

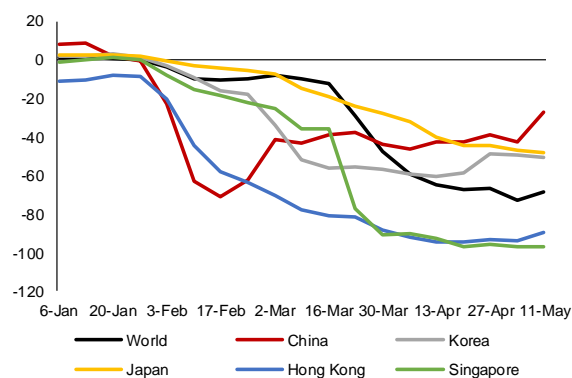
A LONELY PLANET: ASEAN+3 TRAVEL AND TOURISM IN THE TIME OF COVID-19¹

I. Introduction

1. **The COVID-19 pandemic has decimated travel and tourism globally, including in the ASEAN+3 region.** Flight departures from ASEAN+3 airports have plunged since January when China confirmed the existence of a contagious new coronavirus (Figure 1). Containment measures, in the form of outright travel bans, mandatory quarantines, and/or domestic lockdowns, enforced across countries amid fears over the wildfire-like spread of the virus, have underpinned the collapse in the travel and tourism industry.²

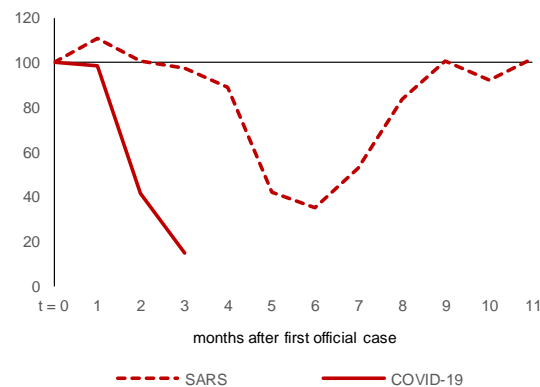
2. **The pandemic has caused a much bigger disruption to the region's tourism industry than its closest recent comparator, the Severe Acute Respiratory Syndrome (SARS) in 2003.** Data through March 2020 show that tourist arrivals have plummeted much more sharply and swiftly than during the SARS epidemic (Figure 2). The extent of the destruction wrought by pandemic on the region's USD 300 billion tourism industry poses a severe threat to the external position of countries for whom tourism has become a major source of foreign exchange, and domestically, a key employer of the local workforce.

Figure 1. International Flight Departures, 2020
(Percent year-on-year)



Source: Official Airline Guide; and authors' calculations.

Figure 2. Selected ASEAN+3 Economies: Tourist Arrivals, COVID-19 versus SARS
(Month of first reported infection = 100)



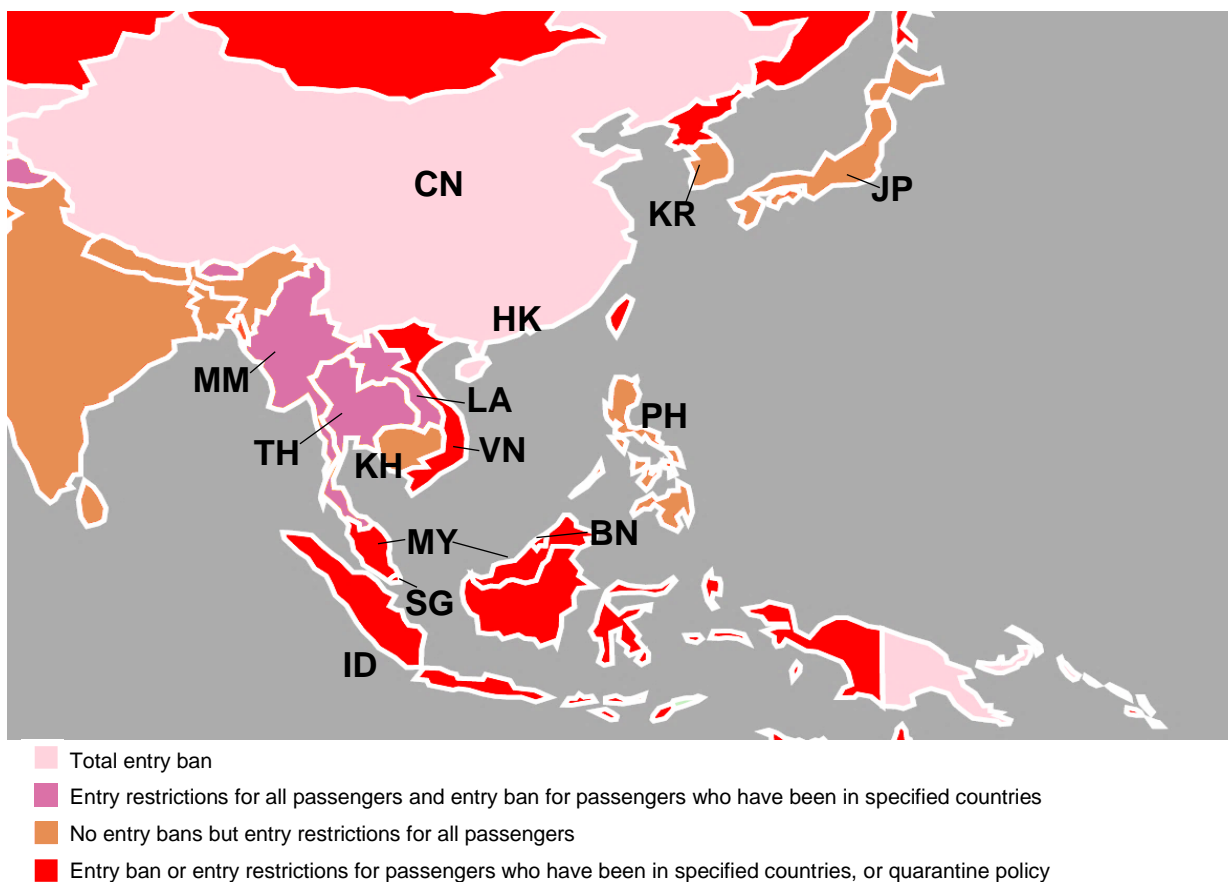
Source: National authorities; and authors' calculations.
Note: First cases of SARS and COVID-19 were reported in November 2002 and December 2019, respectively, according to the World Health Organization. Total arrivals refer to the aggregate of visitors or tourist arrivals reported by Cambodia; Hong Kong, China (hereafter Hong Kong for brevity), Korea, Singapore, Thailand and Vietnam.

¹ Prepared by Edmond Choo Chiang Yong, Marthe Hinojales, Vanne Khut, and Diana del Rosario (all Regional Surveillance); reviewed by Li Lian Ong (Group Head, Financial and Regional Surveillance); authorized by Hoe Ee Khor (Chief Economist). The views expressed in this note are the authors' and do not necessarily represent those of the AMRO or AMRO management.

² "Travel" and "tourism" are used interchangeably throughout the text for brevity (instead of "Travel and tourism"), although the authors acknowledge that there are slight differences and overlaps between the two terms.

3. **Importantly, the pandemic has forced policymakers to confront challenging trade-offs between safeguarding health and safety, and protecting the economy.** While domestic and international travel restrictions have arguably been effective in limiting the spread of the COVID-19 virus ([Chinazzi and others, 2020](#)), they have also inadvertently paralyzed the tourism industry and the broader economy (Figure 3). This note analyzes the effect of the pandemic on the region's tourism industry, and looks ahead to what it could mean for the sector and how policymakers could potentially mitigate its impact on growth, employment, and income.

Figure 3. ASEAN+3: Implementation of Global Travel Bans, as of May 13, 2020



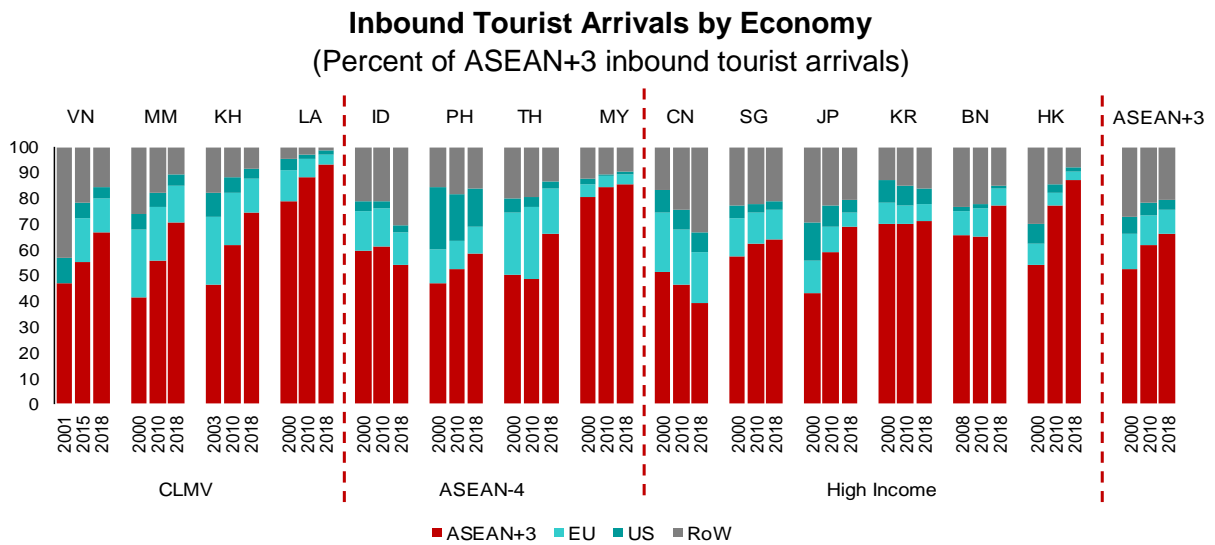
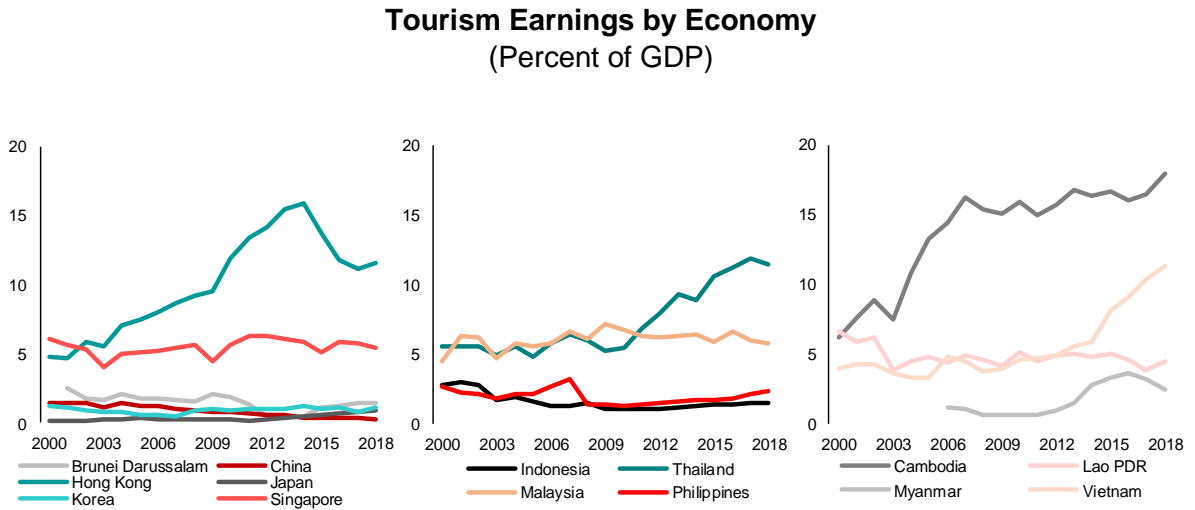
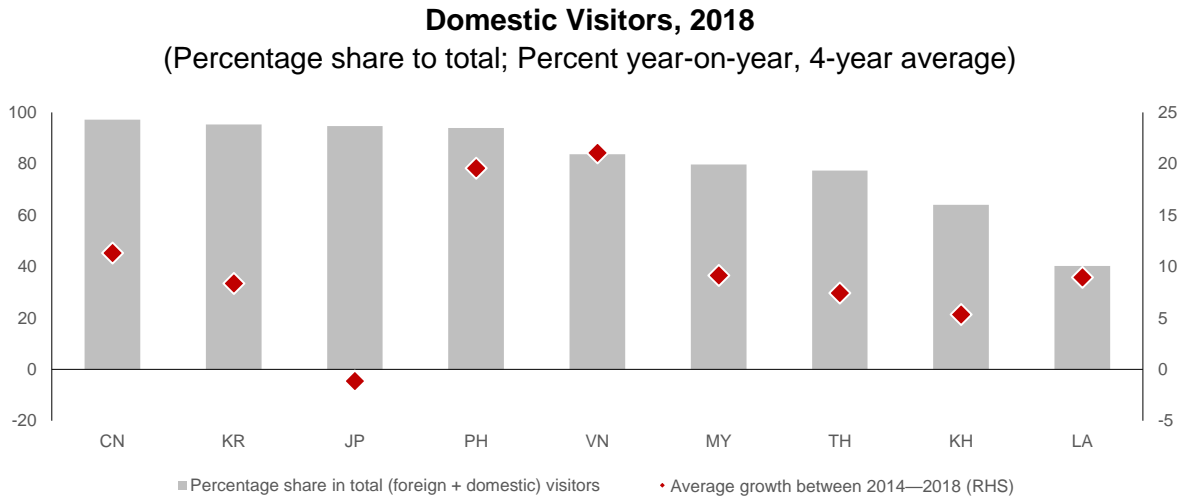
Sources: Various media; COVID-19 Travel Restrictions Database (<https://restrictions.info>); and authors' estimates.

Note: By having borders in the above map, the authors do not make any judgment as to the legal or other status of any territory or area.

II. The Impact of Travel Paralysis

4. **The pandemic has disrupted the ASEAN+3 region's decade-long tourism boom.** Prior to the COVID-19-induced travel standstill, the industry had benefited from robust intra-regional tourism (Figure 4), which accounted for two-thirds of the region's total arrivals and consequently, a considerable share of tourism revenues. Domestic tourism had likewise taken off, accounting for a significant proportion of tourism activity. These developments were largely attributable to favorable structural factors, such as Asia's rising middle class, improved connectivity, and a decline in travel costs (Appendix I).

Figure 4. ASEAN+3 Tourism Indicators



Sources: National authorities; World Bank; United Nations World Tourism Organization; and authors' calculations.
 Note: Myanmar tourist arrivals data refer to visa entry only. Data for European visitor arrivals to Vietnam is not available in 2001.
 BN = Brunei Darussalam; CLMV = Cambodia, Lao PDR, Myanmar, and Vietnam; CN = People's Republic of China; EU = European Union; HK = Hong Kong; ID = Indonesia; JP = Japan; KH = Cambodia; KR = Korea; LA = Lao PDR; MM = Myanmar; MY = Malaysia; PH = the Philippines; RoW = rest of world; SG = Singapore; TH = Thailand; US = United States; VN = Vietnam.

5. **A prolonged pandemic would put the region’s tourism-dependent economies at great risk, with tourist dollars evaporating and attendant consequences for growth and employment.** Cambodia and Thailand have reaped the largest “direct” benefits from the tourism sector, which contributed more than 10 percent to their respective GDP in 2019, and supported more than 15 percent of their total employment (Figure 5).³ When taking into account “indirect” benefits, the total gains are much larger—more than 30 percent for Cambodia, and over 20 percent for Thailand and the Philippines.

6. **Any prolonged decline in tourism earnings will erode the external positions of those economies that are reliant on the industry.** Strong international tourism receipts over the past decade have provided an important source of foreign exchange for many economies in the region. For some, they have increased substantially as a percentage of total goods and services exports in the intervening years since the SARS epidemic (Figure 6). Tourism has either contributed to trade surpluses (e.g., Hong Kong, Malaysia, and Thailand) or helped cushion trade deficits (e.g., Cambodia, Myanmar and Indonesia) (Figure 7). The impact of the pandemic on income from tourist attractions, airlines and other ancillary industries will now carve deeper into these current accounts, even with the corresponding decline in residents’ outbound travel.

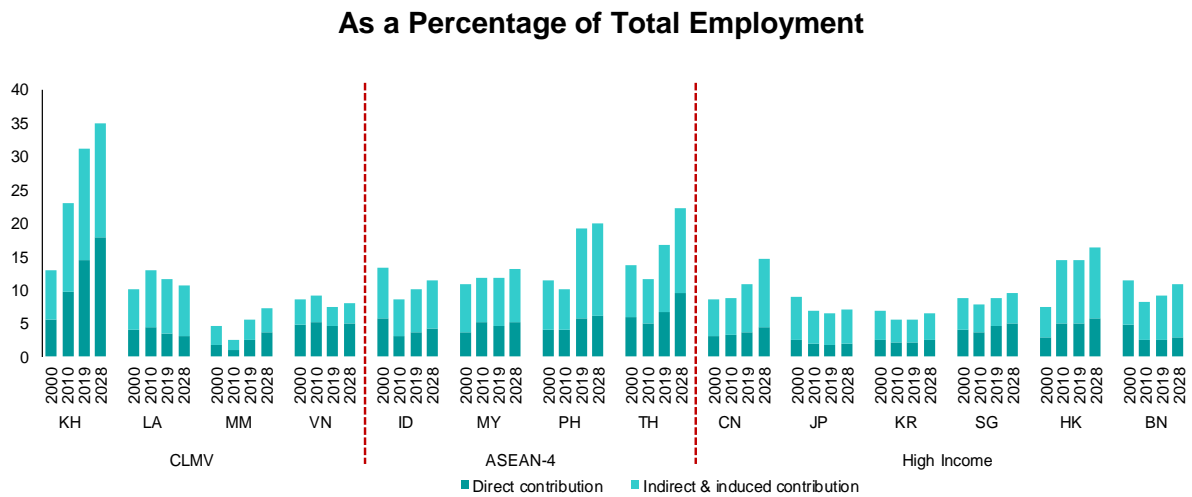
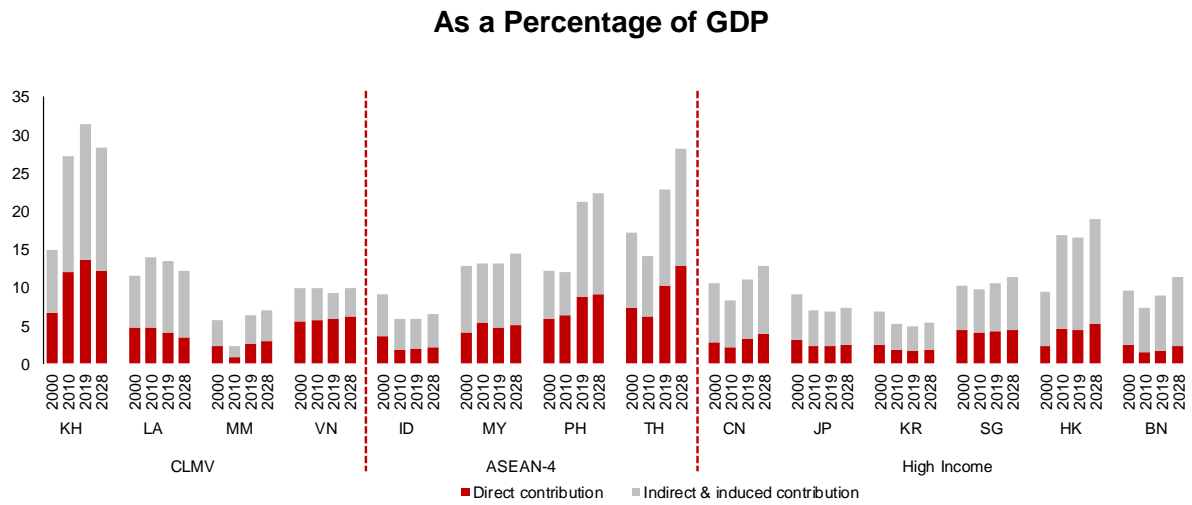
7. **The blow to tourism is a “double-whammy” for the ASEAN+3’s net oil and commodity exporters.** Similar to the SARS period, when the West Texas Intermediate oil prices dropped by 32 percent in the days following confirmation of the outbreak, the COVID-19 pandemic has caused oil prices to plummet. The price of Brent crude has plunged 37 percent since February 2020, reflecting a collapse in global oil demand, caused in part by the steep decline in air travel ([Pande, 2020](#)). Collapsing global demand has also seen other commodity prices to fall sharply. This decline in export revenue has exacerbated the impact of falling tourism receipts on the current accounts of the region’s commodity exporting economies, such as Brunei Darussalam, Lao PDR, Myanmar, Vietnam, Indonesia, Thailand, and Malaysia.

8. **The travel paralysis will be an acute drag on ASEAN+3 growth in 2020.** While it is clear that the regional effects of the SARS epidemic are nowhere near comparable to the economic destruction wrought by the COVID-19 pandemic, the former can nonetheless serve as a gauge for estimating the latter’s direct impact on growth via the tourism channel. A simple scenario exercise is conducted, as follows:

- We first apply the maximum contraction in ASEAN+3 tourism revenues in 2003 to each economy’s current tourism share, to estimate the drag on GDP. The results suggest that a SARS-like tourism disruption would shave growth among regional economies by 0.1–1.5 percentage points this year (Table 1).
- However, given that the COVID-19 has been much more infectious than SARS, we subsequently apply a larger decline—of 30 percent—matching the steepest drop experienced by an ASEAN+3 economy in 2003. The results indicate that such a shock could depress growth by as much as 5.3 percentage points. Not surprisingly, Cambodia would be hardest hit, followed by Thailand, Hong Kong, and Vietnam.

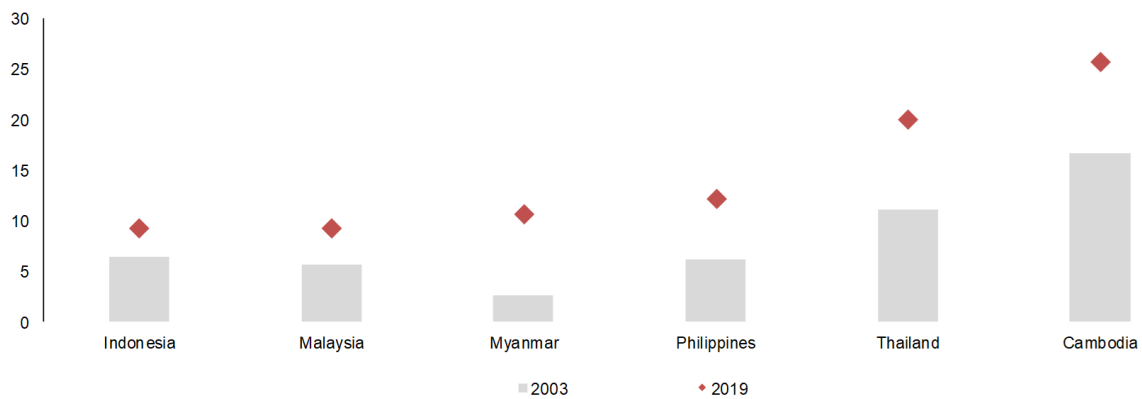
³ The World Tourism and Travel Council (WTTC) defines “Direct” benefits as those that includes only direct transactions by tourists for tourism services and products such as accommodation, recreation, transportation, and other related sectors; “indirect” measures the supply chain impact (relating to outside goods/services such as marketing, cleaning, maintenance, energy provision); “induced” measures the impact of money spent in the local economy by employees working in jobs supported by tourism both directly and indirectly. Total contribution includes the direct impact as well as indirect and induced impact.

Figure 5. ASEAN+3: Travel and Tourism Contributions, 2000–2028



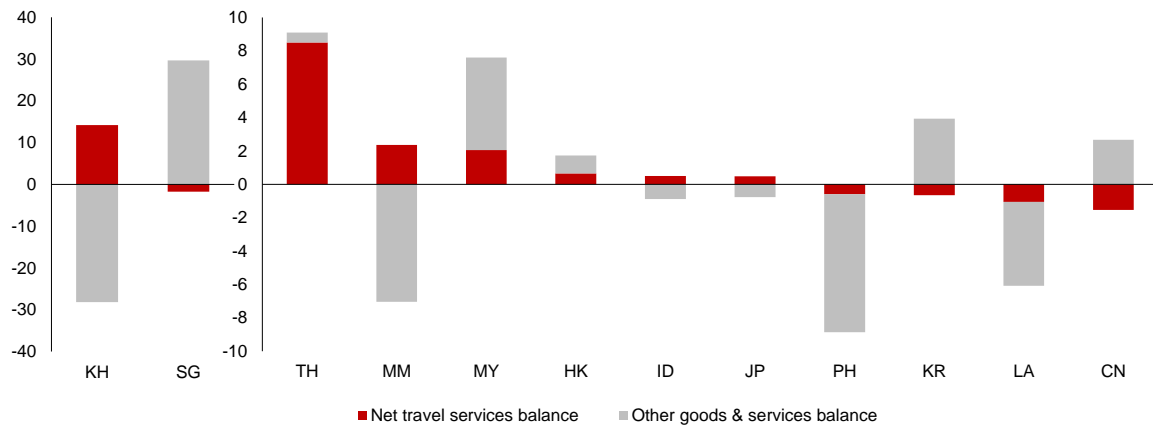
Sources: World Travel and Tourism Council; World Bank; and authors' calculations.
 Note: See footnote 3 for the definition of direct, indirect, and induced contributions. 2028 figures are WTTC projections. BN = Brunei Darussalam; CLMV = Cambodia, Lao PDR, Myanmar, and Vietnam; CN = People's Republic of China; EU = European Union; HK = Hong Kong; ID = Indonesia; JP = Japan; KH = Cambodia; KR = Korea; LA = Lao PDR; MM = Myanmar; MY = Malaysia; PH = the Philippines; RoW = rest of world; SG = Singapore; TH = Thailand; VN = Vietnam.

Figure 6. Selected ASEAN+3 Economies: Foreign Exchange Earnings (Percent of total goods and services exports)



Sources: National authorities; IMF; and authors' estimates.
 Note: Foreign exchange earnings refer to the sum of travel exports and passenger transportation exports in the balance of payment account. The latest data for Myanmar are as of 2018.

**Figure 7. ASEAN+3: Travel and Non-Travel Trade Balances
(Percent of GDP)**



Sources: CEIC; Haver Analytics; national authorities; and authors' calculations.

Note: Data as of 2019 except for Cambodia, Lao PDR and Myanmar (2018). Data are not available for Vietnam.

Table 1. ASEAN+3: Estimated Impact on GDP Growth from COVID-19-Induced Disruption to the Tourism Industry

Economy	Tourism Receipts		Impact on GDP Growth in 2020 (Percentage point decline)	
	Share of GDP in 2018 (Percent)	Level Change in 2003 (Percent)	Based on Country's Change in Tourism Receipts in 2003	Based on 30 Percent Decline in Tourism Receipts
China	3.3	-14.0	-0.5	-1.0
Hong Kong	11.6	-8.6	-1.0	-3.5
Japan	2.2	89.1	2.0	-0.7
Korea	1.6	-8.1	-0.1	-0.5
Brunei Darussalam	1.7	9.7	0.2	-0.5
Indonesia	1.9	-23.0	-0.4	-0.6
Malaysia	6.1	-15.9	-1.0	-1.8
Philippines	8.7	-12.5	-1.1	-2.6
Singapore	5.5	-13.8	-0.8	-1.6
Thailand	12.9	0.7	0.1	-3.9
Cambodia	17.8	-8.4	-1.5	-5.3
Lao PDR	4.2	-30.0	-1.3	-1.3
Vietnam	11.2	-5.8	-0.6	-3.4

Sources: World Bank; WTTC; national authorities; and authors' estimates.

Note: WTTC is the primary source of the tourism receipts' share of GDP as it includes domestic and international tourism receipts. On the other hand, World Bank data only refers to international tourism receipts. The World Bank data is used if the WTTC figure is less than World Bank's, as in the case for Hong Kong, Lao PDR, Malaysia, Singapore, and Thailand. Data for Cambodia and Vietnam are obtained from national authorities.

III. Outlook and Strategy Post-COVID-19

9. **AMRO expects a protracted recovery for the travel and tourism sectors, alongside the rest of services.** Unlike the more nimble manufacturing sector, the recovery in services could be more gradual, given that supply tends to be more constrained by labor, and demand by consumers' availability ([AMRO, 2020a](#)). And because (un)employment is a lagging indicator of economic growth, its recovery (especially in service industries) could be delayed, so that bringing employment back to pre-COVID-19 levels will likely take even longer. From a more positive perspective, weaker regional currencies, alongside well-calibrated responses to the pandemic—informed by lessons from past epidemics—could contribute to supporting a quicker rebound in exports, including tourism services.⁴

10. **ASEAN+3 policymakers must put in place timely and innovative policies to revive tourism and travel, in anticipation of infections being contained.** The strong structural factors that propelled the region's tourism industry remain largely intact for now. Early gains are likely to be predicated on timely and effective measures to help local tourism and travel businesses get back to their feet by the time global demand picks up. For example, policies that emphasize transparency in the country's COVID-19 statistics, alongside strong safeguards for tourists' health and well-being (such as testing and contact tracing), could help reduce hesitation to travel and resuscitate demand.

11. **The outlook for ASEAN+3 tourism will initially depend on the strategies employed in easing travel restrictions.** Any reopening within and across national borders should be incumbent upon a country's success in containing the virus, as well as infection rates abroad, given that countries around the region and the rest of the world are at different stages of the Covid Cycle (Appendix II).⁵ As of May 13, 2020, the Covid Cycle suggests that 11 out of the 14 ASEAN+3 economies are in the late-stages. On the other hand, key non-regional sources of inbound travel are only at around the peak of their epidemic curves (first to mid-stage). Ultimately, regional policymakers need to balance the resumption of economic activity in the travel and tourism sector against the health and safety of the populace.

12. **With intra-regional travel as the top growth driver of ASEAN+3 tourism, regional policymakers need not wait for worldwide recovery.** Rather, countries in the region should take advantage of their collective success in containing the virus by gradually reopening borders—with appropriate precautionary measures—to one another (Figure 8), creating travel corridors similar to that being implemented among the Baltic states ([Syta, 2020](#)) or the proposed trans-Tasman "bubble" ([Hollingsworth, 2020](#)). Indeed, a few airlines have been allowed to resume limited flights within and across select ASEAN+3 economies in May ([Marcus, 2020](#)), while others are reportedly planning to restart their routes by July.

13. **The current environment could also be an opportunity for ASEAN+3 policymakers to revisit and reset their tourism strategies.** The focus should be on boosting both domestic and intra-regional tourism, while catering to the constantly-evolving traveler. This strategy would entail addressing the challenges faced by intra-ASEAN+3 tourists, amid evolving travel preferences, especially with the rise of the "new economy" ([AMRO, 2020b](#)). For example, differences in the quality of emergency medical services available to travelers across ASEAN+3 economies could result in some destinations being

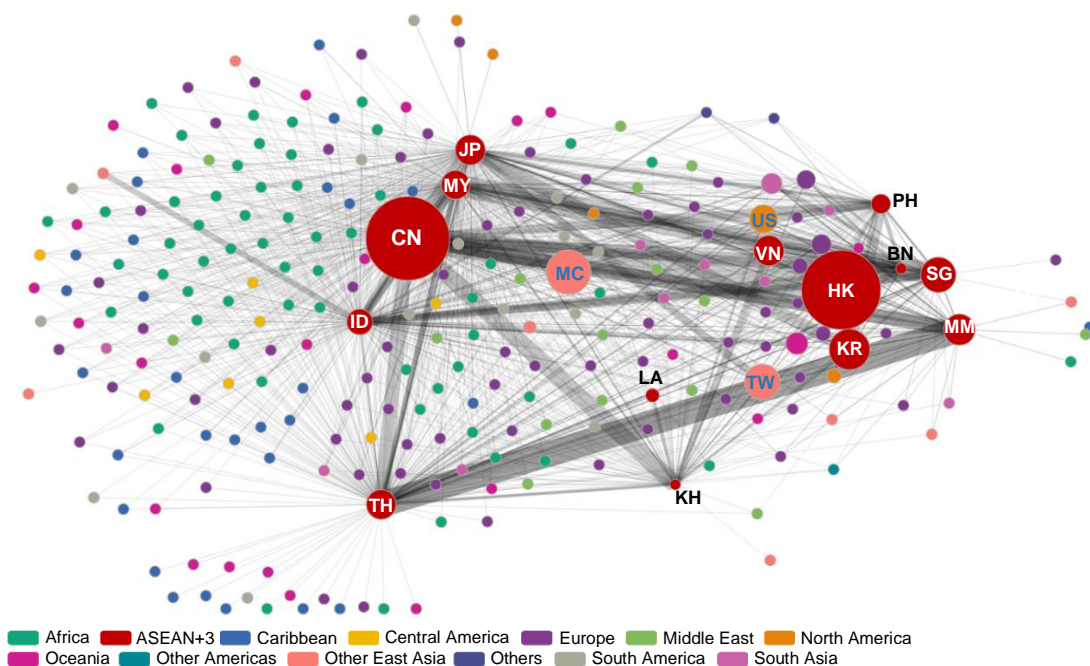
⁴ The average recovery time for tourist arrivals from previous major viral epidemics were around 19.4 months before 2001, but that lead time had been almost halved, to 10 months, between 2001 and 2018 ([WTTC, 2020](#)).

⁵ See Hinojales, Oeking, and Ong ([2020a, 2020b](#)).

preferred as “safer” options in case of another COVID-19 outbreak, absent a vaccine. Even if the region becomes COVID-19-free, intra-regional travel remains burdened with a multitude of requirements, such as applying for numerous visas, using multiple payment modes, and facing different tax refund systems.

14. **Addressing barriers to seamless travel could be crucial for boosting intra-regional tourism post pandemic.** These improvements could be achieved, in part, through more intensive use of technology; strengthening the capacity and quality of existing domestic healthcare systems (see [Hinojales, Oeking, and Ong, 2020](#)); and taking into consideration service-oriented preferences driven by the new economy. By emphasizing the “experience” component of tourist offerings, and linking tourism policies with sustainability and social responsibility (“sustainable tourism”), the region could be especially attractive to the financially-aware, tech-savvy, socially-conscious, and experience-driven millennial generation.

Figure 8. ASEAN+3: Networks of Inbound and Outbound Tourism, 2018

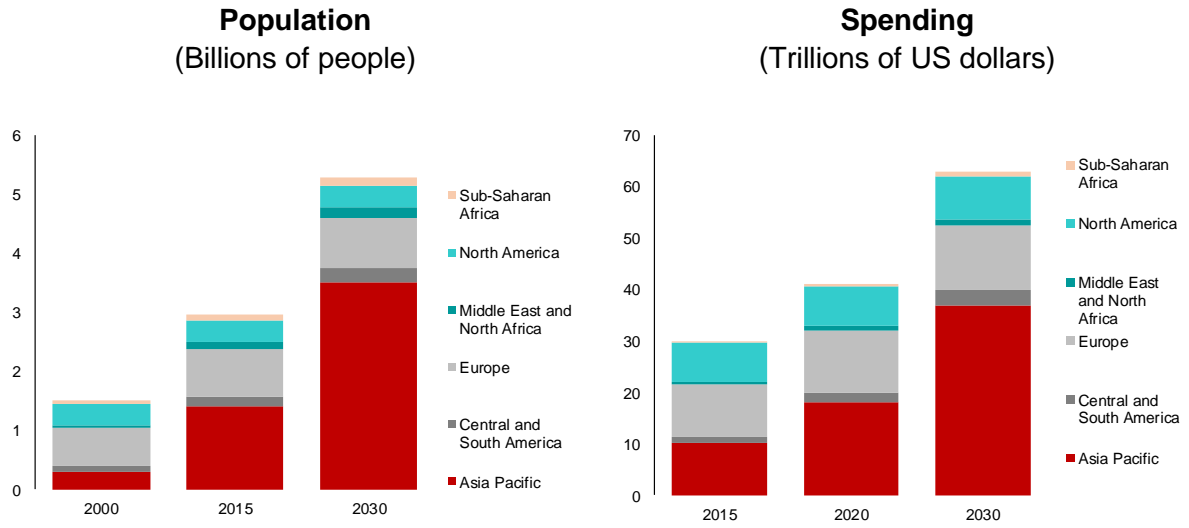


Sources: World Tourism Organization; and authors' calculations.

Notes: Size of the circle denotes its share to total ASEAN+3 arrivals. Lines between non-regional economies and ASEAN+3 denote inbound volume of travelers to ASEAN+3. Lines between ASEAN+3 economies denote both inbound and outbound flows to each other. The wider the lines between two points (e.g. Thailand and Myanmar), the higher the volume of their bilateral tourism flows. BN = Brunei Darussalam; CLMV = Cambodia, Lao PDR, Myanmar, and Vietnam; CN = People's Republic of China; HK = Hong Kong; ID = Indonesia; JP = Japan; KH = Cambodia; KR = Korea; LA = Lao PDR; MC = Macau; MM = Myanmar; MY = Malaysia; PH = the Philippines; SG = Singapore; TH = Thailand; TW = Taiwan; US = United States; and VN = Vietnam.

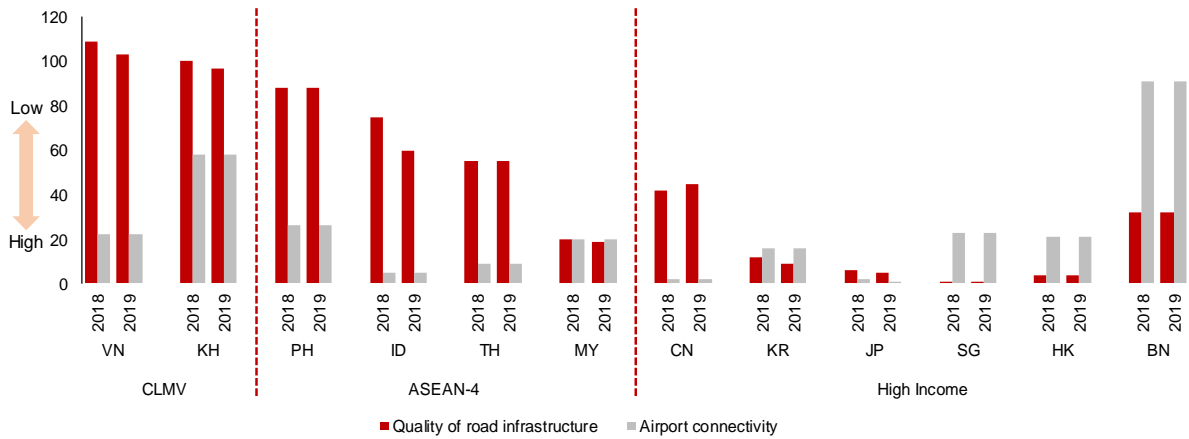
Appendix I. ASEAN+3: Structural Factors Supporting Tourism

Appendix Figure 1. Middle Class Population and Expenditures



Source: [Kharas \(2017\)](#).
 Note: 2020 and 2030 refer to projections.

Appendix Figure 2. ASEAN+3: Quality of Road Infrastructure and Airport Connectivity (Rank)



Source: World Economic Forum.

Appendix II. Travel and Tourism during a Pandemic

Appendix Table 1. ASEAN+3: Top Visitor Sources by Economy and the Covid Cycle

Economy	Source	Percent of total arrivals (2019)	Stage in the Covid-19 Cycle (May 13, 2020)
Brunei Late	Malaysia	24.9	Late
	China	22.4	Late
	Indonesia	10.1	First-mid
Cambodia Late	China	35.7	Late
	Vietnam	13.7	Late
	Thailand	7.1	Late
China Late	Korea	13.7	Late
	Japan	8.8	Late
	United States	8.1	Mid
Hong Kong Late	China	78.3	Late
	Taiwan Province of China	2.8	Late
	United States	2.0	Mid
Indonesia First-Mid	Malaysia	18.3	Late
	China	13.1	Late
	Singapore	11.9	First-mid
Japan Late	China	37.3	Late
	Korea	17.5	Late
	Taiwan Province of China	15.3	Late
Korea Late	China	38.4	Late
	Japan	18.7	Late
	Taiwan Province of China	7.2	Late
Lao PDR Late	Thailand	46.1	Late
	Vietnam	20.7	Late
	China	19.2	Late
Malaysia Late	Singapore	38.9	First-mid
	Indonesia	13.9	First-mid
	China	11.9	Late
Myanmar Late	China	24.3	Late
	Thailand	20.8	Late
	Japan	7.5	Late
Philippines First-mid	Korea	24.3	Late
	China	22.4	Late
	United States	13.0	Mid
Singapore First-mid	China	21.5	Late
	Indonesia	16.3	First-mid
	India	7.4	First
Thailand Late	China	30.3	Late
	Malaysia	10.5	Late
	India	5.0	First
Vietnam Late	China	32.2	Late
	Korea	23.8	Late
	Japan	5.3	Late

Sources: National authorities; and authors' calculations.

Note: China includes Hong Kong where the breakdown is available. Data for China, Lao PDR, and Myanmar are available up to 2018. Myanmar tourist arrivals data refer to visa entry only.

References

- ASEAN+3 Macroeconomic Research Office (AMRO). 2020a. "IV. Growth Drivers and Detractors." *ASEAN+3 Regional Economic Outlook 2020*. Singapore, April 7. <https://www.amro-asia.org/full-report-asean3-regional-economic-outlook-2020/>.
- _____. 2020b. "Box 2.3. Tourism in ASEAN+3's New Economy: Great Potential, Tough Challenges." *ASEAN+3 Regional Economic Outlook 2020*. Singapore, April 7. <https://www.amro-asia.org/full-report-asean3-regional-economic-outlook-2020/>.
- Chinazzi, Matteo, Jessica Davis, Marco Ajelli, Corrado Gioannini, Maria Litvinova, Stefano Merler, Ana Pastore y Piontti, Kunpeng Mu, Luca Rossi, Kaiyuan Sun, Cécile Viboud, Xinyue Xiong, Hongjie Yu, M. Elizabeth Halloran, Ira Longini, Jr., and Alessandro Vespignani. 2020. "The Effect of Travel Restrictions on the Spread of the 2019 Novel Coronavirus (COVID-19) Outbreak." *Science* 368 (6489): 395–400. <https://science.sciencemag.org/content/368/6489/395>.
- Hinojales, Marthe, Anne Oeking, and Li Lian Ong. 2020a. "Where are We in the Covid Cycle?" AMRO Analytical Note, Singapore, April 27. <https://www.amro-asia.org/where-are-we-in-the-covid-cycle/>.
- _____. 2020b. "The Covid Conundrum: Reopening in a Truly Global Pandemic." AMRO Analytical Note, Singapore, May 12. <https://www.amro-asia.org/the-covid-conundrum-reopening-in-a-truly-global-pandemic/>.
- Hollingsworth, Julia. 2020. "A 'Travel Bubble' between New Zealand and Australia Could be a Model for the Future." CNN Travel, May 4. <https://edition.cnn.com/travel/article/new-zealand-australia-travel-bubble-intl-hnk/index.html>.
- Kharas, Homi. 2017. "The Unprecedented Expansion of the Global Middle Class: An Update." Global Economy and Development Working Paper 100, Brookings Institution, Washington, DC. https://www.brookings.edu/wpcontent/uploads/2017/02/global_20170228_global-middle-class.pdf.
- Marcus, Lilit. 2020. "Domestic Flights Begin Returning to the Skies in Asia amid Covid-19 Pandemic." CNN Travel, April 30. <https://cnn.it/3bwdSe6>.
- Pande, Prashant. 2020. "Oil Market Update: What Put Oil Prices on a Slippery Slope." AMRO Analytical Note, Singapore, April 22. <https://www.amro-asia.org/oil-market-update-what-put-oil-prices-on-a-slippery-slope/>.
- Sytos, Andrius. 2020. "Coronavirus: Latvia, Lithuania and Estonia Create "Travel Bubble" to Ease Restrictions." World Economic Forum, May 7. <https://bit.ly/2WqdRnG>.
- World Tourism and Travel Council. 2020. "Chinese and Asian Tourists Must Not be Stigmatised because of the Coronavirus, Says WTTC." London, February 11. <https://wtcc.org/News-Article/Chinese-and-Asian-tourists-must-not-be-stigmatised-because-of-the-coronavirus-says-WTTC>.