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GLOBAL ECONOMY AND TOURISM

COVID 19

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WORLD ECONOMIC OUTLOOK

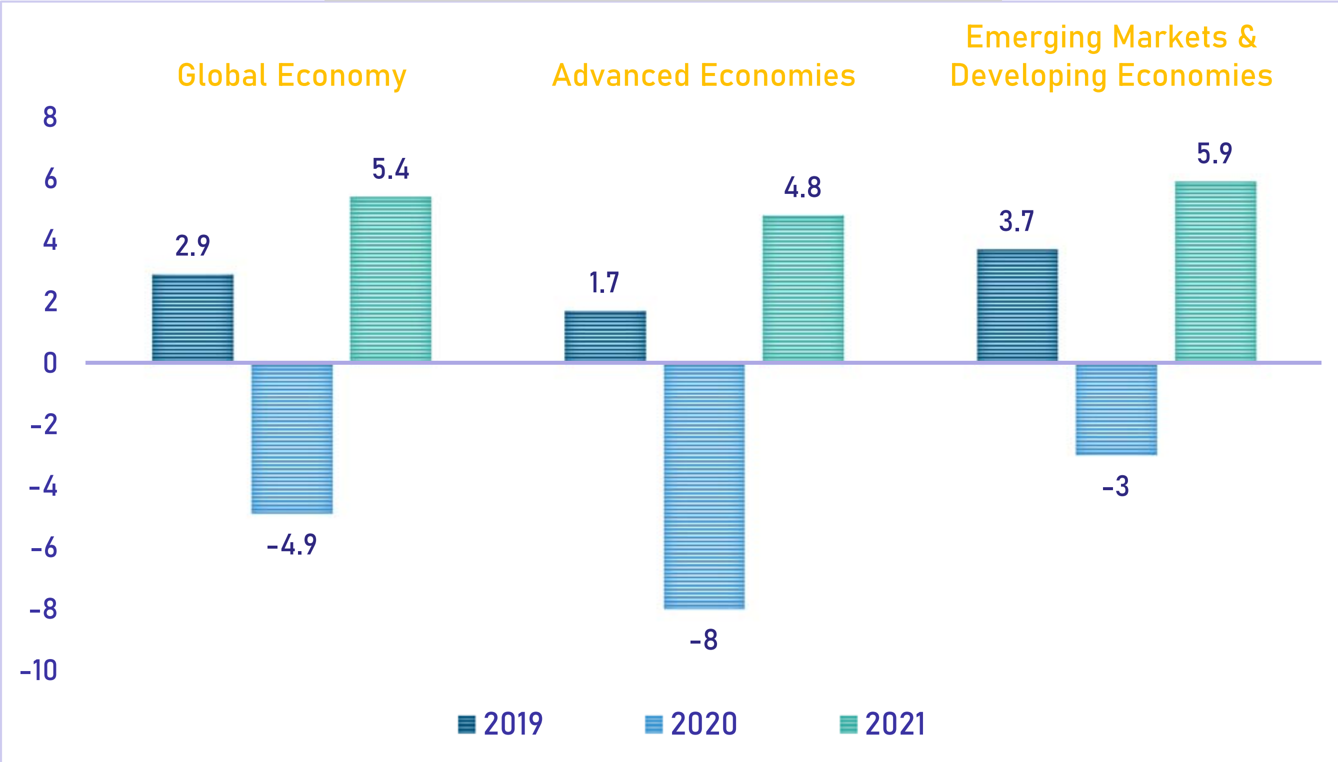
A CRISIS LIKE NO OTHER, AN UNCERTAIN RECOVERY

Global growth is projected at –4.9 percent in 2020, 1.9 percentage points below the April 2020 World Economic Outlook (WEO) forecast. The COVID-19 pandemic has had a more negative impact on activity in the first half of 2020 than anticipated, and the recovery is projected to be more gradual than previously forecast. In 2021 global growth is projected at 5.4 percent. Overall, this would leave 2021 GDP some 6½ percentage points lower than in the pre-COVID-19 projections of January 2020. The adverse impact on low-income households is particularly acute, imperilling the significant progress made in reducing extreme poverty in the world since the 1990s.

As with the April 2020 WEO projections, there is a higher-than-usual degree of uncertainty around this forecast. The baseline projection rests on key assumptions about the fallout from the pandemic. In economies with declining infection rates, the slower recovery path in the updated forecast reflects persistent social distancing into the second half of 2020; greater scarring (damage to supply potential) from the larger-than-anticipated hit to activity during the lockdown in the first and second quarters of 2020; and a hit to productivity as surviving businesses ramp up necessary workplace safety and hygiene practices. For economies struggling to control infection rates, a lengthier lockdown will inflict an additional toll on activity.

Moreover, the forecast assumes that financial conditions—which have eased following the release of the April 2020 WEO—will remain broadly at current levels. Alternative outcomes to those in the baseline are clearly possible, and not just because of how the pandemic is evolving. The extent of the recent rebound in financial market sentiment appears disconnected from shifts in underlying economic prospects—as the June 2020 Global Financial Stability Report (GFSR) Update discusses—raising the possibility that financial conditions may tighten more than assumed in the baseline.

GROWTH PROJECTIONS



All countries—including those that have seemingly passed peaks in infections—should ensure that their health care systems are adequately resourced. The international community must vastly step up its support of national initiatives, including through financial assistance to countries with limited health care capacity and channeling of funding for vaccine production as trials advance, so that adequate, affordable doses are quickly available to all countries. Where lockdowns are required, economic policy should continue to cushion household income losses with sizable, well-targeted measures as well as provide support to firms suffering the consequences of mandated restrictions on activity. Where economies are reopening, targeted support should be gradually unwound as the recovery gets underway, and policies should provide stimulus to lift demand and ease and incentivize the reallocation of resources away from sectors likely to emerge persistently smaller after the pandemic.

Strong multilateral cooperation remains essential on multiple fronts. Liquidity assistance is urgently needed for countries confronting health crises and external funding shortfalls, including through debt relief and financing through the global financial safety net. Beyond the pandemic, policymakers must cooperate to resolve trade and technology tensions that endanger an eventual recovery from the COVID-19 crisis. Furthermore, building on the record drop in greenhouse gas emissions during the pandemic, policymakers should both implement their climate change mitigation commitments and work together to scale up equitably designed carbon taxation or equivalent schemes. The global community must act now to avoid a repeat of this catastrophe by building global stockpiles of essential supplies and protective equipment, funding research and supporting public health systems, and putting in place effective modalities for delivering relief to the neediest.

Global Tourism

By June 2020, COVID-19 infected over 10 million people and caused the deaths of over 500,000. Globally, the spread shows no sign of abating. Although daily cases in Europe and Western Pacific are declining, they are increasing in the Americas, South East Asia and Africa. In response, most countries have closed their borders to visitors and tourists. The UN World Tourism Organization reported during the second quarter of 2020 for the first time ever that 100% of global destinations introduced travel restrictions. As a result, international tourism has been almost totally suspended, and domestic tourism curtailed by lockdown conditions imposed in many countries. Although some destinations have started slowly to open up, many are afraid of international travel or cannot afford it due to the economic crisis.

Tourism is a critical sector of the international economy. In 2019, the tourism sector accounted for 29% of the world's services exports and about 300 million jobs globally. It is an important source of income and employment for developed and developing countries. The global contraction in tourism arrivals could have devastating economic consequences as some developing countries are highly dependent on tourism. In some countries, such as several small island developing states (SIDS), tourism accounts for more than half of the GDP.

In this context, special attention is placed on developing countries where the prosperity of some communities can be seriously compromised by the fall of tourism revenues. The paper considers three different scenarios to quantify the impact of the reduction in global tourism on country incomes, trade and employment using a general equilibrium model which captures the backward and forward linkages between sectors. The paper concludes with policy implications.

International tourism is among the economic sectors most impacted by the COVID-19 pandemic. The United Nations World Tourism Organization (UN WTO) estimates a loss of 850 million to 1.1 billion international tourist arrivals, $910 million to $1.1 trillion in export revenues and 100-120 million jobs, depending on whether the borders are opened in July, September or December. Most destinations were entirely closed in April and May 2020, opening only in some regions slowly for the northern summer. UNWTO projections reflect considerable uncertainty about the duration of the pandemic, in addition to the government response to support economic activity

Amid travel restrictions, the cruise industry has suspended sailing until September 2020. The industry has seen record losses in share prices amongst the top three cruise lines - Carnival, Norwegian Cruise Line and Royal Caribbean Cruises. For example, Carnival's share price dropped 70% in the first quarter of 2020. However, booking for 2021 are 40% up on 2019, according to data from industry sources, but this may reflect postponed booking from 2020. As of April 2020, the airline industry (IATA) has recorded an 80% drop in flights when compared to the same period in 2019. In the IATA financial outlook for the global air transport industry, it showed that airlines are expected to lose $84.3 billion in 2020. Frankfurt's passenger numbers, home of Europe's biggest airline Lufthansa, dropped by 97% in April. The situation is even worse in some other airports, such as Lima with a drop of 99%. Chili's LATAM airline, Latin America's biggest carrier, filed for Chapter 11 bankruptcy protection, and Lufthansa survived only with a €9 billion bailout. IATA reports that passenger numbers may not recover to 2019 levels until 2023-24. Domestic flights will recover much sooner, reflecting the closed international borders and uncertainty about the safety of long-distance air travel.

Some 40% of respondents to an IATA survey said they would wait at least six months after restrictions were lifted before resuming travel (IATA 2020). Tourist travel is discretionary spending and a global recession will dampen consumers enthusiasm for international travel. In particular because ticket prices may increase if social distance measures have to be observed in planes and airports. The bankruptcy of several airlines may also increase the cost of air travel. Taken altogether, the availability and accessibility of transportation will have a profound impact on the financial recovery for many tourism dependent economies. Many predictions do not anticipate a return to normal levels in the short term for the tourism sector.

SCENRAIOS

To illustrate the potential impact of the decline in the tourism sectors, three scenarios are simulated and described below. The scenarios, Moderate (optimistic), Intermediate and Dramatic (pessimistic), vary in the length of international tourism absence. The scenario Intermediate is closest to the assessment of the UNWTO (2020b) that international tourist numbers could fall by 60 to 80% in 2020. The Intermediate scenario assumes a reduction by 66%.

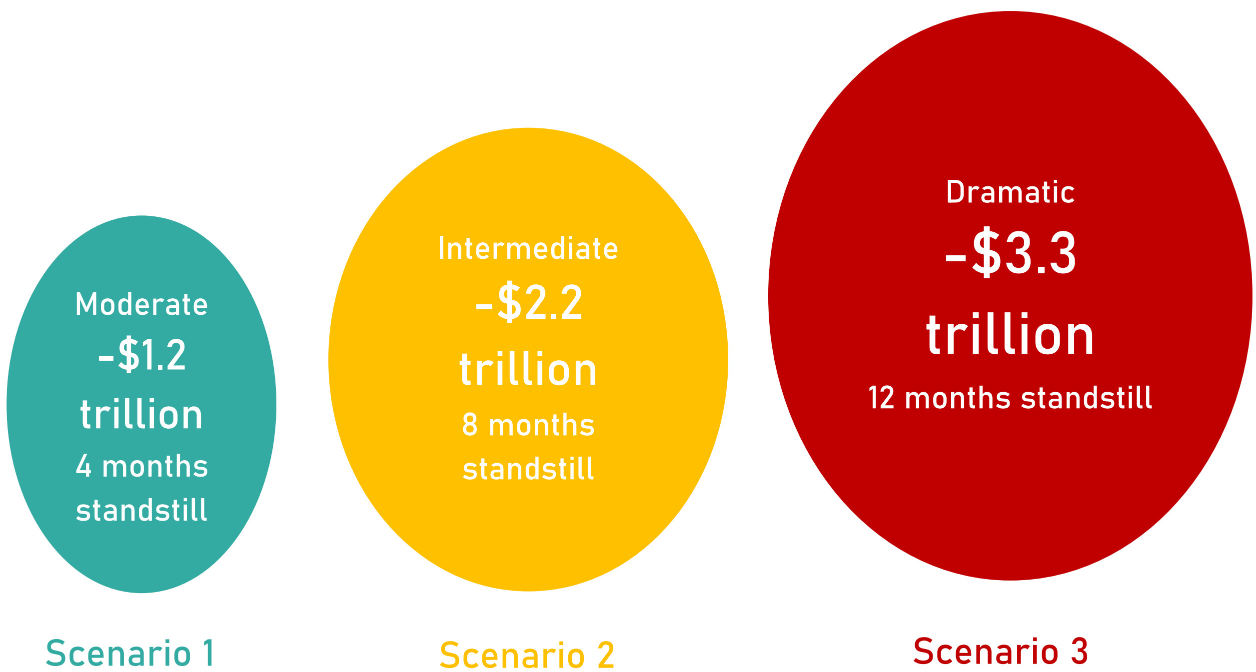
TABLE 1. ALTERNATIVE SCENARIOS

No	Label	Description
1	Moderate	1/3 of annual inbound tourism expenditure is removed in each country. This is equivalent to 4 months standstill of international tourism or a 80% for 5 months
2	Intermediate	2/3 of inbound tourism expenditure are removed in each country. This is equivalent to 8 months standstill of international tourism or a 80% for 10 months
3	Dramatic	All annual inbound tourism expenditure are removed in each country. This is equivalent to almost 12 months standstill of international tourism

The model captures the direct and indirect effects of the decline in international tourism receipts on the global economy. Taking into account the subsectors that support the tourism industry, the incurred loss to GDP is much larger than the direct effects of the loss of tourism.

As demonstrated in the model, global GDP losses under the most optimistic tourism reduction scenario amount to an estimated $1.17 trillion, about 1.5% of global GDP. Extending the four months lockdown to eight and 12 months increases the losses in a fairly linear fashion, to $2.22 trillion (2.8 % of world's GDP) and $3.3 trillion (4.2% of world's GDP) respectively. The estimated GDP losses of $3.3 trillion are more than double the size of the international tourism industry alone in the worst-case scenario.

GLOBAL MACROECONOMIC LOSSES



Getting Qatar's tourism sector back on track after Covid-19

The Qatar government is gearing up to reboot the tourism industry, which hit a roadblock in the wake of Covid 19 pandemic.

TROUBLE AHEAD

Though not as developed as major destinations in Europe, North America and further afield, Qatar's tourist sector has also suffered under Covid-19.

Statistics for March indicate a 78% reduction in tourist arrivals, with the figures for April and May expected to be even worse. With lockdown measures still firmly in place, it remains to be seen how many of the country's restaurants and local tourist facilities will emerge from the pandemic unscathed.

FOOD FOR THOUGHT

Qatar's hosting of the 2022 FIFA World Cup nevertheless underlines why its tourist industry needs to make as full a recovery as possible from Covid-19. It is expected that millions of fans will visit the country for the world's premier football tournament. Most will require accommodation and entertainment beyond the stadiums.

In keeping with governments around the world, Qatar has initiated general support and subsidised loan programmes to mitigate the impact of the coronavirus on business revenues. The country can also draw inspiration from a number of international efforts to restart the global tourism sector. These include 23 actionable recommendations developed by the UNWTO to mitigate the impact of Covid-19, accelerate recovery through national policies, and build resilience through lessons learned.

Singapore has developed two initiatives that might be of interest to Qatar. The Marketing Partnership Programme aims to improve co-operation and encourage synergies between stakeholders in the city state's tourist industry. To assist, the Programme makes funds available for marketing costs and collaboration between businesses.

GOING HYBRID

These are by no means the only initiatives Qatar might look to when reawakening its currently dormant tourist sector. There is also a case for taking the best ideas from as many global efforts as possible to develop a hybrid action plan with two interconnected phases.

Focusing on the short-term, phase 1 is concerned with mitigating the impact of Covid-19 and restarting tourism activities following the easing of travel and social distancing measures. Taking a cue from Singapore, Qatar could develop public relations activities to highlight that the country is a safe and interesting place to visit. This could be supported by tourism vouchers for Qatar Airways stopover passengers, an initiative that resonates with the EU's travel vouchers programme.

Phase 2 is focused on strategic and structural issues. As per the mandate of the Qatar National Tourism Council, the country should accelerate efforts to develop a clear vision for its tourist industry. Inspiration could be drawn from Australia's bid to become "the most desirable and memorable destination on earth" or Morocco's practical goal to make tourism an engine of development. Either way, Qatar needs to factor agility and resilience into its future tourism sector. This entails working with stakeholders to identify challenges as well as opportunities to diversify the country's tourism offerings. Doing so will help shield Qatar from the volatility of limited market penetration.

BEEN HERE BEFORE

It should also be remembered that Qatar has prior experience of navigating its tourism industry through difficult times. In 2016 almost 3mn tourists visited the country, the majority coming from fellow Gulf Co-operation Council (GCC) and Arab states. Tourist arrivals have nevertheless diminished in recent years due to the reduction of visitors from the blockading states. According to the Qatar Planning and Statistics Authority, arrivals from the Arab world declined by 76% between 2016 and 2019.

Qatar has responded with a strategy to diversify tourist arrivals and new tourism markets. In the immediate aftermath of the blockade, nationals from 80 countries were granted visa-free entry into the country. The development of the

Qatar National Museum and other tourist attractions was also expedited. High-profile marketing campaigns such as Qatar Airways' "A World like Never Before" continue to highlight the diversity of the country's tourist sector.

Such initiatives undoubtedly contributed to a 38% increase in tourist arrivals from other parts of the world between 2016 and 2019. Additionally, hotel bookings rose from 4.97mn nights in 2016 to 5.38mn in 2018, suggesting that the average length of stay in Qatar has increased. The country's museums also benefited from a fresh approach to attracting tourists, with visits rising from 477,000 in 2016 to 597,000 just two years later. According to the UNWTO, Qatar's tourism sector generated $5.6bn in 2018 despite the negative impact of the blockade.

Qatar's response to the blockade offers key insights into how tourism can get back on track once the worst of Covid-19 is over. Tourism sectors around the world will need to act quickly and decisively upon resumption of 'business as usual.' Well-executed, creative public relations campaigns should highlight what makes a country, resort, or attraction a compelling place to visit. Diversity, safety, and resilience will also be at the heart of tomorrow's tourism strategies.

Reopening Qatar

Some parts of the world are cautiously beginning to reopen after COVID-19 spread across the globe. The situation is far from over, but nations cannot stay closed forever. Each country will adopt its own approach towards reopening, based on its own circumstances and considering the balance required to ensure the rate of COVID-19 is controlled insofar as possible, whilst simultaneously opening up the economy. In early June, Qatar announced its strategy to reopen, envisioning a three-month phased approach. In a series of blogs, we will follow Qatar's progress, offering insight into the issues involved in an effective reopening of borders, and will consider how the authorities confront the challenges and obstacles that will inevitably arise. Over the course of the series, we will provide an overview of the impact on businesses and employees, both inside and outside the country, from an immigration perspective.

A SWIFT CLOSURE

From 17 March 2020, foreign nationals were no longer able to enter Qatar, as the number of COVID-19 cases increased across the globe. Family members on visit visas and short-term business visitors inside Qatar worried about their status, with some unable to return to their country of origin due to domestic border closures. Qatar offered a series of concessions, alleviating concerns of non-residents who were at risk of overstaying. Visit Visas have been extended past their maximum allowable stay, typically by 30 days at a time, and it is possible to extend Business Visas beyond the usual 90 period by way of an online application. Fortunately, due to digitization efforts in Qatar, many in-country processes, including Residence Permits (RP) renewals and cancellations, remained possible using the existing online platforms. As such, businesses have been able to ensure they maintain a compliant workforce programme.

OPENING UP, BUT SLOWLY

On 8 June 2020, the government announced that Qatar will reopen in four phases. The phases can be divided into two categories: Domestic Reopening and External Reopening.

Phase 1	After 15 June 2020	Partial reopening of mosques, malls, parks and private clinics. Ministries continue to operate at 20% staff capacity.	
Phase 2	After 1 July 2020	Partial reopening of restaurants, museums, libraries, markets, beaches, parks and wholesale markets. Employees in the public and private sectors can work from the office at 50% capacity.	

Phase 3	After 1 August 2020	Full reopening of shopping malls. Partial reopening of health clubs, gyms, swimming pools and salons.	Resumption of flights from low-risk countries. Only RP holders and non-resident priority travellers can return, subject to quarantine and permission to travel.
Phase 4	After 1 September 2020	Permission to host large gatherings such as business exhibitions. Full reopening of theatres, museums, libraries and cinemas.	Flights opened for non-residents to come to Qatar. It remains to be seen whether this will be open to all categories of visa holders and when exactly the quarantine requirements will cease to apply

RETURNING TO QATAR

Discover Qatar, a destination management division of Qatar Airways and partner of the National Tourism Council, is responsible for consolidating and disseminating information regarding the reopening of the Qatari borders.

- RP holders can return from 1 August 2020, subject to a number of prerequisites, including:
  - Only RP holders coming from low-risk (of COVID-19) countries can return. It remains to be seen how the government will categorise "low" and "high-risk" countries
  - Returning residents must have obtained permission to re-enter the country
  - Before they return, returning residents will need to purchase a "Welcome Home Package," available from the Discover Qatar website, which is a 14-day quarantine period at an authorised location
- Individuals whose RPs have expired can return to Qatar after 1 August 2020 and renew their RPs. However, more details are required on what the re-entry process will look like. In addition, there is a question as to whether there will be a limited window for individuals to re-enter

SOURCE AND REFERENCE

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- World Tourism Organization (UNWTO)
- JLL Research
- International Monetary Fund (IMF)
- Reuters
- UNCTAD
- KPMG International Analysis
- Statista*
- Hospitalitynet*
- Congressional Research
- Trading Economics
- Fragomen