



Article Title

Understanding the impact of changes in consumer confidence on hotel stock performance in Taiwan

Citation

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Abstract

This study contributes to the hospitality literature by providing a comprehensive investigation of the effects of changes in consumer confidence in Taiwan on hotel stock performance, including hotel sales growth, hotel stock returns and the perceived riskiness of stock cash flows from holding hotel stocks (proxied by the risk of hotel stock returns).

Methods

The monthly consumer confidence index in Taiwan has been published by the Research Centre for Taiwan Economic Development (RCTED) at the National Central University on a monthly basis since 2001. The calculation of consumer confidence is based on the results of a nationwide telephone survey of 2400 randomly selected adults aged 20 or older, conducted in the third week of each month. Quantile regression method was used to determine the results of the study.

Results

Empirical test results reveal that consumer confidence can significantly benefit hotel stock returns by stimulating hotel sales growth and by lowering the perceived riskiness of hotel stock cash flows.

Conclusion

Quantile regression tests demonstrate that among six economic variables, only consumer confidence can consistently and significantly affect hotel stock returns, hotel sales growth and risks of hotel stock returns at all different quantiles. Changes in consumer confidence are also found to be significant in helping the prediction of hotel stock returns, hotel sales growth and risk of hotel stock returns. Specifically, an increase in consumer confidence can cause an increase in hotel stock returns and hotel sales growth and a decrease in risk of hotel stock returns.