

## **THE IMPACT OF COVID-19 PANDEMIC ON GLOBAL TOURISM INDUSTRY**

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### **Abstract**

*Tourism is a complex economic and social phenomenon, that has an impact on several sectors, such as culture, education and the national economy. Travel restrictions implemented in all countries of the world due to the Covid-19 pandemic have made the tourism industry one of the most affected since the very start of the virus spread. Therefore, in 2020 there was a 73% decrease in the number of tourists, representing a loss of 1.3 trillion dollars recorded by the tourism industry. In this context, the paper aims to analyse the impact of Covid-19 pandemic on the tourism industry, as well as the measures adopted to mitigate the effects of the virus on this economic sector.*

**Keywords:** *tourism and travel industry, Gross Domestic Product, COVID-19 pandemic*

**JEL classification:** *L83, M21*

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### **1. Introduction**

Tourism is an important industry that offers an impressive added value due to its socio-cultural and economic effects, the contribution to the creation of well-being and to the solution of the unemployment problem. International tourism is one of the most dynamic areas of trade and service provision. Thus, many countries with a valuable tourist heritage, invest large sums in developing the tourism industry (Gribincea et.al, 2015).

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Tourism represents one of the linchpins of the global economy, but the unprecedented health crisis caused by COVID-19 has made tourism the most vulnerable industry (Ma et al., 2020).

In this context, Table 1 presents the countries that had the largest capital investment in the travel and tourism sector in 2019. It includes the capital investments made by all industries directly involved in the travel and tourism sector. Also included are investment expenditures by other industries with specific tourism assets, such as new accommodation and passenger transport spaces and equipment as well as restaurants and leisure facilities for tourist use.

**Table 1: The countries with the highest capital investment in Travel& Tourism in 2019**

Capital investment		Constant US\$BN
1	United States	208.9
2	China	167.5
3	India	44.5
4	Japan	40.3
5	Saudi Arabi	38.0
6	France	35.5
7	Germany	34.8
8	United Kingdom	24.9
9	Spain	19.8
10	Australia	18.3

Source: World Travel & Tourism Council, Global Economic Impact & Trends, 2020

As can be seen from the data in the table above, the United States recorded a contribution of \$208.9 billion, closely followed by China with \$167.5 billion, while in Australia the capital investment in the tourism and travel industry was of 18.3 billion dollars, in 2019.

Being an industry, whose development depends significantly on several factors, including political, environmental, socio-economic (Novelli et.al, 2018), tourism has managed to relaunch over time as a result of the influences exerted by a series of events (earthquakes, terrorism) or pandemics

(SARS, ZIKA etc). But the reality is that the COVID-19 pandemic is not only different but also one that will determine structural and profound changes in the long run.

Moreover, COVID-19 pandemic must be considered a transformative opportunity (Mair, 2020) thus, it becomes opportune and necessary not only the relaunch of tourism but also the reinvention of this vital sector of the economy.

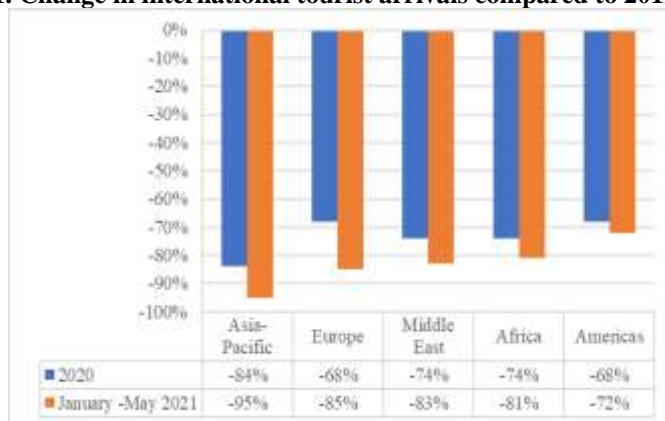
The tourism industry is a key sector for the economy of many countries, so that it becomes appropriate to know the impacts of COVID-19 on tourism industry. In order to achieve this objective, the methodology consists of the descriptive data analysis of various studies and reports developed by World Travel & Tourism Council and Statista.

## **2. Exploring the effects of COVID-19 pandemic on tourism industry**

The economic importance of tourism is visible in the use of resources, in the degree of employment, in stimulating investments and in the share with which this industry contributes to the Gross Domestic Product.

Worldwide, the measures imposed by the COVID-19 pandemic, such as lockdowns and travel restrictions, caused a 73% decrease in the number of tourists in 2020 compared to the previous year, and by 85% between January and May 2021 compared to the same period in 2019. In this context, figure1 shows the change in international tourist arrivals compared to 2019, by region.

**Figure 1. Change in international tourist arrivals compared to 2019**



Source: [www.statista.com](http://www.statista.com)

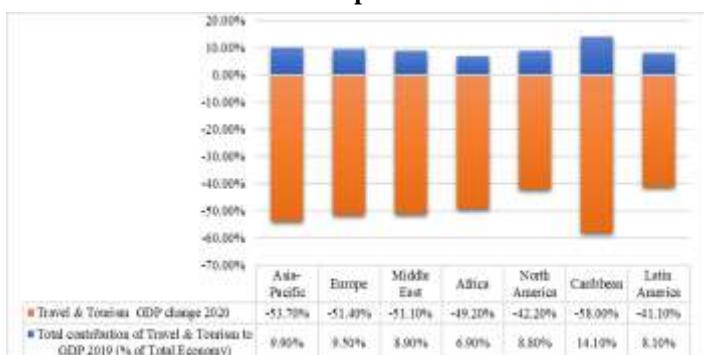
Analysing the data contained in the figure above, we notice that the most affected region continues to be Asia-Pacific (-95%), followed by Europe which has gone from bad (-68%) in 2020 compared to 2019 to worst (-85%) in the first five months of the year, due to the fact that current levels of tourism depend on restrictions, and Europe is still one of the most restrictive regions in terms of travel.

Furthermore, worldwide, the international visitor spending decreased from \$1,691.5 billion in 2019 to \$517.6 billion in 2020, representing a percentage decrease of 69.4, while the domestic visitors spending declined by 45%, from \$4,295.1 billion before the pandemic to \$ 2,360.3 billion in 2020.

Globally, the important economic role of tourism is highlighted by its contribution to the growth of Gross Domestic Product and national income. According to World Travel and Tourism Council, before the Covid-19 pandemic, namely in 2019, the Travel & Tourism sector contribution to global Gross Domestic Product (GDP) was 10.4%, but due to the lockdowns and travel restrictions, in 2020 the percentage decreased to 5.5% of the global GDP, representing a loss of almost US\$4.5 trillion.

Thus, it should be noted that the region which recorded the highest drop in the contribution of tourism sector to the GDP was the Caribbean (-58%), in financial terms this represents a loss of 1,645 billion USD, followed by Asia-Pacific (-53.7%) and Europe (-51.40%) whose contribution to GDP has decreased by \$1,126 billion USD (see figure 2)

**Figure 2. Change in total contribution of Travel and Tourism to GDP compared to 2019**



Source: World Travel & Tourism Council, Global Economic Impact & Trends, 2021

In this context, since the G20 countries account for more than 80% of world GDP and tourism is one of the economic sectors that contributes to this regard, it becomes appropriate to know how the COVID-19 pandemic and the travel restrictions imposed have affected the contribution of tourism to GDP in the world's major economies (see table 2).

**Table 2: Largest travel & tourism economies - 2019 vs. 2020 rankings**

G20 Countries:		Travel & Tourism contribution to GDP (US\$ BN)		Travel & Tourism GDP change (%)
		2020	2019	
<b>1</b>	United States	1103.7	1869.7	-41.0
<b>2</b>	China	667.2	1665.6	-59.9
<b>3</b>	Japan	234.9	373.0	-37.0
<b>4</b>	Germany	208.8	393.1	-46.9
<b>5</b>	Italy	132.2	269.8	-51.0
<b>6</b>	France	123.2	240.5	-48.8
<b>7</b>	India	121.9	191.3	-36.3
<b>8</b>	United Kingdom	115.0	305.0	-62.3
<b>9</b>	Mexico	91.2	175.6	-48.1
<b>10</b>	Australia	81.4	149.1	-45.4
<b>11</b>	Brazil	78.0	115.7	-32.6
<b>12</b>	Spain*	75.4	202.1	-62.7
<b>13</b>	Canada	52.4	111.6	-53.0
<b>14</b>	Saudi Arabia	48.5	79.2	-38.8
<b>15</b>	Russia	40.1	75.5	-47.0
<b>16</b>	South Korea	39.9	73.2	-45.5
<b>17</b>	Turkey	35.5	77.6	-54.2
<b>18</b>	Indonesia	34.5	64.7	-46.6
<b>19</b>	Argentina	24.3	38.9	-37.5
<b>20</b>	South Africa	11.1	22.1	-49.8

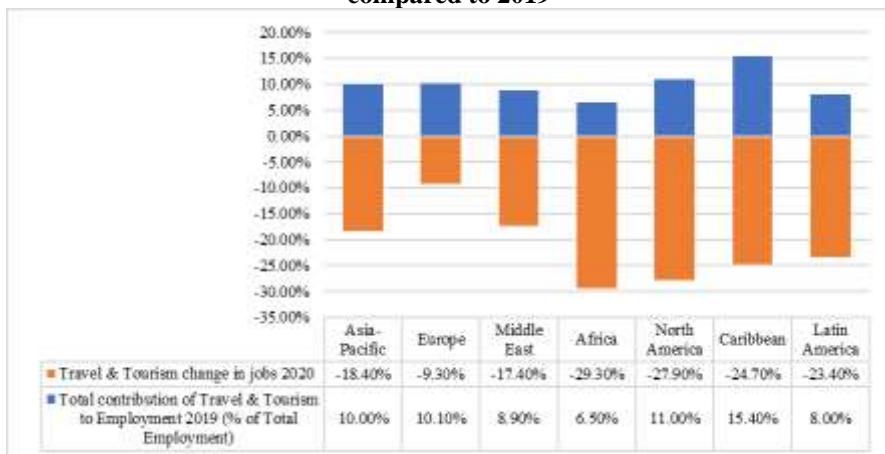
\*Spain is included here as it is invited to G20 events as a permanent guest.

Source: World Travel & Tourism Council, Global Economic Impact & Trends, 2021

Data contained in table above, indicates the fact that in Spain the travel and tourism sector contribution to GDP dropped by a staggering 62.7% compared to 2019, closely followed by United Kingdom with a decreased of 62.3%. In 2019, the tourism industry contributed with 11.6% to China's GDP; a share which decreased to 4.5% in 2020 due to travel restrictions.

From a social point of view, tourism has a significant contribution to the creation of new jobs, to the reduction of unemployment or to the emergence of new trades. Thus, a year before the onset of the pandemic, the tourism sector provided 334 million jobs worldwide, but this beneficial effect of tourism also suffered because of the restrictions imposed, leading in 2020 to a decrease in the number of employees in this sector by 18.5%, representing a loss of 62 million jobs. Thus, as it results from figure 3, Africa was the region most affected in terms of the contribution of tourism to employment, registering a decrease of 29.3%, respectively a loss of 7.2 million jobs. While in Europe the Covid-19 pandemic and the restrictions imposed last year reduced the contribution of tourism to employment by 9.3%, meaning a loss of 3.6 million jobs provided by this economic sector.

**Figure 3. Change in total contribution of Travel and Tourism to Employment compared to 2019**



Source: World Travel & Tourism Council, Global Economic Impact & Trends, 2021

In these conditions, a series of efforts have been made to mitigate the effects of COVID-19 on tourism and travel industry.

This year the European Union adopted a harmonized approach to safe travel and launched its COVID digital certificate (DCC), designed to ensure a common COVID-19 status verification system.

Another example of good practice in relaunching tourism in the current socio-economic context comes from China where the Ministry of Culture and Tourism and the Industrial and Commercial Bank of China ensures favourable credit lines for tourism enterprises.

Special tax exemptions and public taxes and deferments for tourism and hospitality-related businesses were adopted in Australia, Iceland or United Kingdom for supporting travel and tourism industry recovery.

Among the support measures can be mentioned the incentivising travel in Thailand – *We Travel Together* programme, through which the government covers up to 40% of room rates, food costs and attraction fees for a tour package of at least two nights – South Korea – *Special Travel Week* initiated by the Ministry of Culture, Sports and Tourism for promoting non-contact attractions and *Vacation Bonus Subsidy* programme through which the participating employers and employees of small companies benefit from a 25% government subsidized holiday bonus – and Argentina – *Tourism Presale Program* launched in 2020 to stimulate domestic tourism consumption through a coupon with a 50% discount on accommodation, food, transport and tourist attractions, at participating companies, for consumers who have purchased tourist packages for 2021.

Workers' protection measures have not been omitted either, in the United Kingdom and France schemes have been developed whereby governments provide a subsidy to employers to pay workers' wages and keep their jobs. Similarly, training and re-skilling programs have been developed in Singapore and Portugal through which employees acquire a range of emerging competencies so that they can respond to the future demands and challenges of the tourism sector.

Finally, to help economic downturn many governments adopted liquidity support measures for Destination Management Organisations (Canada), aviation and airports (USA)

### **3. Conclusions**

Globally, COVID -19 has triggered an unprecedented economic crisis, significantly diminishing tourism's contribution to GDP, and leading to the loss of 62 million jobs. With the spread of new and more contagious strains of the virus, an increasing number of cases reported daily, and new travel restrictions it is estimated that tourism will not return to pre-pandemic 2019 levels before 2023.

Worldwide the drop in the tourists' demand by 85% between January and May 2021 compared to the same period in 2019, has led to severe financial problems. In this context, many governments implemented support measures to help tourism and hospitality-related businesses through the pandemic, among which can be mentioned: a harmonised approach to safe travel; job retention schemes; training and re-skilling; favourable credit lines for tourism businesses; special tax & public fee exemptions and deferments for tourism; incentivising travel; liquidity support for many Travel & Tourism businesses.

Tourism represents a strategic pillar in economic activities, thus, to rebuild tourism for the future it becomes necessary to restore tourists' confidence by providing safe accommodation and travel arrangements, ensuring the necessary support to tourism companies to adapt, promoting domestic tourism and safe measures for a sustainable international tourism development.

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