THE ECONOMIC IMPACT OF RESTRICTING INTERNATIONAL MOBILITY

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THE ECONOMIC IMPACT OF RESTRICTING INTERNATIONAL MOBILITY

1. Widespread restrictions on international travel and a massive drop in demand led to an unprecedented collapse in the number of international travellers following the outbreak of the coronavirus pandemic in early 2020. As of as of 6 April 2020, 96% of all worldwide destinations had introduced travel restrictions. Around 90 destinations had completely or partially closed their borders to tourists, while a further 44 were closed to certain tourists depending on country of origin[1]. The UN World Tourism Organization (UNWTO) estimates that international tourism fell by 73% in 2020, by far the largest drop in recorded history. International arrivals were up by 5% in 2021, though down by 71% compared to 2019 levels (UNWTO 2022)[2]. Based on the latest available data, the positive trend already underway in 2021 was confirmed by a significant increase in international tourist arrivals at the beginning of 2022 (UNWTO 2022) as a results of vaccination roll-out and lifting or easing of travel restrictions which have released significant pent-up demand. As of 22 June, 52 destinations had no COVID-19 related restrictions in place as per the UNWTO/IATA Destination Tracker[3].

2. Industries providing international transport have experienced massive declines. World scheduled passenger traffic for the year 2020 - compared to 2019 levels - shows a reduction of 50% of seats offered by airlines, a reduction of 2,703 million passengers (-60%) and a USD 372 billion loss of passenger revenues of airlines (International Civil Aviation Organisation 2022). The cruise industry also experienced a loss of three in four passengers in 2020, relative to the 27.5 million passengers transported in the previous year[4].

3. Travel restrictions and quarantine requirements had also a major adverse macroeconomic impact. In 2019, the contribution of tourism to the world economy amounted to USD 3.5 trillion, or 4% of world GDP, measured in tourism direct gross domestic product (TDGDP) (UNWTO 2021). According to UNWTO, the collapse in both international and domestic tourism cut tourism direct GDP by more than half in 2020, reducing it by USD 2.0 trillion, to 1.8% of world GDP. This plunge represents about 70% of the overall decline in world GDP in 2020 (UNWTO 2021). Seven in ten OECD and G20 countries reported more than 50 % contraction in TDGDP in 2020 (Figure 1).

[1]World Tourism Organization (2020), COVID-19 Related Travel Restrictions –A Global Review for Tourism, First report as of 16 April 2020, UNWTO, Madrid, online available at: https://www.unwto.org/news/covid-19-response-travel-restrictions.
[2]World Tourism Organization (2022), UNWTO World Tourism Barometer, volume 20, issue 3, May 2022, UNWTO, Madrid, DOI: https://doi.org/10.18111/wtobarometereng.
[3]World Tourism Organization and International Air Transport Association, UNWTO/IATA Destination Tracker, dashboard constantly updated, UNWTO, Madrid, online at: https://www.unwto.org/tourism-data/unwto-iata-destination-tracker.
[4] https://cruisemarketwatch.com.

4. The effect of restricting international mobility on the economy has been even more dramatic in island destination regions or states. In the Spanish Balearic and Canary islands, the tourism direct economic activity dropped by 72.4% (Exceltur y Govern de las Illes Balears 2021) and 56.4% (Exceltur y Gobierno de Canarias 2021) respectively between 2019 and 2020. During the same period, the tourism direct GDP plunged 67 % in Mauritius, 76.8% in Fiji and 80% in the British Bermuda islands (UNWTO estimates, unpublished).

5. The impact on travel also had a major effect on trade in services. The loss in export revenues from international tourism in 2020 is estimated at USD 1.1 trillion and represents 42% of the total loss in international trade in 2020.

6. As tourism is highly labour intensive and in light of the substantial effects of lockdown measures on the service sector, the crisis had a major impact on employment levels in the travel and tourism sectors. The International Labour Organization estimates that the pandemic could cause the equivalent of 305 million job losses, many of which are in the tourism sector (International Labour Organization 2020).

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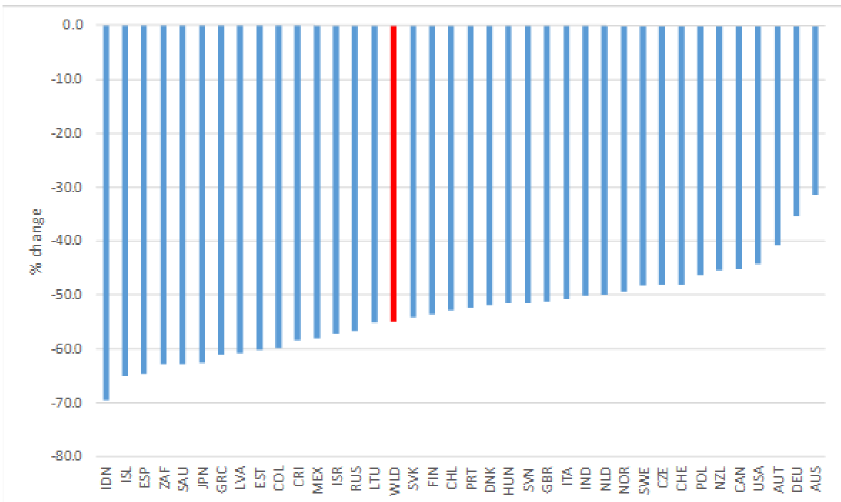


Note: Tourism direct GDP is calculated in current USD, June 2022.
Source: UNWTO estimates (unpublished).

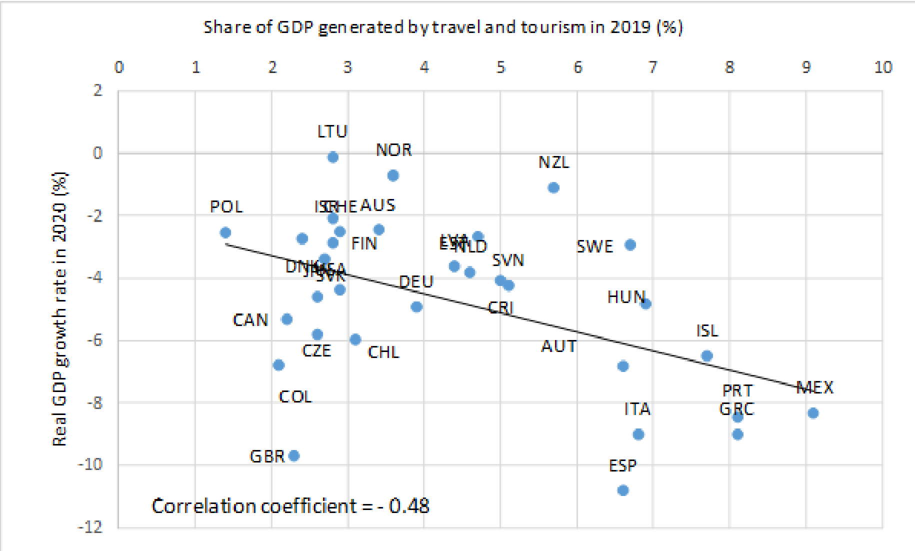
7. The pre-crisis size of the travel and tourism sector[5] explains differences in GDP growth better than exposure to any of the other sectors most vulnerable to the pandemic, or the average stringency of wider lockdown measures (Rusticelli & Turner 2021). The importance of this association is confirmed by the fact that those OECD (Figure 2, panel A) and G20 (Figure 2, panel B) countries with the largest travel and tourism sectors are those that experienced the largest fall in GDP. Regression analysis suggests that a 1% point of greater GDP exposure to the travel and tourism sector in 2019 increased the hit to GDP by nearly 0.4 percentage points in 2020[6].

8. The pandemic has been catastrophic for international mobility and the wider tourism sector. Recovery though still uneven and far from 2019 levels is clearly underway, and in more and more countries, there is a growing sense of "back to normal".

[5] In this paper, the size of the travel and tourism sector is measured using the direct contribution of tourism to GDP. This differs from the direct and indirect contribution of tourism to GDP. Put simply, tourism direct GDP is generated by industries directly in contact with visitors, while indirect tourism GDP is generated by industries supplying inputs to industries directly in contact with the visitors. As an example, preliminary figures by the Spanish Instituto Nacional de Estadística (INE) show that the direct contribution of tourism to GDP is 6.8 % for 2019, whereas the direct and indirect contribution of tourism to GDP is 12.4% for the same year (https://www.ine.es).
[6] This coefficient is derived from a regression of GDP growth in 2020 for all OECD and G20 reporting countries on the share of tourism direct GDP in 2019. The inclusion of the average stringency of all containment measures index (Hale et al. 2021) in the regression is also correlated to the observed drop in GDP: a 1 point increase in the stringency index increased the hit to GDP by additional 0.06 percentage points in 2020.

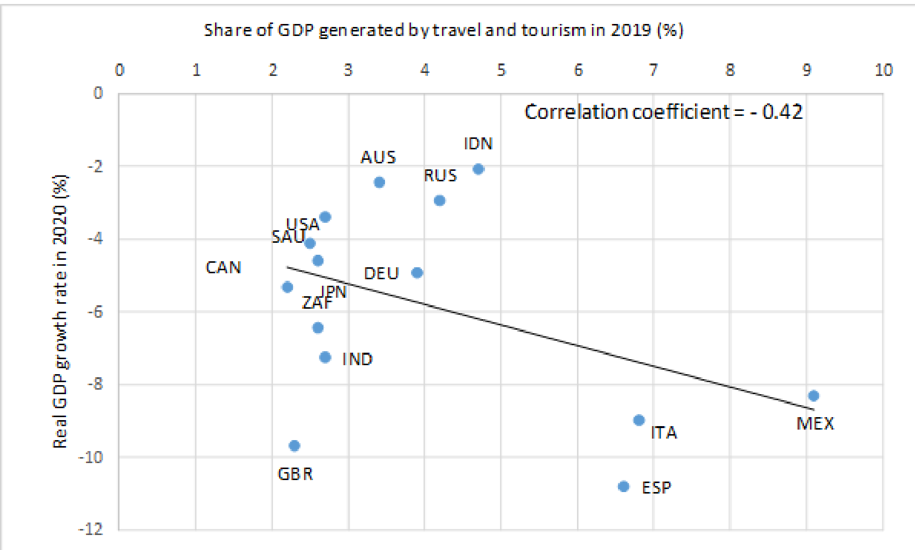
Figure 2. GDP growth rate in 2020 and the share of GDP generated by travel and tourism in 2019

Panel A: OECD countries



Note: the economic contribution of tourism to GDP refers to the direct contribution only, and results from both international and domestic tourism. Source: OECD Economic Outlook database (2022) for GDP, and UNWTO estimates (unpublished) for the economic contribution of tourism to GDP.

Panel B: G20 countries



Note: the economic contribution of tourism to GDP refers to the direct contribution only, and results from both international and domestic tourism. Source: OECD Economic Outlook database (2022) for GDP, and UNWTO estimates (unpublished) for the economic contribution of tourism to GDP.

Points for discussions

- Which lessons have been learned on the intersections of health, international mobility, tourism, economies and livelihoods to make the world better prepared for the next shock?
- How could countries improve the timeliness of data collection and put in place more effective data governance frameworks to monitor the impact of potential health shock?
- Which coordination mechanism and tools should be enhanced and developed to enable safe mobility and build resilience into the tourism sector?

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