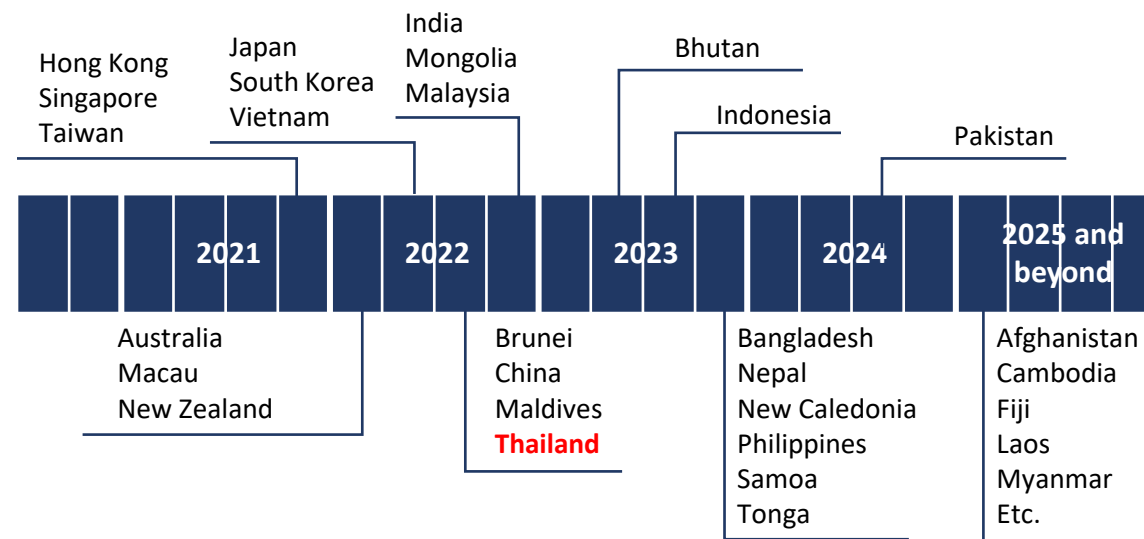
Tourism in Thailand gradually improved towards the end of 2020. However, the outbreak at the Central Shrimp Market in Samut Sakhon dealt a death blow to the recovery. Eerily similar to how it all began in Wuhan, China, the outbreak originated in a fresh market and quickly spread across the nation. Compared to 2020 when Thailand managed to limit cases to less than 7,000 for the whole year, the number of infectious people jumped from 6,884 cases to almost 20,000 cases within one month. Another “loose lockdown” was implemented in January 2021, albeit more relaxed than the first lockdown in April 2020.

Hopes for a local recovery in 2021 are dim. Vaccination is the key, but it may be 18 months before Thailand reaches herd immunity (Thailand is forecast to reach herd immunity by Q3 2022). In addition, The Bank of Thailand estimates that by the end of 2021 Thailand may have welcomed 5.5 million international tourists, but this number is still only 13% of international tourists in 2019. The situation may continue improving if there are no other internal or external shocks. In 2022, Thailand may reach 23 million international tourists, or 55% of 2019 numbers.

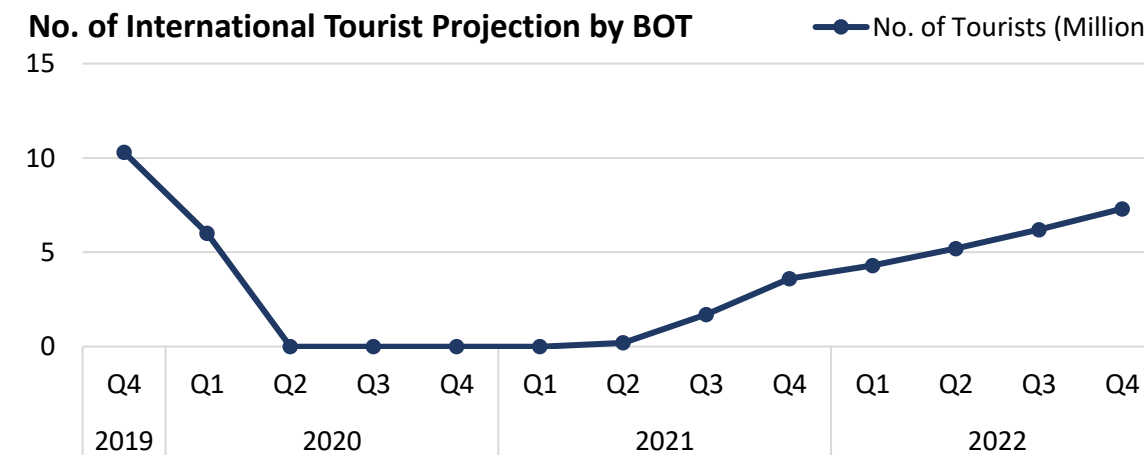
According to this forecast, Thailand will need at least three years to reach the same level as 2019 – the benchmark for a full recovery.

Asia’s COVID-19 Vaccination Timeline

*Based on when over 60% of the population is forecast to be vaccinated.



No. of International Tourist Projection by BOT



Source: The Economist Intelligence Unit, Bank of Thailand

There Is Hope

Without a doubt, this too shall pass. The priority now is surviving the crisis. Liquidity is of paramount importance and will determine which businesses survive and which do not. Although every owner has a unique situation, here are some strategies that may be applicable.

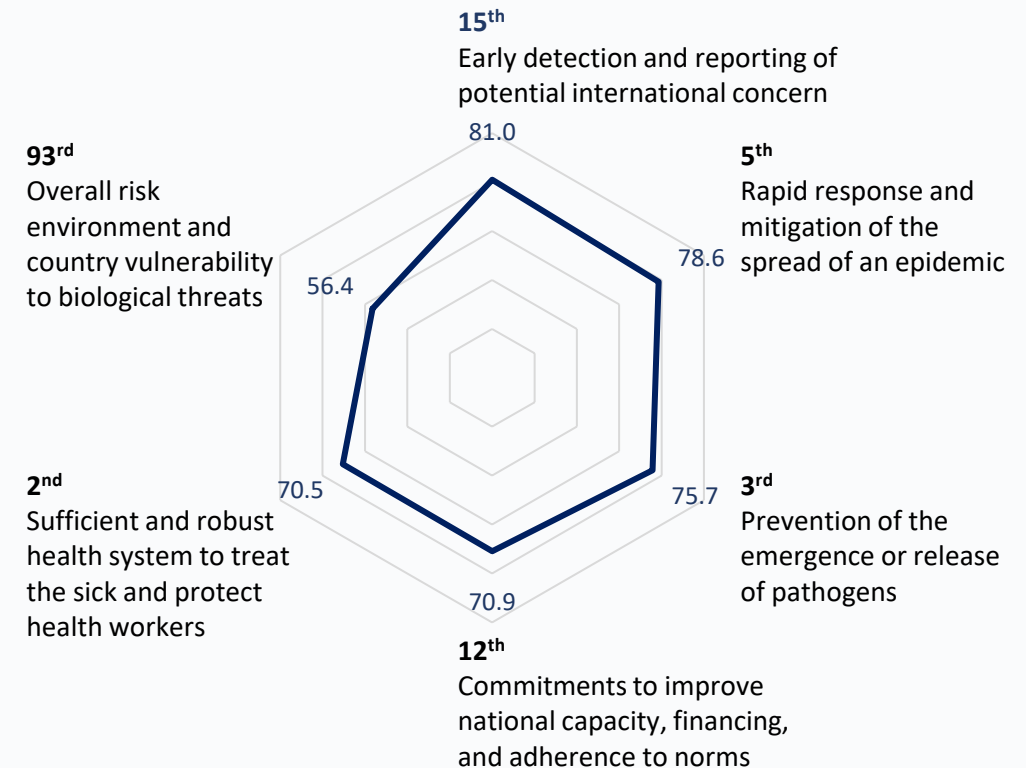
Short-term plans (centered on cost-saving, debt reduction, and increased efficiency):

- Negotiate rents, contracts: negotiate a new payment schedule, payment reductions, or payment deferrals
- CAPEX reduction: postpone investment and re-prioritize renovation plans
- Cashflow management: prepare to meet short-term and long-term obligations

Long-term plans:

- Create trust: establish reliability according to the “new normal”, such as hospitality hygiene and obtaining *Amazing Thailand Safety & Health Administration* (SHA) certification.
- Well-being & long stay: develop concepts for safety and unique experiences
- Increase efficiency: use automation, touchless service, remote assistance
- Portfolio expansion: allocate portfolio between domestic, international, hospitality, non-hospitality

The good news is that many destinations in Thailand are in the top-tier of global tourism rankings, especially Bangkok and Phuket. Moreover, Thailand has an excellent medical sector and proven pandemic control. Thailand’s success in controlling COVID-19 could serve as a catalyst for further opportunities in the wellness & long-stay sector. Due to the following supporting criteria, Thailand is in a good position to be the premier medical hub in ASEAN:



Source: U.S. News & World Report



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