



Coronavirus

A threat to the business of traditional tourist destinations

April 6, 2020

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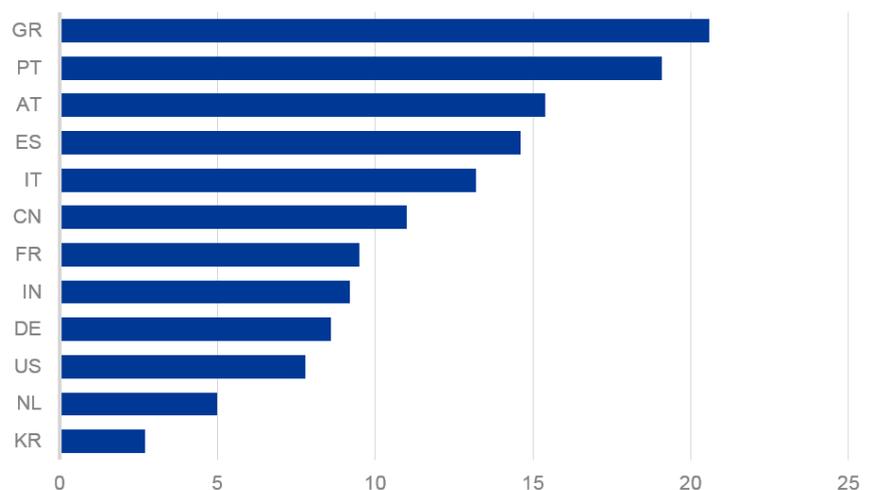


The corona pandemic and the related travel restrictions and lockdowns have caused both domestic and cross-border travel to collapse. All types of transport are affected. If the lockdowns remain in place over the summer months, traditional tourist destinations, for example on the Mediterranean, will suffer major economic losses.

The further progression of the coronavirus pandemic is highly unclear, which is why nobody can tell yet when and to what extent the current travel restrictions in the EU and beyond may be relaxed or waived completely. One thing is certain, however: the main holiday season in the northern hemisphere will begin in about three months. And the travel and tourism sector generates a significant share of aggregate GDP in many Mediterranean countries. In Italy and Spain, this share amounted to just above 13% (nationwide average) and to 14.6%, respectively, in 2018. Greece even generated as much as 20.6% of aggregate GDP in the travel and tourism sector. Moreover, tourist “hot spots” in these countries register considerably higher percentages.

High dependence on tourism

Share of travel and tourism* in countries' total GDP, 2018, %



* Direct, indirect and induced impact of travel and tourism

Source: World Travel & Tourism Council



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The coronavirus-related travel restrictions and lockdowns, hotel closures and cancellations of cultural events, fairs and conferences have already led to irrevocable revenue losses in all affected sectors (tour operators, hotel and restaurant owners, trade fair organisers, transport companies etc.) and are starting to eat away at the resources of many firms. Insolvency risks have ballooned. Still, a large share of aggregate tourism revenues is generated during the main holiday season, when both prices and the capacity utilisation of the companies are considerably above the annual average.

If the travel restrictions remain in place over the summer months, local firms, employees in the tourism sector and even the national economies of the affected countries may look into the abyss. Social tensions might also rise in the tourists' home countries (such as Germany, the UK, the Netherlands or the Nordic countries) if the travel restrictions continued over the summer, particularly in view of the fact that people will not be able to travel over Easter (another traditional holiday season) and things are unlikely to be back to normal by May. Right now, a broad majority still accepts the travel restrictions. However, this is likely to change over time. There are therefore important economic and social reasons to try and contain the coronavirus spread as far as possible over the coming weeks.

There are certainly more important things than holiday travel right now. Nevertheless, companies in the tourism sector and local administrations at tourist destinations can already begin to take measures which may help holidaymakers travel at acceptable risks even during coronavirus times, once the "curve has flattened". One of them is cancelling mass events. A concert with an audience of thousands of people carries higher infection risks than a family going on a mountain hike or cycling tour. Moreover, tourist facilities can stock disinfectants and try to ensure an adequate distance between their guests. Restricting access to certain tourist attractions would help reduce crowds. Capping the number of visitors by capacity regulation may be helpful.

Under the assumption that the number of cases continues to decline at the holiday destinations, these preparations would certainly increase holidaymakers' willingness to visit areas which are currently hit hard by the virus. At the same time, holidaymakers might be asked to present special medical or immunity certificates to confirm that they do not increase the risk of a renewed outbreak at the destinations. Of course, this will require tests.

For many people, the holidays are just the "best time of the year". However, holiday travel also plays an important economic role. In summer 2020, governments (as regulatory authorities), tourism companies and holidaymakers will need to find a balance between health risks on the one hand and mitigating economic damage and recharging their personal batteries on the other.

Original in German published on April 1, 2020: "Corona bedroht klassische Tourismusziele"

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