

Chapter 6

Conclusion

Quarterly numbers of international tourist arrivals to Thailand were analyzed for the period 1985-2007. The main purpose was to analyze and compare the elasticity of demand among major tourists of Thailand such as Malaysian tourists and Japanese tourists including British and American tourists.

That is we can divided the tourists into three groups (1) short haul such as Malaysian tourists (2) medium haul such as Japanese tourists (3) long haul such as British and American tourists.

This paper has carried out error correction models and Johansen's cointegration analysis to examine the short and long run relationships between number of tourist arrivals in Thailand and its economic determinants. The study discovered several distinctive results.

First, the results demonstrated that growth in GDP per capita in origin countries has a positive impact on number of tourist arrivals in the short term; however, this result is significant in the case of visitors from the Malaysia and Japan. Furthermore, the relative price variable has a negative impact on number of tourist arrivals in the short run, except the result in the case of American tourists which it has positive impact. However, this result is significant in the case of visitors from Japan, the UK and the USA.

Second, a 1% increase in GDP per capita in the long-term in Malaysia, Japan UK and the USA leads to an increase in number of tourist arrivals from these countries in Thailand of 0.47%, 1.68%, 1.79% and 1.12%, respectively. This result is consistent and significant with economic theory and it demonstrated that Malaysian tourism is inelastic demand but Japanese, British and American tourism are elastic demand.

Third, the relative prices are an important determinant of tourism demand. The changes in the relative prices can significantly affect the demand for number of tourist arrivals in the long run. This study also found that an increase in the relative prices can lead to a decrease in the demand for Malaysia and USA but an increase in the relative prices can lead to increase in the demand for Japan and UK. One of the possible explanations is that, even if the price of tourism goods and services in Thailand increases in the long-run, Japanese and British tourists will likely choose to travel to Thailand because the relative prices are cheaper than for them.

Fourth, changes in the substitute prices (LCP) can significantly affect the demand for only America, a 1% increase in the substitute prices in the long-run leads to an increase in the number of tourist arrivals in Thailand of 0.32%. Therefore, American tourism is substitute. On the other hand, changes in the nominal exchange rate can significantly affect the demand for UK and USA, a 1% increase in the nominal exchange rate leads to the number of British tourist arrivals will decrease by 2.49%. In the case of America, a 1% rises in the nominal exchange rate, and the number of American tourist arrivals will increase by 0.44%. Finally, a 1% increase in the occupancy rate in the long run in Malaysia, Japan, UK and USA leads to an

increase in the number of tourist arrivals from these countries in Thailand of 0.74%, 0.23%, 1.12% and 0.19%, respectively.

Fifth, the results imply that in the long-run, when we consider from income elasticity of demand, it was found that short haul tourism is inelastic demand but medium haul and long haul tourism are elastic demand. Furthermore, when we consider from the elasticity of the price, it was found that short haul tourism is more sensitive in prices than medium and long haul tourism.

Overall, the diagnostic tests certified that there are no serial correlation, non-normality and heteroscedasticity issues in the residual of the error correction model. In other words, the tourism demand model, which is proposed in this paper, is correctly specified. Given the fact, the model can be employed by tourism stakeholders to plan pricing policies and marketing strategies for promoting tourism.

Monthly numbers of international tourist arrivals to Thailand and their associated growth rates for the period 1976-2009 were analyzed. The main purpose is to analyze and compare the Value at Risk (VaR) among major tourists of Thailand such as Malaysian tourists and Japanese tourists including UK tourists and USA tourists.

The empirical study based on two widely-used conditional volatility models shows that the volatility is affected symmetrically by positive and negative shocks, with the previous positive shocks to the growth in tourist arrivals to Thailand having a greater impact on volatility than previous negative shocks of similar magnitude. The forecasted VaR threshold represents the maximum expected negative growth rate that could be expected given a specific confidence level. Both conditional volatility models leads to the same average VaR at -91.09% which means that, on average, the

lowest possible monthly growth rate in total tourist arrivals, and hence in tourist tax revenue, is -91.09%, given a 99% level of confidence. The monthly growth rates in Malaysian, Japanese, British and American tourist arrivals have an average VaR at -647.71%, -132.95%, -329.83% and -213.67%, respectively. VaR of short haul tourists are higher than medium haul and long haul tourists. And hence tourism tax revenue, are, -647.71%, -132.95%, -329.83% and -213.67%, respectively, given 99% level of confidence.

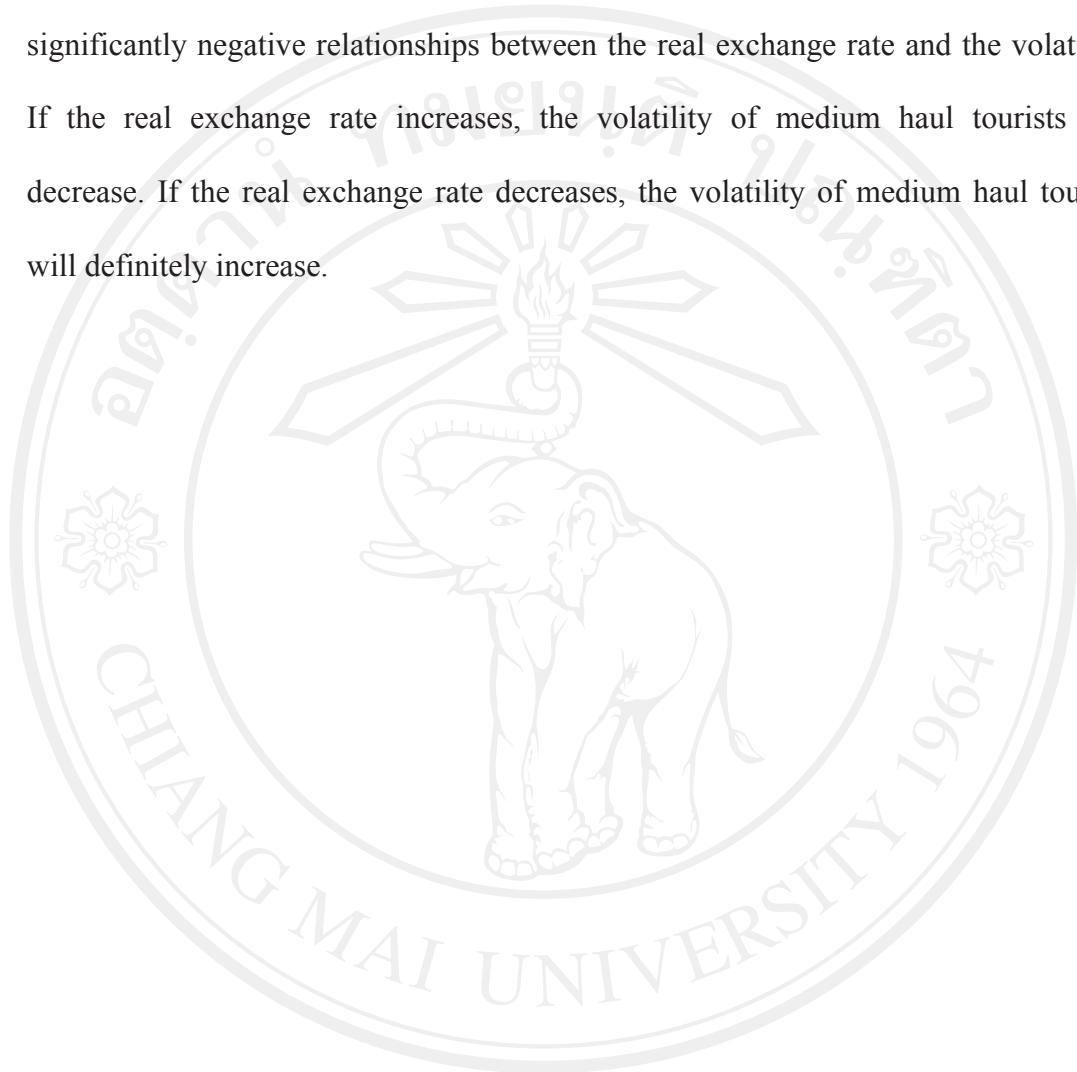
This should be useful information for both private and public tourist providers to manage sustainable tourism in Thailand.

Finally, monthly numbers of international tourist arrivals to Thailand and their associated growth rates for the period 1985-2009 were analyzed. The main purpose is to analyze and compare the impacts of the change in the real exchange rate on the volatility of international tourist arrivals to Thailand among major tourists to Thailand such as Malaysian and Japanese tourists including British and American tourists by using GARCHX model and GJR-X model.

The GARCHX model and the GJR-X model is rarely used to analyze the international tourist arrivals as it is usually associated with analyzing financial volatility. Therefore; by applying the GARCHX model and the GJR-X model to analyze the international tourist arrivals is very interesting.

For the GARCHX model and GJR-X, the change in the real exchange rate can impact the volatility of Japanese tourist arrivals to Thailand. But this does not have an impact on the volatility of Malaysian, British and American tourist arrivals to Thailand.

We can conclude that the change in the real exchange rate impact only the volatility of medium haul tourists, not short and long haul tourists. There are significantly negative relationships between the real exchange rate and the volatility. If the real exchange rate increases, the volatility of medium haul tourists will decrease. If the real exchange rate decreases, the volatility of medium haul tourists will definitely increase.



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