

Travel & Tourism | Global

COVID-19: updated outlook and pandemic impacts

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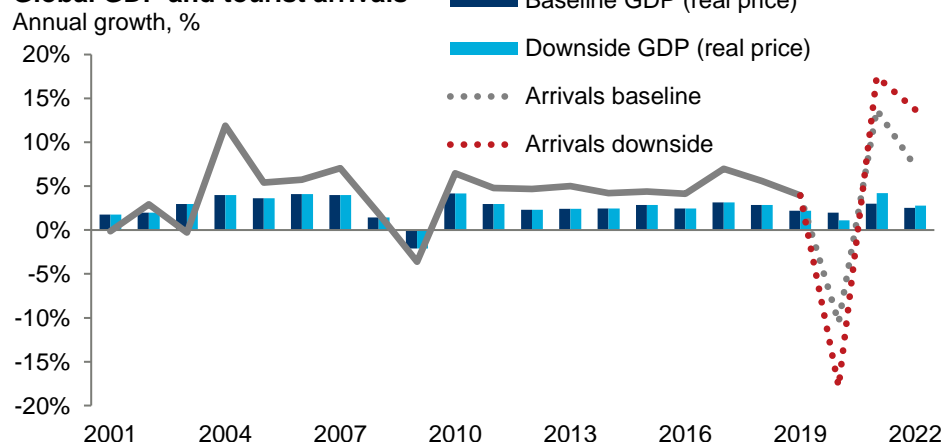
Measures to contain the virus are generating a drag on global GDP and travel growth.

Global arrivals could fall 17.9% in 2020, 263 million fewer arrivals than in 2019 based on our downside scenario.

Key points

- Since our last global travel forecast update in February the situation with COVID-19 has become markedly worse—the virus has spread more widely and rapidly than anticipated. On March 11th the World Health Organization classified COVID-19 as a pandemic.
- In response to the crisis, countries around the world have implemented a series of measures in an effort to reduce contagion. However, these measures are causing serious disruption to global growth. We have already reduced our global GDP growth forecast in 2020, but with likely downgrades to come.
- Measures will impact tourism more heavily and an unprecedented fall in global travel is now likely in 2020. Global arrivals will fall by at least 10.5% relative to last year (equivalent to 155 million fewer arrivals).
- There are significant downside risks to the 2020 outlook and our quantified downside scenario is becoming increasingly likely. Travel restrictions are being imposed in more countries and more rapidly than expected, while the spread of the virus and supply restrictions are further reducing travel sentiment.
- Under the downside scenario, global arrivals would fall 17.9% in 2020, 263 million fewer arrivals than in 2019. We will continue to monitor the situation and update forecast assumptions on a regular basis.
- However, once the situation has stabilised we still expect a rapid recovery since travel demand has proven resilient in bouncing back from downturns in the past. Travel levels are expected to fully recover by 2023.

Global GDP and tourist arrivals



Recent developments

Since our last global travel forecast update in February the situation with COVID-19 has become markedly worse—the virus has spread more widely and rapidly than anticipated. On March 11th the World Health Organization classified COVID-19 as a pandemic, recognising that this epidemic is occurring across the world and affecting a large number of people.

As of March 15th, there were over 150,000 documented cases, including 5,700 deaths, reported in more than 140 countries. Around 80% of cases have occurred in four countries: China, South Korea, Italy and Iran. However, an increasing volume of cases are being reported across Europe, with Spain, Germany, France, Switzerland and the UK reporting confirmed cases in excess of 1,000.

In response to the crisis, countries around the world have implemented a series of measures in an effort to reduce the contagion. These have included:

- the cancellation of events, conferences, forums and sport activities
- school closures
- extensive domestic, outbound and inbound travel restrictions
- the extension of public holidays
- companies imposing additional travel and homeworking restrictions
- individuals self-isolating

However, these measures are causing serious disruption within and between economies, generating drag on global growth. Under our current baseline, we have reduced our global GDP growth forecast in 2020, with further downgrades likely.

However, this remains a fast-moving situation. We do not know when households and businesses will be able and willing to resume normal business. As the number of cases continue to grow and governments take action to combat the virus, economic activity will weaken further. This is expected to lead to further delays or cancellations in investment activity and consumer spending, including travel spending. In short, there is a risk that these short-term supply restrictions become more pronounced demand shocks for the global economy.

Impact on international travel

Like the global economy overall, the primary impacts of COVID-19 on the travel industry are caused by the actions that governments, businesses and individuals are taking to curb the outbreak. Three factors in particular are driving the impact on tourism:

- **official travel restrictions**—the most severe travel restrictions have been implemented in and against countries with a large number of cases; it is in these countries where the impact of the restrictions will be greatest. Further, travel restrictions are also being imposed by less affected destinations to avoid spread.
- **event cancellations**—directly impacting in-destination spending in affected markets.
- **risk aversion**—by potential travellers leading to the cancellation or delay of travel plans.

We have revised our baseline view and will continue to monitor and revise the outlook accordingly. Global arrivals will fall at least 10.5% in 2020 relative to last year, equivalent to 155 million fewer arrivals in volume terms. The shock is expected to be relatively short-lived in this scenario and growth in recovery should be rapid allowing travel volumes to be restored to counterfactual levels by 2022.

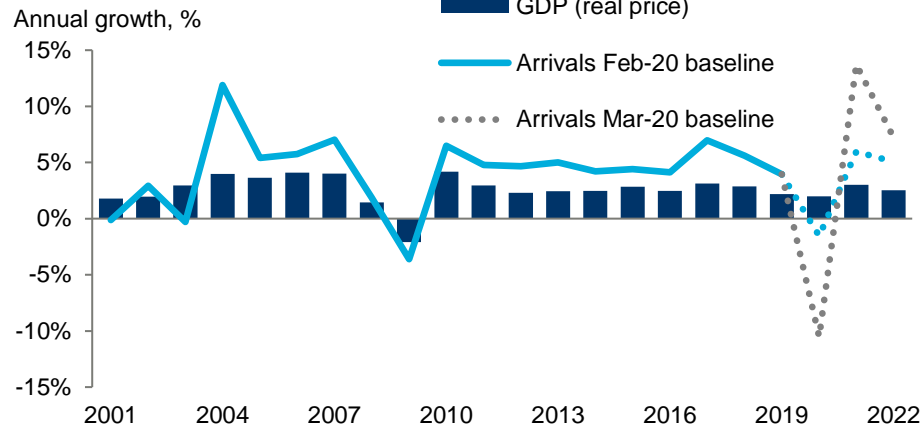
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COVID-19 spread is worse than previously expected, affecting people in more than 140 countries.

Action to combat the spread of COVID-19 is having a large impact on economic activity and travel.

Global travel is being severely affected, with 155mn fewer arrivals expected in 2020 compared with 2019.

Global GDP and tourist arrivals



Source: Tourism Economics

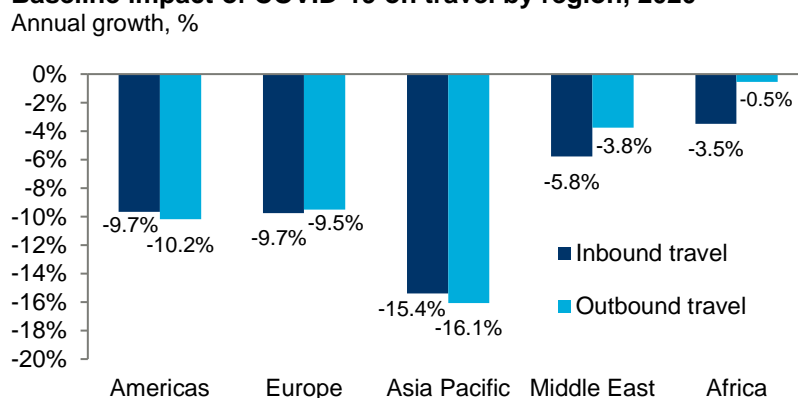
March baseline (upside) assumptions

- COVID-19 is contained within 5 months in affected countries, with a full recovery forecast by 2022.
- Further downgrades (compared to February's baseline) to outbound travel included due to restrictions in markets where COVID-19 is now widespread.
- Global travel activity has been downgraded worldwide to reflect the rise in negative sentiment towards travel due to fear of exposure.

Asia Pacific is being heavily affected with arrivals expected to fall 15% in 2020 as a whole, equivalent to 55mn fewer arrivals.

As in February's release, Asia Pacific will be the hardest hit region, with a 15.4% decline in visitor arrivals forecast for 2020, equivalent to 55 million fewer arrivals compared with 2019. China was the source of the outbreak and is driving much of the decline. China is both the largest destination market and source of travel demand within the region. However, countries where the virus is widespread, such as South Korea and Japan, are also set to see large falls in both inbound and outbound travel.

Baseline impact of COVID-19 on travel by region, 2020



Destination effects mirror source market impacts to some extent as travel restrictions affect both inbound and outbound flows.

Source: Tourism Economics

European inbound travel is now forecast to decline 9.7% in 2020. This is less of a fall compared with Asia Pacific in percentage terms but represents a higher volume of travel: 72 million fewer visitors than in 2019. Downgrades to outbound travel in Italy (which is in complete lockdown), Germany, France, Spain and the UK are contributing to the decline, alongside negative impacts from event cancellations and subdued global leisure travel due to fear of exposure.

Europe is the worlds most visited region and expected falls are equivalent to 72mn fewer arrivals.

The ban on travel to the US from major European countries will have a large impact on US arrivals.

Downside risks of more prolonged and widespread effects would be sufficient to cause global recession.

A prolonged pandemic would also mean an even worse travel outcome for 2020 and 263mn fewer arrivals.

Travel to North America is expected to decline 10.9% in 2020. This downgrade is in part due to President Trump’s ban on visitors coming from major European markets. This decline is roughly double the decline from SARS and implies 16 million lost visitors, exceeding the multi-year impact following 9/11. Arrivals to the Americas overall are forecast to decline 9.7% in 2020.

The US, the UK and China are important long-haul source markets for the Middle East. Given the downgrade in outbound travel from these countries and the measures that have been taken to stop the spread of the virus within the region, we have downgraded expected arrivals for the Middle East in 2020 to 5.8% lower than 2019 level.

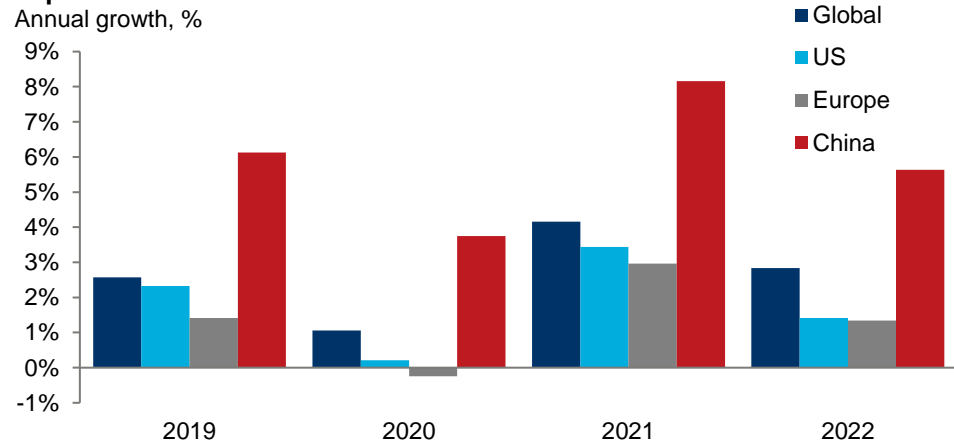
African destinations should remain more protected than others as the outbreak has not yet spread throughout the region and much of the travel across the continent is intra-regional. However, the spill over effects of the virus on global demand will still have a large impact. Travel to the continent is expected to fall 3.5% in 2020, following cumulative growth of 35% in the prior three years.

Downside risks remain elevated

A key downside risk to this crisis is that all these effects are more pronounced than currently anticipated, including further containment measures. This will also increase the negative impact on global growth as these short-term supply restrictions will accentuate demand shocks into the longer run.

Recent developments mean that this scenario is unfortunately looking increasingly likely. We will continue to track the situation and will revise our assumptions on a regular basis to quantify the downturn as well as the recovery.

Impact on GDP in the downside scenario



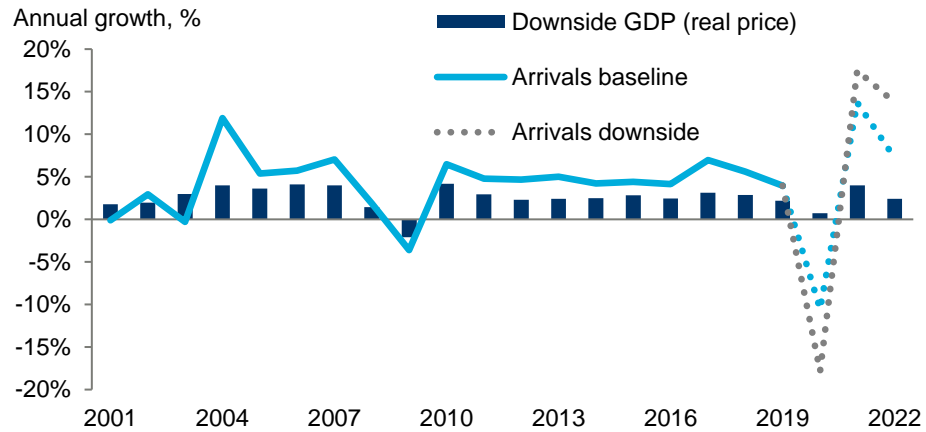
Source: Tourism Economics

A prolonged pandemic (downside) scenario would involve a global recession as GDP growth will slow from 2.6% in 2019 to just 1.1% in 2020, with impacts in all major economies. However, similar to baseline/upside assumptions, the recovery would be rapid for all of these economies.

An even worse travel outcome for 2020 is expected under this downside case, as the effects of greater travel restrictions and negative sentiment filter through to tourism activity. Global arrivals would fall 17.9% in 2020, equivalent to 263 million fewer arrivals than in 2019.

The recovery would also be impacted by effects into 2021. Rapid growth in recovery is still expected but would be less likely to fully offset this year’s fall. A full recovery will be deferred until 2023 under this scenario.

Global GDP and tourist arrivals in the downside scenario



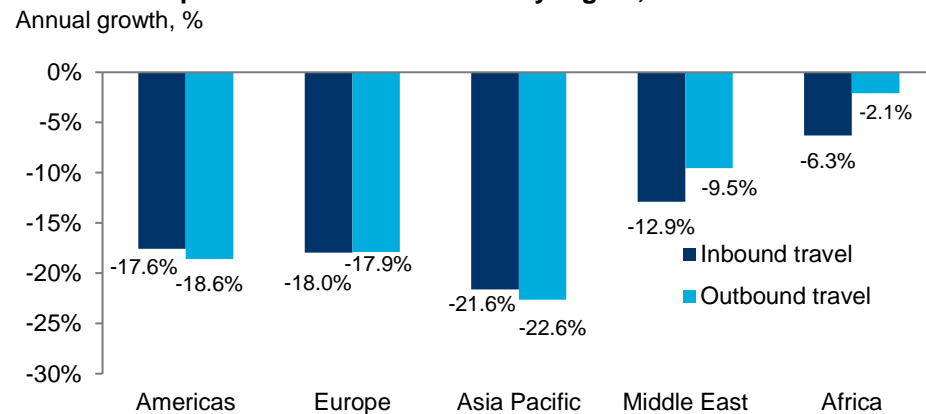
Source: Tourism Economics

Downside assumptions

- COVID-19 is contained within 8 months in affected countries, with a full recovery forecast by 2023.
- Further downgrades (compared to the March baseline) to outbound travel from markets where COVID-19 is likely to spread as new travel restrictions are imposed.
- Global travel activity has been further downgraded (compared to the March baseline) worldwide to reflect worsening travel demand due to a continued fear of exposure.

Under our downside scenario assumptions, travel to and from all regions is downgraded substantially. The impact on the Americas and Europe is more comparable to the impact on Asia Pacific—the hardest hit region under the baseline—as prevention measures are ramped up. The impact on the Middle East is still expected to be less severe but would imply 10 million fewer arrivals than in 2019.

Downside impact of COVID-19 on travel by region, 2020



Source: Tourism Economics

Large falls in tourism activity would be experienced in all major regions under our downside scenario assumptions.

Annex

	Inbound arrivals - Mar-20 baseline (mns)					Inbound arrivals - Mar-20 baseline (% y-y growth)				
	2018	2019	2020	2021	2022	2018	2019	2020	2021	2022
	e	e	f	f	f	e	e	f	f	f
World	1,419.6	1,475.7	1,320.3	1,501.3	1,609.8	5.6%	4.0%	-10.5%	13.7%	7.2%
Americas	215.8	218.9	197.7	223.4	239.9	2.7%	1.4%	-9.7%	13.0%	7.4%
North America	142.2	145.3	129.5	145.4	156.1	3.6%	2.2%	-10.9%	12.3%	7.3%
Caribbean	25.7	26.7	24.6	27.6	29.3	1.2%	4.1%	-7.9%	12.0%	6.3%
Central & South America	47.9	46.8	43.6	50.4	54.5	1.0%	-2.2%	-6.9%	15.7%	8.1%
Europe	714.8	742.5	670.1	753.5	801.1	5.3%	3.9%	-9.7%	12.4%	6.3%
Western Europe	475.9	487.6	424.6	480.2	512.8	3.3%	2.5%	-12.9%	13.1%	6.8%
Eastern Europe	238.9	254.9	245.6	273.3	288.3	9.5%	6.7%	-3.7%	11.3%	5.5%
Asia & the Pacific	339.0	354.5	300.0	350.9	382.7	6.9%	4.6%	-15.4%	17.0%	9.1%
North East	168.7	173.9	134.4	163.0	182.8	6.1%	3.1%	-22.7%	21.3%	12.1%
South East	128.8	138.1	125.5	142.4	151.0	7.7%	7.3%	-9.2%	13.4%	6.1%
South	24.4	25.0	23.9	27.3	29.5	10.5%	2.2%	-4.2%	13.9%	8.1%
Oceania	17.1	17.4	16.1	18.2	19.5	3.8%	2.1%	-7.4%	13.1%	6.9%
Africa	80.0	84.2	81.3	91.3	97.0	13.4%	5.3%	-3.5%	12.4%	6.2%
Mid East	70.1	75.6	71.2	82.2	89.2	3.6%	7.9%	-5.8%	15.4%	8.4%

Source: Tourism Economics

	Inbound arrivals - Downside scenario (mns)					Inbound arrivals - Downside scenario (% y-y growth)				
	2018	2019	2020	2021	2022	2018	2019	2020	2021	2022
	e	e	f	f	f	e	e	f	f	f
World	1,419.6	1,475.7	1,212.3	1,424.2	1,619.9	5.6%	4.0%	-17.8%	17.5%	13.7%
Americas	215.8	218.9	180.4	211.5	242.1	2.7%	1.4%	-17.6%	17.3%	14.4%
North America	142.2	145.3	115.9	136.2	156.3	3.6%	2.2%	-20.2%	17.5%	14.8%
Caribbean	25.7	26.7	23.1	26.6	30.0	1.2%	4.1%	-13.5%	15.2%	12.9%
Central & South America	47.9	46.8	41.4	48.7	55.7	1.0%	-2.2%	-11.6%	17.6%	14.5%
Europe	714.8	742.5	609.2	713.2	806.6	5.3%	3.9%	-18.0%	17.1%	13.1%
Western Europe	475.9	487.6	368.1	444.0	509.8	3.3%	2.5%	-24.5%	20.6%	14.8%
Eastern Europe	238.9	254.9	241.0	269.2	296.8	9.5%	6.7%	-5.4%	11.7%	10.3%
Asia & the Pacific	339.0	354.5	277.9	331.6	382.4	6.9%	4.6%	-21.6%	19.3%	15.3%
North East	168.7	173.9	116.8	148.4	178.7	6.1%	3.1%	-32.9%	27.0%	20.5%
South East	128.8	138.1	122.3	138.8	153.8	7.7%	7.3%	-11.5%	13.5%	10.8%
South	24.4	25.0	23.0	26.5	30.0	10.5%	2.2%	-7.7%	15.1%	13.0%
Oceania	17.1	17.4	15.8	17.9	19.9	3.8%	2.1%	-9.4%	13.3%	11.2%
Africa	80.0	84.2	78.9	89.4	99.3	13.4%	5.3%	-6.3%	13.3%	11.0%
Mid East	70.1	75.6	65.9	78.5	89.5	3.6%	7.9%	-12.9%	19.1%	14.0%

Source: Tourism Economics