

Is Tourism Dead?

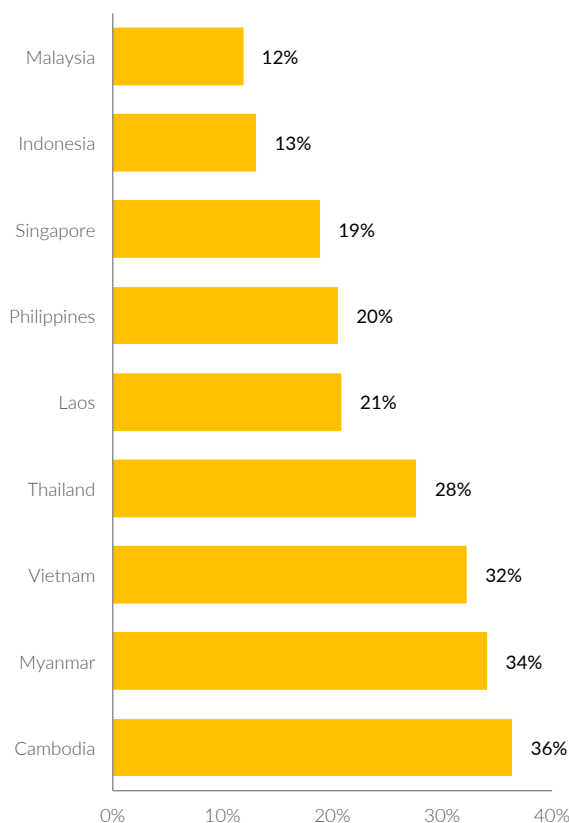


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Pre-Covid, in 2019, there were 143.5m international arrivals in ASEAN, with Thailand commanding the highest share of 27.7%, followed by Malaysia (18.2%) and Singapore (13.3%).

Chinese tourists accounted for a quarter total tourists in 2019 and their returns could be important. Within ASEAN, their favourite destination countries are Thailand (11m), followed by Vietnam (5.8m) and Singapore (3.6m). Their returns are important to the recovery of tourism in ASEAN.

Chinese tourists were the largest group of visitors in 2019, accounting for as much as 36% in Cambodia



Source: ASEANStatDataPortal

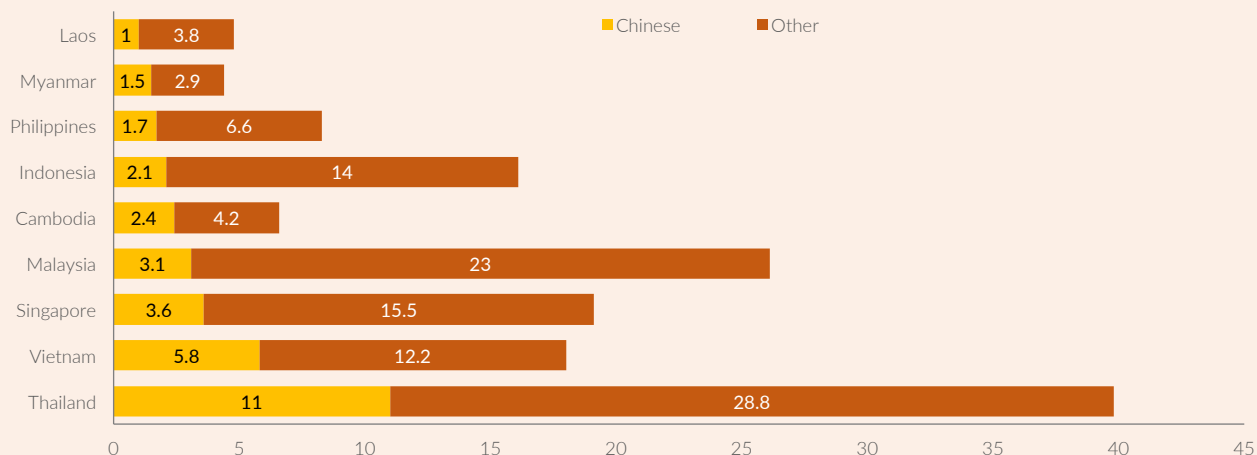
In Focus:

Domestic recovery will be a growth driver in the near term due to Covid-19.

Vaccination rollout is key to ASEAN's re-opening plans.

Pre-Covid, Chinese tourists accounted for about a quarter of tourist arrivals, and their return is important.

Thailand received the largest share of tourists in 2019



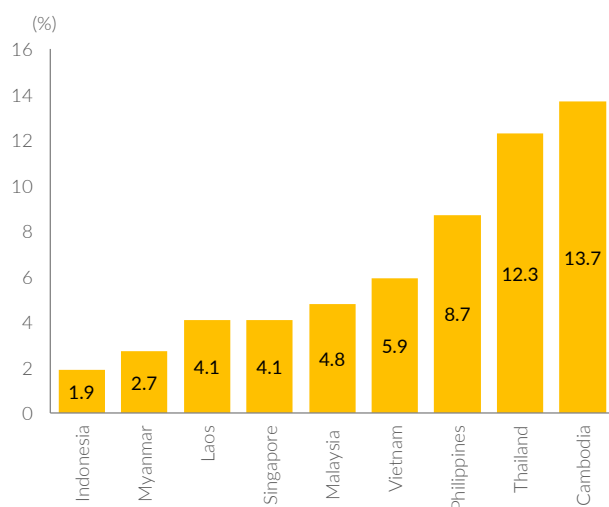
Source: ASEANStatDataPortal

Recovery could depend on mass vaccination

According to the World Bank, tourism income contributed to between 1.9% (Indonesia) and 13.7% (Cambodia) in 2019. For this reason, Covid impact has been severe in countries such as Thailand and Cambodia with their relatively high dependence on the tourism industry.

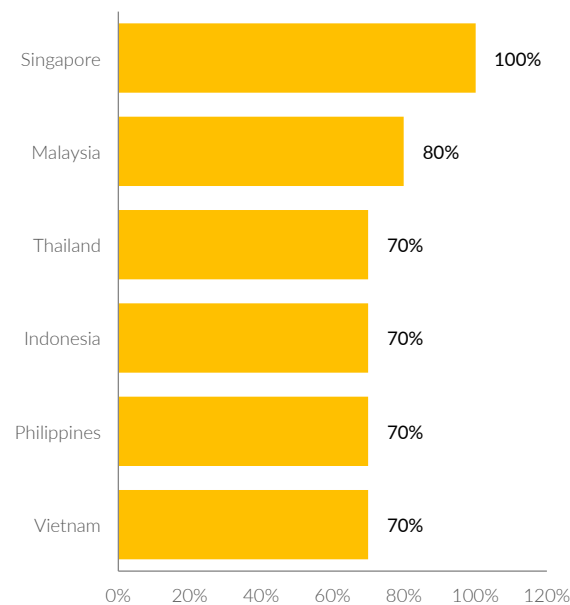
An important driver of the sector's recovery could be each country's vaccination plan, which should also determine the country's re-opening timeline.

Tourism contributed much to the GDP, (especially in Thailand and Cambodia)



Source: World Bank

% of population vaccinated by end of 2021



Note: For Indonesia, this is for 1Q22
Source: Rabobank and MKE-ISR's compilation

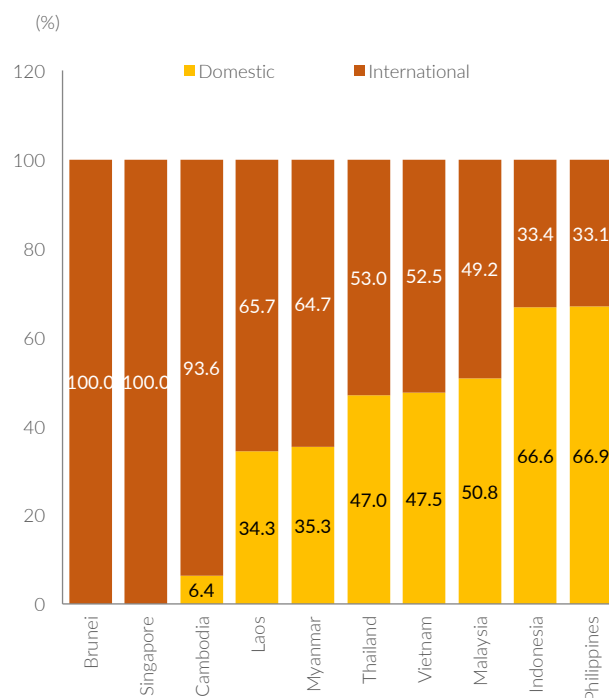
With limited vaccine availability while much of GDP depends on tourism, Thailand plans to re-open Phuket in July 2021, having vaccinated the island population by then.

Similarly, Indonesia plans to re-open Bali in July 2021 as well, whereas Singapore and Malaysia plan to re-open fully in 2022.

Singapore and Malaysia should be fully re-opened in 2022, while Thailand and Indonesia should be partially re-opened in July 2021, with Phuket and Bali respectively

	Re-opening plans	
Indonesia	July 2021	Bali
	2022	Full re-opening
Malaysia	2022	Full re-opening
Philippines	2022	Full re-opening
Singapore	Currently	Open for tourism for travellers from Australia, Brunei, China, New Zealand and Taiwan, subject to 1-2 days quarantine
	Beginning 2022	Full re-opening expected
Thailand	July to September 2021	Re-opening of 6 destinations – Krabi, Phuket, Samui, Phang Nga, Pattaya and Chiang Mai
	January 2022	Re-opening all of Thailand
Vietnam	3Q 2021	Beach locations
	4Q 2021	Full re-opening

Domestic air travel could help revive tourism, due to pending of re-opening of borders – 2019



Source: Aseanstats.org

Domestic travel could recover before international travel

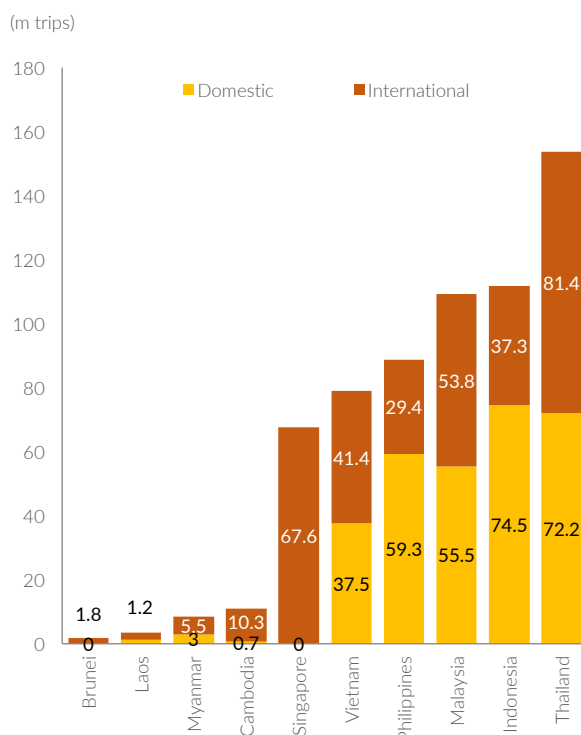
In archipelagoes such as Indonesia and the Philippines, air traffic is mostly domestic as it is the most convenient way to travel. Due to the pending re-opening of borders, domestic travel could be an important driver of tourism recovery.

Despite this, when international travel resumes (with mass vaccination), countries with the largest shares of international traffic, such as Singapore (100%), Thailand (53%) and Vietnam (52.5%) could thrive again.

We believe the recovery in ASEAN tourism could be slow and not visible until 2022 when most countries achieve their mass vaccination plans and re-open borders. Until borders are fully re-opened in January 2022, we believe that the domestic travel will be a key driver for the recovery. However, domestic tourism alone will not be able to replace the international travel, which is almost always more profitable (due to the longer stay nature of international tourism).

Among the ASEAN tourism names, we prefer the airport operators, AOT and ACV because of their monopolistic positions in airport business in the fast-growing destination.

Thailand is the largest travel market in the region – 2019

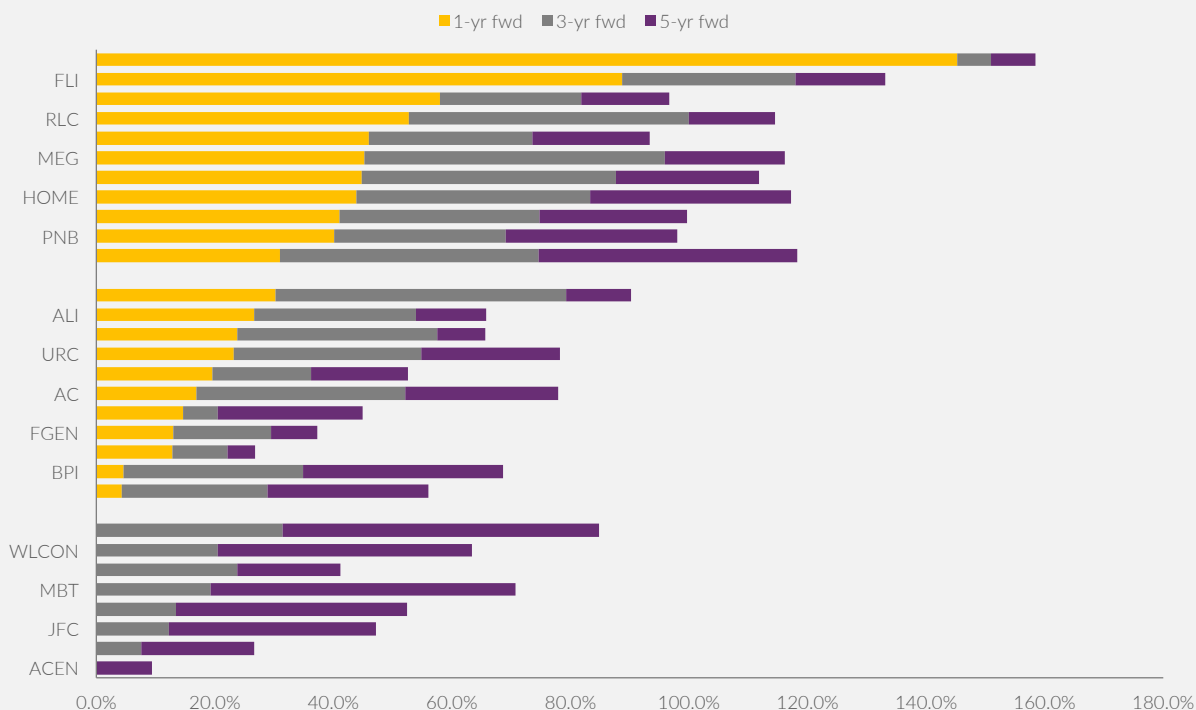


Source: Aseanstats.org

Philippines

Marching On

3-Year and 5-Year Returns



Note: Based on closing prices as of 27 May 2021
 Source: Bloomberg, Maybank Kim Eng

Veering towards defensives in a highly-reactionary, inflationary but recovering economy is a good short-term play but the market weakness (-7% YTD) offers an opportunistic window to pick up quality stocks, which could double in value in 5 years' time.

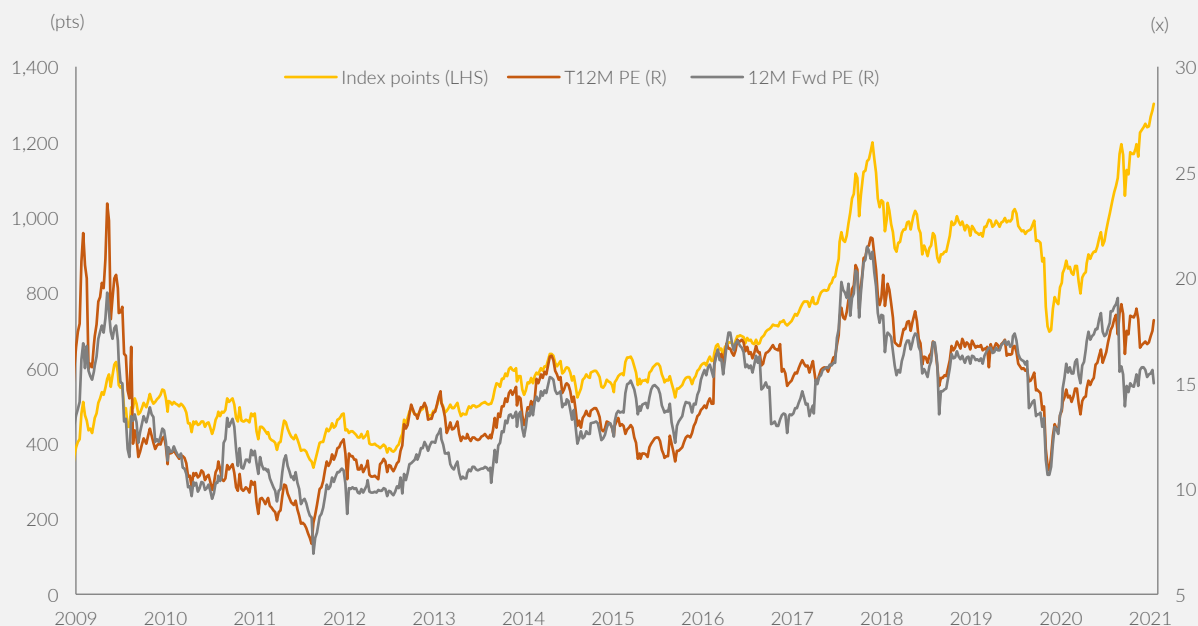
Reinforcing our BUY calls on our top market/sector ideas, among such multi-year plays include:

- Robinsons Land (RLC PM)
- BDO (BDO PM)
- PLDT (TEL PM)
- Converge (CNVRG PM)
- Universal Robina Corp (URC PM)
- Ayala Corp (AC PM)

Real structural market changes, which include reduction of the corporate income tax rate from 30% to 25% (CREATE Act) and the proposed lifting of foreign-ownership restrictions on public utility assets, further support our positive, long-term view on the Philippines.

Vietnam

Ready for the Next Big Wave

Vietnam's Market Valuation Remains Undemanding,
Thanks to Robust Earnings Growth Outlook

Source: Bloomberg

Vietnam's economic recovery remains intact and is supported by the improving manufacturing and exports outlook. The recent waves of Covid-19 outbreak (in Jan and the current one started from April 27) just briefly dampen the growth momentum but will not derail the recovery.

We believe the Vietnamese government has been doing well to control the Covid spread, and it has started speeding up procurement of vaccines, i.e. a new contract with Pfizer (for 31m dosages). As such, Vietnam has secured 110m Covid vaccine dosages, which will be rolled out by end-2021.

Local sentiment remains strong about recovery. Our economics team recently published macro updates and maintained its GDP growth forecasts for Vietnam at 6.5% for 2021 and 6.7% for 2022.

Vietnam's stock market saw a profound improvement in liquidity over the past one year, jumping by almost 4 times, reaching about USD870m per day on average during May 2021, which places Vietnam on par with the Singapore and Indonesia markets.

Foreigners, who net sold Vietnamese equities, can not ignore the market much longer. They are likely to return to the market in 4Q21 when Vietnam shows steady recovery solidified with higher vaccination against Covid-19.

Building on a stronger earnings growth outlook (+28% in 2021 and 18% in 2022) and rising market liquidity, we project the VNIndex to end 2021 at around 1,350pts, 22% upside from 1,103pts at end-2020, driven by banks, property, infrastructure-related industrials, logistics and consumers.

We expect some volatility and correction in the second half of June, which would represent better entry points into good stocks. Our Top Picks are unchanged:

- Banks: TCB, VCB, VPB
- Real Estate/IPs: VHM, NVL, VRE
- Consumers: MWG, PNJ
- Industrials: HPG
- Logistics: ACV, GMD
- Technology: FPT