

## Impact of COVID-19 on Tourism Industry

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### Abstract

Tourism plays an important role in the growth of international economy. In 2019, tourism sector accounted for 29 % of the world's services exports and 300 million jobs globally (UNCTAD, 2020). Tourism is an important source of global income and employment and contribute significantly in GDP of the countries. The global contraction of tourism arrivals due to COVID-19 could have devastating impacts worldwide.

The paper focuses on the study of the effects of closure of countries borders for visitors and tourists on the tourism industry worldwide due to COVID-19.

**Keywords:** tourism industry 2020, COVID-19, coronavirus, pandemic

### Introduction

By November 2020, COVID-19 have infected over 60 million people and caused death of over 1 million- worldwide (WHO, 2020). In most countries, the international borders are closed for tourists. As a result the International tourism has been totally suspended and domestic tourism also curtailed with the restrictions imposed due to lockdown. Although some destinations have started to open up for travelers slowly while many are afraid of international traveler.

But the long term closing of borders of countries have impacted adversely the global tourism industry and vast number of job losses.

According to UNWTO the following are the major statistics and data that confirm the devastating impact of COVID-19 pandemic on world-wide tourism industry.

- There is a decline of 70% in International Tourist Arrivals (overnight visitors) in January to August 2020 over the same period of last year among the major travel restrictions due to pandemic impact. It represents that 700 million fewer travel arrival as compared to the same period of last year i.e. 2019. And in term of financial loss, it represents loss of US \$ 730 billion in export revenues.
- Region-wise, Asia and Pacific are the most affected region with a decline of 79 % tourist arrivals in January - August 2020. Africa and The Middle East both recorded 69% drop this eight month period. While Europe saw drop of 68% and America 65%.



Fig: 1 (Source : UNWTO)

### Review of Literature:

As per WTTC report, 2019, Tourism contributed US\$ 8.9 trillion to the world's GDP, created around 330 million jobs worldwide. But the scenario has been reversed after the beginning of COVID-19.

The Covid-19 pandemic has severely impacted the tourism industry across the globe covering sectors like hospitality, tour operators, travel agents, air, land and sea transportation industry and others (Mondaq, 2020). The travel, tourism and hospitality industry has been decimated by the impact of the coronavirus COVID-19 outbreak (Phocuswire, 2020). It's predicted that 120 million jobs are at risk, with economic damage likely to exceed over \$1 trillion (Weforum, 2020).

**Research Methodology:**

Travel and tourism product is a unique kind of product, instead of being a single unit, it is the amalgamation of many products. Hence the impacts of the pandemic can be studied under all the components affected, which make it as a tourism product. During this period many studies have been conducted by international agencies to measure the impacts of the pandemic.

This research paper is the outcome of the secondary data used in the form of statistical data and reports of various national and international tourism agencies.

**Impacts of COVID-19 on Tourism Industry:**

With airplanes on the ground, hotels closed and travel restrictions implemented, travel and tourism became one of the most affected sectors since the very start of the virus spread (infomineo, 2020). The Hotel Industry right now is staring at a loss of ₹ 90000 Crores in revenue and it is expected to see only 30% occupancy till the next year and this organized sector is likely to lose \$25 Billion (timesnownews, 2020). Every component of tourism industry is being affected with the closure of the borders of the countries due to spread of the disease. The impacts of the pandemic can be seen on every area of the tourism industry viz. aviation industry, hospitality industry, travel agency and tour operations.

- **Impact of COVID-19 on Transportation Sector:**

Transportation sector is also a big hit during COVID 19. From rickshaw pullers to airlines, all have been affected economically by the pandemic. (Harikumar, 2020). As per the report given by CPPR (Centre for Public Policy Research), in a study conducted in September 2020,

Major findings regarding adverse impacts of COVID 19 on transportation:

- Due to reduced travel demand, Transport operators would face severe financial constraints in the immediate future.
- Public transport would be less preferred due to safety concern.
- It may take 1 -2 years on recovery on transport to normalcy.

- Government support is much needed by private sector, as these are adversely impacted.

- **Impact of COVID-19 on aviation industry:**

The dramatic drop in demand for passenger air transport (and freight, to a lesser extent) due to the COVID-19 pandemic and containment measures is threatening the viability of many firms in both the air transport sector and the rest of the aviation industry, with many jobs at stake (OECD, 2020).

COVID-19 is the largest shock to commercial air travel and aviation since World War II (IATA, 2020). According to IATA annual review report, 2020, the pandemic has the worst impact on the global aviation industry, previously the adverse impacts of 9-11 attack and Global Finance Crisis were thought to be worst. As the disease spread, its impact on air transport was felt

globally, beginning in February to a low point in April, when passenger traffic was down 94% from the year before and much of the industry was grounded (IATA, 2020). According to ICAO report, 2020, there is a reduction of overall reduction of 51% of seats offered by airlines and 2,887 to 2,892 million passengers in the year 2020 as compared to baseline (business as usual, originally-planned).

**Worldwide revenue passenger kilometers (RPKs) flown annually**

Source: IATA Economics, using data from IATA and ICAO

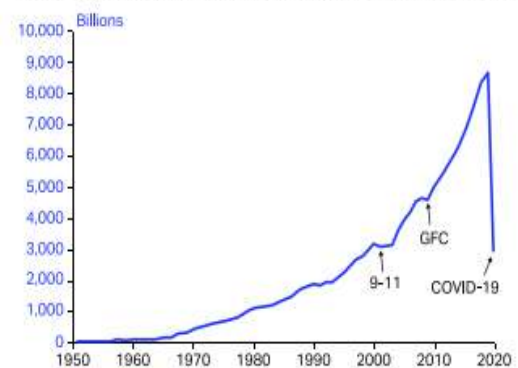


Fig. 2 Source: IATA

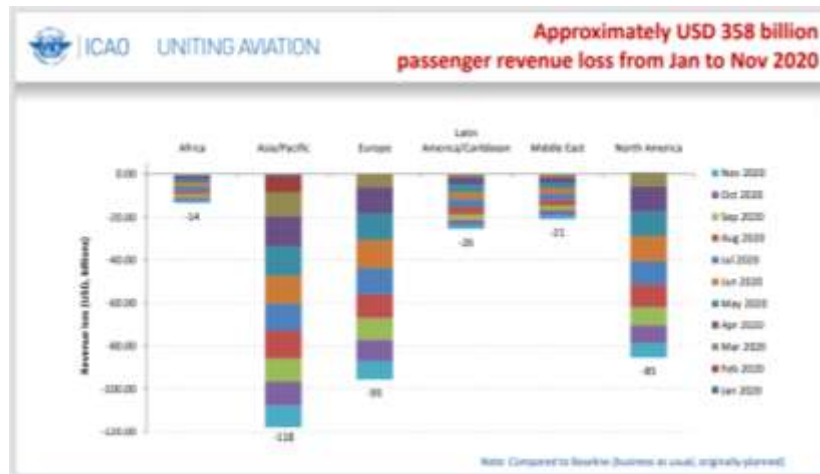


Fig. 3 Source: ICAO

And there is approximate USD 358 billion potential loss of gross passenger operating revenues of airlines.

Figure 3 reveals the passenger revenue loss of different regions between the time period of January to November 2020 as compared to baseline. Asia and Pacific is the worst hit with the loss of USD118 billion loss of passenger revenue during this period. Major setbacks also faced by industry in form of job loss. Aviation-supported jobs potentially fall by 46 million to 41.7 million (-52.5%) (IATA, 2020) and Direct aviation jobs (at airlines, airports, manufacturers and air traffic management) fall by 4.8 million (a 43% reduction compared with pre-COVID situation) (IATA, 2020).

As per IATA report, the airline passenger traffic at global level will not return to the pre-COVID levels until 2024. The industry has to face the hard time before achieving the same level of pre-COVID situation.

- **Impact of COVID-19 on Hospitality Industry:**

The adverse impacts of closure of travelling activities due to COVID-19 can be seen on the hospitality industry too. Strategies to flatten the COVID-19 curve such as community lockdowns, social distancing, stay-at-home orders, travel and mobility restrictions have resulted in temporary closure of many hospitality

businesses and significantly decreased the demand for businesses that were allowed to continue to operate (Bartik et al., 2020; Gurshoy& Chi, 2020).With the high chances of communicability of this disease and people being quarantined in their respective homes, the hotels are witnessing zero almost revenues over all the expenses of maintenance and other fixed costs that they have to bear (Expert Market Research, 2020). No event has impacted the hospitality industry greater than the coronavirus (hotstats, 2020)

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According to Northstar meetings group major hospitality brands like Hilton, Hyatt and MGM Resorts reported significant losses of \$81 million, \$161million and \$535 million respectively in Q3 of year 2020.

Using critical document analysis and tracking hotel bookings from machine learning data for five top global online travel agencies and the American Hotel and Lodging Association, among other authoritative sources, the study found that COVID-19 has had a devastating impact on the sector. COVID-19 has led to massive booking cancellations and record low bookings with adverse effects on annual accommodation bookings for 2020 globally (Nhamo et al.,2020).

There is a change in the pattern and behavior of the hotels while dealing with client now. And despite the fact that the hospitality industry has been one of the worst hit by the pandemic (up there with the airlines), out-of-the-box thinking by hotel chains have seen many adopting unconventional, if effective, new growth models to tide over the present crisis (The week, 2020). Some big brands have changed their strategies to occupy hotel rooms. Super luxury hotels like JW Marriott and Shangri-la all come for just around Rs 5,000, while the starred property Novotel Aerocity, owned by the owners of Indigo airline, offers fares around Rs 2,000 rupees (The week, 2020). Wedding is another opportunity for occupying the premises. at restaurants at leisure properties, where there is a rush,

it is a whole new way of dining—tables and chairs are kept apart, with some marked with ‘Do not sit’ signs. Menus come with QR codes, and even at buffets, dedicated waiters wearing protective gear take the required food item on request and serve it at the table, to reduce crowding at the buffet counters ( The Week, 2020). Some city business hotels offering scheme like take a room to work from home at peace and after the work is over activities and dinner with family in all inclusive package. For extra revenue, some hotels are offering discounted packages for next summer if book now to surmount the present cash crunch.

**Conclusion:**

Tourism industry has been hit hard by COVID 19. After releasing of lockdown barrier, safety measures are being taken care for opening of the industry in phased manner. Globally, in an effort to establish a harmonized approach towards setting guidelines around the reopening of the sector, WTTC launched the “Safe Travels” stamp, which has been designed to allow potential travelers to recognize establishments around the world which have adopted standardized health and hygiene protocols (Weforum, 2020).

To revive tourism successfully, governments together with travel and tourism sectors should prepare phased tourism recovery plans, in which travel bubbles can only be a stepping stone to a fully open regime (ADB, 2020). During the recovery phase, governments need to rebuild tourist confidence and encourage innovation and investment for a resilient and sustainable tourism sector (ADB, 2020).

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