



# Rebuilding tourism for the future: COVID-19 policy responses and recovery

Updated 14 December 2020

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The outlook for the tourism sector remains highly uncertain. The coronavirus (COVID-19) pandemic continues to hit hard, with international tourism expected to decrease by around 80% in 2020. Domestic tourism is helping to soften the blow, at least partially, and governments have taken impressive immediate action to restore and re-activate the sector, while protecting jobs and businesses. Many countries are also now developing measures to build a more resilient tourism economy post COVID-19. These include preparing plans to support the sustainable recovery of tourism, promoting the digital transition and move to a greener tourism system, and rethinking tourism for the future.

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## Key messages: Rebuilding tourism is a priority, but the sector must become more sustainable and resilient in the future

Tourism continues to be one of the sectors hardest hit by the coronavirus pandemic and the outlook remains highly uncertain.

OECD expects international tourism to fall by around 80% in 2020. Destinations that rely heavily on international, business and events tourism are particularly struggling, with many coastal, regional and rural areas faring better than cities.

Encouraging news on vaccines has boosted hopes for recovery but challenges remain, with the sector expected to remain in survival mode until well into 2021.

Domestic tourism has restarted and is helping to mitigate the impact on jobs and businesses in some destinations. However, real recovery will only be possible when international tourism returns. This requires global co-operation and evidence-based solutions so travel restrictions can be safely lifted.

The survival of businesses throughout the tourism ecosystem is at risk without continued government support and although governments have taken impressive action to cushion the blow to tourism, to minimise job losses and to build recovery in 2021 and beyond, more needs to be done, and in a more co-ordinated way. Key policy priorities include:

- Restoring traveller confidence
- Supporting tourism businesses to adapt and survive
- Promoting domestic tourism and supporting safe return of international tourism
- Providing clear information to travellers and businesses, and limiting uncertainty (to the extent possible)
- Evolving response measures to maintain capacity in the sector and address gaps in supports
- Strengthening co-operation within and between countries
- Building more resilient, sustainable tourism

While flexible policy solutions are needed to enable the tourism economy to live alongside the virus in the short to medium term, it is important to look beyond this and take steps to learn from the crisis, which has revealed gaps in government and industry preparedness and response capacity. Co-ordinated action across governments at all levels and the private sector is essential.

The crisis is an opportunity to rethink tourism for the future. Tourism is at a crossroads and the measures put in place today will shape the tourism of tomorrow. Governments need to consider the longer-term implications of the crisis, while capitalising on digitalisation, supporting the low carbon transition, and promoting the structural transformation needed to build a stronger, more sustainable and resilient tourism economy.

This note is an abridged version of the OECD Tourism Paper:

Mitigating the impact of COVID-19 and preparing for recovery: <https://doi.org/10.1787/47045bae-en> .



## Unprecedented scale of the tourism crisis, and outlook extraordinarily uncertain

**The COVID-19 crisis has hit the tourism economy hard, with unprecedented effects on jobs and businesses.** Tourism was one of the first sectors to be deeply impacted by the pandemic, as measures introduced to contain the virus led to a near-complete cessation of tourism activities around the world. The sector also risks being among one of the last to recover, with the ongoing travel restrictions and the global recession. This has consequences beyond the tourism economy, with the many other sectors that support, and are supported by, tourism also significantly impacted.

**The unprecedented shock to the tourism economy is being compounded by the evolving sanitary situation.** While positive news on vaccines has boosted the hopes of tourism businesses and travellers alike, challenges remain. Vaccine roll out will take some time, and the sector is potentially facing stop/start cycles for some time. This will further damage business and traveller confidence, and business survival prospects. Despite the proven resilience of the tourism economy to previous shocks, the sheer scale and combined economic and health nature of this crisis means that the road to recovery is highly uncertain. While there has been some resumption of international tourism activity, this remains very limited. Domestic tourism has restarted in many countries, but can only partially compensate for the loss of inbound tourism.

**OECD now estimates international tourism<sup>1</sup> will fall by around 80% in 2020.** No meaningful recovery in international tourism flows is foreseen until well into 2021, and is likely to take some years. This is in line with recent projections by other organisations. Latest UN World Tourism Organization (UNWTO) estimates point to a 70% decline year-on-year in international tourist arrivals in the first eight months of the year, with the loss in export revenues from international tourism eight times that recorded in 2009 amid the global financial crisis.<sup>2</sup> UNWTO now foresees a decline in international arrivals close to 70%, with recovery to pre-crisis levels not expected before 2023.

**Domestic tourism is providing a much needed boost to help sustain many tourism destinations and businesses, and will continue to be a key driver of recovery in the short to medium term.** There has been some pick up in domestic tourism activities since the middle of the year, due in part to displacement effects of international travel restrictions. However, this has been hindered as many countries face further waves of the virus, and domestic tourism is expected to end the year significantly down on pre-COVID levels. Spain and the United Kingdom, for example, are forecasting a decrease in domestic tourism by 45-50% in 2020. Also, not all destinations or businesses have benefited, due to ongoing restrictions on movement within countries and altered demand patterns and behaviours.

**This is having very tangible economic and social consequences for many people, places and businesses, and the wider economy.** Tourism generates foreign exchange, supports jobs and businesses, drives regional development and underpins local communities. Before the pandemic, the sector directly contributed 4.4% of GDP, 6.9% of employment, and 21.5% of service exports in OECD countries, on average (and 6.5% of global exports according to the World Trade Organisation<sup>3</sup>). However, these shares are much higher for several OECD countries, where tourism is a major driver of economic activities, such as France (7.4% of GDP), Greece (6.8%), Iceland (8.6%), Mexico (8.7%), Portugal (8.0%) and Spain (11.8%). The indirect impacts of tourism are also significant, exacerbating the size of the shock on national and local economies.

<sup>1</sup> International tourism refers to tourism that crosses national borders for tourism purposes (leisure, business etc.). OECD estimates are based on international tourism arrivals in the OECD area.

<sup>2</sup> UNWTO (2020), World Tourism Barometer, Volume 18, Issue 6, <https://doi.org/10.18111/wtobarometereng>. October 2020

<sup>3</sup> World Trade Organisation Working Paper (2020), [International trade in travel and tourism services: economic impact and policy responses during the COVID-19 crisis](#), 26 August 2020.



### Box 1. Forecasts for tourism performance and recovery: selected country examples

**Canada:** Revised tourism estimates from Destination Canada in July 2020 were based on a re-opening of the Canadian border in January 2021. Destination Canada developed two possible scenarios for 2020, based on different possible conversion rates of outbound Canadian tourism towards domestic travel:

- Scenario 1: assuming only 20% of Canadian outbound tourism demand is converted to domestic tourism, tourism expenditures drop by 61% (to CAD 41.3 billion) and jobs attributable to tourism drop by 55% (to 324 000).
- Scenario 2: assuming 100% of Canadian outbound tourism demand is converted to domestic tourism, tourism expenditures drop by 43% (to CAD 59.7 billion) and jobs attributable to tourism drop by 41% (443 500)

**Croatia:** Forecasts for tourism flows are revised every 15 days, following a review of the latest travel safety recommendations and epidemiological situation. This is informed by data from the e-Visitor system, which that provides daily updates. A 50% drop in tourism traffic is expected in 2020.

**Germany:** The German Federal Competence Centre for Tourism's latest "Recovery-Check" forecasts from July 2020 identify three possible scenarios for domestic and international tourism recovery. Under the central scenario, domestic tourism is expected to recover to 2019 levels in summer 2021, with international tourism recovery forecast for April 2023 (i.e. two years longer). Annual booked turnover compared to 2019 is expected to decline by: 42% in domestic and 57% in international tourism in 2020, 14% in domestic and 52% in international tourism in 2021, and 30% in international tourism in 2022.

**Switzerland:** According to the Swiss Economic Institute (KOF) the number of overnight stays is predicted to fall by 34% on 2020. The slump in domestic demand is forecast to be relatively small (down by 14%), with the loss in international business significant (down by 55%). Domestic and European demand is expected recover steadily, but demand from overseas markets is not expected to recover until 2023. With the exception of a few hotspots, hotel prices are also expected to fall and recover in 2022. Fares on mountain railways could rise significantly if passenger numbers are drastically reduced.

**United Kingdom:** VisitBritain have modelled a range of scenarios of the short-term impact on inbound and domestic tourism. Under the central scenario, inbound tourism arrivals are forecast to decline by 73%, with a corresponding decline in spending of 79% (last updated early October 2020). For domestic tourism, the central scenario forecasts a 49% decline in trips and spending.

**The halt in tourism is having a knock-on impact on the wider economy, given the interlinked nature of the sector.** The OECD estimates that more than a third of the tourism value added generated in the domestic economy comes from indirect impacts, reflecting the breadth and depth to linkages between tourism and other sectors (e.g. food production, agriculture, transport, business services).<sup>4</sup> UNCTAD, meanwhile, estimates that global GDP losses due to the crisis in tourism could amount to 2.8% of the world's GDP (USD 1.2 trillion), if international tourist arrivals drop by 66%, with the consequences most marked in countries like Croatia (potential drop in GDP of 8%), Portugal (6%), Morocco (4%), Greece (4%),

<sup>4</sup> OECD (2019), "Providing new OECD evidence on tourism trade in value added", *OECD Tourism Papers*, No. 2019/01, OECD Publishing, Paris, <https://doi.org/10.1787/d6072d28-en>.



Ireland (3%) and Spain (3%). This could rise to a fall of 4.2% of world's GDP (USD 3.3 trillion) if international tourism flows are at a standstill for 12 months.<sup>5</sup>

**The crisis is putting millions of jobs in the tourism sector at risk.** Tourism is highly labour intensive and provides a high volume of jobs for low skilled workers, together with higher skilled jobs. According to the International Labour Organisation (ILO), the accommodation and food services subsectors alone globally provides employment for 144 million workers, about 30% of whom are employed in small tourism businesses with 2–9 employees.<sup>6</sup> Many of these jobs are customer-facing, exposing workers also to the health risks from the virus (e.g. waiters, air stewards, hotel receptionists).

**The scale of job losses is not yet apparent, as government supports have protected workers from the full impact of the pandemic.** However, the World Travel and Tourism Council (WTTC) estimates that that up to 174 million jobs are at risk globally in 2020.<sup>7</sup> The European Commission's Joint Research Centre forecasts that between 6.6 - 11.7 million jobs in businesses operating and/or dependent on tourism-related activities could be at risk of reduction in working hours or permanent losses in 2020, representing between 3.2% and 5.6% of the total active population in the European Union.<sup>8</sup> Women, young people, rural communities, indigenous people and informal workers are disproportionately affected – groups that are more likely to be employed in micro or small tourism businesses.

**National level estimates similarly reflect the scale of the impact on tourism, together with the challenges in making predictions in a fast moving and uncertain situation.** Quantifying the current and future impacts of the crisis on the tourism sector is challenging, with the crisis exposing shortcomings in tourism statistical information systems, including a lack of robust, comparable and timely data to inform policy and business decisions. Available evidence highlights the precipitous drop in international travel flows and tourism spending, as well as the contraction of domestic tourism activities.

**Attempts to forecast the impact of the pandemic on the tourism economy have repeatedly been overtaken by the rapidly evolving sanitary situation, and changes to containment measures.** Traditional forecasting methods are unreliable in the current environment. Box 1 presents forecasts for domestic and international tourism performance in 2020 from selected countries. As with the OECD projections, scenario-based approaches provide some directions for tourism recovery, but are necessarily based on assumptions and simplifications, and subject to ongoing adjustment and revision.

**The outlook for tourism is extraordinarily uncertain, and recovery will depend on the interlinked consequences of the economic and health crisis on demand and supply side factors.** These include the evolution of the pandemic, availability of a vaccine (or alternative control measures), and the lifting of travel restrictions, as well as the survival and readiness of businesses throughout the tourism ecosystem to meeting demand, impacts on consumer confidence and travel behaviour, and developments in the wider economy. The global scale and extended duration of the crisis, continued uncertainty, and the interlinked economic and health nature of this crisis makes it unlike any previous shock to the tourism system.

**Beyond the tourism economy, the pandemic has triggered a global economic crisis, and this in turn has consequences for tourism recovery.** OECD predicts that global GDP will fall sharply by 4.2% in 2020, before returning to pre-pandemic levels by the end of 2021. The road ahead is brighter as progress

<sup>5</sup> UNCTAD (2020), [Covid-19 and Tourism: Assessing the Economic Consequences](#) (UNCTAD/DITC/INF/2020/3), 2 July 2020

<sup>6</sup> ILO Briefing note (2020), [The impact of COVID-19 on the tourism sector](#), June 2020

<sup>7</sup> WTTC Press Release, [174 million Travel and Tourism jobs could be lost due to COVID-19 and travel restrictions](#), 29 October 2020

<sup>8</sup> European Commission Joint Research Centre (2020), [Behavioural changes in tourism in times of Covid-19: Employment scenarios and policy options](#), JRC Science for Policy Report



on vaccines has lifted hopes, but challenges remains and recovery will be uneven across countries, and across sectors. Growth has rebounded in many parts of the economy, but tourism and other sectors have been slower to bounce back, and this is impacting recovery in many countries<sup>9</sup>.

### Box 2. Potential long lasting tourism policy implications: initial country views

**Sustainability** may become more prominent in tourism choices, due to greater awareness of climate change and adverse impacts of tourism. Natural areas, regional and local destinations are expected to drive the recovery, and shorter travel distances may result in a lower environmental impact of tourism.

**Domestic tourism** is expected to benefit, as people prefer to stay local and visit destinations within their own country. Domestic tourists are often more price-sensitive and tend to have lower spending patterns.

**Traveller confidence** has been hit hard by the crisis, and the ongoing uncertainty. This may lead to a decline in demand and tourism consumption that continues well long after the initial shock.

**Traveller behaviour** will be influenced by the evolution of the crisis, as well as longer term consumer trends that are reshaping in the way people travel. This may include the emergence of new niches and market segments, and a greater focus on safety protocols and contactless tourism experiences.

**Safety and hygiene** have become key factors to select destinations and tourism activities. People are likely to prefer 'private solutions' when travelling, avoiding big gatherings, and prioritising private means of transport, which may have an adverse impact on the environment.

**Structural change in tourism supply** is expected across the ecosystem. Not all businesses will survive the crisis and capacity in the sector is likely to be reduced for a period, limiting the recovery.

**Skills shortages** in the tourism sector may be exacerbated, as many jobs are lost and workers will redeploy to different sectors.

**Reduced investment** will call for active policies to incentivise and restore investment in the tourism sector to maintain the quality of the tourism offer and promote a sustainable recovery.

**Digitalisation** in tourism services is expected to continue to accelerate, including a higher use of automation, contact-less payments and services, virtual experiences, real-time information provision.

**Tourism policy** will need to be more reactive and in the long term it will move to more flexible systems, able to adapt faster to changes of policy focus. Crisis management will be a particular area of focus. Safety and health policy issues also.

**It is too early to say what the long term implications of the crisis will be for tourism, but a return to business as usual is highly unlikely.** The tourism sector will be a very different in 2021 to what it was in 2019. The longer the crisis continues, the more businesses and jobs will be lost, the greater the implications for traveller behaviour, and the tougher it will be to rebuild the tourism economy. This brings challenges for the sector, but also opportunities to encourage innovation, drive new business models, explore new niches/markets, open up new destinations, and move to more sustainable and resilient tourism development models. Box 2 presents some of the potential long term impacts which may arise, and their policy implications.

<sup>9</sup> OECD (2020), *OECD Economic Outlook, Volume 2020 Issue 2: Preliminary version*, OECD Publishing, Paris, <https://doi.org/10.1787/39a88ab1-en>. 1 December 2020



**The crisis is a call for governments at all levels to take strong and co-ordinated policy action to mitigate the impacts and support the recovery.** It is also an opportunity to take advantage of new technologies, implement green recovery strategies, and shift to policy and business practices that better balance the environmental, social and economic impacts of tourism. Policy makers should leverage the opportunity to reboot the tourism economy on a stronger, fairer and more sustainable footing. The crisis, and the recovery plans that are being put in place, are a once in a lifetime opportunity to move towards more sustainable and resilient models of tourism development.

**In this environment, tourism is high on the global policy agenda, and similar calls have been made by other international institutions,** including the United Nations<sup>10</sup>, World Bank<sup>11</sup> and World Trade Organisation<sup>12</sup>. The G20 Tourism Ministers, in the Diriyah Communiqué<sup>13</sup>, recognised that COVID-19 may result in a paradigm shift for the travel and tourism sector, and committed to continue to work together to support those most impacted by the crisis, and support a sustainable and inclusive recovery of the tourism sector<sup>14</sup>.

## Drawing initial lessons and charting a way forward for tourism policy

The COVID-19 crisis has been a huge shock to the tourism economy, severely impacting people's livelihoods, neighbourhoods and businesses. As the pandemic continues to evolve, the full consequences are not yet clear. However, a return to 'business as usual' is unlikely. Policy makers will need to learn from the crisis to build a stronger, more resilient tourism economy for the future. While it is still too early to say with any certainty what these will be, a number of initial lessons are outlined:

- **Crisis has been a call to action to governments, at all levels, to respond in a co-ordinated way, and has highlighted the importance of integrated tourism policy approaches to support recovery.** Delivering well-targeted and accessible supports as quickly and efficiently as possible to vulnerable tourism businesses, workers and tourists has and continues to be crucial. Government at all levels, and the private sector, need to be better prepared and have the capacity to react and adapt quickly. This requires more robust risk assessment and crisis response mechanisms, and closer co-ordination – at local, national and international level.
- **Strengthened multi-lateral co-operation and robust support is essential to reactivate tourism.** Countries need to work together, as the actions taken by one government have implications for travellers and businesses in other countries, and for the global tourism system. Countries need to develop collaborative systems across borders to safely resume travel, restore traveller and business confidence, stimulate demand and accelerate tourism recovery. More efficient international co-ordination systems are also needed to respond to future shocks
- **Sector-specific supports are needed to address the particular needs of tourism workers, businesses and destinations, and support wider economic recovery.** Tourism has benefited significantly from general economic stimulus measures. However, it is one of the most heavily impacted sectors, and will have an impact on wider macroeconomic recovery in many countries.

<sup>10</sup> United Nations Secretary General Policy Brief (2020), [COVID-19 and Transforming Tourism](#), August 2020

<sup>11</sup> World Bank (2020). *Rebuilding Tourism Competitiveness : Tourism Response, Recovery and Resilience to the COVID-19 Crisis*. World Bank, Washington, DC. <https://openknowledge.worldbank.org/handle/10986/34348>

<sup>12</sup> World Trade Organisation Working Paper (2020), [International trade in travel and tourism services: economic impact and policy responses during the COVID-19 crisis](#), 26 August 2020.

<sup>13</sup> G20 [Diriyah Communiqué](#), Tourism Ministers Meeting, 7 October 2020

<sup>14</sup> [G20 Tourism Ministers Statement](#), 24 April 2020



Those parts of the tourism ecosystem that are not yet open for business and where demand is likely to be depressed or constrained for some time will require particular attention, as will destinations and small businesses that have been most severely hit and are most vulnerable.

- **Continued government support should already start to build toward more sustainable and resilient tourism economy.** Destinations and tourism businesses need help to be ready to provide tourism services to meet demand when the recovery comes. It will be important to work with tourism businesses so they are sustainable beyond the end of the supports, and already starting to address the long term implications of the crisis. Measures should be increasingly conditioned on broader environmental, economic and social objectives.<sup>15</sup>
- **Providing policy clarity and taking steps to limit uncertainty (to the extent possible) will be crucial to support tourism recovery.** The outlook for the tourism economy remains extraordinarily uncertain, and business and travel confidence has taken a big hit. Clear communication, well-designed information policy and clarity on the epidemiological criteria will be particularly important where there is a need to change travel restrictions and containment measures in response to virus outbreaks and the shifting sanitary situation.
- **Improving the evidence base to inform policy and business decisions will be key, through information gathering, research and data analysis.** The crisis has highlighted shortcomings in the availability of timely, comparable, granular data in quickly evolving situations. Reliable and consistent indicators are needed to evaluate the effectiveness of programmes and initiatives, and monitor progress on tourism recovery and resilience. Risk-based solutions to safely lift travel restrictions and get the international tourism ecosystem back up and running must be based on sound scientific evidence. These solutions also need to be feasible to implement, with sufficient capacity available to ensure these systems are can function reliably.
- **Crisis is a once in a lifetime opportunity to move toward fairer, more sustainable and resilient models of tourism development.** The pandemic has once again exposed structural shortcomings in the tourism system and the vulnerability to external shocks. There is an urgent need to diversify and strengthen the resilience of the tourism economy, to better prepare for future shocks, to address long standing structural weaknesses, and encourage the digital, low carbon transformations that will be essential to shift to stronger, fairer and more sustainable models of tourism development.

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<sup>15</sup> OECD (2020), OECD Economic Outlook, Volume 2020 Issue 2: Preliminary version, OECD Publishing, Paris, <https://doi.org/10.1787/39a88ab1-en>. 1 December 2020.

