
The Impact of the SARS-CoV-2 Virus Epidemic on the Tourism Economy- Negative Effects and Projection of Changes in Tourism Trends

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Abstract:

Purpose: The study is aimed to determine the impact of the COVID-19 epidemic on Europe's tourism economy and the world. An attempt was made to determine how deeply tourism as an industry branch is exposed to the negative effects of the spread of the SARS-CoV-2 coronavirus and the extent to which the SARS-CoV-2 pandemic will contribute changes in tourism trends, and if so, what the changes will be.

Design/Methodology/Approach: The research used the method of analysis of secondary data sources, among others, IMF, OECD, UN WTO, WT&TC, Eurostat. The method of comparative analysis and observation was also used.

Findings: The research shows that the tourism economy in Europe and worldwide has been affected by the SARS-CoV-2 coronavirus pandemic. There were significant drops in the number of tourists using overnight stays and the number of overnight stays in March-August 2020 compared to the corresponding period of 2019. The second wave of COVID-19 cases will cause further losses in the tourism industry and related to it. Making up for the losses will be a long process, and it should be expected that it will take years to come.

Practical Implications: It is expected that the COVID-19 pandemic will change the trends in spending leisure time by tourists, which will mean a departure from mass tourism, where it is difficult to keep distance on beaches and in cities — resorts attractive for sightseeing. But there will be an increase in the demand for tourism in social distance, performed individually, in small groups, active, close to nature, with accommodation in guesthouses, small hotels, and in caravanning, etc.

Originality/Value: The analysis of the impact of the SARS-CoV-2 virus pandemic on the tourism economy is a new and current research problem. Characteristics of changing trends in rest under the pressure of COVID-19 disease may be useful in organizing tourist services during the SARS-CoV-2 virus pandemic and during subsequent epidemics or viral pandemics.

Keywords: SARS-CoV-2, tourism economy, change trends.

JEL codes: G01, G15, Z32.

Paper type: Research article.

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1. Introduction

In 2019, the World Health Organization (WHO) included the mysterious “X” disease on the list of pathogens that can cause an epidemic, Ebola virus, Lassa fever, Zika virus, etc. WHO experts are alarmed that disease “X” could appear at any time, that a biological mutation could cause it, existing viruses, viruses produced in a laboratory, or a new pathogen (WHO, 2020). On November 17, 2019, the SARS-CoV-2 coronavirus causing a disease known as COVID-19 was detected. It took place in the Chinese city of Wuhan, Hubei Province. The whole world has watched China fight the rising number of infections closely. At first, it was deceptively believed that the SARS-CoV-2 epidemic would be local and could be stopped in Wuhan by implementing sanitary restrictions across Hubei Province and then throughout China. Then it was thought that it could be stopped on the Asian continent. The epidemic, however, accelerated to other countries and continents, turning into a pandemic.

It was expected that health protection in the face of the dynamic increase in COVID-19 patients would be a great challenge for governments worldwide. After the first wave of infections faced with the second wave of influenza infections in the autumn and winter, there is much talk about the pandemic’s growing negative economic effects. Foreign travel and tourism appear to have played a key role in spreading SARS-CoV-2 to new countries on all continents.

To not lead to health failure due to the avalanche of COVID-19 falling ill, governments, including China, South Korea, Japan, and European countries, decided to “lockdown” by introducing restrictions in social and economic life. Due to the spread of the SARS-CoV-2 coronavirus, the European football championship - EURO 2020 - was not held, the Olympic Games were postponed to 2021, which were to be held in Japan. Annual events have been canceled, i.e., the Geneva International Motor Show and the ITB Travel Fair in Berlin. Due to the spread of the virus in Lombardy, the fashion fair in Milan was shortened. Because of these activities, the global economy, including the tourism industry, has suffered.

2. Economic Forecasts of the Impact of the SARS-CoV-2 Coronavirus Epidemic on the Global Tourism Economy

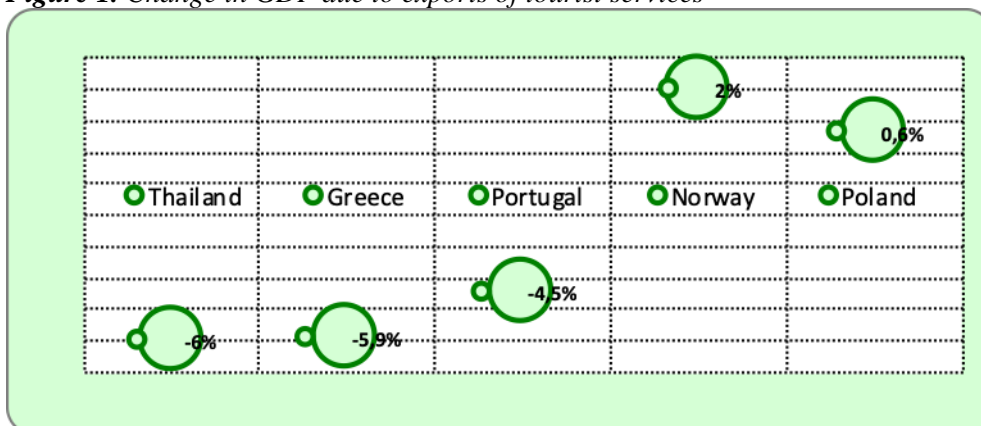
The International Monetary Fund estimates that the world economy will shrink by 4.9% throughout 2020. Still, in the euro area and Great Britain, this decline may be as high as 10.2%, and in the American economy up to 8% (IMF, 2020). The OECD predicts that under the influence of the SARS-CoV-2 coronavirus pandemic, annual global GDP growth will decline to 2.4% throughout 2020, from a weak 2.9% in 2019 (OECD, 2020). According to UNWTO, a specialized UN agency, the crisis due to the coronavirus pandemic could lead to a drop in the number of travelers in 2020 by 60 to 80% compared to 2019.

UNWTO Secretary-General, Z. Pololikashvili, claims that the world is facing an unprecedented health and economic crisis, during which global tourism may lose in 2020: from 850 million to 1.1 billion foreign tourists, from 910 billion to USD 1.2 trillion in tourism export revenues and the risks for 100 to 120 million direct jobs in tourism (UNWTO, 2020). The World Travel and Tourism Council (WT&TC) forecasts that the Travel and Tourism sector is facing the loss of over 100 million jobs due to the SARS-CoV-2 pandemic. Of the threatened jobs, almost 75 million are in the G20 countries. The WT&TC analysis also indicates a sharp escalation of losses in the global economy to USD 2.7 trillion of GDP (WTTC, 2020).

As the IMF forecasts, Thailand will suffer the most from the decline in foreign tourists' number and the inflow of their money. Losing foreign exchange inflows (mainly from the crowds of Chinese visiting Thailand so far) is estimated at nearly 8% of the country's domestic product. However, the Thai also had to limit their foreign travels to reduce the negative balance to -6% of GDP (Figure 1).

Among European countries, the crisis in foreign tourism will hit Greece and Portugal the most. In Greece, the pandemic's negative impact is estimated to reach 5.9% of the GDP net decline in Greece's departures. In Portugal - 4.4% of GDP. It is predicted that the pandemic may contribute to developing tourism inside the country. An example is Norway, a country the citizens of which spend their holidays abroad more often. Due to travel restrictions during the pandemic, it is expected that fewer foreign tourists will visit the country in 2020, but fewer Norwegians will go abroad. Hence, the balance of payments will improve this year - net - by over 2% of GDP.

Figure 1. Change in GDP due to exports of tourist services



Source: Own study based on IMF 2020. *External Sector Report: Global Imbalances and the COVID-19 Crisis.*

For Poland (according to IMF estimates), the economic balance of a significant reduction in foreign tourism (both incoming and outgoing) will be negative this year,

but they will not be significant. The export of tourist services (arrivals to our country) will decrease by approximately 1.8% of GDP. Meanwhile, the economic effect of limiting the number of people traveling abroad is estimated at 1.2% of GDP. The “loss” - from the viewpoint of our balance of payments - will probably amount to approx. 0.6% of GDP (IMF, 2020).

3. Scope and Methodology

The study aims to determine the impact of the COVID-19 pandemic on the tourism industry in Poland. The following research questions were formulated for the purposes of the study:

- To what extent is tourism, as a branch of Poland’s economy, exposed to the negative effects of the spread of SARS-CoV-2 compared to global tourism?
- Will the SARS-CoV-2 pandemic contribute to changes in tourism trends, and if so, what will these changes?

The research used the method of analyzing secondary data of institutions such as IMF, OECD, UN WTO, WT&TC, ECB, Eurostat, and others. The literature review method was also used, as was the comparative analysis method.

An attempt was also made to conclude as to the causes and results of its course relating to the tourism industry. More broadly, the analyses (using secondary data) aimed at describing the model of the tourism market characteristics, economic and social conditions, which are the area of influence of the COVID-19 pandemic development on the tourism industry in trends in changes in the leisure model.

4. Secondary Data Analysis

The latest UNWTO figures show how seriously the impact of COVID-19 has been on the tourism sector. In the world, the arrival of foreign tourists in June fell by 93% compared to 2019. According to the August-September issue of World Tourism UNWTO Barometer, the number of arrivals of foreign tourists fell by 65% in the first half of the year (UNWTO, 2020a). It represents an unprecedented decline as countries worldwide have closed their borders and imposed travel restrictions responding to the pandemic (UNWTO, 2020b). Previous UNWTO data indicated a 22% global decline in the number of foreign tourist arrivals in the first three months of the year (UNWTO, 2020).

In March, the aviation market alone plunged by 57% after the start of the travel lock in many countries, and the widespread introduction of travel restrictions and the closure of lockdown-related airports and national borders. It translates into losing 67 million international arrivals and around USD 80 billion in revenues (exports from tourism). Europe was the second worst-hit of all regions globally, with a 66% drop in tourist numbers in the first half of 2020. The Americas (-55%), Africa, and the

Middle East (both -57%) were also affected. However, Asia and the Pacific, the first region to feel the effects of COVID-19 on tourism, was the hardest hit, with a 72% drop in tourist numbers over six months (UNWTO, 2020a).

At the sub-regional level, the largest decreases were recorded in Northeast Asia (-83%) and Southern Mediterranean Europe (-72%). All regions and sub-regions of the world recorded an over 50% drop in arrivals in January-June 2020. The decline in international demand is also reflected in double-digit declines in international tourism spending in large markets. Major markets such as the US and China remain stagnant, although some markets such as France and Germany showed some improvement in June (UNWTO, 2020a).

But the statistical data from Eurostat, compared to June with February 2020, shows that the European Union's tourist services sector shrank by as much as 75% because of the crisis of the SARS-CoV-2 pandemic. To illustrate the impact of the crisis caused by the COVID-19 disease on the tourism industry, it is enough to compare the decline in its area with all services in the EU. When the entire services sector decreased by 16.4%, the tourism services provision fell by as much as 75%.

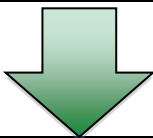
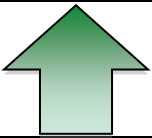
Travel agencies and tour operators were most affected by the crisis, and recording drops in services provided by 83.6%. The services' level decreased by 73.8% in air transport, in accommodation services by 66.4%, and catering services by 38.4% (Eurostat, 2020a).

Companies estimate that the pandemic has permanently damaged their business model, and many victims of the situation will no longer recover, even if some breakthrough treatment for COVID-19 appears (Politico, 2020). The negative impact of the pandemic on tourism contributes to a change in leisure trends for people worldwide.

Because of sanitary restrictions in the accommodation base and tourist destinations, and tourists' concerns about their safety, there is a departure from typical mass tourism. It isn't easy to keep a distance on beaches and in attractive tourist cities - resorts. But there is an increase in demand for individual and small-group, active, close to nature, tourism with accommodation in guesthouses and small hotels. Interest in caravanning, sailing, or motor tourism while sailing on the so-called "houseboats" Increased (Figure 2).

Social distance tourism (mark with a (*) in author's work in Figure 2) is all travel intending to partial isolation from people, with own transport. These are trips to secluded places, in areas of natural value, with little urbanization, away from large crowds of people, using accommodation in summer cottages, houses for rent, small intimate guesthouses, or in agritourism farms. It is also yacht tourism, classic and motorized on the so-called houseboats away from crowded harbors and marinas.

Figure 2. Trends in changes in the rest model because of the SARS-CoV-2 pandemic

Decreased tourist interest in	Increased tourist interest in	
		
<ul style="list-style-type: none"> ▪ mass tourism with the concentration of large groups of tourists ▪ tourism with visiting crowded monuments ▪ tourism with accommodation in large hotels ▪ tourism to countries threatened by the Covid-19 epidemic ▪ outbound tourism ▪ tourism with coach transport 	<ul style="list-style-type: none"> ▪ tourism of social distance * ▪ domestic tourism ▪ individual and small group tourism ▪ active tourism ▪ tourism with a sports and recreational program ▪ tourism close to nature, in naturally valuable areas ▪ rural tourism and agritourism ▪ tourism with accommodation in boarding houses and small hotels 	<ul style="list-style-type: none"> ▪ tourism in holiday resorts with extensive terrain, rich in sports and recreational infrastructure ▪ caravanning tourism ▪ sailing tourism ▪ motor-water tourism on “houseboats” ▪ off-season tourism, with less tourist traffic ▪ tourism in certified accommodation facilities with implemented sanitary and hygienic procedures reducing the risk of SARS-CoV-2 infection

Source: Own study.

5. Discussion

During summer, an increasing number of destinations reopened to international tourists. UNWTO reports that 53% of destinations eased travel restrictions in early September, but blockades introduced in the first half of the year had a huge impact on international tourism. The sharp and sudden drop in arrivals has threatened millions of jobs and businesses (UNWTO, 2020a). Despite the gradual reopening of many destinations, the expected improvement in international tourism in the peak of summer has not materialized. Unfortunately, tourism in all regions of the world has been hit hard by the COVID-19 pandemic.

UNWTO Secretary-General, Z. Pololikashvili, said that the impact of the coronavirus pandemic on tourism, a sector on which the lives of millions of people depend, is profound. However, safe and responsible international travel is now possible in many parts of the world. Governments must work closely with the private sector to restore global tourism. Coordinated interstate actions (UNWTO, 2020a) will be of key importance. Although hotel companies, tour operators, and travel agencies were hit hard by the pandemic crisis, there is no information about spectacular bankruptcies.

On the other hand, companies from the aviation sector, i.e., Virgin Australia, Avianca, Aeromexico, and the international car rental network Hertz, went bankrupt. Due to the economic slowdown caused by the COVID-19 pandemic, 513 companies from the restaurant industry, 297 transport companies, and 117 air companies have filed for bankruptcy worldwide (Barron's, 2020). According to IATA data, the aviation industry's net loss in 2020 will amount to USD 84.3 billion (IATA, 2020).

The possible invention of a vaccine against SARS-CoV-2 does not mean universal availability, which will be determined by the time-consuming production process to produce it in mass quantities. Besides, the very act of vaccinating the societies of individual countries will be a long-term process. Cigna *et al.* (2020) from the ECB indicate in a study on bank lending in the euro area of July 2020 that the other strong impact of the coronavirus (COVID-19) pandemic on corporate loan demand, largely reflecting emergency, essential needs liquidity.

Looking ahead, it seems likely that reduced demand for travel and falling consumer confidence will continue to weigh on results for the remainder of the year. In May, the UNWTO outlined three possible scenarios, pointing to a 58% drop in international tourist arrivals up to 78% in 2020. In August, current trends in global tourism point to a decline in demand of closer to 70% (scenario 2) (UNWTO, 2020). Fulfilling this scenario is highly probable because many countries have introduced further restrictions in the socio-economic life of the so-called second "lockdown". The first country in the world to introduce such restrictions was Israel. Israel's finance ministry has estimated the costs of introducing another "lockdown", indicating that it will charge the Israeli economy with 6.5 billion shekels, i.e., nearly USD 1.9 billion.

Extending the pandemic scenario to 2021 will put even greater strain on the global tourism economy due to the slow, gradual lifting of travel restrictions, the availability of a vaccine or effective COVID-19 treatments, and travelers' slow recovery confidence. Thus, it will take 2 to 4 years for the tourism economy to return to 2019 international tourism levels (UNWTO, 2020a).

Unfortunately, the SARS-CoV-2 virus pandemic, causing measurably large damage to the tourism economy in 2020, will not end soon. Investment specialists Franklin Templeton believe that while the global economy will recover in the second half of this year, it will not be a sharp rebound in the shape of the letter "V", but rather in the shape of the letter "U" or "L", when the economy will recover from this crisis more slowly (Franklin Templeton Thinks, 2020).

However, there is also some positive economic information. The European Commission in the November report European Economic Forecast Autumn 2020 confirmed these trends based on economic data from the EU27 Member States, reflecting the above-outlined trends in global GDP. It announced that the decline in

GDP for the euro area in 2020 would amount to 7.8%, and in 2021 it will increase by 4.2%. For the entire EU in 2020, the decline in GDP is estimated at 7.4%, and in 2021 it will rebound by 4.1%. The GDP of the European economy may return to pre-pandemic levels in 2022. In July, the commission forecasted a decline in GDP in the EU in 2020 by 8.7%, and in 2021 an increase of 6.1% (European Commission, 2020). The unemployment level in 2020 in the euro area is expected to be 8.3% and in 2021 - 9.4%. In 2019, it was 7.5%. In the entire EU, unemployment is expected to reach 7.7% of this and 8.6% next year (European Commission, 2020).

The trends of changes in rest caused by developing the SARS-CoV-2 pandemic (Figure 2) are confirmed by Bera *et al.* (2020), indicating that the importance of coastal, maritime, and inland tourism has increased (this type should be understood as sailing and motor-boating tourism), and rural tourism. Other trends in leisure changes, resulting primarily from sanitary restrictions and persistent concerns of tourists, will materialize.

The deteriorating economic situation in the tourism economy due to the crisis of the COVID-19 pandemic will negatively affect the financial condition of companies in the tourism industry. It should be expected these enterprises, reaching financial losses in the long term, will be forced to seek investors to survive this difficult period for the industry or be exposed to bankruptcy. Such a situation may cause ownership changes and the takeover of tourism sector companies by foreign capital, which may cause changes in the ownership structure in individual national tourism markets, thus contributing to the decomposition of domestic companies' proportion to those with foreign capital.

According to the UNWTO, in the August-September edition of World Tourism Barometer, a huge drop in demand for international travel in the first half of 2020 translates into losing 440 million international arrivals and approximately USD 460 billion of revenues from international tourism exports. Over five times, the loss of income was recorded in 2009 because of the global economic and financial crisis (UNWTO, 2020b).

A negative scenario for the tourism economy is the further development of the SARS-CoV-2 pandemic and the occurrence of its further "waves", which may cause local or national "lockdowns" in social and economic activity. Reducing the risks associated with the function of today's tourism that stimulates the development of a pandemic seems to be the primary goal of states and institutions in the world. This viewpoint is confirmed by the reports of Bera *et al.* (2020). To reduce the risk of further spread of SARS-CoV-2, hotel facilities should implement sanitary and hygienic procedures limiting infection risk and obtaining safety certificates. A base with such procedures and certificates may gain a competitive advantage in the tourist market.

Tourism is expected to be the industry most likely to be affected by the spread of SARS-CoV-2 worldwide. Due to restrictions and limitations on travel in spring 2020, epidemiological restrictions in summer 2020 affect a smaller number of tourists who may be admitted to hotels or beaches in resorts, with little confidence in foreign travel. Thus there is falling demand for tourist services. Another “lockdown” may be a threat. Therefore, losses in the tourism industry in the second quarter of 2020 and lower demand in summer cannot be made this year. And the return of the COVID-19 wave in the fall, along with the seasonal flu incidence, will not only prevent the tourism industry from making up for this year’s start but also start another economically uncertain year with negative results.

One should know, on the one hand, travel and tourism have become the main factor behind the expansion of SARS-CoV-2 in the world, responsible for turning the local epidemic in China into a global pandemic. But tourism and travel in economic terms have become a great victim of the dynamically developing COVID-19 disease.

6. Conclusions

1. It can be expected that the tourism industry is the industry that will suffer the most from the SARS-CoV-2 pandemic among the world’s economic sectors.
2. It may take 2 to 4 years for international tourism to return to 2019 levels in international tourist arrivals. Such a situation is more and more likely due to the next wave of diseases and introducing restrictions in social and economic life (“lockdown”) in many countries worldwide.
3. Due to the tourism industry crisis, economic losses due to the COVID-19 disease will often be greater than in 2009 during the global financial and economic crisis.
4. Due to the pandemic’s social anxiety scale, tourism is likely to change in terms of leisure trends. It should be expected that the change in trends will be related to the departure from mass tourism, where it is difficult to keep the distance on beaches and in attractive tourist cities - resorts. There will be an increase in demand for tourism in isolation from others, individually and in small groups, active, close to nature, with accommodation in houses for rent, boarding houses, small hotels in the form of caravanning or during yacht tourism, in the classic and motorized variety, on the so-called “houseboats” away from crowded ports and marinas.

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