

The Impact of the Tourism Sector of a Country's Economic Downturn: Pre and Post COVID-19 Pandemic

Maria Czarina N. Alagon, MBA

mcn.alagon@sscrmn.edu.ph

Institute of Graduate Studies

San Sebastian College Recoletos Manila, Recto Ave, Quiapo, Manila, 1001, Philippines

Abstract

The outbreak of the Coronavirus Disease (COVID-19) pandemic causes significant damages globally. As it expands across nations, economic aspect got severely affected whereas, a lot of countries were enforced of mass closure that decline all kinds of travel around the world.

Different tourism sector plays a major role in a country's economy as it offers a wide range of benefits that can boost the revenue of the economy and could create thousands of direct and indirect employments in a country. Due to COVID-19 pandemic, the tourism sector around the world is now facing an economic downturn.

The World Economic Outlook projected global economy would contract by 4.4 percent in 2020. The shock in tourism-dependent economies will be far worse. Among tourism-dependent Northern Hemisphere countries, Country X has been in the top 10 most visited country in the world unlike Country Y.

Equally, the economic consequences of the coronavirus pandemic have meant tourists are less inclined to spend more, with many expecting their disposable income to continue to fall in the succeeding months. Country X is recommended to review the different response plans of other countries in terms of a viral outbreak. It is also highly recommended that "Travel Bubble" concept should also be considered for countries to initially jumpstart the tourism industry.

The tourism industry, just like any other industry faces one universal truth: life after the pandemic will look significantly different.

Published by IJRP.ORG. Selection and/or peer-review under responsibility of International Journal of Research Publications (IJRP.ORG)

Keywords: *Tourism Sector; Economic Downturn; COVID-19 Pandemic; Gross Domestic Product.*

1. Introduction

Tourism sector is ideally linked to the idea of people travelling from one location to the another. It can be for leisure, business purposes, or social gatherings either domestically or internationally.

Different tourism sector plays a major role in a country's economy as it offers a wide range of benefits that can boost the revenue of the economy and could generate thousands of direct and indirect employments in a country.

Country X is in the list of top ten destinations around the world as they feature several tourist attractions. What makes them unique is because of their centuries-old cultural heritage sites, traditions, and civilization. For country Y, they have been considered as one of the underdogs in the tourism industry as they recently opened their borders to foreign influences and have just accepted the cultural diversity.

The first quarter of 2020 witnessed a game change to the global economy because of the Coronavirus Disease (COVID- 19). This caused a lot of countries to enforce closing their borders, a reason that decline all kinds of travel around the world.

According to the World Tourism Organization, tourism is one of the sectors most affected by the COVID-19 pandemic wherein, it impacted economies, livelihood, public services, and opportunities worldwide. They also added that the export revenues from tourism could fall by \$910 billion to \$1.2 trillion. This will have a greater impact and could reduce the global gross domestic product (GDP) by 1.5% to 2.8%.

2. Statement of the Problem

COVID-19 Pandemic did a great impact in the Tourism sector that make effect in economy globally. Countries around the world have forced to close their borders for international trade and tourism. Country X was included on the list of countries that were hit hard by the pandemic, forcing the tourism industry to temporarily shut down. Since country X has been known for their rich culture and destinations, the country was too dependent of the tourism industry, having more than half of the employment opportunities rely on it. Since the country was too reliant on the tourism industry, this resulted in the delay of the government's response on closing their borders to foreign nationals and the locales responded poorly upon the start of the pandemic.

3. Cause of the Problem

3.1. Tourism- dependent economies

According to the nonprofit World Travel and Tourism Council, which represents the international tourism industry, travel and tourism contributed \$8.8 trillion to the global economy in 2018 and was responsible for 10.4 percent of all economic activity. The council estimates that travel and tourism are responsible for 319 million jobs around the world.

As the COVID-19 pandemic hit hard the Tourism sector, a lot of countries are heavily affected and now experiencing a major economic downfall on those tourism-dependent economies.

According to World Travel and Tourism Council's Reliance on Travel and Tourism Among the World's

20 Largest Economies 2018 data as a percentage of GDP, Country X is belonging to the tourism-dependent economies.

3.2. *Foreign Exchange Earnings*

According to the World Travel and Tourism Council, the currency strength of the U.S. dollar often takes precedent in discussing the effect of exchange rates on global economy. But for travel and tourism, another measurement provides additional insights — measuring a destination’s currency against the currency in that destination’s primary visitor markets. They also added that this measurement is the called “visitor-weighted exchange rate”, and it is a nuanced way to assess the impact of exchange rates on travel and tourism trends and those countries that rely on a large proportion of tourists coming from one specific country are susceptible to changes in the exchange rate between these two countries.

It is evident that the outward exchange rate is just one piece of the puzzle in the tourism industry around the world. In the future, reporting, tracking, and pre-monitoring of these rates would be critical for the sector. Since the COVID-19 pandemic affects a lot of countries around the world, it is considered that it has also a vast effect on the exchange rate earnings.

The interplay of the evolution of the COVID-19 as it spread across the world with the dynamics of exchange rates has been fascinating to observe. With exchange rates, there are no absolute and everything is relative, and that is exactly how it worked with the virus. Countries seeing sharp daily rises in new COVID-19 cases typically saw their currencies weaken. When countries made progress containing the spread of the virus, that often set the stage for currency strength. (Putnam, 2020)

3.3. *Purchasing Power of the Tourist*

Globally, tourists continue to spend profusely before the pandemic and on some necessities such as groceries and household supplies. But due to the pandemic, tourists in almost all countries surveyed say they will increase their spend on at-home entertainment.

COVID-19 has changed nearly every aspect of the daily lives of tourists. Consumer spending is no exception. Generally, expenditures are down across all industries, as lockdown measures have restricted what tourists can purchase, due to restaurants and shops closed and air travel suspended. Equally, the economic consequences of the pandemic have meant consumers are less inclined to spend more, with many expecting their household income to continue to fall in the coming months. As tourists face with uncertainty, their

purchasing behavior became more inconsistent. What is clear however, is that they have lowered spending on all non-essential products and services.

4. Courses of Action

Countries have different responses for the pandemic, it is just a matter of how quick their government responded to it. In the case of Taiwan, they have been praised as one of the best countries that responded well with the pandemic. The government coordinated its efforts through its national health command center, established after the SARS outbreak, and integrated data from the national health, immigration, and customs systems. The government promoted health bodies, enacted travel alerts on affected countries, funded military personnel to facilitate mask production, and banned exports of the items to shore up.

Due to the present situation, millions of jobs in the tourism sector were lost given that most countries closed their borders. After months of exceptional disruptions, the United Nations World Tourism Organization (UNWTO) reported that the tourist sectors begin to revive in some areas in the world.

Domestic tourism is the same as domestic travel they are both characterized as a type of travel where departure and arrival take place in the same country. Though the trip is within one country this type of travel will still require a hotel stay and a flight if needed. It is possible to view local/regional travel in two distinct ways. One is to talk to people visiting their own backyards, seeing destinations near their hometown, and interacting with their own local culture. This type of trip is like staycation. Another way is to describe it by the act of travelers authentically interacting with the local community of destination they visit. Interstate travel refers to when a traveler in one state begins their journey and arrives in another, crossing state boundaries at their destination. Their trip could be for any cause, just for any domestic travel. The length of their stay in a hotel can determine the type of trip an interstate traveler takes. The lifeline the industry is hanging its sights on for the near future is domestic tourism. Regardless of how good a COVID-19 battle is, for some time, foreign travel is likely to be offline. Bookings and income would have to be sourced from the domestic market if hotels are to thrive. Solutions is to be educated and to use the right instruments to motivate yourself, at the right time, to behave the right way. Different means of assistance are distributed by states, regulations fluctuate, and the emotions of passengers are heavily influenced by their nation's health status.

5. Conclusion

Earlier COVID-19 pandemic, some countries are mostly dependent on its tourism sector as its source of income and employment. Due to the present circumstances, it caused millions of job losses and economic

hardships and wiped out many firms even the micro and macro enterprises especially with Country X. However, there is one consistency; the level of tourist confidence depends on the government's pandemic responsiveness. In this case, country Y has exhibited strong measures that made their place back to near normal situations. Thus, tourist arrivals have started to recover.

Ultimately, tourism would still be a big factor in the tourism sector of a country, but it can be a start to look for other variants that could help boost tourism and to survive with the new norms.

6. Recommendation

This COVID- 19 pandemic outbreak has led to a quick introduction to travel restrictions that severely affect the inbound tourist in different countries especially those tourism-dependent economies. Given this present situation, Tourism- dependent countries such as Country X should empower their Domestic Tourism to at least support their initial economic losses.

Another option for countries to restart is to establish so called travel bubbles or green corridors with other countries. This could be for business travel or leisure purposes.

When they venture out to fly again after COVID-19, planning, ability, and luck will all play a role in attracting national visitors. The explanation why chance is listed is that for some travelers, location and experience would be a major factor. After an extraordinary time of unsettlement in their lives, many could be finding health packages and spiritual refreshment. Most of the properties that can provide this are in rural areas outside major cities, but urban properties should consider the resources they have to offer this kind of experience, whether in the form of extended yoga or meditation sessions or related health practices. They will fly actively and have as much fun as they can, catching up on the time and memories they missed while in social isolation. Other travelers will have vengeance on their minds. But another category will be those who have been struck hard by the epidemic and as they fly, they will be highly budget aware.

Country X could also consider studying the strategies of country Y on how they responded to the pandemic so the tourism industry in their country could also start to revive. "Travel Bubble" is considered as a new concept of travelling wherein countries could have a special arrangement between them so that they could open their borders again but limited to essential travels only as it is still highly recommended that non-essential travels are still banned.

References

- FP Insider (April 2020) 'The Tourism Industry Is in Trouble. These Countries Will Suffer the Most. Retrieved from <https://foreignpolicy.com/2020/04/01/coronavirus-tourism-industry-worst-hit-countries-infographic/>
- Helble, M. & Fink, A. (September 2020). 'Reviving Tourism amid the COVID-19 Pandemic'. ADB Briefs, pg. 7.
- Putnam, B. (October 2020) 'COVID-19's Influence on Exchange Rates'. Retrieved from <https://www.cmegroup.com/education/featured-reports/covid-19s-influence-on-exchange-rates.html>
- UNTWO. 'Tourism and COVID-19- Unprecedented Economic Impacts'. Retrieved from <https://www.unwto.org/tourism-and-covid-19-unprecedented-economic-impacts>.
- World and Travel Tourism Council (August 2016) 'The Effect of Exchange Rate Trends on Travel & Tourism Performance'. Retrieved from <https://worldtraveltourismcouncil.medium.com/the-effect-of-exchange-rate-trends-on-travel-tourism-performance-8a74b3fb1233>
- World Economic Forum (May 2020) 'These charts show how COVID-19 has changed consumer spending around the world'. Retrieved from [weforum.org/agenda/2020/05/coronavirus-covid19-consumers-shopping-goods-economics-industry](https://www.weforum.org/agenda/2020/05/coronavirus-covid19-consumers-shopping-goods-economics-industry).