

Asia and the Pacific Department  
Western Hemisphere Department

# **Tourism in the Post-Pandemic World**

## **Economic Challenges and Opportunities for Asia-Pacific and the Western Hemisphere**

**Prepared by an IMF team led by Manuela Goretti and Lamin Leigh,  
comprising Aleksandra Babii, Serhan Cevik, Stella Kaendera, Dirk Muir,  
Sanaa Nadeem, and Gonzalo Salinas, with support from other staff  
in the IMF Asia Pacific and Western Hemisphere departments.**

**I N T E R N A T I O N A L M O N E T A R Y F U N D**

Copyright ©2021 International Monetary Fund

**Cataloging-in-Publication Data**  
**IMF Library**

Names: Goretti, Manuela. | Leigh, Lamin. | Babii, Aleksandra. | Cevik, Serhan. | Kaendera, Stella. | Muir, Dirk. | Nadeem, Sanaa. | Salinas, Gonzalo. | International Monetary Fund. Asia and Pacific Department, issuing body. | International Monetary Fund. Western Hemisphere Department, issuing body. | International Monetary Fund, publisher.

Title: Tourism in the post-pandemic world : economic challenges and opportunities for Asia-Pacific and the Western Hemisphere / Prepared by an IMF team led by Manuela Goretti and Lamin Leigh, comprising Aleksandra Babii, Serhan Cevik, Stella Kaendera, Dirk Muir, Sanaa Nadeem, and Gonzalo Salinas, with support from other staff in the IMF Asia Pacific and Western Hemisphere departments.

Other titles: Economic challenges and opportunities for Asia-Pacific and the Western Hemisphere. | International Monetary Fund. Asia and Pacific Department (Series). | International Monetary Fund. Western Hemisphere Department (Series).

Description: Washington, DC : International Monetary Fund, 2021. | Departmental paper series. | Includes bibliographical references.

Identifiers: ISBN 9781513561905 (paper)

Subjects: LCSH: Tourism—Pacific Area. | Tourism—Western Hemisphere. | COVID-19 (Disease)—Economic aspects.

Classification: LCC G155.P25 G67 2021

The Departmental Paper Series presents research by IMF staff on issues of broad regional or cross-country interest. The views expressed in this paper are those of the author(s) and do not necessarily represent the views of the IMF, its Executive Board, or IMF management.

Publication orders may be placed online, by fax, or through the mail:  
International Monetary Fund, Publication Services  
P.O. Box 92780, Washington, DC 20090, U.S.A.  
Tel. (202) 623-7430 Fax: (202) 623-7201  
E-mail: [publications@imf.org](mailto:publications@imf.org)  
[www.imfbookstore.org](http://www.imfbookstore.org)  
[www.elibrary.imf.org](http://www.elibrary.imf.org)

# Contents

Acknowledgments.....	<a href="#">v</a>
Executive Summary .....	<a href="#">vii</a>
Introduction .....	<a href="#">1</a>
1. The Tourism Landscape .....	<a href="#">3</a>
2. Lessons from Past Epidemics .....	<a href="#">15</a>
3. Analyzing Macroeconomic Scenarios Under the New Post-Pandemic World.....	<a href="#">21</a>
4. Policy Options Towards a New Normal .....	<a href="#">29</a>
Conclusion .....	<a href="#">43</a>
Annex 1. Case Studies.....	<a href="#">45</a>
Annex 2. Applying A Gravity Model to Predict Post-Pandemic Tourism Flows .....	<a href="#">61</a>
Annex 3. Analyzing Macroeconomic Scenarios Using GIMF .....	<a href="#">69</a>
Annex 4. Assessing Export Development Potential in Tourism-Dependent Economies	<a href="#">89</a>
References .....	<a href="#">99</a>

*This page intentionally left blank*

## Acknowledgments

This IMF Departmental Paper was completed by a joint team from the IMF Asia Pacific and Western Hemisphere Departments under the overall guidance of Kenneth Kang and Krishna Srinivasan. The team was led by Manuela Goretti and Lamin Leigh and comprised Aleksandra Babii, Serhan Cevik, Stella Kaendera, Dirk Muir, Sanaa Nadeem, and Gonzalo Salinas, with valuable contributions by Ali Al Sadiq, Vybhavi Balasundharam, To Nhu Dao, Jayendu De, Keenan Falconer, Martina Hengge, Nong Jotikas-thira, Robin Koepke, Takuji Komatsuzaki, Camila Perez, Raadhika Vishvesh, Karim Youssef, and Tianle Zhu. The team would also like to acknowledge the helpful comments from APD and WHD country teams as well as other IMF departments and seminar participants. Remaining errors are the authors' responsibility. The views expressed in this paper are those of the authors and do not represent the views of the IMF, its Executive Board, or its Management. The authors would also like to thank Houda Berrada of the Communications Department for leading the editorial and production process and Patricia Tanseco for production assistance.

*This page intentionally left blank*

## Executive Summary

The COVID-19 pandemic, a global crisis like no other in modern history, has led to a sudden stop in travel and a collapse in economic activity world-wide. A major economic driver, tourism accounts for more than 10 percent of the global economy and in many countries a large share of exports and foreign exchange earnings. The industry is also highly interconnected; multiple sectors are dependent on its performance. The pandemic has had severe repercussions on the complex global tourism supply chain, putting millions of tourism jobs at risk. Informal and migrant workers, particularly women and youth, have suffered disproportionately from diminished employment opportunities and lack of access to social safety nets, leading to increased poverty and slowing progress toward the UN Sustainable Development Goals.

This departmental paper analyzes the impact of the COVID-19 pandemic on tourism in the Asia Pacific region, Latin America, and Caribbean countries. Many tourism dependent economies in these regions, including small states in the Pacific and the Caribbean, entered the pandemic with limited fiscal space, inadequate external buffers, and foreign exchange revenues extremely concentrated in tourism. The empirical analysis leverages on an augmented gravity model to draw lessons from past epidemics and finds that the impact of infectious diseases on tourism flows is much greater in developing countries than in advanced economies. Given the unprecedented nature of the COVID-19 crisis, forward looking model simulation results for tourism dependent economies show scope for a faster recovery, if rapid advancements in vaccine distribution were to bring back travel to pre-pandemic levels, but also significant downside risks from protracted uncertainty and limited vaccine effectiveness and availability, with deep and long-term scarring effects potentially amplifying existing vulnerabilities.

The paper also explores several innovations given the peculiarities of the tourism industry and high degree of pandemic uncertainty. The paper finds

strong correlation between the spread of COVID-19 and big data high-frequency indicators on travel, which suggests that the quality of healthcare systems will be pivotal in the post-pandemic recovery of the tourism sector. The analytical and modeling techniques leverage the interaction among epidemiology, tourism development models, and macro structural features of tourism dependent economies. The analysis suggests, among other things, the challenges that tourism-based economies could face in leapfrogging from high-density to socially distanced tourism. For some countries, the inherent rigidities of switching from one tourism business model to another, combined with the likely protracted process of building consensus across stakeholders, could amplify the pre pandemic macro and structural vulnerabilities and make the transition to the new normal more challenging.

The paper examines policy options to navigate the post-pandemic world. Although tourism bounced back relative quickly from the impact of past epidemics like SARS, the COVID-19 pandemic could create long-term scarring effects. How tourism recovers will depend on the availability and distribution of an effective vaccine and policy choices made during the pandemic, specifically:

- Phase 1, crisis mitigation: In response to the COVID-19 shock, many countries have provided fiscal support to buttress demand for the industry and preserve jobs. Further support may be needed and there is scope for well designed fiscal stimulus to support the most affected sectors including the poorest households and businesses, while being mindful of available fiscal policy space and debt sustainability concerns.
- Phase 2, reopening: As countries reopen their economies and borders, special attention should be devoted to health and hygiene protocols. During this transition phase, domestic tourism is being incentivized in several countries through attractive offers from hotels and tour operators and the tourism sector is being integrated into governments' re opening strategies. The creation of COVID-free travel bubbles also shows some potential across regions, despite implementation challenges. Targeted policies to address the pandemic impact on youth and women, enhancing access to new opportunities, including through digitalization, can help mitigate the scarring effect in the tourism sector, broaden inclusion, and help lift potential growth. As many firms in the industry, especially small and medium enterprises (SMEs), are at risk of slipping from liquidity stress into insolvency, monitoring and promoting needed restructuring and retooling in a timely manner will be critical to the recovery.
- Phase 3, recovery: As the recovery takes hold, a shift to eco-sustainable tourism services with lower density, higher value-added, and greater digitalization may allow countries to reduce the health risks potentially asso-



ciated with mass travel, foster a greener recovery, as well as diversify their economies to increase their resilience to future shocks. This challenging juncture presents an opportunity to accelerate long term structural transformation, within and beyond the tourism sector, to mitigate the impact on output and jobs and adapt to the post pandemic normal. Harnessing a long term solution will require global cooperation, starting with the immediate priority of establishing global safety and health protocols as well as making a reliable vaccine widely available.

*This page intentionally left blank*