

CHAPTER 4

EMPIRICAL FINDINGS

4.1 SUMMARY

The outbreak of the Severe Acute Respiratory Syndrome (SARS) has created public anxiety and taken a heavy toll on a number of economic sectors, particularly the tourism industry. No doubt it is hard to entangle the various factors that has affected the tourism related businesses mainly airlines and hotels throughout year 2003, it is suffice to say that the US-led war against Iraq, rising oil prices and the SARS menace has collectively reduced tourist flows worldwide.

Table 4.1: The revised growth rates by Morgan Stanley

COUNTRY	EARLIER ESTIMATE (%)	REVISED GROWTH (%)	CHANGES (%)
Taiwan	2.8	2.3	0.5
Hong Kong	2.7	2.1	0.6
Singapore	2.0 - 5.0	0.5 - 2.5	1.5 - 2.5
China	7.0	6.5	0.5
Malaysia	6.3	5.4	0.9
Thailand	5.80	6.1	Less than 0.3
Indonesia	4.1	3.4	0.7
East Asia (Excluding Japan)	5.1	4.5	0.6

Source: Morgan Stanley (2003).

Note : The Malaysian Economic Research Institute expects the country to lose RM200 million a month in tourism revenues alone.

As revealed by the information in Table 4.1 the growth rates of Singapore and Malaysia would be most affected relative to other economies in the region as these two countries depends considerably high on tourism based income.

The full impact of SARS depends on how quickly Malaysia curbed the disease from spreading as well as rebuilds confidence among the travelers. Although the country

has made impressive progress as far as the tourism industry is concerned, it must not let its guard down.

To illustrate the difficulty of responding to a highly infectious disease in an age when internet and wireless communication can spread fear faster than illness travels, it is useful to look at the divergent measures taken by the SARS hardest hit Asian nations.

While China dithered on the danger within its borders and kept the WHO from visiting its infected regions for critical days, Singapore imposed a mass quarantine on even healthy citizens and shuttered all schools after the first SARS death. Hong Kong on the other hand, as a freer, Western society might: balanced civil liberties concerns against medical risks: The result a rampant outbreak.

Malaysia in contrast took definitive steps to ringfence cases the moment it found probable danger. The problem was as soon as the authorities initiated proactive approaches by raising alert, it caused panic in the society.

4.2 IMPACT ON TOURIST ARRIVALS

Unmistakably, the SARS outbreak has affected the Malaysian tourism industry on the short run. The vulnerability of the industry added to the fact of the close geographic location of Malaysia with the most severely affected countries such as Singapore and Hong Kong has compounded the adverse effects.

Data compiled by the Malaysian Tourism Promotion Board (MTPB) for the period between January and March 2003 clearly shows the sharp drop in tourist arrivals from most regions. Refer to Table 4.2 for the detailed statistics.

The MTPB has classified the countries into five large regions namely Asia, Americas, Oceania, Europe and Africa. These respective regions are then divided into several sub-regions to reflect a more transparent picture of the tourist inflow to Malaysia.

Table 4.2: Malaysia Tourist Arrivals Year to Date 2003

REGION / COUNTRY OF RESIDENCE				2003 JAN-MAR NO	2002 JAN-MAR NO	2003/2002 CHANGE (%)	2003 SHARE (%)
	JAN	FEB	MAR				
GRAND TOTAL	1,070,428	985,343	819,376	2,875,147	3,075,737	-6.5	100.0
ASIA	879,999	821,948	683,125	2,385,072	2,641,764	-9.7	83.0
ASEAN	769,755	656,574	576,516	2,002,845	2,261,047	-11.4	69.7
BRUNEI DARUSSALAM	22,086	26,672	37,442	86,200	56,252	53.2	3.0
INDONESIA	60,502	56,536	53,040	170,078	166,643	2.1	5.9
PHILIPPINES	8,783	10,434	7,389	26,606	26,578	0.1	0.9
SINGAPORE	596,093	471,903	383,903	1,451,899	1,803,280	-19.5	50.5
THAILAND	80,371	87,891	92,078	260,340	201,893	28.9	9.1
VIETNAM	1,084	2,158	1,833	5,075	4,253	19.3	0.2
MYANMAR	654	714	658	2,026	1,699	19.2	0.1
LAOS	182	266	173	621	449	38.3	0.0
EASTERN ASIA	83,322	132,786	81,763	297,871	309,294	-3.7	10.4
CHINA	31,004	65,290	36,817	133,111	125,836	5.8	4.6
TAIWAN	14,934	20,444	12,342	47,720	51,309	-7.0	1.7
HONG KONG	3,691	11,331	5,578	20,600	28,914	-28.8	0.7
JAPAN	27,659	28,328	21,613	77,600	82,151	-5.5	2.7
SOUTH KOREA	4,450	5,361	4,416	14,227	17,860	-20.3	0.5
OTHERS	1,584	2,032	997	4,613	3,224	43.1	0.2
SOUTH-EASTERN ASIA	900	1,134	617	2,651	1,949	36.0	0.1
SOUTHERN ASIA	17,340	19,443	18,281	55,064	47,896	15.0	1.9
BANGLADESH	1,589	2,146	1,417	5,152	4,736	8.8	0.2
INDIA	12,605	13,147	12,736	38,488	33,616	14.5	1.3
IRAN	541	1,040	1,781	3,362	2,479	35.6	0.1
PAKISTAN	601	1,005	606	2,272	1,807	25.7	0.1
SRI LANKA	1,061	1,134	1,022	3,217	2,862	12.4	0.1
OTHERS	943	971	659	2,573	2,396	7.4	0.1
WEST ASIA	8,682	12,011	5,948	26,641	21,578	23.5	0.9
SAUDI ARABIA	1,348	2,737	1,095	5,180	4,478	15.7	0.2
TURKEY	653	953	482	2,088	1,362	53.3	0.1
U.A.E.	365	899	403	1,667	2,012	-17.1	0.1
JORDAN	284	319	163	766	859	-10.8	0.0
KUWAIT	221	749	179	1,149	1,364	-15.8	0.0
LEBANON	740	676	928	2,346	860	172.8	0.1
SYRIA	2,904	3,140	1,248	7,292	4,613	58.1	0.3
OMAN	688	703	371	1,762	1,425	23.6	0.1
OTHERS	1,479	1,833	1,079	4,391	4,605	-4.6	0.2
AMERICAS	32,737	33,153	22,211	88,101	72,867	20.9	3.1
CARIBBEAN	7,828	7,883	4,088	19,799	13,584	46.8	0.7
CENTRAL AMERICA	2,804	2,868	1,524	7,196	5,258	36.9	0.3
MEXICO	152	151	175	478	474	0.8	0.0
OTHERS	2,652	2,717	1,349	6,713	4,784	40.4	0.2
NORTHERN AMERICA	15,180	16,844	13,121	44,145	40,453	9.1	1.5
CANADA	3,163	3,605	3,011	9,779	9,586	2.0	0.3
UNITED STATES	11,820	12,036	9,899	33,755	30,611	10.3	1.2
OTHERS	197	203	211	611	256	138.7	0.0
SOUTHERN AMERICA	6,925	6,558	3,478	16,961	13,672	25.0	0.6
BRAZIL	326	299	236	861	639	34.7	0.0
ARGENTINA	209	264	120	593	336	76.5	0.0
VENEZUELA	1,031	1,024	728	2,783	1,480	88.0	0.1
OTHERS	5,359	4,971	2,394	12,724	11,117	14.5	0.4
OCEANIA	23,170	19,852	16,100	59,122	62,564	-5.5	2.1
AUSTRALIA	15,960	13,093	11,022	40,075	47,745	-16.1	1.4
NEW ZEALAND	1,925	1,654	1,482	5,061	6,145	-17.6	0.2
OTHERS	5,285	5,105	3,596	13,986	8,674	61.2	0.5
EUROPE	65,622	69,461	42,960	168,043	172,581	-8.4	6.6
EASTERN EUROPE	13,559	12,740	5,929	32,228	17,559	83.6	1.1
RUSSIA	1,163	539	415	2,117	1,921	10.2	0.1
OTHERS	12,396	12,201	5,514	30,111	15,638	92.6	1.0
NORTHERN EUROPE	20,393	22,789	18,366	61,548	93,393	-34.1	2.1
DENMARK	2,033	2,123	1,292	5,448	4,755	14.6	0.2
FINLAND	1,036	1,534	1,385	4,555	4,489	1.5	0.2
NORWAY	917	1,132	872	2,921	4,056	-28.0	0.1
SWEDEN	3,861	3,636	2,798	10,295	10,219	0.7	0.4
IRELAND	829	844	960	2,633	3,276	-19.6	0.1
UNITED KINGDOM	10,800	13,139	10,824	34,763	65,884	-47.2	1.2
OTHERS	317	381	235	933	714	30.7	0.0

REGION / COUNTRY OF RESIDENCE				2003	2002	03/02	2003
	JAN	FEB	MAR	JAN-MAR NO	JAN-MAR NO	CHANGE (%)	SHARE (%)
SOUTHERN EUROPE	10,459	9,925	5,606	25,990	17,314	50.1	0.9
ITALY	1,501	1,519	1,283	4,303	3,895	10.5	0.1
SPAIN	5,374	5,314	2,455	13,143	7,821	68.0	0.5
OTHERS	3,584	3,092	1,868	8,544	5,598	52.6	0.3
WESTERN EUROPE	11,211	14,007	13,059	38,277	44,315	-13.6	1.3
AUSTRIA	682	949	834	2,465	2,461	0.2	0.1
BELGIUM	458	663	603	1,724	1,988	-13.3	0.1
LUXEMBOURG	72	77	61	210	176	19.3	0.0
NETHERLANDS	2,523	3,067	2,754	8,344	10,387	-19.7	0.3
FRANCE	1,960	2,720	2,342	7,022	7,631	-8.0	0.2
GERMANY	3,953	4,653	4,844	13,450	16,257	-17.3	0.5
SWITZERLAND	1,323	1,549	1,412	4,284	4,950	-13.5	0.1
OTHERS	240	329	209	778	465	67.3	0.0
AFRICA	21,172	20,008	12,349	53,529	36,716	45.8	1.9
EASTERN AFRICA	8,870	7,682	5,136	21,688	16,857	36.8	0.8
MAURITIUS	708	586	424	1,718	1,773	-3.1	0.1
OTHERS	8,162	7,096	4,712	19,970	14,084	41.8	0.7
NORTHERN AFRICA	2,270	2,447	1,337	6,054	4,127	46.7	0.2
MIDDLE AFRICA	1,641	1,633	1,025	4,299	3,024	42.2	0.1
SOUTHERN AFRICA	6,996	6,832	3,850	17,678	10,872	62.6	0.6
SOUTH AFRICA	1,470	975	1,118	3,563	4,110	-13.3	0.1
OTHERS	5,526	5,857	2,732	14,115	6,762	108.7	0.5
WESTERN AFRICA	1,395	1,414	1,001	3,810	2,836	34.3	0.1
OTHERS	57,728	30,921	42,631	131,280	89,245	47.1	4.6

Source: Malaysian Tourism Promotion Board(2003)

From the data, one can easily see that the Asian, Oceania and European regions have recorded negative changes compared to tourist arrivals for the first quarter of year 2002. Although the Americas and African regions show improvements, i.e. positive change, it must be noted that the monthly tourist arrivals for all their sub-regions still reflect downward trends for the first quarter of 2003.

Table 4.3 sheds light into the overall change in tourist arrivals from selected markets for the first-half year of 2003 as compared to the similar period in year 2002. Here, only five out of thirty three or approximately 15.15 percent of the usual tourist market records insignificant positive changes. The United Kingdom, Hong Kong and Taiwan reported the highest drops. On average there was a decline of 30.7 percent in tourists arrivals of this category. (Table 4.4 provide the data for tourist arrivals from selected markets for the years between 2001 and 2002).

Table 4.3: Tourist Arrivals To Malaysia From Selected Markets (Jan – June)

Country of Residence	2002	2003	(%) Change
Singapore	3,844,641	2,444,256	-36.4
Thailand	542,684	499,645	-7.9
Indonesia	375,893	254,266	-32.4
Brunei	123,886	129,773	4.8
China	297,086	161,862	-45.5
Japan	165,704	101,486	-38.8
Taiwan	115,768	57,886	-50.0
Hong Kong	68,530	29,893	-56.4
South Korea	34,116	20,095	-41.1
India	90,648	60,437	-33.3
West Asia:	43,113	36,472	-15.4
Saudi Arabia	11,134	6,752	-39.4
Turkey	2,634	2,821	7.1
UAE	4,067	2,146	-47.2
Jordan	1,641	1,058	-35.5
Kuwait	2,189	1,271	-41.9
Lebanon	2,069	4,213	103.6
Syria	9,330	9,466	1.5
Oman	2,994	2,599	-13.2
Canada	18,275	13,701	-25.0
U.S.A	63,824	50,923	-20.2
Australia	97,034	62,919	-35.2
United Kingdom	131,804	55,509	-57.9
Denmark	9,101	7,599	-16.5
Finland	7,270	6,039	-16.9
Norway	6,798	4,155	-38.9
Sweden	17,291	13,824	-20.1

Germany	29,863	19,815	-33.6
Russia	3,091	2,803	-9.3
Italy	6,966	5,721	-17.9
France	13,673	10,199	-25.4
South Africa	6,838	5,603	-18.1
Others	518,462	539,954	4.1
TOTAL	6,632,359	4,594,835	-30.7

Source: Malaysian Tourism Promotion Board (2002)

Table 4.4: Tourist Arrivals To Malaysia From Selected Markets (Jan –Dec)

Country of Residence	2001	2002	(%) Change
Singapore	6,951,594	7,547,761	8.6
Thailand	1,018,797	1,166,937	14.5
Indonesia	777,449	796,128	-1.1
Brunei	309,529	256,952	-17.0
China	453,246	557,647	23.0
Japan	397,639	345,563	-10.8
Taiwan	249,811	209,706	-16.1
Hong Kong	144,611	116,409	-19.5
South Korea	66,343	64,301	-3.1
India	143,513	183,360	27.8
West Asia:	114,776	131,779	14.8
Saudi Arabia	39,957	45,007	12.6
Turkey	6,392	5,742	-10.2
UAE	13,762	14,124	2.6
Jordan	3,688	3,611	-2.1
Kuwait	7,458	10,470	40.4
Lebanon	4,413	5,336	20.9
Syria	18,205	21,109	16.0
Oman	7,284	8,432	15.8
Canada	38,935	34,996	-10.1
U.S.A	145,827	127,920	-12.3
Australia	222,340	193,794	-12.8
United Kingdom	262,423	239,294	-8.8
Denmark	19,770	17,297	-12.5

Finland	15,284	12,908	-15.5
Norway	12,530	11,589	-7.5
Sweden	35,053	29,044	-17.1
Germany	70,401	54,645	-22.4
Russia	4,276	5,067	18.5
Italy	20,636	16,805	-18.6
France	32,922	27,434	-16.7
South Africa	20,766	13,720	-33.9
Others	1,246,602	1,148,954	-7.8
TOTAL	12,775,073	13,292,010	4.0

Source: Malaysian Tourism Promotion Board (2003)

4.3 IMPACT ON TOURIST RECEIPTS

As information pertaining to tourist expenditure for the period between January 2003 and June 2003 is not made available by the MTPB at the time this paper was completed, it is suffice to say that given the strong positive correlation between tourist arrivals and tourist receipts it is expected to show a declining trend too. Naturally when fewer tourists visit Malaysia, the inflow of tourism-based revenue will also be less.

However, the data generated by the Malaysian Tourism Promotion Board on tourist receipts shows an insignificant growth of 6.44 per cent between year 2001 and 2002. Unfortunately, the data for the year 2003 was not available to enable further diagnosis. This is not surprising, for tourism receipts are found to be less sensitive to external forces as compared to tourism arrivals. Some events affect international tourist more than the domestic tourists. So, it is my understanding that during the SARS episode, Malaysians aware of the true danger of the outbreak and confident that the government is managing the risk, took advantage of the reduced hotel rates.

Reports and press releases generated by international research institutions also agree with the local figures. The reduced number of tourist arrivals and expenditure reflects the temporary fear and loss of confidence among the prospective tourists to Malaysia. SARS has also shed light on the impact of a socio-economical stability as a determining factor in tourism demand.