Impact of COVID-19 on Tourism Industry: A Review

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Abstract
The outbreak of COVID-19, labeled as a black swan event, causes significant damage globally due to its fatality. The COVID-19 pandemic has expanded across the world by creating shocks in almost all the industries due to the restrictions, curfews, stay-home and work-from-home policies, and quarantines. As a result of the health and economic crisis with the COVID-19 pandemic, the tourism sector got severely affected. The UNWTO has estimated a loss of approximately 1.1 billion international tourist arrivals, with a loss of US$ 910 to 1.1 trillion export revenues and 100-120 million jobs due to the wider spread of the novel coronavirus. Therefore, this paper aims to determine the impact of the COVID-19 outbreak on the tourism industry on a global scale. The study focuses on all countries in the world and discovers the challenges they confronted in tourism and the strategies to overcome those challenges in the short- and long-term while minimizing the economic shocks due to the pandemic. The researchers use a secondary source of data due to the unavailability of essential data for further statistical analysis. The significant findings highlighted the negative impact of the Virus outbreak on the tourism industry and the decline of supporting sectors such as air travel and hospitality industry in a global context. The paper illustrated the adverse effects of COVID-19 on the tourism industry with data available. The findings will help to face challenges in the tourism industry, and strategies to overcome viral infections in the future are recommended.

Keywords: COVID-19, Economic shock, International tourism, Travel restrictions

JEL Classification: Z32
1. Introduction

COVID-19 pandemic, labeled as a ‘black swan event,’ is more likely to cause severe damage to the economy from a disease outbreak (Shretta, 2020). COVID-19 (SARS-CoV-2) is a new virus that causes severe damage to the respiratory system. The novel coronavirus disease was first identified in December 2019 in Wuhan, China. The outbreak has significantly expanded across worldwide, leading the World Health Organization to declare COVID-19 as a pandemic on 11th March 2020. The COVID-19 has infected over ten-million people and caused over 500,000 deaths worldwide by June 2020 (WHO, 2020). The virus spread globally, and daily cases in the USA, South East Asia, and Africa are increasing rapidly while the cases in Europe are declining. Movement restrictions, curfews, and travel bans were implemented by governments across the world to tackle the pandemic. Most countries are currently facing a second wave of the virus, which causes more damage than the first wave. Thus, most states have closed their borders to tourists. As per the IMF forecasts, the global economy may be more likely to contract by -3%, and the loss of GDP due to pandemic situations could be around nine-trillion US$ in 2020 (IMF, 2020a). Hence, COVID-19 creates economic recession due to quarantines, travel restrictions, and social distancing, and significantly impacts economic growth worldwide. The United Nations World Tourism Organization (UNWTO) reported 100% travel restrictions on global destinations in 2020. As a result, international tourism and domestic tourism have become more complicated than in other industries.

Travel and Tourism is one of the critical sectors in the global economy, which accounted for US$ 2.9 trillion to GDP in 2019; this is the highest contribution by sector to the GDP, 29% of world service exports, and 300 million jobs worldwide (Gamage et al. 2020; UNWTO, 2020). The tourism sector has the highest economic contribution in developing (Gamage et al. 2018) and developed countries and is one of the fastest-growing economic sectors worldwide; in 2018, 1.4 billion international tourist arrivals worldwide have been identified.

The travel and tourism sector is one of the most affected sectors in the economy due to the COVID-19 pandemic (Shretta, 2020). Due to the health and economic crisis caused by the pandemic, the tourism sector is affected on a large scale. The UNWTO has estimated a loss of approximately 1.1 billion international tourist arrivals, with a loss of US$ 910 billion to US$ 1.1
trillion export revenues and 100-120 million jobs due to the wider spread of the novel coronavirus.

The main objective of this study is to determine the impact of the COVID-19 outbreak on the global tourism industry. The research focuses on all countries and determines the challenges they faced in tourism, and the strategies to overcome those challenges in the short- and long-term while minimizing the global economic shocks due to the pandemic. The study also concentrates on the impact of the other main sub-services supporting tourism sector development, such as hospitality, air travel, food and beverages, transport, and communication. A developing country needs to protect people and maintain a healthy tourism industry in the short-term. The governments should make strategies to protect workers in the tourism industry, and at the same time, governments can offer financial relief with low-interest loans or grants. Thus, this study focuses on the impact of COVID-19 on the tourism industry and evaluates challenges faced by tourism as a main sub-sector of the economy.

Investigations on the impact of COVID-19 on the global tourism industry are extremely rare in the existing literature. Only limited literature was available on the effect of COVID-19 on economic growth, and it was difficult to identify a significant research article that addresses the challenges for the tourism sector due to the pandemic. However, many reports by UNWTC, WTCC, and UNCTD have identified the impact of COVID-19 on the tourism sector. Thus, the main contribution of this study to the existing literature is adding new and most significant relationships with the COVID-19 pandemic and the tourism sector globally, which is the least discussed area in literature due to the less availability of data.

In this review, the Introduction is followed by Sections 2, 3, and 4, which are the Literature review, Research methodology, and Discussion and findings, respectively. Finally, Section 5 presents the conclusion of the study with recommendations and future directions.

2. Literature review

This section focuses on the theoretical and empirical findings of the COVID-19 outbreak and the global tourism industry. The tourism industry has been identified as of key economic sector that faced more challenges due to the COVID-19. The study argues that the tourism sector plays a
prominent role in the economic growth of a country, and further illustrated that the COVID-19 pandemic affected the tourism sector, ultimately leading to risks in the economic growth of a nation. The main argument of the present literature review has been developed in the following sections.

Tourism is one of the most important sectors in the global economy, significantly contributing to the world’s GDP (Gamage et al., 2017). The term tourism can be defined as a ‘social, cultural, and economic phenomenon that causes movement of people to the country, outside destination, or environment, for personal, business purposes’ (UNWTO, 2020; Lin et al., 2017). The tourism sector is a major source of employment globally, which is a labor-intensive industry. The supporting industries of tourism are accommodation, transportation, food and beverages, retail and culture, hospitality, and sports (WTTC, 2017). The tourism sector of a country provides benefits and opportunities for its people. The tourism industry belongs to the service sector of the economy, which has its unique characteristics (Haq et al., 2014; Gamage et al., 2017).

Main features of tourism fall within specific attributes of a service product. They are inseparability, heterogeneity, intangibility, and perishability (Loke et al., 2018; Ventura-dias, 2011). In the global economy, tourism plays a prominent role in economic development, and the increase in the tourism industry may positively influence economic growth. A significant number of previous scholars have considered the considerable task of the tourism industry in economic development (Gamage et al., 2020). According to the World Tourism Organization (WTO), tourism is considered one of the driving forces for economic development. The benefits of tourism to economic growth are creating the highest foreign exchange, employment opportunities, and revenue for a country (Steiner, 2006). Faiza et al. (2019) and Gamage et al., (2020) reveal that tourism is the fastest growing industry in developed and developing economies, and tourism is considered the largest source of employment opportunities with the highest revenue creator in an economy.

The COVID-19 pandemic situation badly hit on the economic development of almost all countries in the world. It caused the largest downfall of the economy in history. More advanced economies like the USA, UK, Japan, and Europe are also experiencing the downfall of their economies due to the spread of COVID-19. The World Trade Organization forecasts that trade activities may drop by 32% in 2020. The poor economic performance occurs due to the weak
demand, supply chain disruptions, travel restrictions, and the Lockdown policy, which are preventive actions for further spread of the virus. Those restrictions may pose pressure on the economic growth of the world. The International Labor Organization (ILO) estimates the impact of the COVID-19 pandemic to increase global unemployment between 5.3 million to 24.7 million (ILO, 2020). This leads to the loss of economic activities with loss of jobs. The COVID-19 outbreak impacts all sectors of the economy, such as manufacturing, tourism, financial, service, trade, transport, and people in every field in every country with more significant economic shocks. Due to the uncertainty and fear of the pandemic, most firms are more likely to have low profits as people are advised to stay at home, with travel bans and cancellation of events, and the prohibition of mass gatherings (Horowit, 2020; Elliot, 2020). The COVID-19 outbreak causes sudden economic disruptions with demand and supply shocks in almost every sector of the economy (El-Erian, 2020).

The travel and tourism sector is more likely to get influenced by the COVID-19 pandemic (Shretta, 2020). The global tourism sector accounts for more than 10% of the global GDP and 30% of the world’s export services (World Bank, 2017). Among all segments in the economy, Tourism is one of the main sectors which impact the economy as many governments impose travel restrictions, travel bans, shutting down airports, and mass passenger cancellations. Thus, the tourism industry cost with a loss of over US$ 820 billion in revenue globally due to the COVID-19 pandemic (Ozili & Arun, 2020). Besides, the hospitality industry has been mainly affected due to the policies of stay at home and social distancing imposed by most governments and by cancellations of bookings, which may cost about US$ 150 billion worldwide. Ahikul et al. (2020) revealed that coronavirus significantly affects the Chinese tourism industry. The hospitality and tourism industry in China usually earns huge profits, but the COVID-19 pandemic resulted in postponing most tourist visits to China, heavily affecting the tourism industry in China (Aljazeera, 2020). Furthermore, the positive impact on online traveling agencies, hotels, bars, restaurants, and other traveling agencies was revealed.

Scholars have identified the impact of various previous epidemics on the economy and the tourism industry. The earlier studies have determined that such pandemics have relatively less impact than the COVID-19 outbreak in 2020. The notable epidemics and pandemics which influenced the world economy are H1N1 influenza, SARS, HIV AIDS pandemic, Ebola virus,
Zika virus, and now, COVID-19. Those pandemics and epidemics create huge economic losses globally. The SARS epidemic was the most influential disease in the tourism industry, as it affected international air travel for six months (IATA, 2020).

Nevertheless, the COVID-19 outbreak may cause relatively greater influences than other previous pandemics. As the COVID-19 epidemic spread globally, international tourist arrivals are forecasted to decline in 2020 by up to 30%, with a loss of worldwide tourism revenue of US$450 billion (UNWTO, 2020a). This is ten times more than the global financial impact of the SARS epidemic (Shretta, 2020). Thus, it can be concluded that the COVID-19 outbreak is expected to critically impact international tourism compared to the previous pandemics and outbreaks in the world.

The tourism industry’s decline may severely impact employment and supply chain income. Countries that heavily depend on the tourism sector may experience massive recessions in the labor market and the GDP of the country. The main sub-sectors involved with the tourism sector are health, financial, constructions, trade, air transport, accommodations, food and beverages, transportation, and communication. Thus, all such sub-sectors are negatively influenced by the decline of the tourism sector (UNCTD, 2020). As per the WTTC (2020), the tourism industry is more likely to recover slower than the other sectors in the economy, as the previous pandemics have taken more than 19 months to recover.

The impact of COVID-19 on economic development will be discussed less by future scholars due to the lack of data availability. A considerable amount of studies is available on the negative growth of economies with the COVID-19 outbreak influence (UNCTAD, 2020). Among them, only a few scholars have identified the negative impact of the global tourism industry due to the COVID-19 pandemic (Shretta, 2020; Ahikul et al., 2020; Aljazeera, 2020; Ozili & Arun, 2020). Thus, the present literature is much needed to review the coronavirus’s impact on the tourism industry, as tourism is one of the most significant sectors in both developing and developed economies in the world. The findings may help to overcome economic shocks that occur due to the COVID-19 pandemic.

Based on the above theoretical and empirical findings on COVID-19 and tourism industry, the main argument of the study can be developed as follows: The COVID-19 pandemic is the most commonly identified severe economic shock in every country in the world. It created critical
global financial losses, just in six months. International tourism faced the most vulnerable situation with the pandemic due to travel restrictions, social distancing, and quarantine policies, a common feature of major governments. In this regard, the tourism sector could be pinpointed as the sector, which is most severely and negatively affected by the unpredicted economic shocks in countries. Thus, this study addresses the impact of COVID-19 pandemic in the tourism industry to determine growth strategies that address the challenges of economies and tolerate the tourism sector amidst the epidemic.

3. Methodology

This review used secondary data for analysis. As the first step of the secondary research, the study developed a research question; “What is the impact of COVID-19 outbreak on the tourism industry in the world?” The researchers then detected, evaluated, and prepared a conclusion on the secondary data set. The study mainly used reviews, journal articles, and reports from WTCC, 2020; UNWTO, 2020a, 2020b; UNCTAD, 2020 and the World Bank, 2020. Further, news articles and web pages were referred to collect the secondary sources of data. As the first step of the analysis process, a literature review was conducted in Section 2 using the journal articles and various reports available to the researcher. The statistical data gathered from the reports were used to further analyze the impact of coronavirus on the tourism industry. Thus, the descriptive analysis regarding the tourism industry and other supporting sectors to the tourism industry was conducted using the available data.

4. Discussion

Globally, the COVID-19 outbreak creates a riskier situation in the tourism industry. As many governments impose travel restrictions, the tourism industry faced depression over other sectors in the world. Table 1 indicates the COVID-19 cases in the world.
**Table 1: COVID-19 Cases - World**

<table>
<thead>
<tr>
<th>World</th>
<th>January</th>
<th>February</th>
<th>March</th>
<th>April</th>
<th>May</th>
<th>June</th>
<th>July</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cumulative Cases</td>
<td>9826</td>
<td>85225</td>
<td>799674</td>
<td>3135141</td>
<td>6028755</td>
<td>10273541</td>
<td>17106007</td>
</tr>
<tr>
<td>Deaths</td>
<td>213</td>
<td>2921</td>
<td>38516</td>
<td>227741</td>
<td>368973</td>
<td>505311</td>
<td>668910</td>
</tr>
</tbody>
</table>

Source: WHO, 2020

**International Tourist Arrivals**

The COVID-19 outbreak created critical challenges for the global tourism sector. Thus, UNWTO estimates that global international tourist arrivals could decline between 20 percent to 30 percent with a loss of US$ 30 to 50 billion. The available data in UNWTO has pointed out a 22% decrease in international tourist arrivals in the first quarter of 2020, with a 57% reduction of tourist arrivals in March. This represents a loss of 67 million international entries in the first quarter of 2020 compared to the same period last year. In the case of the regions, Asia and the Pacific region, the first region to suffer the impact of COVID-19, experienced a 35% decrease in tourist arrivals in the first quarter of 2020. With a 19% decline in tourist arrivals, Europe was the second-most affected region in the tourism industry.

The international tourist arrival information in 2020 by months was difficult to collect due to the lack of available data. The foreign tourist arrivals can be evaluated by the international tourist arrivals data in the years 2019 and 2020, as per Table 2.

**Table 2: International Tourist arrivals by month (January to June- World Data)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Tourist Arrivals (thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>January</td>
</tr>
<tr>
<td>2019</td>
<td>96563</td>
</tr>
<tr>
<td>2020</td>
<td>98453</td>
</tr>
</tbody>
</table>

Source: UNWTO, 2020
According to the UNWTO data, international tourist arrivals declined drastically in 2020, as illustrated in Chart 1. The percentage change of the tourist arrivals by the regions in the world is presented with available data in UNWTO.

*Chart 1: International Tourist Arrivals Percentage Change by Month (January, February, March) 2020*

As explained in the literature review, the decline of the tourism industry may impact various sectors in the economy, especially the hospitality & air travel industry that supports the tourism industry. The impact on each sector with the spread of COVID-19 is further demonstrated in the following sections.

4.1 Air Travel Industry

The air travel industry is one of the hardest affected sectors in revenue due to the COVID-19 outbreak. It is common in most countries with travel restrictions, travel bans, and cancellations of flights with the coronavirus issue. The available data on the International Civil Aviation Organization (ICAO) indicates a 38% decrease in world total air capacity in March 2020. According to ICAO data, the number of international passengers declined from 44% to 80% in 2020 due to the COVID-19 outbreak (UNWTO, 2020a). The air bookings show the highest decline worldwide. Asia and the Pacific region (-98%) show the biggest drop and started to decline earlier, with the introduction of travel restrictions in China. Air bookings from Europe (-76%), the Americas (-67%), Africa, and the Middle East (-65%) all had severe declines in the first quarter of 2020 (UNWTO, 2020a). IATA forecasts a total loss of 113 billion US$ to the airline industry.
4.2 Hospitality Industry

Hotels around the world face cancellations of bookings due to the pandemic situation. Thus, the Hotel industry lost US$ 150 billion, mostly affecting the employees in the industry. Thus, the impact of the COVID-19 outbreak on the hospitality industry can be evaluated using room booking cancellations and the status of hotel industry workers. The hotel industry in all world regions recorded a massive drop in the global revenue per available room, e.g., Asia (-67.8%) and Europe (-61.7%). Also, the global occupancies in countries decreased significantly in March 2020, from 20% to over 70% worldwide (UNWTO, 2020a).

The negative relationship between virus outbreaks of the tourism sector has been illustrated by prior studies based on the Ebola virus and the outbreak of SARS (Kongoley-MIH, 2015; Zeng et al., 2005). The COVID-19 epidemic is the most severe virus outbreak, which profoundly influences the world economy compared to the previous outbreaks. The UNWTO data further illustrated that 850 million to 1.1 billion fewer international tourist arrivals with a loss of export revenues from tourism 910 billion US $ to 1.2 trillion US $ in 2020 due to the coronavirus epidemic worldwide. It also enhanced that 100 to 120 million direct tourism jobs are at risk. The above findings revealed a negative relationship between the COVID-19 outbreak and the tourism sector.

5. Conclusion

This study focuses on the impact of the COVID-19 outbreak on the world tourism industry. The outbreak of COVID-19 is a novel pandemic that severely impacted the lifestyle of the majority of people across the globe. The critical economic shock to every person and every industry in most countries is the most common feature of the novel coronavirus. COVID-19 has a significant impact on economic growth worldwide and creates an economic recession due to quarantines, travel restrictions, and social distancing. The United Nations World Tourism Organization (UNWTO) reported that the 100% travel restrictions on global destinations in 2020 had the hardest hit on the tourism industry, compared to the other trades. Previous scholars also evaluated the negative impact of a virus outbreak on the tourism industry. The unavailability of sufficient data regarding the outbreak of COVID-19 is more challenging to point out a specific influence on the tourism industry. The study found the decline of tourist arrivals and tourist revenue in the world and regions in the world in 2020. It also further evaluated a sudden decrease
in the air travel industry, hotel industry, and employment. Thus, it can be concluded that the COVID-19 pandemic era hit hard in the tourism sector.

The study concludes with more limitations than the other studies because of the limited data available data on the COVID-19 outbreak. Besides, the outbreak is still within the society creating severe health and economic problems across the world. This study is to be continued in the future with the availability of statistical data to the researcher. The present study concludes with the currently available data as it faces difficulty in gathering adequate data for the analysis.

References


