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## EFFECTS OF THE COVID-19 PANDEMIC ON THE TOURISM INDUSTRY

### Abstract

The article is devoted to the current issue of 2020 on the impact of the COVID-19 pandemic on the tourism industry in general, Azerbaijan in particular, and overcoming this crisis, taking into account the main aspects and goals of sustainable development. There is a close relationship between epidemics and tourism. Although it may be possible to move diseases from the country where they occur to other regions due to tourism movements, with the spread of the epidemic, measures taken to prevent the risk of transmission may adversely affect tourism movements. The COVID-19 pandemic is different in terms of its effects and spread for the world economies that have witnessed many epidemic outbreaks before. The COVID-19 pandemic, which has spread rapidly all over the world starting in China, has created economic shocks for all industries, but its impact on the tourism industry has been quite significant compared to other industries.

With the introduction of national and international travel restrictions imposed by countries, tourist movements have stopped, and the tourism industry has faced a sudden and indefinite crisis before the season. Considering all these effects, in this part of the study, the measures and predictions taken were included and then an assessment was made in terms of the impact of the epidemic on the tourism industry. Rare events, such as short-term epidemics, natural disasters, political and economic crises, can negatively affect the development of tourism in the short or long term. Among them, epidemics have reduced the development of tourism in the regional sense before COVID-19.

**Key words:** *tourism, COVID-19, industry, measures, pandemic impact*

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### COVID-19 pandemiyasının turizm sənayesinə təsiri

#### Xülasə

Məqalə COVID-19 pandemiyasının ümumilikdə turizm sənayesinə, xüsusən də Azərbaycana təsiri və davamlı inkişafın əsas aspektləri və məqsədləri nəzərə alınmaqla bu böhranın aradan qaldırılması ilə bağlı 2020-ci ilin cari buraxılışına həsr olunub. Epidemiyalarla turizm arasında sıx əlaqə var. Turizm hərəkətləri səbəbindən xəstəliklərin baş verdiyi ölkədən başqa bölgələrə daşınması mümkün olsa da, epidemiyanın yayılması ilə bulaşma riskinin qarşısını almaq üçün görülən tədbirlər turizm hərəkətlərinə mənfi təsir göstərə bilər.

COVID-19 pandemiyası daha əvvəl bir çox epidemiyaya hallarının şahidi olmuş dünya iqtisadiyyatları üçün təsirləri və yayılması baxımından fərqlidir. Çindən başlayaraq bütün dünyaya sürətlə yayılan COVID-19 pandemiyası bütün sənayelər üçün iqtisadi sarsıntılar yaratsa da, onun turizm sənayesinə təsiri digər sənaye sahələri ilə müqayisədə kifayət qədər əhəmiyyətli olmuşdur. Ölkələr tərəfindən tətbiq edilən milli və beynəlxalq səyahət məhdudiyyətlərinin tətbiqi ilə turist hərəkətləri dayanıb və turizm sənayesi mövsüm öncəsi ani və qeyri-müəyyən böhranla üzləşib. Bütün bu təsirləri nəzərə alaraq, araşdırmanın bu hissəsində görülən tədbirlər və proqnozlar daxil edilmiş və daha sonra epidemiyanın turizm sənayesinə təsiri baxımından qiymətləndirmə aparılmışdır. Qısamüddətli epidemiyalar, təbii fəlakətlər, siyasi və iqtisadi böhranlar kimi nadir hadisələr qısa və ya uzun müddətdə turizmin inkişafına mənfi təsir göstərə bilər. Onların arasında epidemiyalar COVID-19-dan əvvəl regional mənada turizmin inkişafını azaldıb.

**Açar sözlər:** *turizm, COVID-19, sənaye, ölçü, pandemiyanın təsiri, tədbirlər*

## Introduction

A pandemic has been declared by the World Health Organization since March 11. Undoubtedly, tourism is one of the areas most affected by the epidemic. Travel restrictions and social isolation are among the first measures taken to include COVID19.

With the introduction of voluntary and compulsory quarantine applications around the world, travel has come to an end and there has been a sudden break in the tourism industry. Various measures have been taken to overcome the crisis in tourism.

The tourism sector requires special experience and knowledge with its scale, investment, organization, management dimensions, as well as its backward and forward dependence and versatility. In addition, the necessity to follow technology closely is one of the distinguishing features of the sector.

However, it is an undeniable fact that the tourism sector is a rapidly developing sector when compared to other sectors. The fact that it has become an economic and mass phenomenon in the globalizing world and its positive effects on the national economies have brought the economic importance of the tourism sector to the fore.

There are various indicators showing the economic importance of the tourism sector. For example, in the tourism sector, spending on various goods and services by coming to the country or region where those products are located in order to benefit from tourism products creates a "waterfall" effect in the economies hosting tourism. For example, expenditures that start on the front of touristic supply factors such as taxis, hotels, restaurants, and then gradually spread to other areas of the economy.

This situation causes the tourism sector to have the characteristics of a sector that has a significant exchange of inputs with other sectors of the economy. For this reason, the tourism sector is both affected by the development in other sectors and contributes to the development of other sectors. In the economic development process, this interrelationship is included in the concept of structural dependency in theory and shows the importance of a sector in economic development. The tourism sector is an important sector that provides a solution to the unemployment problem of that country as well as providing foreign currency inflow to a country.

## Method

Within the framework of financial globalization, transnational lending and investment trends in the world economy were identified, the Transnational Banking Rating for 2016 was given, and the adequacy of anti-crisis strategies was assessed. In addition, the causes of financial and economic crises and the effectiveness of preventive measures have been systematized.

## Research Model

Tourism is characterized as an invisible export in terms of balance of payments. The reason why it is defined in this way is that it earns foreign currency by selling goods and services to visitors. For this reason, tourism shows more advantageous features compared to other export sectors. Because the export realized through tourism differs from the export of goods and services to a foreign country due to reasons such as the consumer coming to the goods and services subject to export and the absence of travel expenses. These differences are the possibility of obtaining foreign currency in a short time with a small amount of imports in the tourism sector, and the natural, historical and cultural values of the country for some products that cannot be exported, making the sector a source of foreign currency by creating a foreign market through tourists. Tourism, as an industry with close human interaction, has undoubtedly witnessed some long-term changes since COVID-19. Effective preparation of the industry for this transformation, even if COVID-19 loses its impact, will make it more resistant to future epidemics. Tourism has become an important global economic activity, especially after the Second World War. Today, tourism accounts for 8% of global output and 10% of employment alone, with a growth rate of 4-5%. In addition, tourism affects more than 135 sectors with a high multiplier effect, contributes to the balance of payments by generating foreign exchange earnings, launches many leading industries such as transport, trade, construction, health and finance. In addition to the economic impacts of tourism, there are many social, cultural and political impacts that are not covered by this study. Although tourism is an important global economic sector, it is quite sensitive to crises in any country or region of the world.

Due to the fact that the demand for tourism has a deferred structure, it has a very sensitive image against security problems, economic crisis and health problems. Tourism is also a non-storage product,

so it cannot be stored for future sale like physical goods. Today, rooms, chairs and tables that are not reserved cannot be sold later. With the exception of a few past examples (such as the 2008 economic crisis), the crises have had regional effects and have reached a level that will have a limited impact on global tourism movements.

Given the impact and speed, it is difficult to say that the global tourism industry has faced a crisis like COVID-19 in the past. The impact of COVID-19 is expected to be seven times more devastating than the 2008 financial crisis.

Undoubtedly, what distinguishes COVID-19 from other epidemics is its direct and sudden impact on tourism due to its rapid and widespread spread, the uncertainty of the infection process and treatment, as well as compulsory travel measures. As in China, most of the world's travel has been postponed or canceled before borders closed. In addition to these short-term effects, the fact that COVID-19 will cause the largest economic crisis in history raises other uncertainties about the duration and intensity of the effects.

As tourism is partly a luxury consumer tool, it is expected to be one of the first to be affected by the pandemic and one of the last to recover with a portable structure. Due to wider and stricter travel restrictions than other epidemics, tourism in the world has stopped and travel has been restricted in many countries, except in emergencies.

During the pandemic period, many airlines and tour operators ceased operations, and many accommodation establishments had to close. These large-scale restrictions affecting the entertainment and leisure industries have resulted in disruptions to the global supply chain.

Unlike the atypical pneumonia and Mers epidemics, COVID-19 has spread rapidly around the world after China. The epicenter spread first to Europe and then to the United States, causing more deaths in China.

Since the announcement of the pandemic by the World Health Organization in March, the number of countries implementing additional measures in the field of health, which significantly hinders international traffic, has increased.

The World Tourism Organization set up a Crisis Committee on March 25 to review the impact of the epidemic on the aerospace, maritime and tourism sectors and propose innovative solutions for recovery.

WHO also supported the committee as a technical advisor. As the committee developed the situation, it became part of the global coordination organization by holding regular virtual meetings to evaluate and promote the recommendations.

In addition, the committee notes that since small and medium enterprises account for 80% of the world sector, the social impact of the crisis could become a serious problem for the international community, and this could go beyond tourism in the country.

In general, crisis and risk management systems should be among the goals to be achieved in this process, such as overcoming and keeping them alive, strengthening the capital structures of enterprises and making them more sustainable.

### **Analyses**

Tourism is an important area of socio-economic activity and makes a significant contribution to the state budget revenues of many countries. According to the World Travel & Tourism Council (WTTC) data, which represents the international tourism industry, the contribution of tourism to the global economy in 2019 amounted to \$ 9.1 trillion, or 10.4% of world GDP (<https://wttc.org/Research/Economic-Impact>). Council estimates the travel and tourism industry accounts for 330 million work places worldwide (1 in every 10 work places worldwide). In early 2020, all countries were covered by a pandemic of a new type of coronavirus, COVID-19, announced by the World Health Organization. Tourism is one of the global industries most affected by the economic impact of the pandemic (Aburumman, 2020).

Traditionally, the tourism and recreation industry is affected by external shocks – for example, events occurring in specific host countries can lead to a large-scale redistribution of trips to other resort regions. However, such powerful shocks as COVID-19 pandemic can paralyze the world tourism market for an indefinite period. Along with the epidemics of viral and infectious diseases, exogenous factors that depress the global hospitality industry can also include military conflicts and terrorist threats, climate

change and natural disasters, abrupt price changes of the oil and oil products, currency fluctuations, financial and economic crises, etc. (Bayeva & Knobel, 2020).

Today, tourism and related industries are experiencing an unprecedented decline due to the coronavirus pandemic. Many experts in tourism state that the current crisis associated with the new virus is the worst for the industry since 1950. Thus, according to the UNWTO, the annual figures for tourism in 2020 had declined by 73% on the average compared to 2019. The slowdown was observed in almost all regions of the world (Fig. 1).

**Figure 1: YTD changes by region, 2020 (%)**



**Source:** <https://www.unwto.org/international-tourism-and-covid-19>

As it follows from the above graph, Asia and the Pacific suffered the most, with an annualized slowdown in tourism of -84%, followed by the Middle East (-75%), Europe (-70%), Africa (-69%) and Americas (-69%). The Asian region was the first to feel the impact of the new virus, accompanied by travel restrictions, and sometimes a complete lockdown, in addition, this region was the most active in terms of tourist flows. We consider the change in tourism indicators in 2020 by months (Fig. 2).

**Figure 2: YTD changes by month, 2020 (%)**



**Source:** <https://www.unwto.org/international-tourism-and-covid-19>

As it follows from the graph, the maximum slowdown in tourist figures was observed in April-June 2020, which is due to the imposition of strict restrictions by a number of countries and the air spaces shut-down. We will notice that along with tourism, passenger air transportation also faced global revenue losses. So, according to the site (<https://www.statista.com/statistics/106679/coronavirus-airlines-passenger-revenue-region/>), total revenue losses of passenger air transportation in 2020 amounted to \$370 billion, including revenue losses for individual regions were as follows: Asia-Pacific region - \$120 billion, Europe - \$ 100 billion, North America - \$88 billion, Latin America - \$26 billion, the Middle East - \$ 22 billion, Africa - \$ 14 billion. In assessing the loss of tourism due to COVID-19, the WTTC notes that the sector has lost 4.5 trillion US dollars, while the contribution of tourism to Total GDP was 5.5% (4,671 billion US dollars), that is 4.9% less than in 2019.

As elsewhere in the world, the pandemic has caused great damage to the tourism sector of Azerbaijan. The first case of infection in the country was registered in February 2020. The first infected with the virus were citizens of the country who arrived from Iran, and after confirming cases of infection, it was agreed the country's border with Iran should be closed for two weeks. Naturally, at the time, it was not yet clear how dangerous and contagious the virus was, and no one could predict how long this situation would last. In early March has been a ban on imports of Iranian products into the country, and in all educational institutions located in the country, a week vacation was announced to ensure the safety of the population and prevent the spread of the virus, and later the period was extended until March 27. On March 12, in our country the first case of death from a new coronavirus was confirmed. On March 14, social isolation measures began to take effect in our country, mass events were banned, appeals to people with the slogan "Stay at home" were made, the land and air borders of the country were temporarily closed (Hajiyeva, 2021: 45).

The number of people infected with the COVID-19 virus in our country is reflected in Table 1. Also note that the first information about the number of infected people in Azerbaijan was published on the website of the World Health Organization (WHO) (<https://www.worldometers.info/coronavirus/country/azerbaijan/>) on March 24 of 2020 (15 people).

As it shown in the Table, the number of infected people began to grow from October and reached its peak in December (on December 13, the highest daily number of infections so far was recorded – 4451 people). At present, with the number of 328.159 people infected (12 may 2021), Azerbaijan ranks 53 among 221 countries (the number of deaths was 4726, the number of survivors was 309771, the number of active cases was 13662). In general, if we look at the graph of the daily number of infections in our country, we can observe that the process is of wavy (cyclic) nature ()

The graph shows three waves, the smallest of which is observed in May-August 2020, the largest wave-in October 2020-January 2021, and a relatively average wave - in March-May 2021. Tourism plays a key role in the economy of Azerbaijan and has significant potential for development (Hajiyeva&Teymurova, 2019). The COVID-19 pandemic has significantly affected the tourism sector and, since March 2020, has led to a serious decline in this area. According to statistics, 686.3 thousand people from 155 countries visited Azerbaijan in January-September 2020 (3.5 times less than in the same period last year). In order to prevent the spread of coronavirus infection, the imposition of a restrictive regime at the state border between the Republic of Azerbaijan and neighbouring states, as well as temporary restrictions on the travel of citizens in most countries of the world, led to a sharp decline in the number of arrivals to our country from April to September 2020, and trips were carried out mainly for non-tourist purposes. Unfortunately, currently, full statistical indicators for 2020 have not been published, so the analysis covers January to September. For the analysis, we will consider the data provided by the State Agency for Tourism of the Republic of Azerbaijan for 2020.

January 2020 was successful for tourism, compared to the corresponding indicator of 2019, the number of tourists arriving in Azerbaijan increased by 18.1% and amounted to 226,200 people, and the most tourists came to our country from Russia (+20.5%), Georgia (+14.6%), the Middle East (+20.8%), Turkey (+12.1%) and Iran (+26.5%). The increase in the flow of tourists, also, continued in February, which is not very suitable for travel. The number of tourists coming to the country in this month, increased by 15.8%, the majority of them came from Georgia -59,000 people (+11.4%) and Russia - 55,000 people (+23.3%). The number of tourists coming from Turkey was 23,600 (+5.9%), from the

Middle East - 16,900 people (+11.2%), from Iran - 13400 people (+22.9%). The highest growth is observed in the number of tourists from Russia and Iran.

The World Travel and Tourism Council (WTTC) provided its recommendations for the recovery of the tourism industry:

1) Overturn of travel recommendations and bans on non-essential international trips that prevent traveller insurance.

2) Adoption of global health and safety protocols, provision of travel safety guarantees to travellers.

3) Adoption of a rapid test and tracking strategy, which helps to contain the spread of the virus.

4) Closer collaboration between the public and the private sector to ensure a standardized and global approach to the crisis.

5) Continued government support for the sector in terms of tax incentives and liquidity incentives, as well as measures to protect employees

### Conclusion

As a result, past epidemics have particularly affected the regions where they occur, but not as much as COVID-19 worldwide. The most important difference that distinguishes COVID-19 from other endemic diseases is its rapid and effective spread. Since its inception and in all countries where the disease has been declared a pandemic, the number of infections has increased rapidly. Countries have closed their borders, and voluntary and compulsory quarantine applications have been intensified as part of the measures. Businesses were closed and the supply chain was disrupted. In short, COVID-19 has had economic, social and psychological effects around the world. Tourism was also one of the first and most affected sectors of the epidemic.

Due to quarantine applications, travel was completely suspended and psychologically affected individuals postponed or canceled their vacation plans. Ongoing uncertainty over the epidemic and the possibility of a second wave have led to various scenarios related to tourism. However, even if the epidemic is completely eradicated in the short term, it will undoubtedly create lasting changes in the tourism sector. Although developments will change as the impact of the epidemic continues, it will undoubtedly continue to affect tourism.

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