

DARK FORECASTS FULFILLED - CORONAVIRUS PARALYZED TOURISM



Whether in Italy or Asia, holidaymakers and business people are cancelling their bookings by the dozens as the corona spreads. For the paralyzed tourism industry the virus could become a financial disaster.

Italy's Prime Minister has been announcing more and more coronavirus-infected people, deaths, restricted zones, warnings of significant economic losses. But Giuseppe Conte is determined to spread the good news around the world: **"In Italy you can travel and travel safely", the head of government announced last week.** "It's a safe country: much safer than others."

The tourists who planned to come to Italy these days obviously feel different. Whether in Venice, Milan, South Tyrol or Sicily: there is a hail of cancellations from hoteliers all over the country. The Association of Italian Travel and Tourism Associations estimates the short-term cancellation rate at around 70 percent.

Hotel associations of Venice say that the industry is "on the verge of collapse." The impact of the coronavirus, now officially COVID-19, in Italy has already gone beyond the public health crisis and it now shows its effect on the country's economy. The cancellation of the Carnival of Venice, of all musical and theatrical shows, and many fairs and congresses such as the Milan Furniture Fair, were the first sign.

The reports about the coronavirus in Italy have "brought the tourism industry to its knees", Marina Lalli, vice president of the Federturismo Confindustria association, said. The panic paralyzed tourism in the country. Travel companies are likely to face revenue losses in the double-digit billion range. "Developments are so dramatic these days that we cannot even properly assess the consequences." Lalli now demands state aid. The government in Rome should reduce taxes and social security contributions for the industry.

The moment of truth will be Holy Week. Tour operators fear that the worst forecasts will become a reality. Naples has already lost 15,000 visitors, and demand is expected to fall 30% for the holiday period, while Venice has announced that there have been 40% cancellations. The worst figure comes from the Lazio region, with Rome being the most attractive destination: the fall in reservations have reached around 60%.

Italy lives from its foreign visitors. According to the Ministry of Culture and Tourism, the travel industry generates 13 percent of the gross domestic product. It provides employment for 4.2 million people and is one of the few growth drivers for Italy's sluggish economy. For 2020, tourism strategists had predicted a boom in Chinese travelers of all things.

Hoteliers have long since buried this hope since the coronavirus spread to China in January. But now they also fear for their regular customers: those from Germany and other European countries. Many foreign ministries more or less clearly advise their citizens against travelling to northern Italy. The Federal Foreign Office in Berlin is limited to the immediate trouble spots around the two restricted

zones. France, on the other hand, has decided to quarantine all returnees from Lombardy and Veneto for 14 days.

It is not only in Italy that hoteliers, but restaurateurs and tour operators also have to fear for their livelihood. The travel industry worldwide is threatening to go under. It would be a blow to the entire global economy. Because tourism is one of the largest sectors of all: more powerful than the tech giants from Silicon Valley, the oil industry and the global automotive industry. WTTC and Oxford Economics have made a preliminary calculation that estimates that this crisis will cost at least 22,000 million dollars (about 20,200 million euros) to the sector.

Global business is expected to be worth around 6,600 billion euros per year: ten percent of global economic output, almost twice the total German gross domestic product. Included in this enormous sum are not only the accommodation industry but also the transport industry with all its aircraft, cruise ships and coaches as well as the souvenir or travel agency industry. The number of travelers has increased fifty times since 1950. **Tourism has thus become the industry of the century par excellence.**

But the coronavirus is becoming the biggest threat in the industry. A whole range of countries are already suffering.

-France, the nation with the most international visitors, is currently experiencing a slump. Between 30 and 40 percent fewer tourists than expected are currently in the country, says Bruno Le Maire, Minister of Economics and Finance. "This, of course, has important consequences for the French economy." Tourism provides around ten percent of the gross domestic product and more than three million jobs.

-Spain is currently making headlines worldwide with the hotel on Tenerife, whose approximately 1000 guests had to be quarantined after a corona case. Hotel managers and local authorities admit that some tourists have made last-minute cancellations due to the risk of an outbreak, but say it's not a significant number. As the news spread, Trade and Tourism Minister Reyes Maroto declared that "Spain is a safe destination", the number of cases is still low and the health system is "the best in the world". Neither the Confederation of Travel Agencies nor any of the main associations in the industry have released public figures in Spain. Tourism is the most important sector of the Spanish economy with a 15 percent share.

-In several East and Southeast Asian countries such as Japan, Vietnam, Cambodia, Singapore or Thailand, foreign guests are staying away - especially those from China. "Holiday in Hell" is what the Dutch ING Bank calls its latest tourism study. They predict that the Asian states will suffer losses in tourism revenues of 105 to 115 billion euros.

-In China itself, tourism is almost completely down. The gambling metropolis of Macao, which had to close all its casinos at times, was particularly hard hit. Now the gambling temples are open again, but the rush is limited. Hong Kong sights are also closed. The airport there, as one traveler described it, looks like a ghost town. One hardly sees any passengers; he had experienced the same thing before in Malaysia's capital Kuala Lumpur.

The share prices of many airlines have collapsed in recent days. Lufthansa announced an austerity program last Wednesday. The line offers competitive fares on some routes. For example, it is currently possible to fly from Milan to the USA in First Class for less than 2500 euros; otherwise, the price can be three times as high. In jets to East Asia, many rows are currently completely empty, especially in the business class.

"We are seeing here a typical reaction of travelers, as we know it from other events such as terrorist attacks", says Jürgen Schmude, a tourism researcher at the University of Munich. "In the short term, the coronavirus will have a strong effect on travel patterns. It paralyzed tourism."

But this does not have to remain so in the long term - especially in the holiday segment. "Travel has become a basic need," says Schmude. "Many holidaymakers will not give up their trip, but rather replace their destination with another one." When, for example, trips to Egypt were felt to be unsafe due to terrorist attacks, all the more holidaymakers flew to Turkey. And after the attacks there, to Greece instead.

Moreover, tourists often have "a very short memory", says Schmude. They often quickly get used to new threats. This could also happen with the coronavirus - especially if the number of infections increases in other European countries. "Italy's tourism industry doesn't have to write off the summer yet," says Schmude.

The coronavirus is likely to have the most significant effect on business trips. Here, both the travelers and their companies are more willing to forego the planned trip. Especially since there are alternatives such as video conferences. International congresses and trade fairs are being cancelled in series these days. The ITB Berlin included.

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