



# Travel & Tourism | Global Potential Impact of the Coronavirus

## Economists

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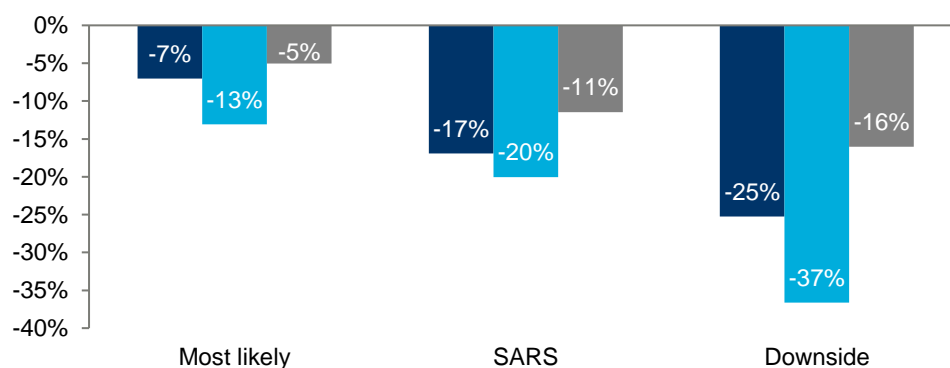
**Despite the uncertainty of the impact, it is our current view that the virus will have a high but short-lived impact on Chinese tourism and travel—as during the 2003 SARS episode.**

## Key points

- Coronavirus is more widespread in China in 2020 to date than the SARS virus in 2003. As of 6th February, there have been around 30,000 confirmed coronavirus cases and almost 600 deaths. The virus has also spread to at least 20 other countries—albeit on a comparatively limited basis.
- Despite the uncertainty of the impact, it is our current view that the virus will have a high but short-lived impact on Chinese travel and tourism—as during the 2003 SARS episode. Analysis of previous health crises suggests a rapid recovery is likely if the outbreak is contained relatively quickly.
- Economies where travel and tourism accounts for a significant share of GDP and which are more reliant on Chinese tourists are likely to be impacted by this crisis the most, these include: Hong Kong, China; Macao, China; Thailand; Cambodia; and the Philippines.
- We have modelled three scenarios of tourism impact based primarily on the SARS crisis in China and compared this with a pre-crisis travel forecast for China to determine the potential losses by year and the time to full recovery.
- Across all three scenarios, we expect a decline in Chinese travel activity to be experienced in 2020 with recovery beginning later in the year or in 2021.
- Global impacts are expected to be greater than during the SARS crisis in 2003, with significant impacts in more destinations due to a much greater reliance on Chinese travel.
- The scenarios indicate that there could be 7 to 25 million fewer Chinese departures in 2020 as a direct result of the virus.

## Impact of the coronavirus on China's travel, 2020

% loss of visits relative to counterfactual scenario (no crisis)



Source: Tourism Economics

■ Outbound ■ Inbound ■ Domestic

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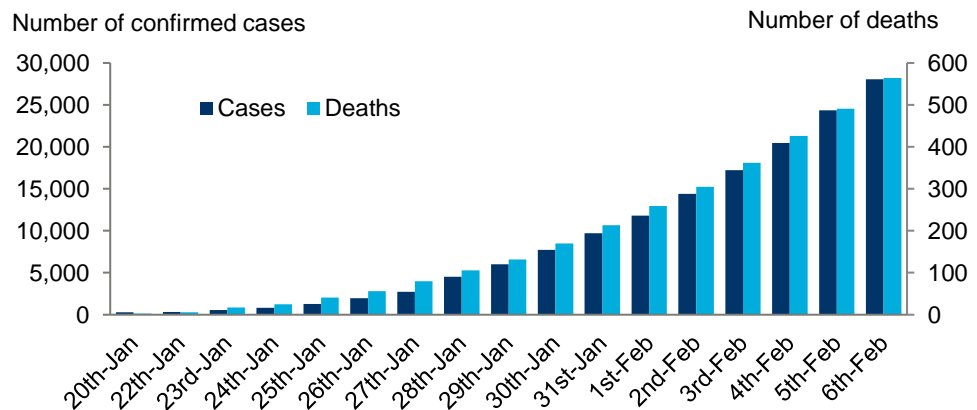
## Introduction

On 31<sup>st</sup> December 2019, China alerted the World Health Organization (WHO) to several cases of pneumonia in Wuhan, however the cause was unknown at this stage. By 7<sup>th</sup> January 2020, Chinese authorities announced that they had identified a new virus—a novel virus from the coronavirus family, which includes SARS. Shortly afterwards the first death caused by the virus was reported in China and the first case was established outside of China. By 23<sup>rd</sup> January, it was clear that it was beginning to spread rapidly. In an attempt to contain the virus, the Chinese authorities declared a lock-down in Wuhan, with all air and rail departures suspended. In the weeks that followed, a number of measures were implemented by China and other countries in an effort to contain the virus, including:

- closing national landmarks and attractions in China;
- locking-down more than 10 additional cities within China;
- extending the Lunar New Year holiday period;
- issuing a moratorium on all international business group travel and package (hotel and flight) travel;
- Russia closing its border with China;
- many airlines cancelling routes to China; and
- a number of countries shutting down all travel from China.

However, the virus has continued to spread, with the WHO declaring coronavirus a global emergency on 30<sup>th</sup> January. As of 6<sup>th</sup> February, the coronavirus has been confirmed in just under 30,000 cases and has caused more than 560 deaths. Almost all cases are in China, but the virus has also spread to at least 20 other countries—albeit on a comparatively limited basis.

### The spread of the of novel coronavirus in China



Source: World Health Organization

The outbreak of the coronavirus has sparked fears of a possible pandemic, similar to SARS in 2003, which claimed more than 700 lives in Asia. For now, the mortality rate of coronavirus (2%) remains below that of SARS (10%) and, to date, it remains largely concentrated in China. However, the scale and impact of the outbreak does have the potential to be worse than in the case of SARS—given that it is hitting a larger part of China’s population and that we do not know what impact the actions taken to prevent the spread of this virus will have on the economy.

Despite the uncertainty of the impact, it is our current view that the virus will have a high but short-lived impact on Chinese tourism and travel—as during the 2003 SARS episode.

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Tracking the outbreak		
Novel coronavirus (as of Feb 6)	Cases	Deaths
China	28,060	564
Rest of world	216	1
World Total	28,276	565
SARS (2003)	Cases	Deaths
China	5,327	348
Rest of world	3,110	465
World Total	8,437	813

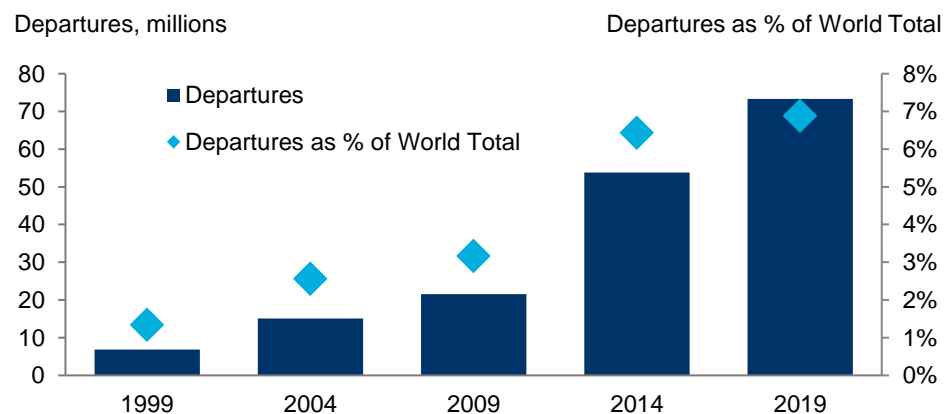
Source: WHO, China's NHC and other authorities

## The impact on China's outbound travel

The importance of China's outbound travel has grown steadily over the past two decades, with its significance as a tourism source market increasing substantially since the previous SARS outbreak in 2003.

In 2019, there were over 73 million departures from China. This represents a roughly tenfold increase from departure levels in 1999. As a share of global departures, China accounted for 6.9% of all departures in 2019—only Germany and the United States accounted for a higher share of global departures.

### Chinese departures to the world



Source: Tourism Economics

Economies that are more reliant on Chinese tourists and where travel and tourism accounts for a significant share of GDP will be impacted by this crisis the most. In 2019, the majority of Chinese departures were bound for destinations within the continent of Asia. In particular, the regions of Hong Kong, China and Macao, China plus Thailand and Japan collectively received just under 70% of all Mainland Chinese outbound travel.

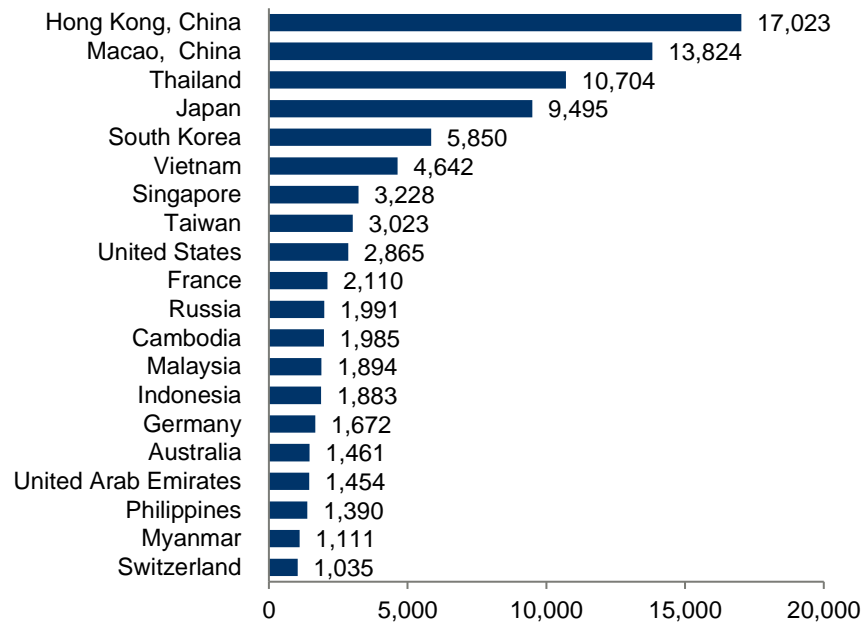
**The importance of China's outbound travel has grown steadily over the past two decades, with its significance as a tourism source market increasing substantially since the previous SARS outbreak in 2003.**

**Economies where travel and tourism accounts for a significant share of GDP and that are more reliant on Chinese tourists are likely to be impacted by this crisis the most.**

**The coronavirus' impact does have the potential to be more pronounced across a greater range of countries than the previous crisis.**

### Top 20 destinations of China's outbound travel

Arrivals 000s, 2019



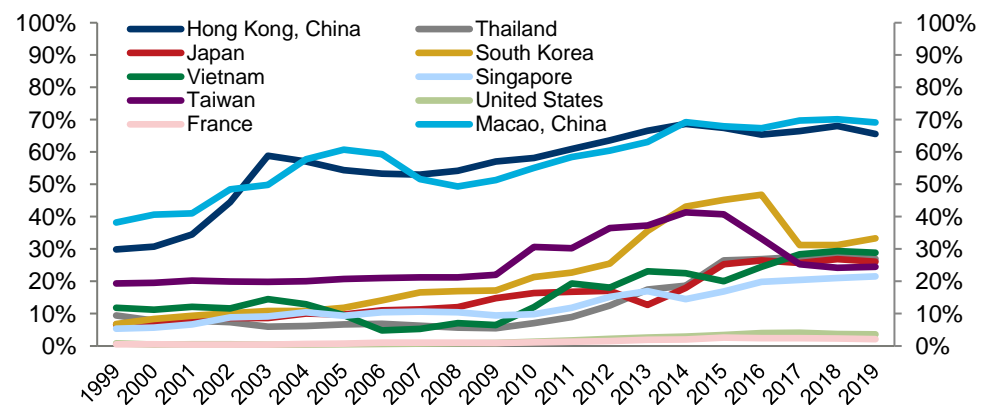
Source: Tourism Economics

Travel and tourism is an important driver of growth in a number of Asian economies that rely on Chinese arrivals, these include: Thailand, Cambodia and the Philippines. Hong Kong, China and Macao, China are also heavily reliant on travel from Mainland China. The effect on outbound travel of the virus will be felt in these economies the most.

However, Chinese tourists account for a higher share of total tourist arrivals in all of China's top 10 destination markets compared to the SARS outbreak period. For example, Chinese travel accounted for less than one tenth of travel to Japan in 2003, but China has grown significantly in importance and now accounts for around one-quarter of travel to Japan. The coronavirus' impact has the potential to be more pronounced across a greater range of countries than the previous crisis, including destinations outside of Asia.

### China's top 10 international destination markets

China's share of international arrivals into each destination

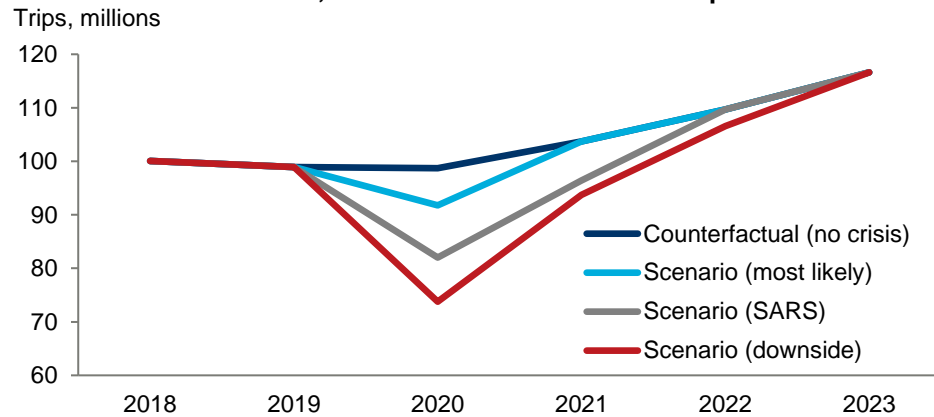


Source: Tourism Economics

**The scenarios indicate that there could be 7 to 25 million fewer Chinese departures in 2020 as a direct result of the virus.**

We have modelled three scenarios of the expected impact on departures based on the observed impacts during the SARS crisis, but with some variation in the duration and intensity of impacts, as well as the recovery in travel confidence. Scenarios have been compared this with a pre-crisis forecast for departures from China to determine the potential losses by year and the time to full recovery. Across all three scenarios, we expect a significant drop in 2020 with the recovery beginning late in the year or in 2021. Under the most likely scenario, departures from China are estimated to be 7% lower in 2020 relative to the pre-crisis forecast. This increases to between 17% and 25% lower, under the SARS and downside scenarios.

### China's outbound travel, counterfactual vs scenario impacts



Source: Tourism Economics

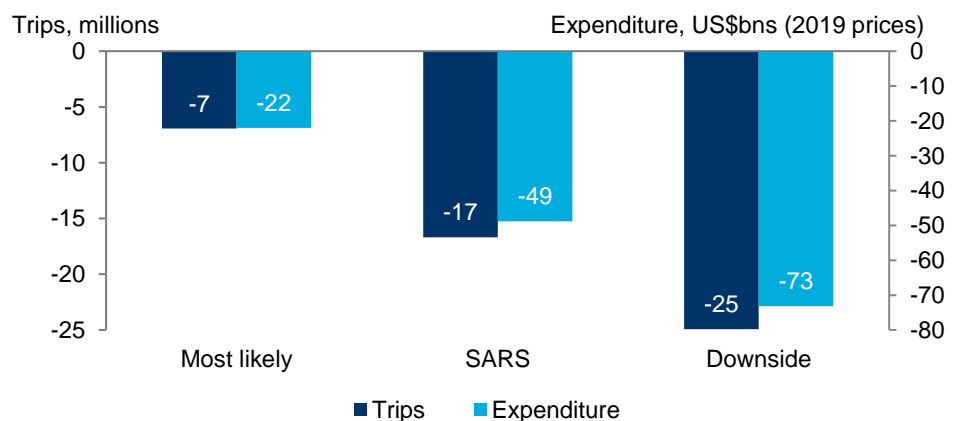
**Most likely**—assumes that the coronavirus is contained in shorter time frame than SARS, by end-February. Average monthly impacts remain broadly in-line with 2003.

**SARS**—assumes duration and average monthly impacts are broadly comparable to SARS in China in 2003.

**Downside**—assumes that the coronavirus lasts longer and is more severe than SARS.

### China's outbound travel, coronavirus impact, 2020

Difference relative to counterfactual scenario (no crisis)



Source: Tourism Economics

The chart above shows the reduction in outbound trips for each scenario when compared to a pre-crisis forecast. In other words, when comparing to counterfactual scenario in which the coronavirus crisis never came into being.

**China is the single largest outbound travel market in the world, in terms of spending. The downgrade of our 2020 forecast for Chinese departures has significant implications for visitor spending around the world.**

In terms of spending, China is the single largest outbound travel market in the world. The expected loss in 2020 for Chinese outbound trips has significant implications for visitor spending around the world. Under the most likely scenario, we estimate that there will be a \$22 billion loss in Chinese visitor spending as a result of the coronavirus.<sup>1</sup>

Larger losses in visitor spending are expected under alternative scenarios including longer lasting, and deeper, monthly impacts. Under the SARS scenario we expect a loss of \$49 billion in Chinese spending, with a much larger potential loss of \$73 billion under the downside scenario.

Impacts will vary by global destination according to reliance on Chinese travel, as quantified within the Global Travel Service. Destination impacts are shown by region in the chart appendix.

### The effects on China’s inbound market

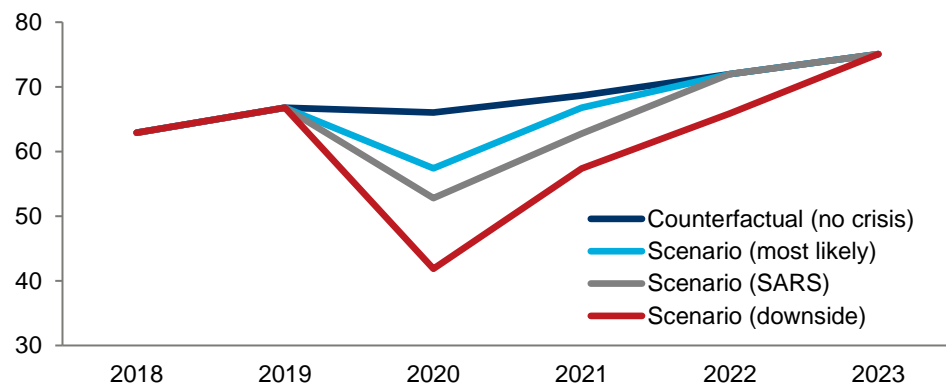
The impact of the outbreak is also expected to be significant for travel to China. Although the Chinese inbound market has a smaller global share than Chinese outbound, visits to China nonetheless represent a significant and increasing volume.

Overnight visits to China were estimated at around 65 million in 2019, the fourth highest of all destinations (behind France, Spain, the United States), and total inbound travel spending was estimated at more than \$120 billion.

We estimate an impact of at least 9 million fewer inbound trips to China in 2020 under the most likely scenario (13% lower), and possibly as many as 24 million fewer visitors under the downside scenario (37% lower), relative to the counterfactual.

#### China's inbound travel, counterfactual vs scenario impacts

Visits, millions



Source: Tourism Economics

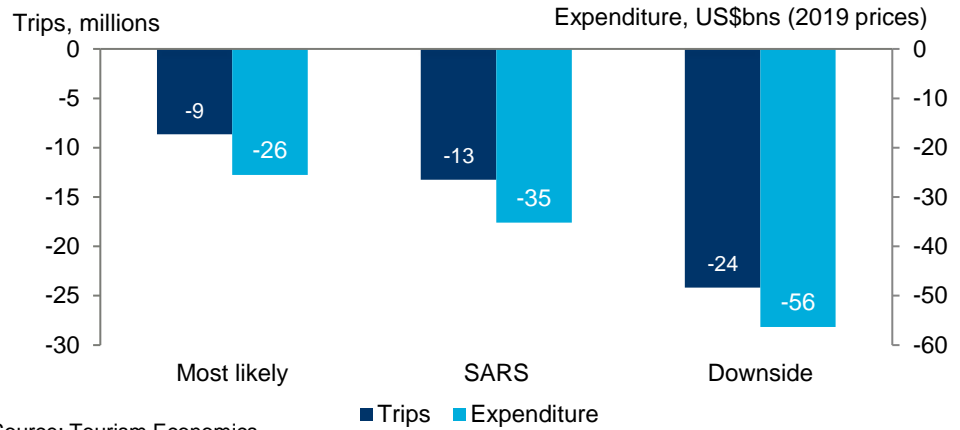
The negative impact on inbound spending is also significant, with the potential loss ranging from \$26 billion to \$56 billion in 2020. Inbound growth is expected to accelerate in subsequent years (assuming a resolution to the outbreak). However, the entire recovery could take between two to three years.

<sup>1</sup> Expenditure impacts include travel and transportation spend.

**We estimate an impact of at least 9 million fewer inbound trips to China in 2020 under the most likely scenario, and possibly as many as 24 million fewer visitors under the downside scenario, relative to the counterfactual.**

**China's inbound travel, coronavirus impact, 2020**

Difference relative to counterfactual scenario (no crisis)

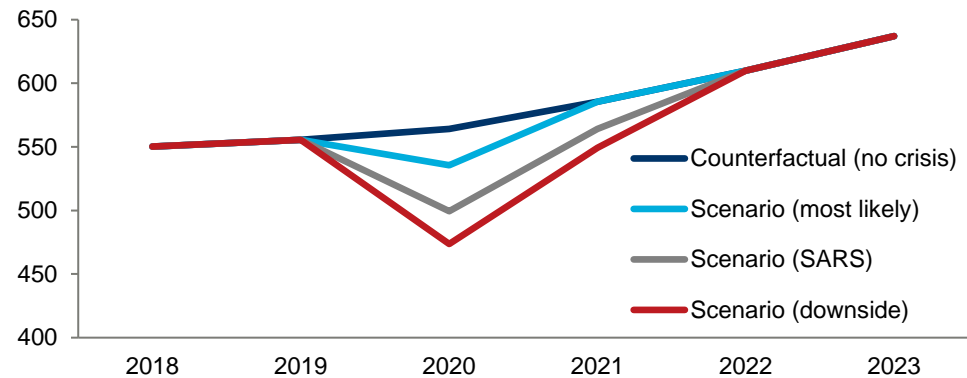


Source: Tourism Economics

## Chart appendix

### China's domestic travel, counterfactual vs scenario impacts

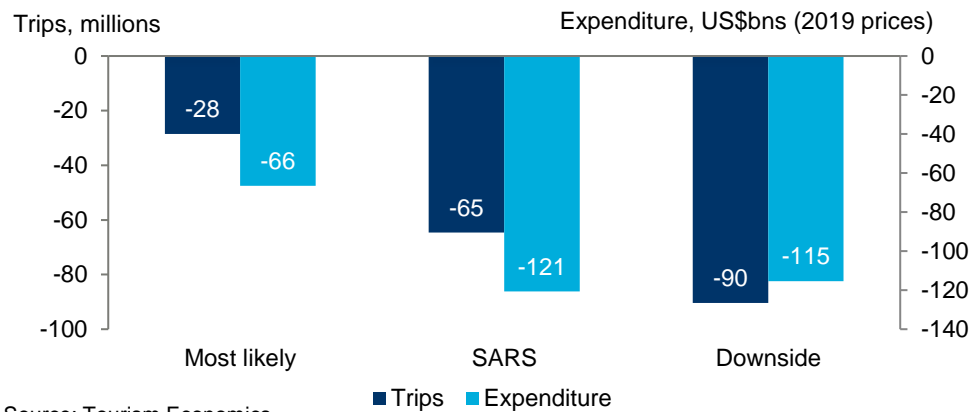
Visits, millions



Source: Tourism Economics

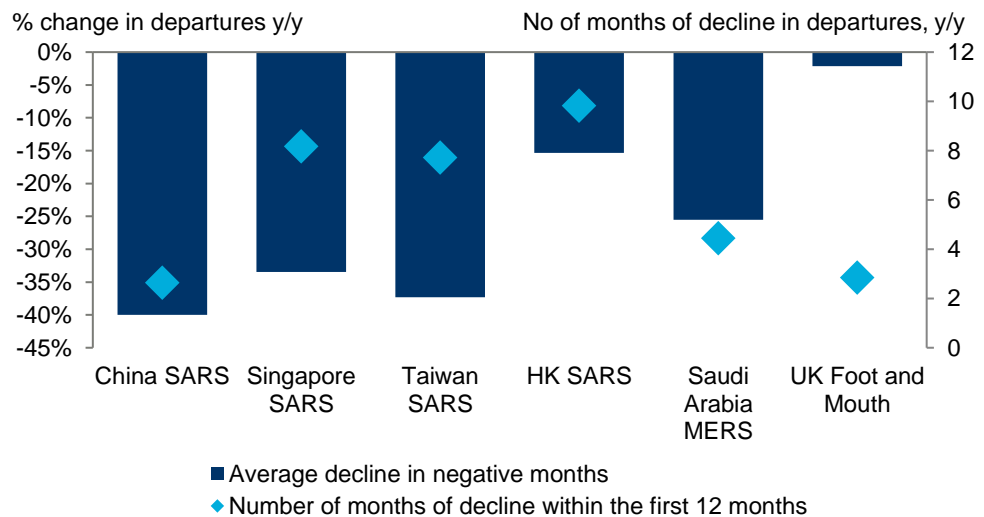
### China's domestic travel, coronavirus impact, 2020

Difference relative to counterfactual scenario (no crisis)



Source: Tourism Economics

### The impact of previous health crises on the short-term activity of departures



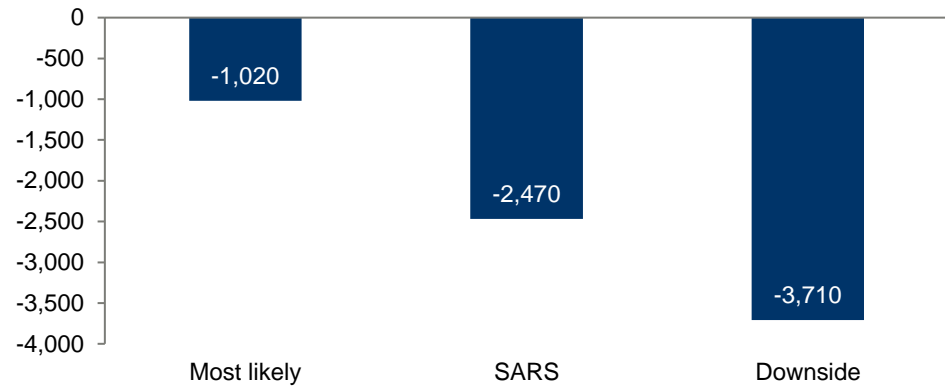
Source: Tourism Economics

The average decline measures the average percentage drop in monthly departures. Months of decline is measured as the time between the start of each crisis and the time that departures return to positive growth.



### China's outbound travel to Europe, coronavirus impact, 2020

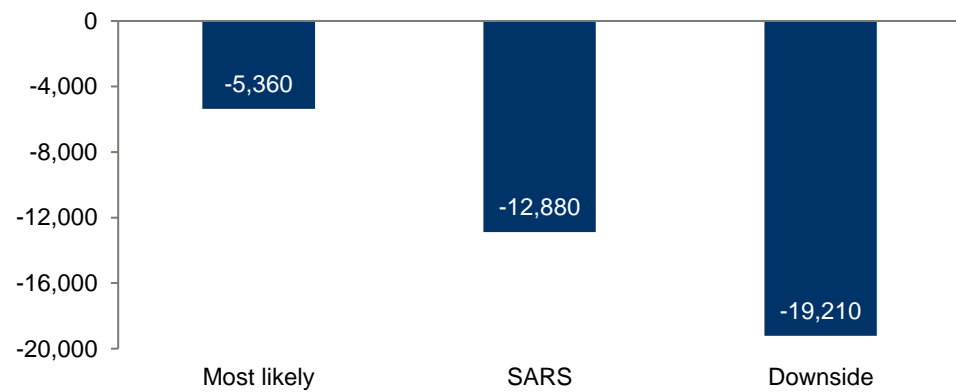
Difference relative to counterfactual scenario (no crisis), 000s



Source: Tourism Economics

### China's outbound travel to Asia Pacific, coronavirus impact, 2020

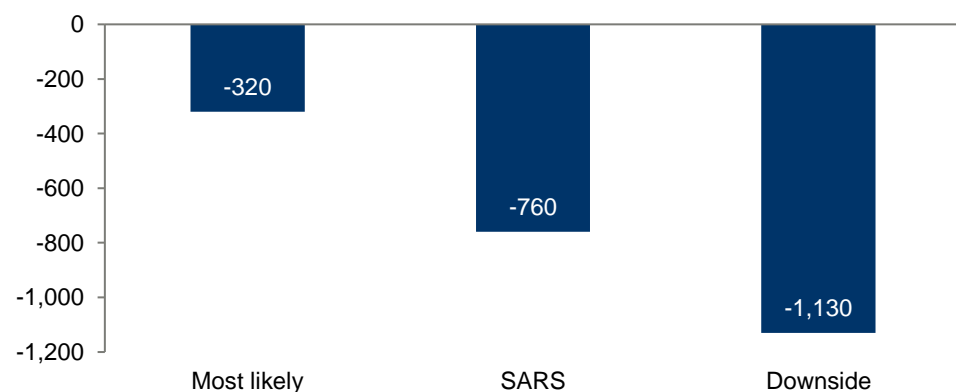
Difference relative to counterfactual scenario (no crisis), 000s



Source: Tourism Economics

### China's outbound travel to Americas, coronavirus impact, 2020

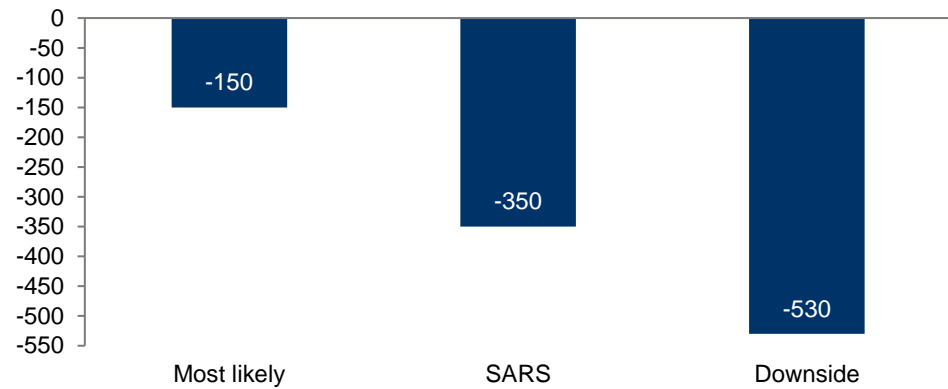
Difference relative to counterfactual scenario (no crisis), 000s



Source: Tourism Economics

### China's outbound travel to Middle East, coronavirus impact, 2020

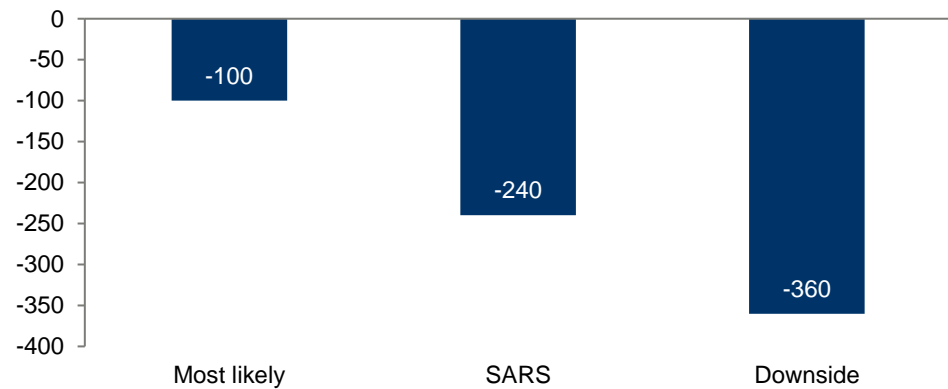
Difference relative to counterfactual scenario (no crisis), 000s



Source: Tourism Economics

### China's outbound travel to Africa, coronavirus impact, 2020

Difference relative to counterfactual scenario (no crisis), 000s



Source: Tourism Economics