

# COVID-19 outbreak: the global impact of travel restriction on economy and society

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## Abstract

Novel coronavirus disease (COVID-19) remains one of the most important health problems encountered by the travelers. In December 2019, COVID-19 was initially recognized at Wuhan city in China. In order to control the transmission of the disease, governments of different countries throughout the world have chosen to lock down the entire country or parts of the country for variable time spans. Among other countries who have not opted for lock down or have relaxed lock down process, have decided to restrict mass gathering by shutting down hotels, restaurants, theme parks, cinemas etc. These measures have generated extreme disruptive effect of the travel ecosystem and significantly affect global tourism. The airlines and hospitality industries have most acutely been affected by the pandemic. For each month there will be an approximate loss of 2% points in annual GDP growth. The tourism sector alone faces an output decrease as high as 50% to 70%. The COVID-19 outbreak has brought our globe to a standstill with unmatched and unexpected impact on our lives, our economies, our societies and our livelihoods. So these impacts are growing risks of a global recession and a huge loss of jobs.

Keywords: COVID-19; airlines industry; tourism industry; hotel industry; Economy; Society

## 1 Introduction

Novel coronavirus (COVID-19) pandemic erupted in the Wuhan City of People's Republic of China in December 2019 [1, 2]. Today, one of the most serious health issues is the broad outbreak of COVID-19 disease, which so far has affected more than 200 countries and territories all around the globe. On March 11th the World Health Organization classified COVID-19 as a global pandemic. Emerging from China, COVID-19 rapidly spread too many East Asian countries and after performing its devastation acts in middle-east Asia and the entire Europe, this disease has now supposed to be epic entered at USA [3]. COVID-19 is an emergent global health crisis with more than 12728966 cases of infection including 565351 deaths on 13th July 2020 [4].

The hospitality sector, for its sustenance, is completely dependent on travel, trade and tourism. COVID-19 has created a bigger impact on tourism and travel industry than any disease outbreak in living memory. Online sale of flight ticket has also increased dramatically over the past decade [5]. COVID-19 is therefore among the most significant

travel-related infections encountered by travelers to COVID-19 prevalent countries in terms of morbidity and mortality. People who live in COVID-19 endemic countries are at high risk of contracting the infection. Individuals who travel to endemic countries are also at high risk of contracting COVID-19; therefore prophylaxis is suggested in certain situations. COVID-19 has dramatic effect on international and domestic tourism alike along with a range of sector specific impacts, including transport, travel and booking agencies, hospitality, restaurants, conventions and events, and attractions (Fig. 1). All people across the world are forced into self-isolation at home to prevent the spread of COVID-19. The important mortality and morbidity associated with the disease has created deep impact on the economies of developing countries. The contribution that international business travel makes to the world economy is highly significant. But in the current situation world economy is declining regularly. So these impacts are growing risks of a global economy and a huge loss of jobs. In this paper we discussed the impact of COVID-19 on hotels, airlines, cruise lines, tourism destinations, and other sectors of the travel industry.

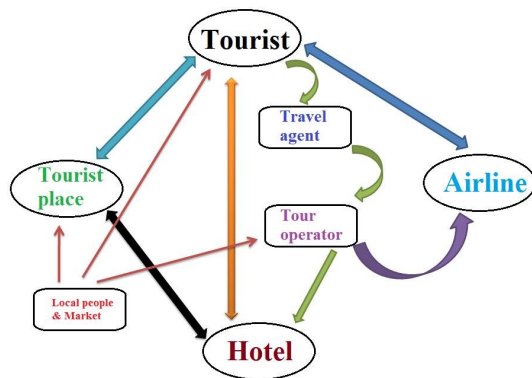


Figure 1: Inter-relation of hospitality, airline, travel and tourism industry.

## 2 COVID-19 and airlines industry

COVID-19 has critically disrupted the airline industry. As mentioned in IATA (2019) [6], “aviation’s global stature as an economic engine is evident in the statistics. If the global aviation sector were a country, its total contribution (direct, indirect, induced

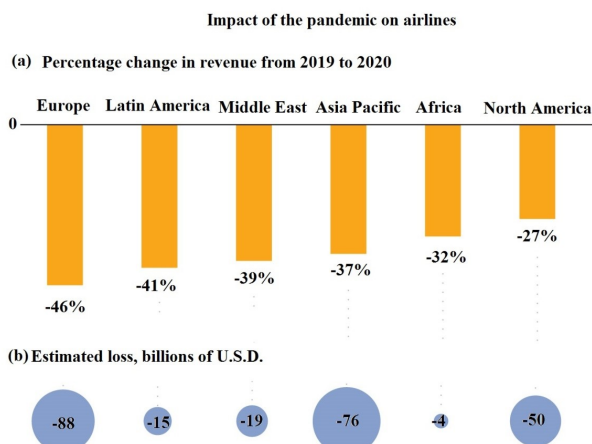


Figure 2: Impact of the pandemic on airlines, (a) Percentage change in revenue from 2019 to 2020 and (b) Estimated loss, billions of U.S.D. [Source: IATA; <https://www.nationalgeographic.com/travel/2020/04/charts-show-coronavirus-impact-on-travel-industries/>]

and catalytic) of USD 2.7 trillion to the gross domestic product (GDP), and the 65.5 million jobs it supports, would be comparable to the United Kingdom’s economic size and population”. In this pan-

demetic situation, with thousands of companies adopting the ‘work from home’ and ‘no travel’ policies. Different countries cancelling all domestic and international air travel due to the rapid spread of COVID-19. Many a countries were encouraging people to avoid non-essential travel even before COVID-19 had officially been considered an epidemic by the World Health Organization (WHO). Tourism industries are deeply interlinked to airline industry. Starting early February 2020, 59 airline companies suspended or limited flights to China and several countries including USA, Russia, Australia, and Italy have also imposed government issued travel restrictions [7-14]. All the national and international tourists have cancelled their air tickets due to COVID-19 outbreak. Naturally, the economic impact on airlines has been immense. IATA estimates that global air transport industry revenues could fall \$252 billion, 44 percent below 2019’s numbers due to the travel restrictions (Fig. 2) [15].

## 3 COVID-19 and tourism industry

Tourism, one of the biggest and fastest growing sectors has been considered as a susceptible industry. Every year, during summer and winter season, national and international travelers visit different tourist places such as beaches, tropical island resorts, theme parks, national parks, mountains, deserts, forests, historical places, monuments, art galleries, ancient temples, zoos etc. throughout the entire world. But the global outbreak of the pandemic has halted the world. It has affected various sectors of the economy. One of

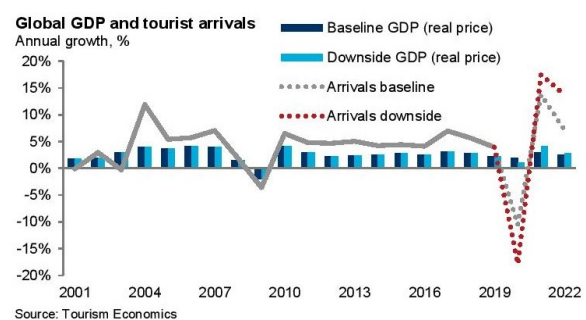


Figure 3: Global GDP and tourist arrivals (Source: Tourism Economics; <https://s3.amazonaws.com/tourism-economics/craft/Latest-Research-Docs/COVID-19-RB-Summary-TE-website.pdf>)

the industries that have been worst affected by the

epidemic is travel & tourism. According to UNWTO, Asia and the Pacific is the first region to suffer the impact of COVID-19 which saw a 35% decrease in tourist arrivals in Q1 2020. The second hit was Europe with a -19% refuse, followed by the Americas (-15%), Africa (-12%) and the Middle East (-11%). The tourism industry currently accounts for 10% of global GDP. For each month there will be nearly loss of 2% points in yearly GDP growth. The tourism sector alone faces a decrease in output anywhere between 50% to 70% in this period according G20 submmitt on COVID-19. The global pandemic has grounded airplanes, shut down hotels, and affected the tourism industry in many ways. SARS in 2003, and the 2009 global economic emergency are the existing references, but the present situation is unprecedented. In fact the UNWTO has revised its 2020 forecast and estimates that global international tourist arrivals and receipts could decline between 20-30% [16]. Global GDP is gradually decreasing (Fig. 3). So, it's evident that tourism is currently one of the most affected sectors during this pandemic [17]. UNWTO will continue to monitor the impact of COVID-19 on tourism industry [18].

#### 4 COVID-19 and hospitality industry

Hospitality industry is largely interlinked to travel and tourism industry. So, the effects of the pandemic on tourism industry will obviously influence the hospitality industry too [19]. COVID-19 has led to a global crisis with its effects on the hospitality industry potentially heavier than those of 9/11, SARS, and the financial crisis in 2009. Tour & travel operators, wedding & conference planners, vendors and suppliers, etc are very much interrelated to the hospitality industry. Almost all hotels, pubs, bars and restaurants across the world have temporarily been shut down. In addition to cancelling the hotel booking of all domestic and international group travel, a major economy effect on hotel business (Fig. 6a and b) [15]. According to Oxford economics study, annually hotel industry is contributes nearly 660billiontoU.S.GDP.But500 billion U.S. GDP was lost in hotel industry due to lockdown. After four weeks, signs of recovery emerge for hotel occupancy in China (Fig. 4). Many international events such as Umrah, Hajj and the Olympic games etc, which are largely related to hotel industry, have officially been postponed. But a number of hotels in different countries are offering some of their rooms for free or at heavily subsidized rates to healthcare professionals while some are also utilizing their kitchens to

prepare meals for the needy and downtrodden people. There are instances that many a hoteliers have voluntarily offered their infrastructure for making isolation wards or quarantine centers to prevent further spread of COVID-19.

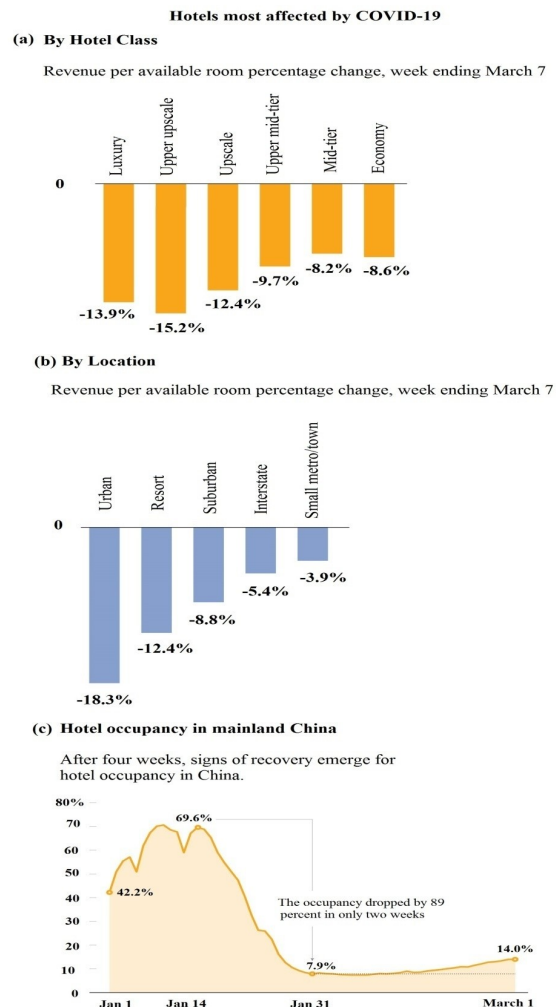


Figure 4: Hotels most affected by COVID-19 [Source: STR, <https://www.nationalgeographic.com/travel/2020/04/charts-show-coronavirus-impact-on-travel-industries/>].

#### 5 COVID-19 and society

As the effects of COVID-19 have out broken across the entire world, the primary focus for governments and businesses world is the safety of their people. According to UNWTO, after the global economic crisis, employment in all sectors grew by 11% between 2010 and 2018 while employment in accommodation and food services experienced a growth of 35% (Fig. 5)

[16]. The hospitality industry has million employees on rolls, including contractual and casual labours. So, if the lockdown continues, people stand to lose their jobs. Other than the organized sectors, tourism industry also provides employment to small home stays, bread and breakfasts and small hotel operators. Their services therefore will also take a major hit. The World Travel and Tourism Council has warned that the COVID-19 pandemic could cut 50 million jobs globally in the travel and tourism industry.

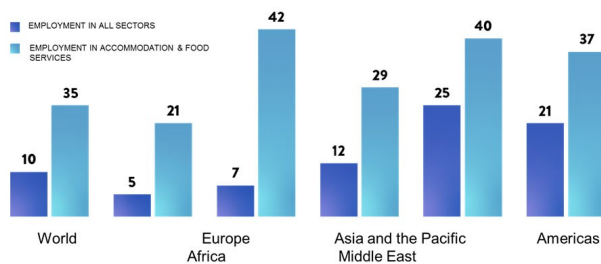


Figure 5: Tourism accelerate job creation; Growth in global employment, 2010-2018 (%) [Source: UNWTO].

## 6 Implications for the future of tourism, airline and hospitality sectors

The COVID-19 pandemic presents the global community and the travel-tourism sectors with a major and evolving challenge. This pandemic also added disadvantage risk in the world economy, social and trade tensions, as well as rough performance among major travel markets. McKercher & Chon reported that tourism growth to Asia picked up very quickly once the 2003 SARS outbreak diminished [20]. So overcome to this situation in travel-tourism sectors some implications are necessary. The suggested proposals are as follows:

- The need for more effective crisis observes.
- Open travel restrictions as a first step in opening up countries to international travel-tourism.
- Public support the travel-tourism sectors.
- Government supports are necessary in travel-tourism businesses and workers.
- Financial and political support.
- Improve the linkages between the public and private sector in travel-tourism on policy and strategic issues.
- Increase knowledge on the significance of domestic tourism in order to provide the sector with a stable basis of demand. Support measures for the devel-

opment of local tourism in order to provide special support to local tourism companies and to stimulate local demand, including an informative campaign for local tourism development.

- Visa systems could be simplified.
- Improve the pro-poor regulations.
- The tourism communications must be carefully analysis in order to overcome infrastructural growth difficulty.
- Implementing healthy social protection insurance schemes.
- Restoring traveler confidence and stimulating demand.
- Govt. should be reduced value added tax rate for catering, air passengers and tourist accommodation sectors.

## 7 Conclusion

In this paper, we discuss the economic impact in terms of loss of GDP due to the aviation, and tourism sector as well as the social impact due to job losses related to aviation, tourism, and hospitality sectors. The disruptions caused by the pandemic would result in more than 50 million job losses in the travel and hospitality industry. According to the world tourism organization (UNWTO), the outbreak of COVID-19 will push the entire tourism sectors in front of a major and evolving challenge. The World Health Organization, apart from its utmost effort to win over the pandemic situation, is also working closely with the UNWTO to find out any conceivable way out of the unprecedented problems faced by the travel & tourism sectors throughout the world. Finally, whatever the economic future becomes, we have to be ready to meet the challenges.

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