



India and the Coronavirus Pandemic:

Economic Losses for Households Engaged in Tourism and Policies for Recovery

NCAER

February 18, 2022

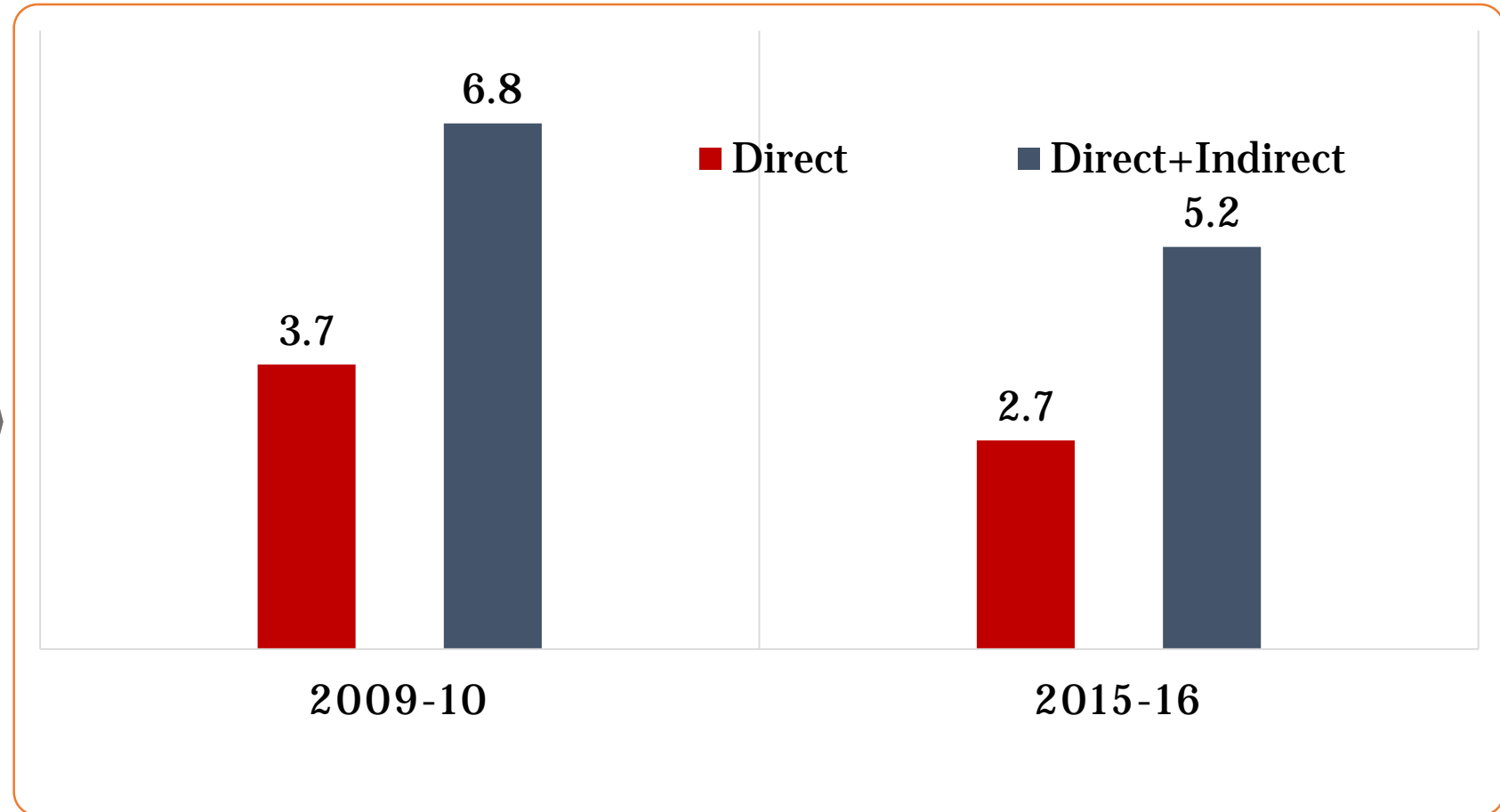
Outline of the presentation

- Economic Value of Tourism in pre-pandemic period
- Economic Value of Tourism during pandemic (study period – 2020)
- Loss in Tourism jobs
- Loss in Tourism Households' Income
- Future Outlook on Tourism Revival
- Recommendations for Tourism Revival

Economic Value of Tourism – Pre-pandemic

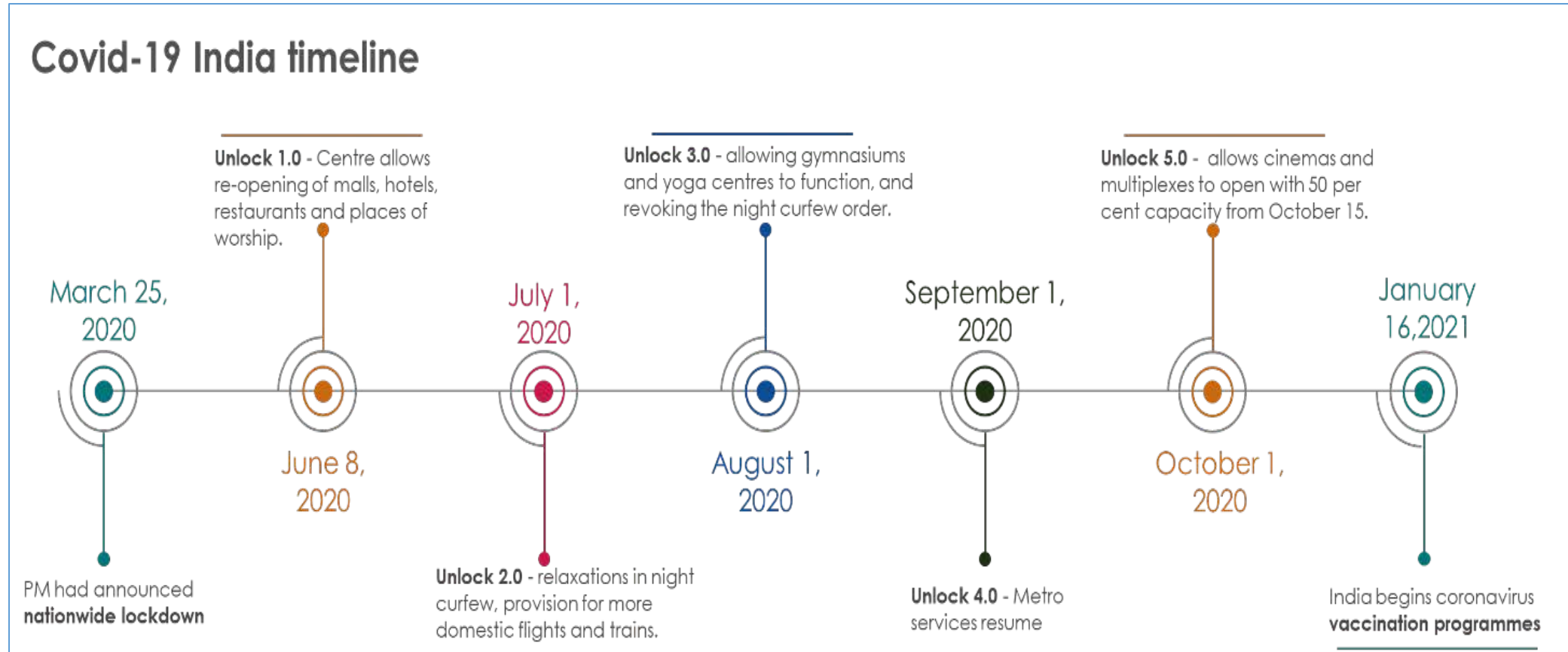
Share of Tourism in overall GDP(%)

The chart shows the direct and indirect contribution of tourism sector to the overall GDP for the two TSA years



Economic Value of Tourism – During Pandemic

Covid19 India Timeline



Economic Impact due to...

- Supply Shock – overall slowdown in producing sectors of the economy
- Demand Shock – fall in number of tourist arrivals, in addition to supply shock
 - Only inbound tourists
 - Only domestic tourists
 - Both inbound and domestic tourists

Data Sources

- National Accounts Statistics, 2021 – annual estimates till 2019-20
- GDP Press Note on quarterly estimates of GDP for Q3 of 2020-21, 26th Feb, 2021
- Monthly data on International Tourist Arrivals for 2020, Ministry of Tourism
- Tourism Product and Industry Ratios from India's Tourism Satellite Account
- Periodic Labour Force Survey, 2017-18 and 2018-19 for employment/number of jobs

Tourism Ratios

Tourism Product Ratio: This is the proportion of the total supply of a product which is consumed by visitors.

Tourism Industry Ratio: This is the proportion of the total value added of an industry which is related to tourism

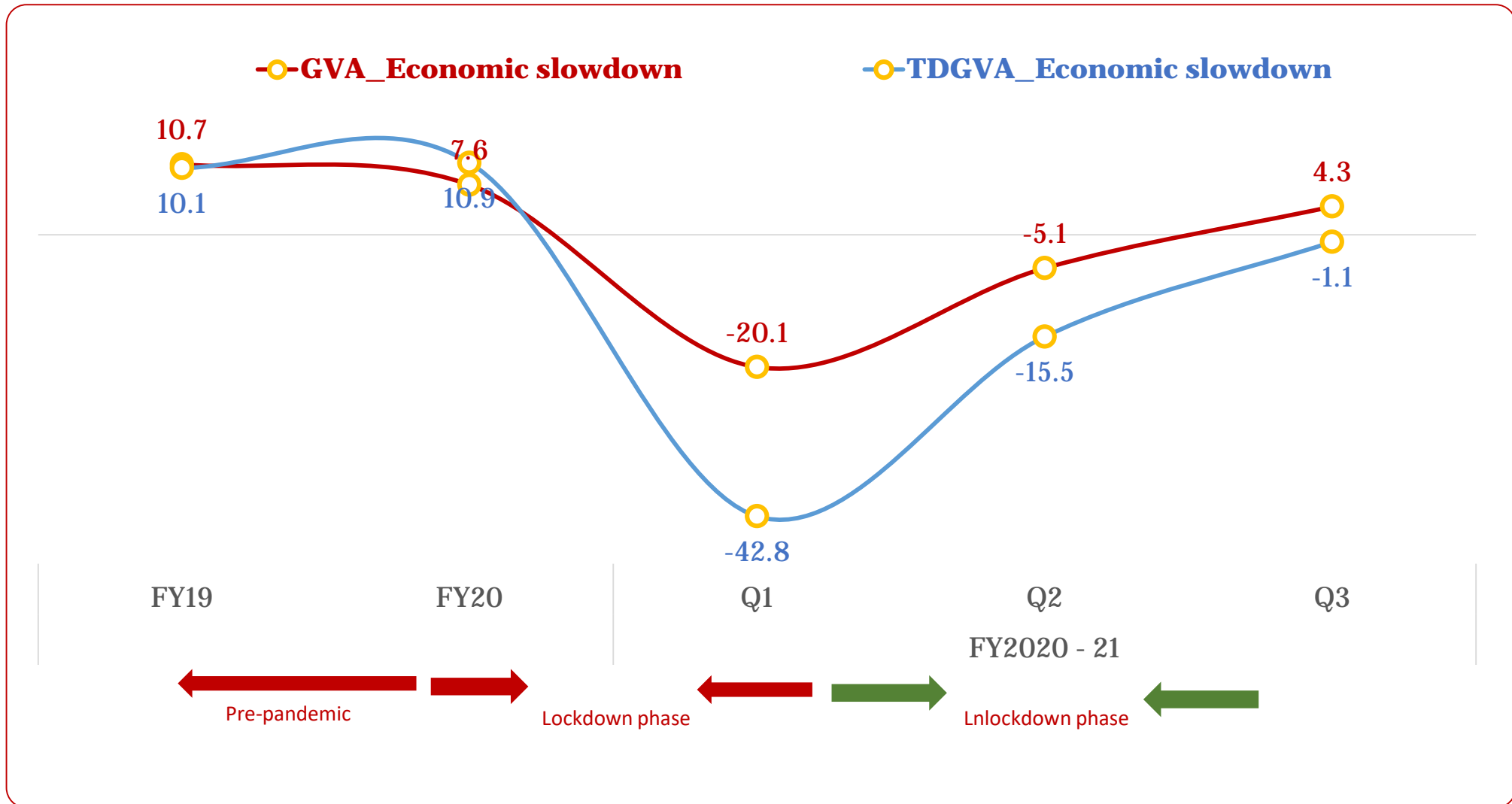
Tourism Satellite Account: an accounting procedure designed to measure goods and services associated with the activity of tourism undertaken within the boundary of a country or a region or a state.

Impact due to Supply shock

- Indian economic growth witnessed an unprecedented slowdown during 2020-21
- The impact is evident on all the sectors of the economy
- However, assuming that tourism sector was rather resilient and continued as before
- Assuming that Tourism Industry Ratios remained the same
- Hence, this assumption takes into account only the supply side shock

Impact due to Supply shock

(% growth over corresponding period previous year)



Impact due to Demand shock

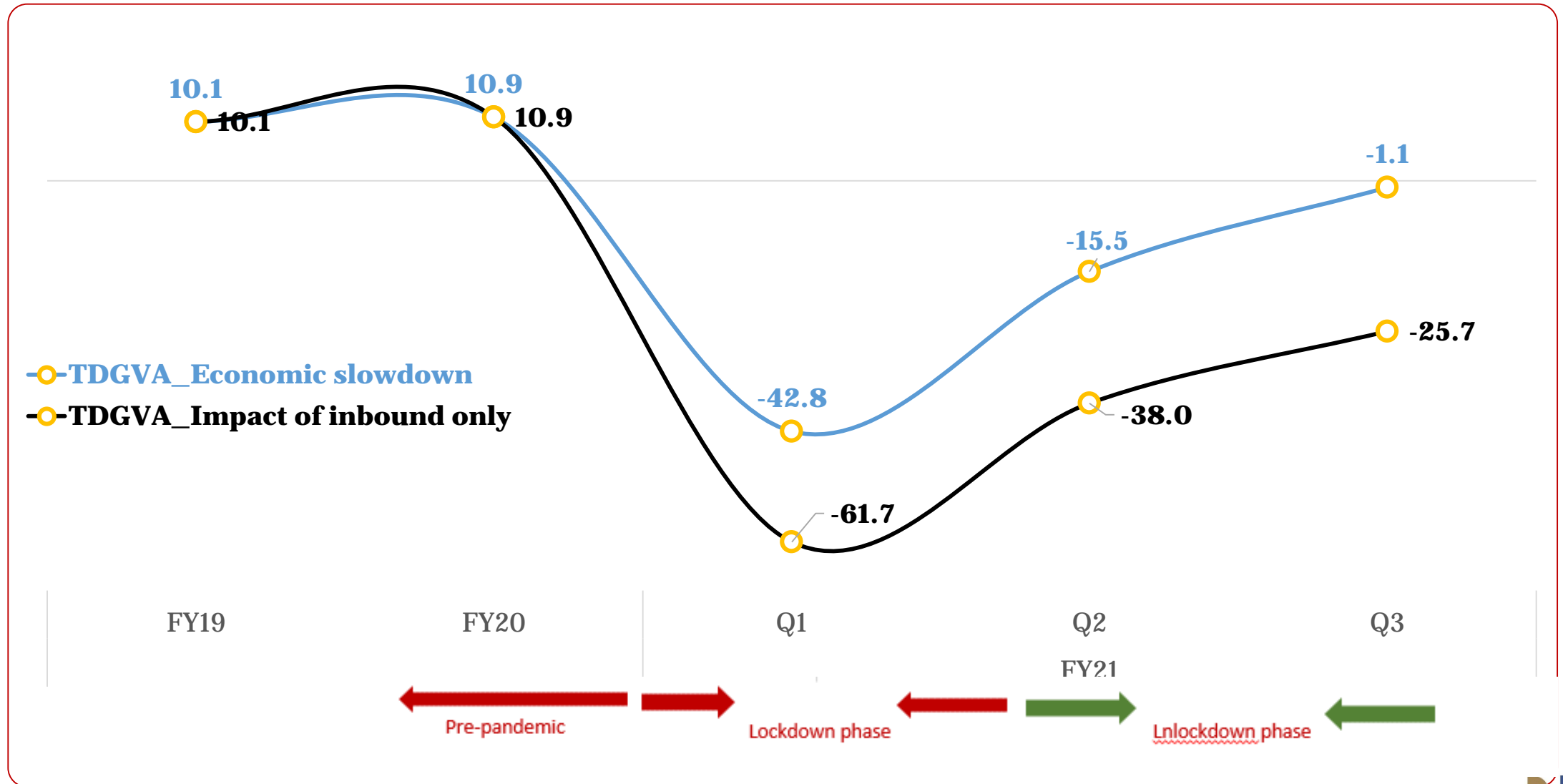
- Month-wise International Tourist Arrivals, for 2020 from MoT
- Domestic Tourist Visits, for Jan – Dec, 2020 from MoT
- Domestic Tourist Arrivals, quarterly estimated using assumptions

Number of ITA (million)

	Foreign Tourists	NRIs	Inbound Tourists
2020 - Jan - Dec	2.74	3.59	6.34
Q4 FY 2019-20	2.47	1.39	3.86
Q1 FY 2020-21	0.02	0.21	0.22
Q2 FY 2020-21	0.06	0.83	0.89
Q3 FY 2020-21	0.20	1.16	1.36

Impact of fall in Inbound arrivals only

(% growth over corresponding period previous year)

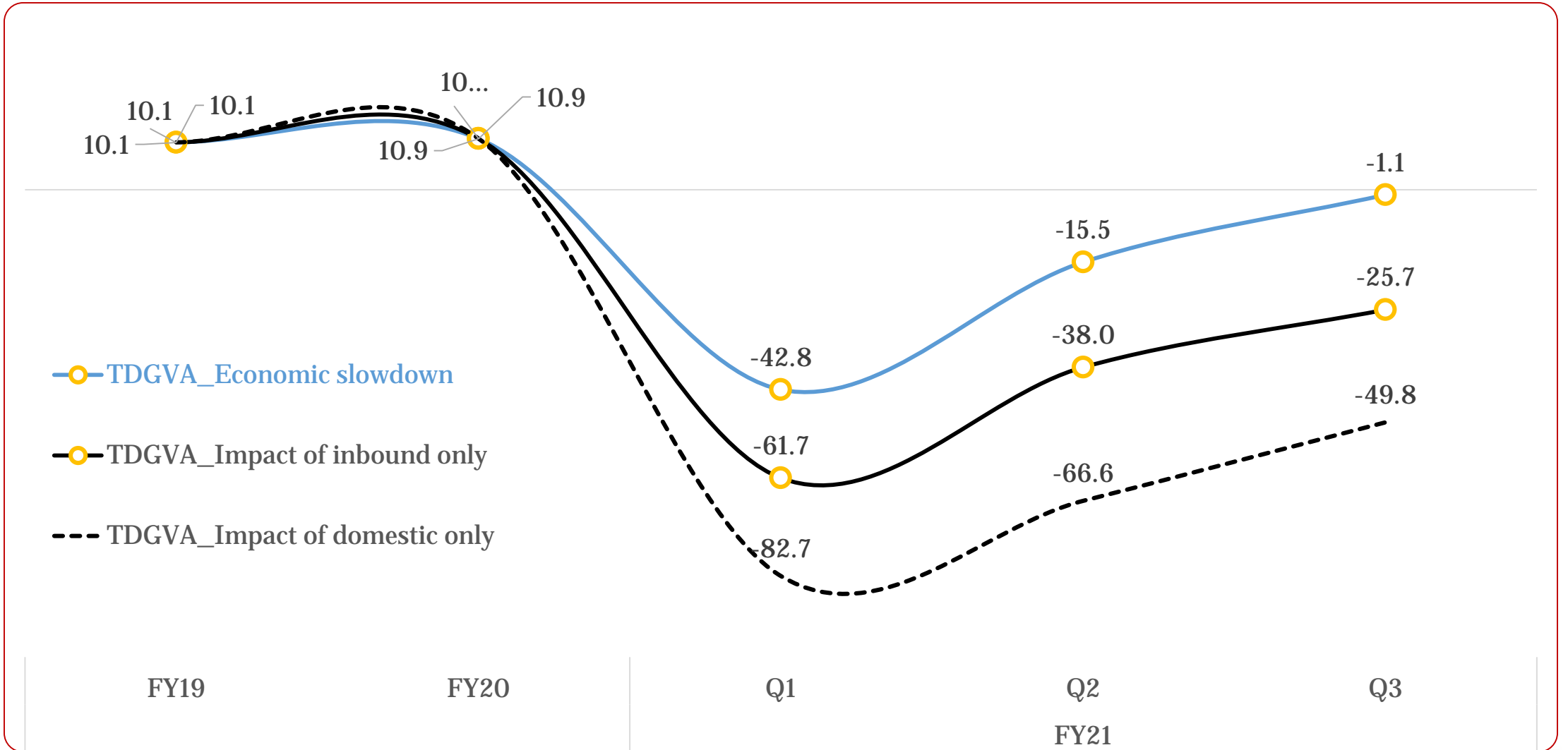


Estimated number of DTA (million)

	DTV	DTA	Assumptions
2020 - Jan - Dec	614.7	515.9	-
Q4 FY 2019-20	-	120.0	23% of annual
Q1 FY 2020-21	-	45.3	-90% (q-o-q)
Q2 FY 2020-21	-	130.8	-75% (q-o-q)
Q3 FY 2020-21	-	219.8	-58% (q-o-q)

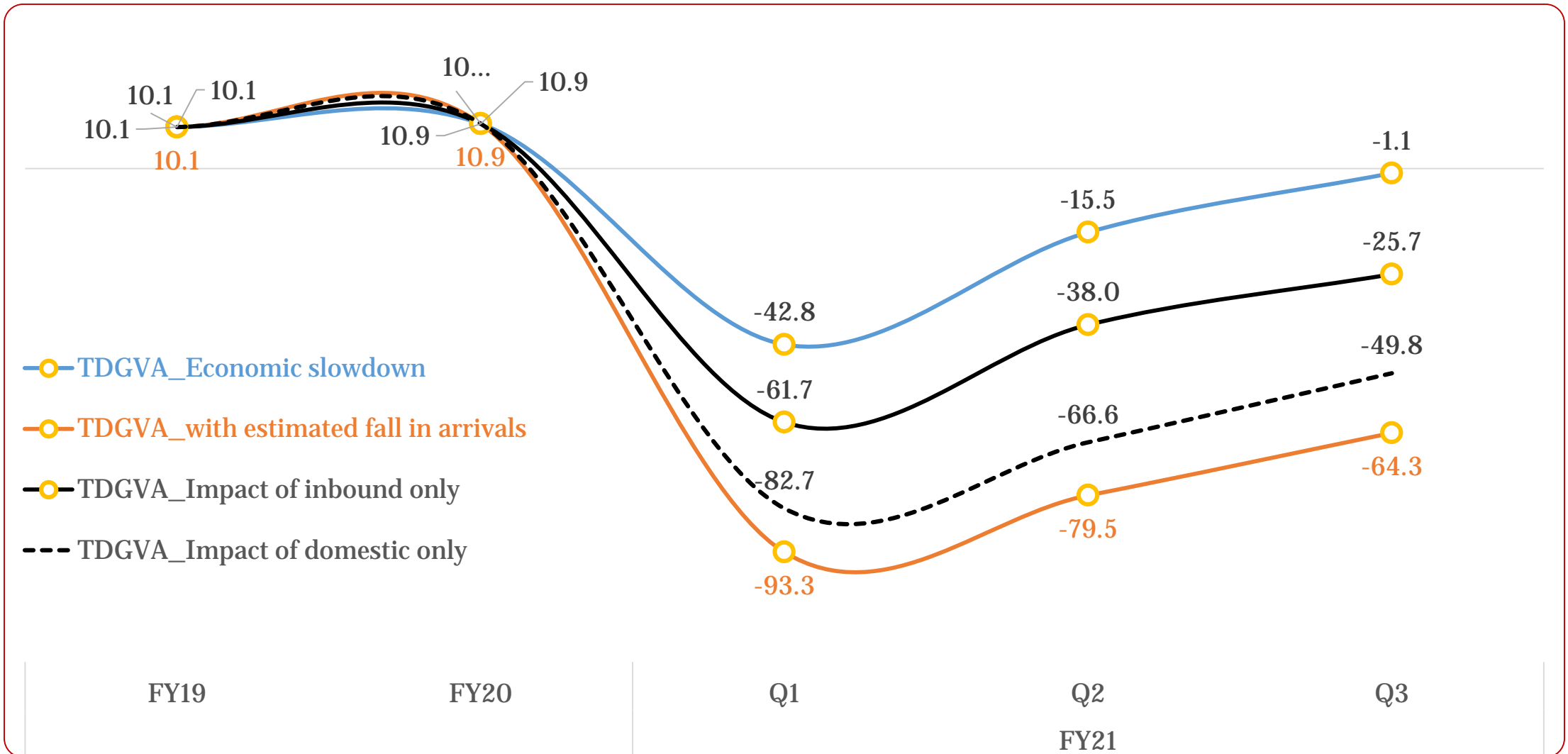
Impact of fall in Domestic arrivals only

(% growth over corresponding period previous year)



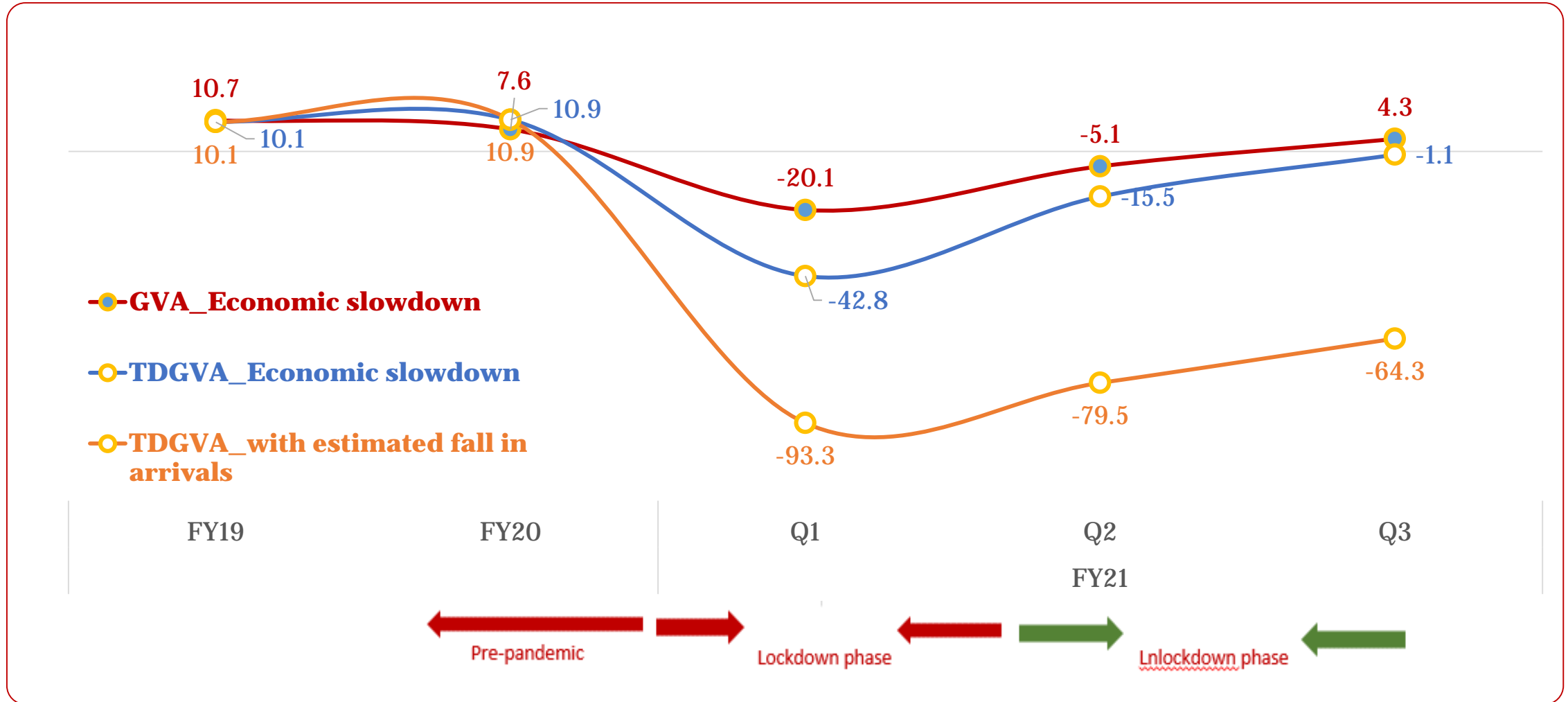
Impact of fall in Domestic arrivals only

(% growth over corresponding period previous year)

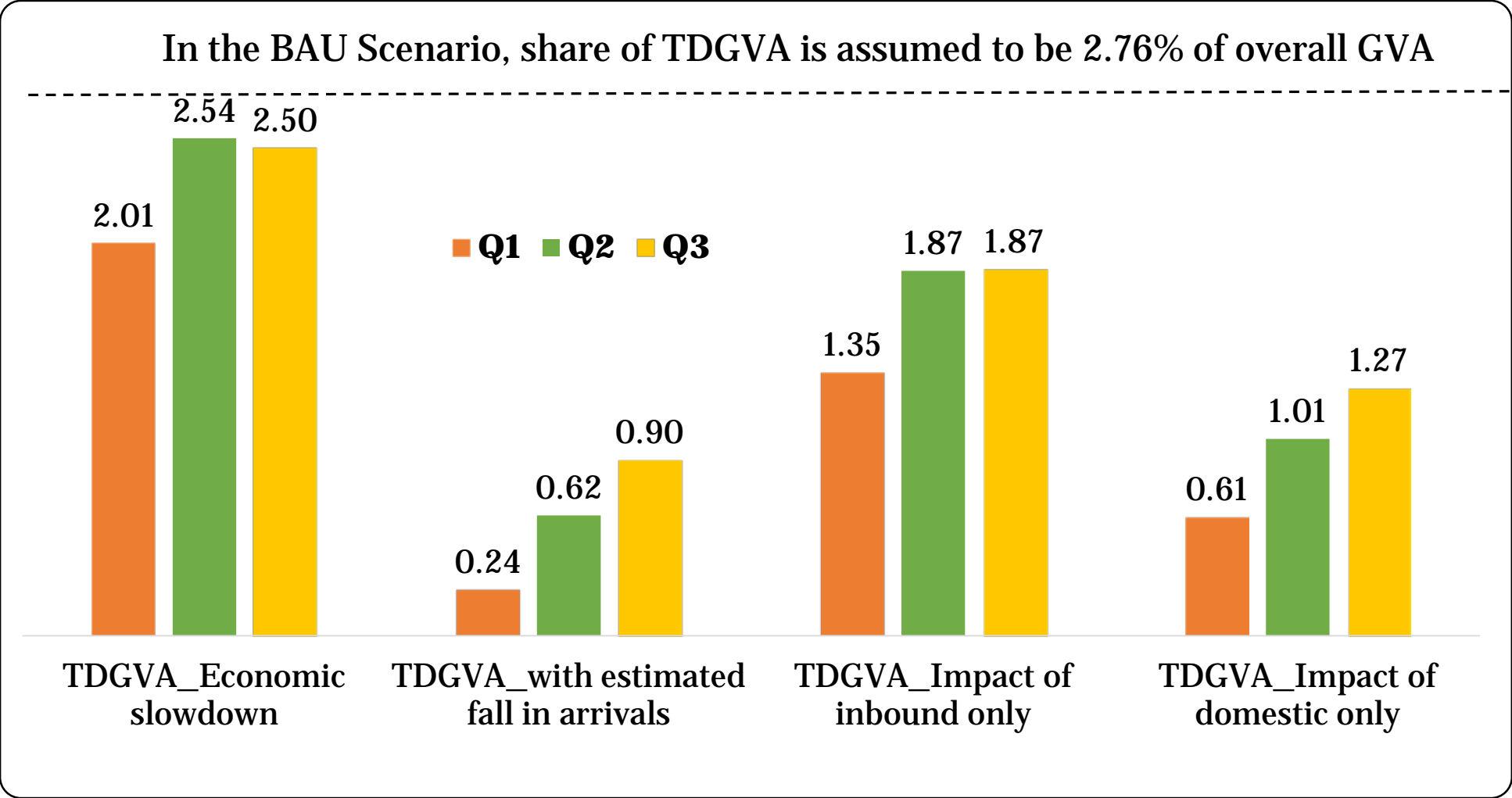


Impact due to Demand Shock

(% growth over corresponding period previous year)



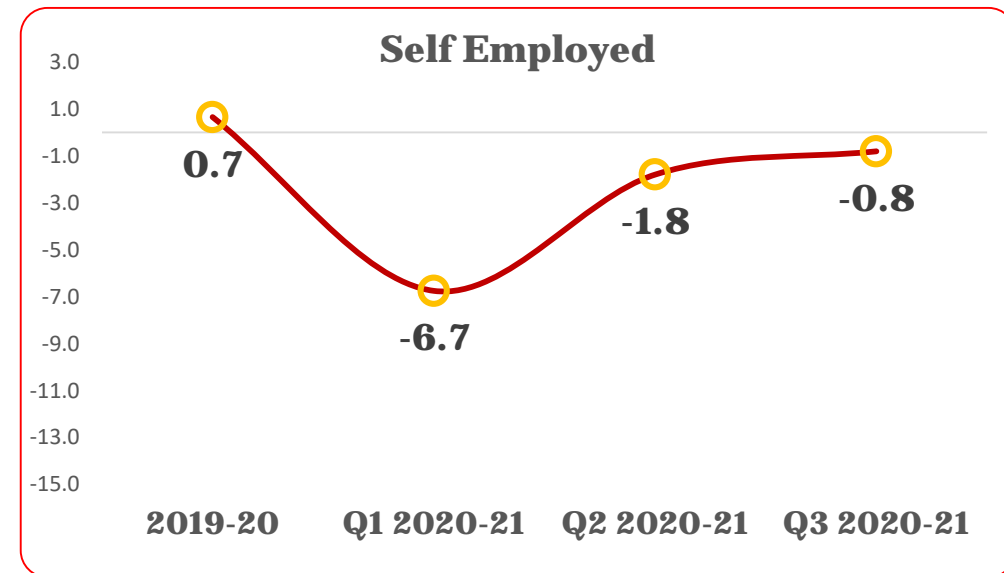
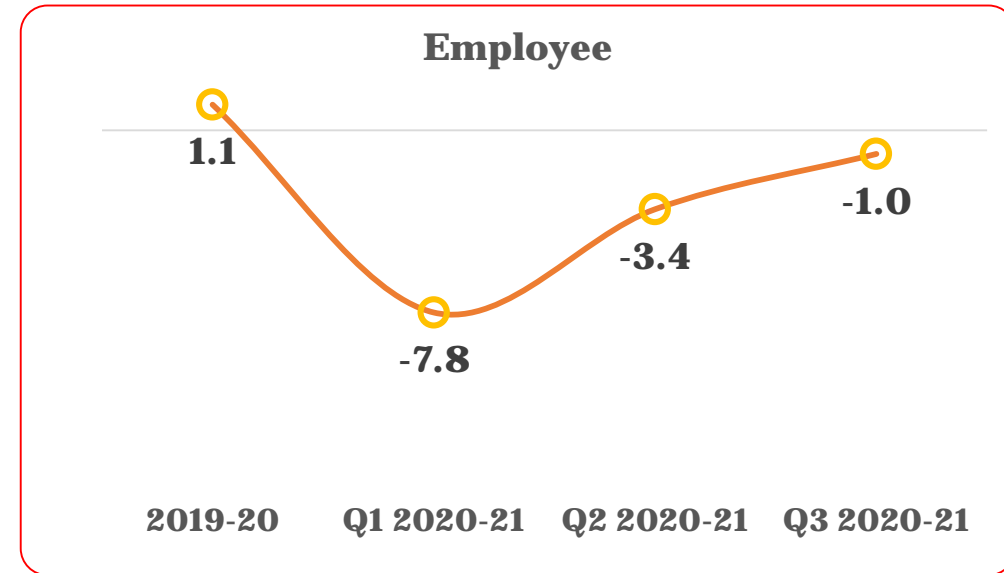
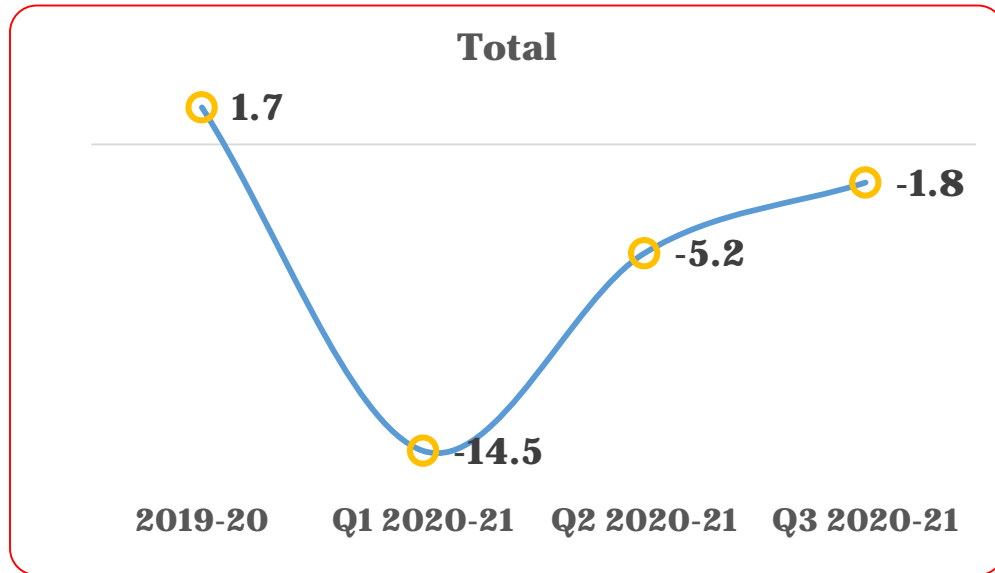
Share of Tourism in GVA (%)



Loss in Tourism jobs

- **Methodology**
 - Use of Employment Elasticities
 - Elasticity = Growth in jobs / Growth in real GVA
 - Data sources
 - Employment - PLFS 2017-18 and 2018-19
 - Real GVA – NAS 2021 and Press Release 26th Feb, 2021
 - Employment multiplier - Third TSA

Estimated Jobs Loss (Mn numbers)

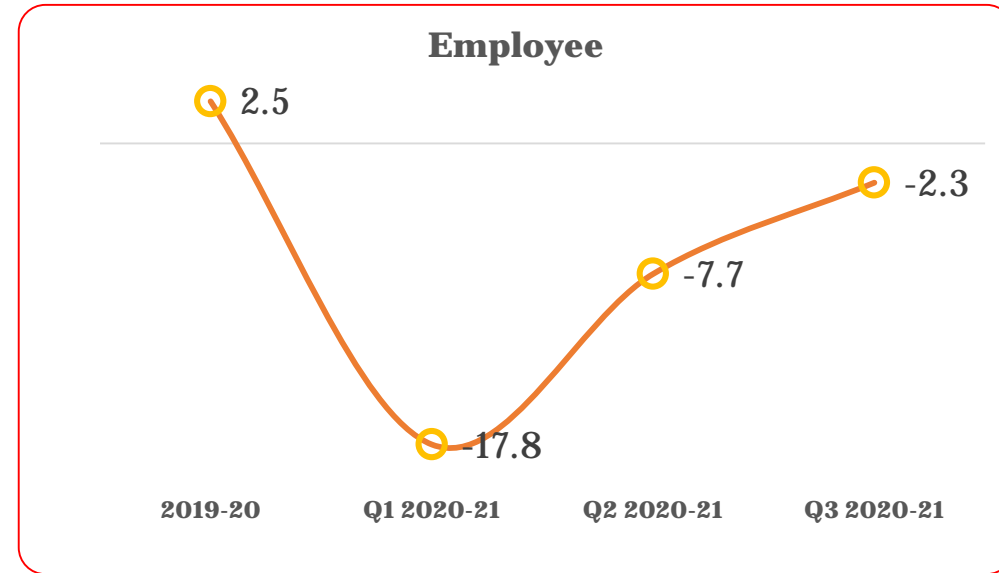
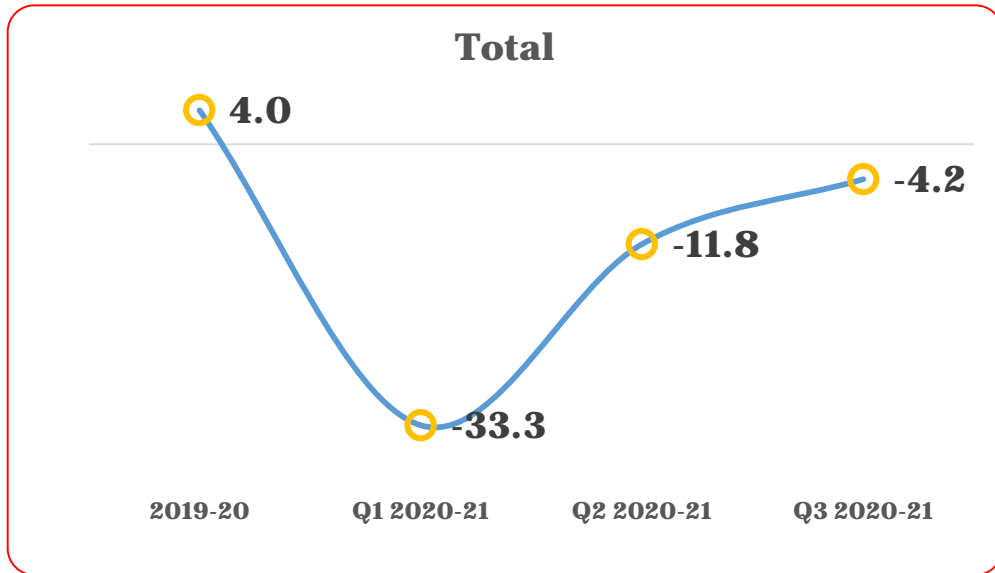


Prior to Q1: Pre-Covid period

Q1 : Various lockdown phases

Q2 and Q3: Unlock phases

Estimated Direct + Indirect Jobs Loss (Mn numbers)



Prior to Q1: Pre-Covid period

Q1 : Various lockdown phases

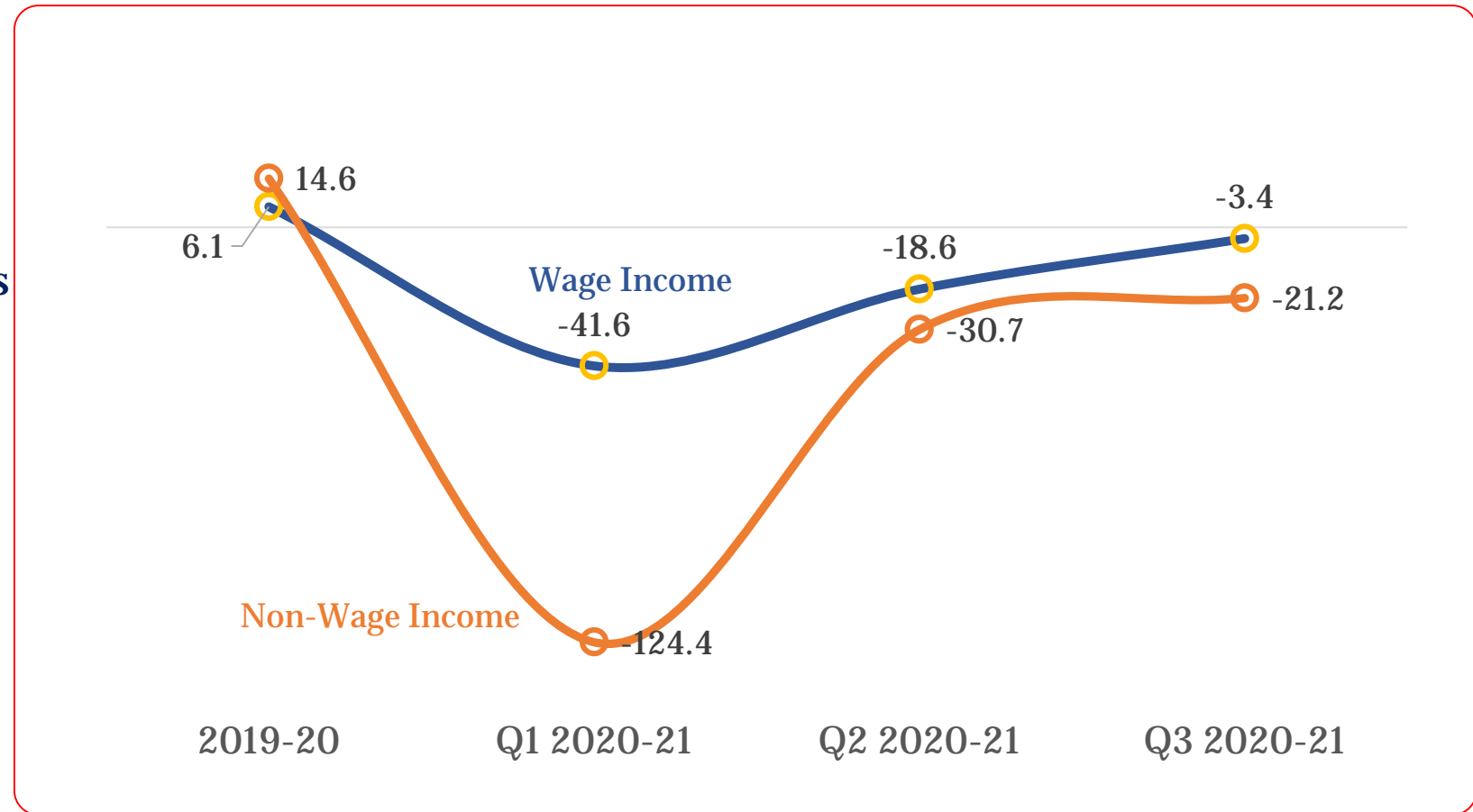
Q2 and Q3: Unlock phases

Loss in Tourism Households' Income (% growth)

Prior to Q1: Pre-Covid period

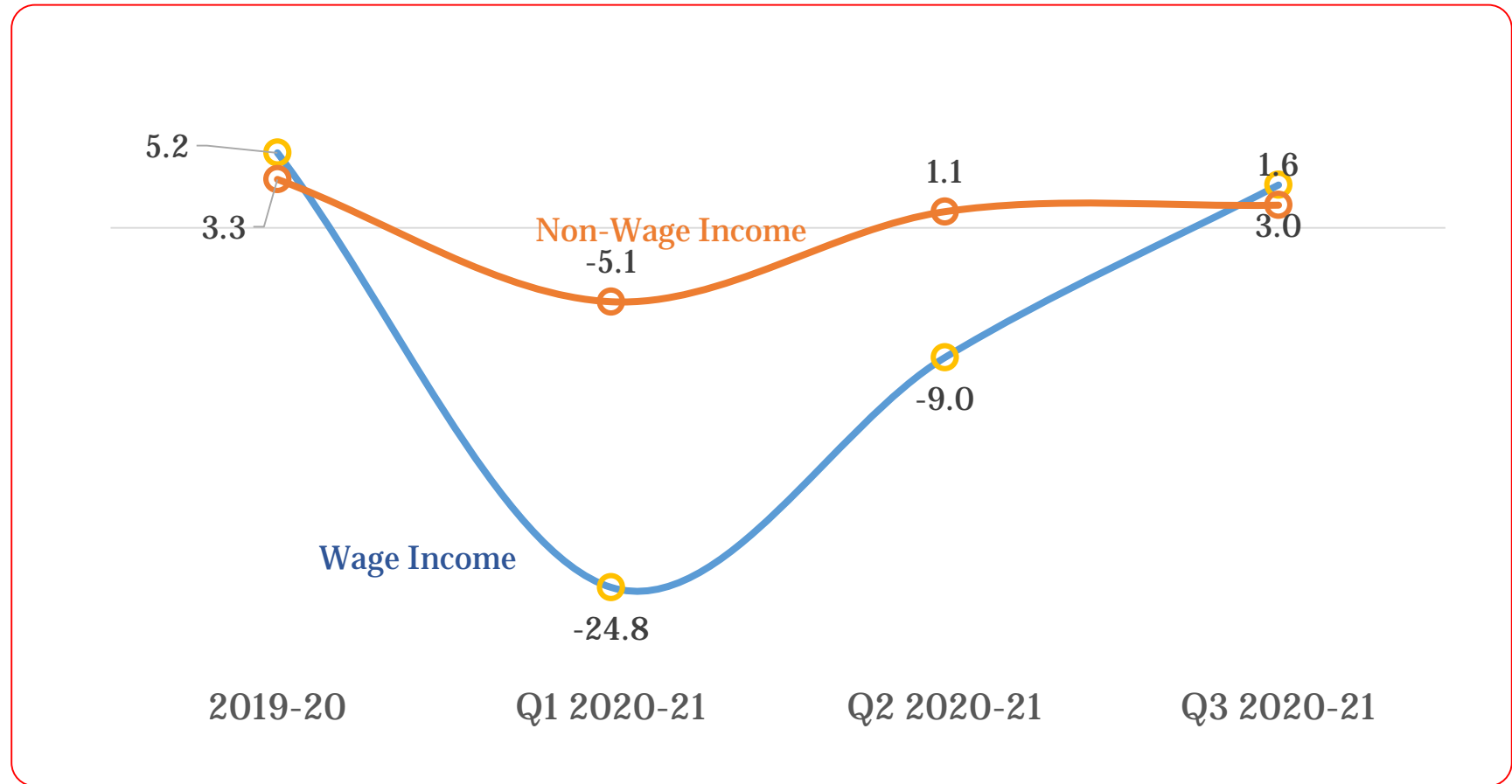
Q1 : Various lockdown phases

Q2 and Q3: Unlock phases



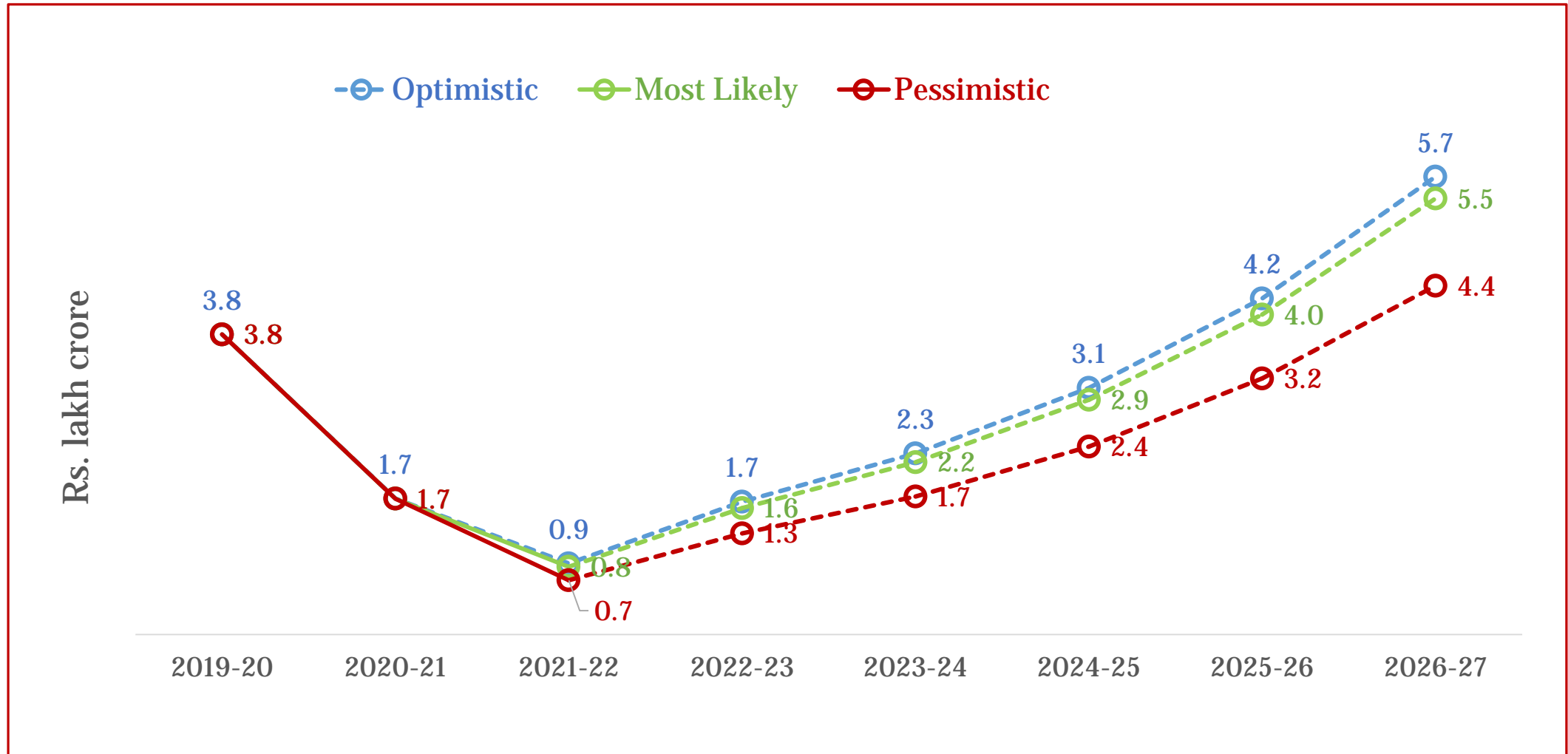
Loss in overall economy's household income (% growth)

Prior to Q1: Pre-Covid period
Q1 : Various lockdown phases
Q2 and Q3: Unlock phases

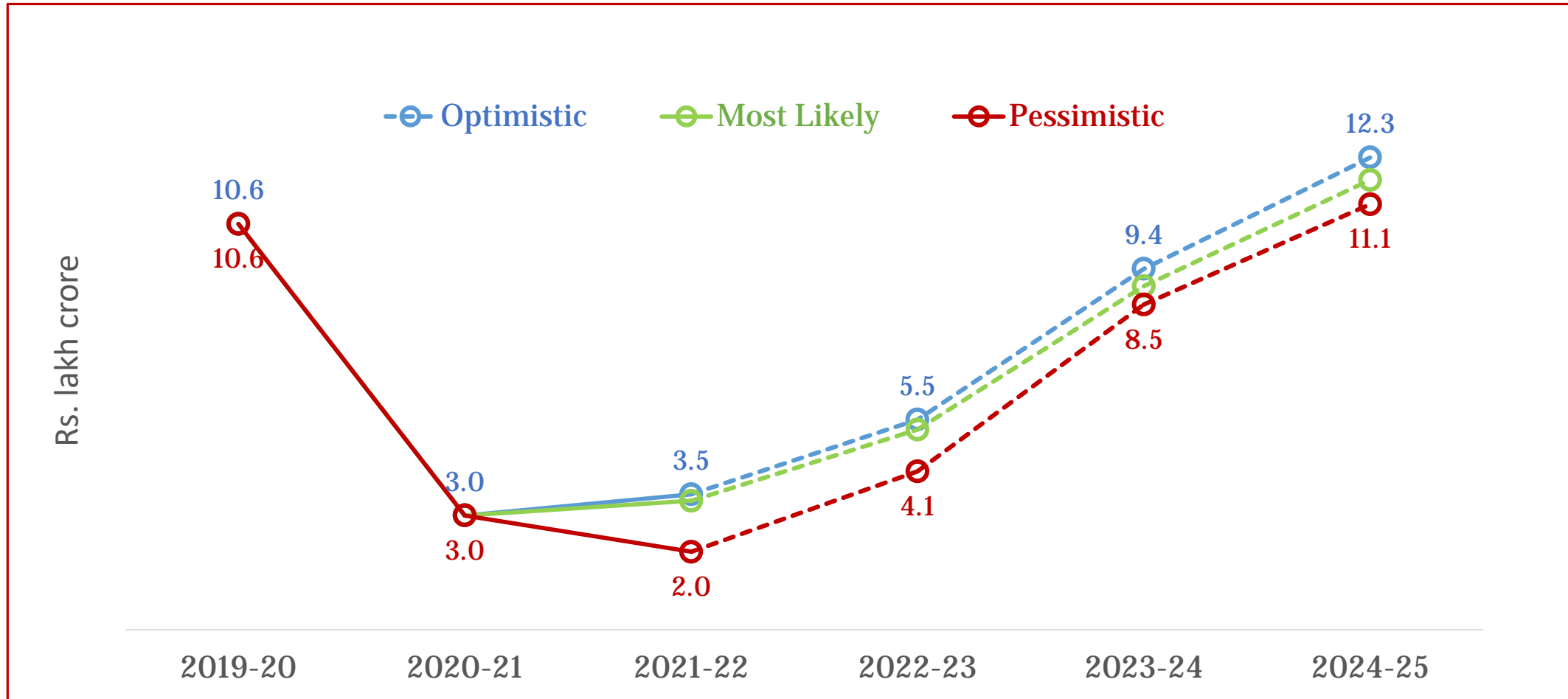


Future Outlook on Tourism Revival

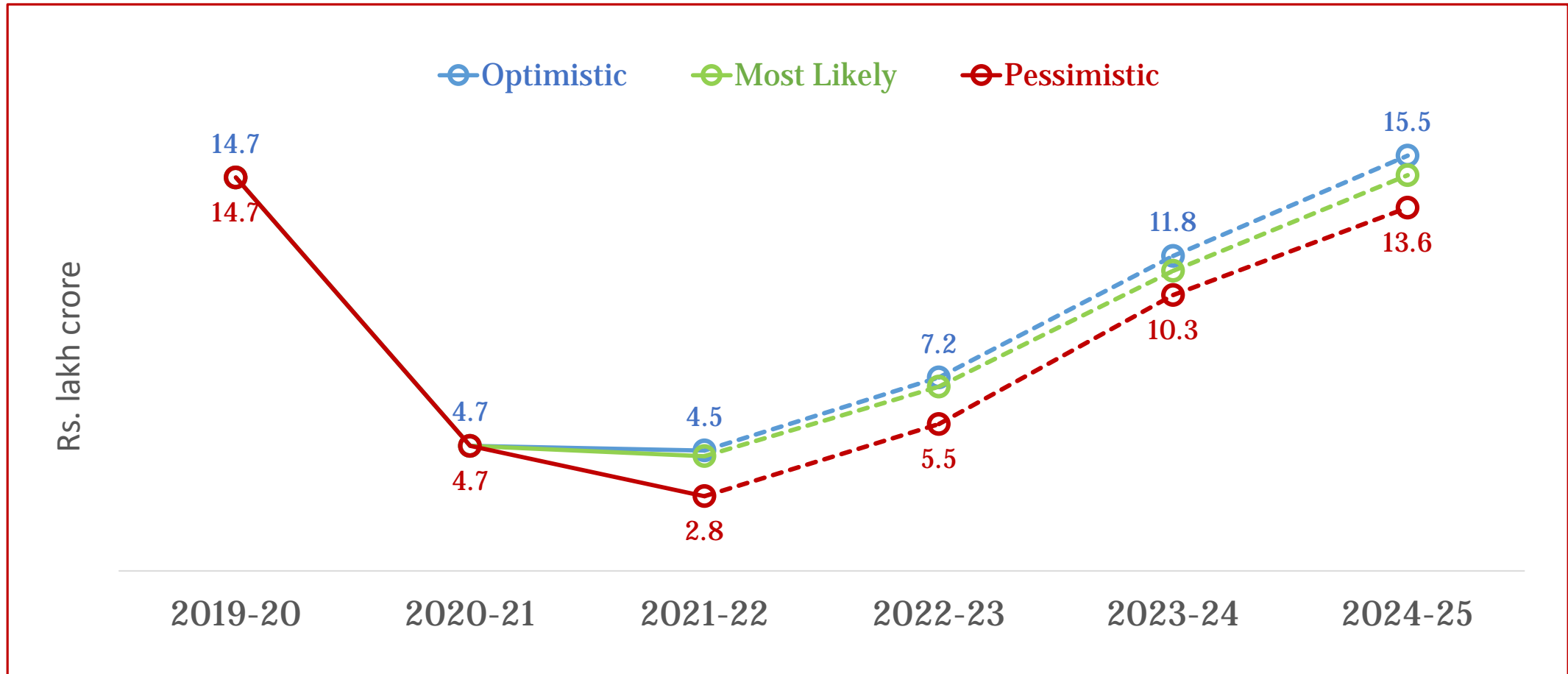
Inbound Tourism Expenditure



Domestic Tourism Expenditure (also includes outbound-turned-domestic tourism)



Total Internal Tourism Expenditure



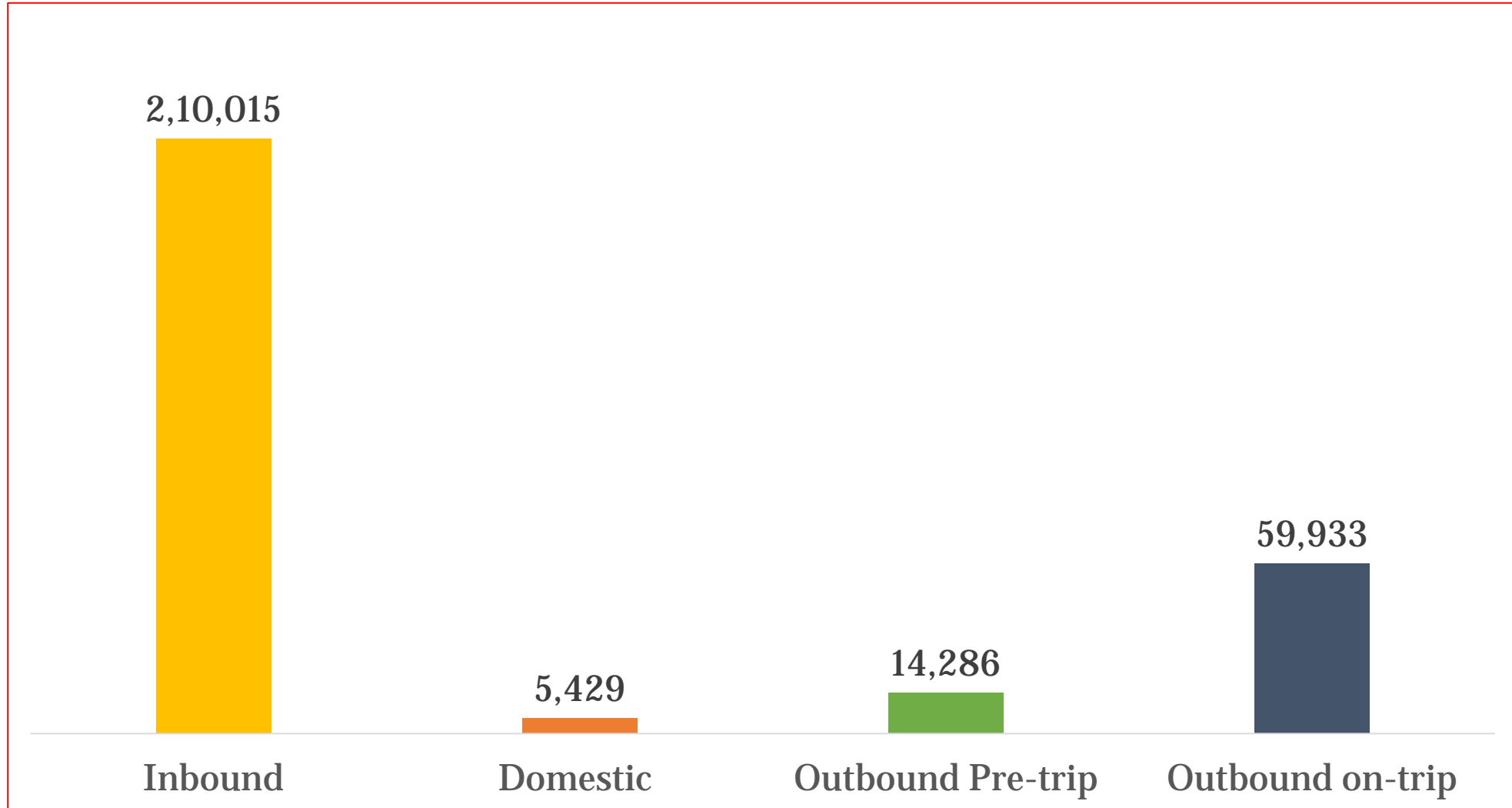
Recommendations for Tourism Revival

Recommendation 1

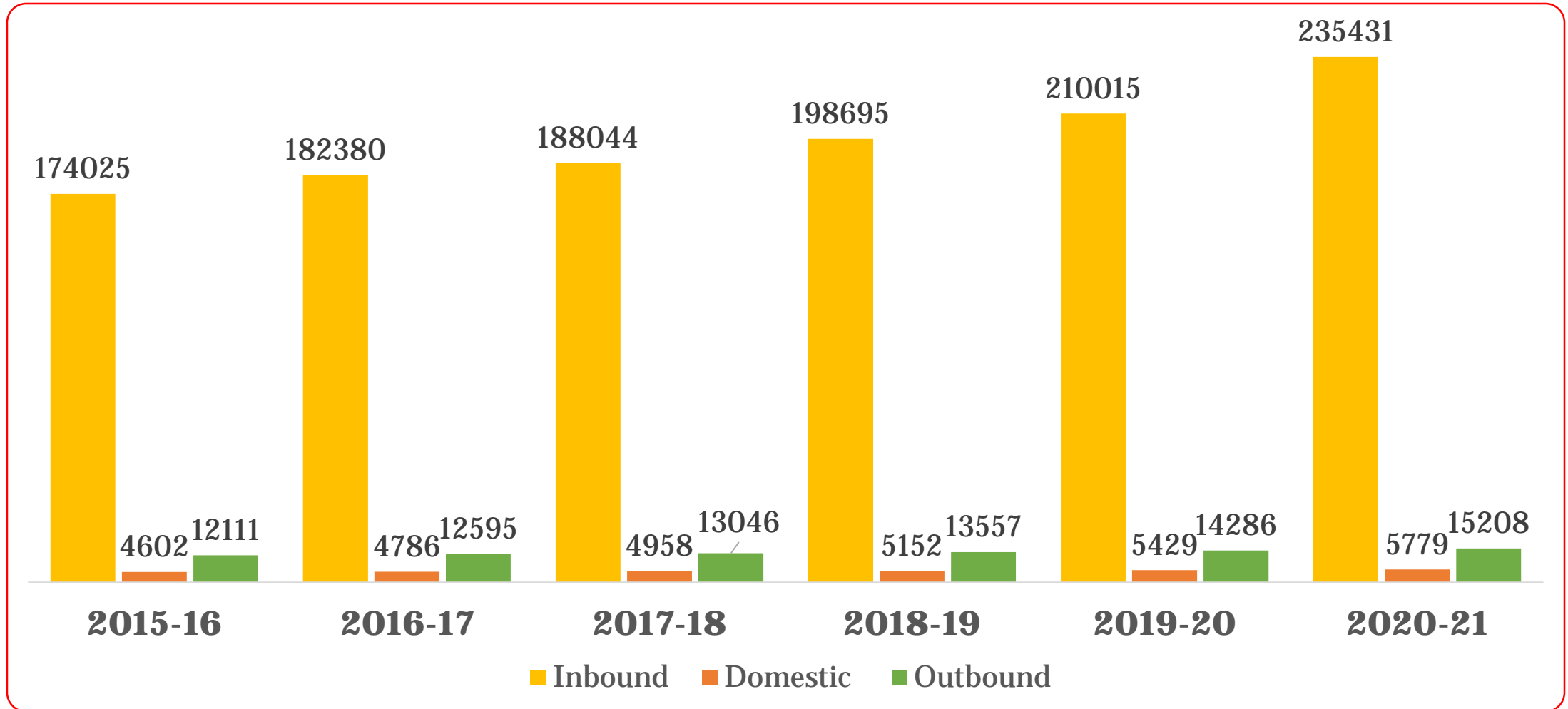
Promote Domestic Tourism

- Travel bans to and from India – impacting inbound and outbound tourism
- Likely continued lack of confidence to travel internationally
- Moving from “Incredible India” to “Bharat Dekho”
- Resilient domestic social, business, medical tourism
- Possible boosters - Rural Tourism (Village Cruise), Homestays, Road trips, Offbeat destinations
- While per-tourist domestic expenditure is far lower than that of inbound but far greater trips and expenditure makes domestic tourism a key driver of tourism economy

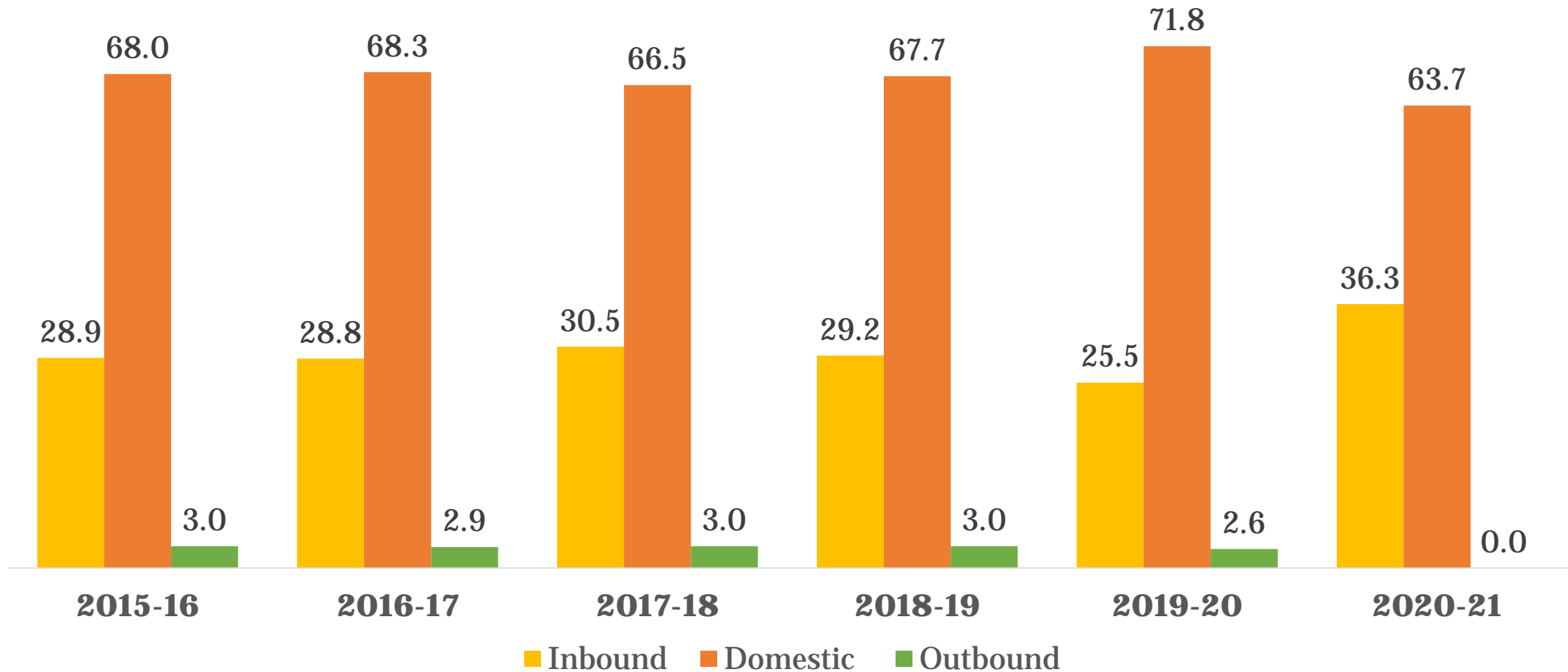
Per-tourist expenditure 2019-20 (Rs.)



Per-tourist expenditure between 2015-16 to 2020-21 (Rs.)



Tourism Expenditure (% share) 2015-16 to 2020-21



Boosters to domestic tourism:

- Rural tourism
- Affordable accommodation
- Among tourism characteristic industries – focus on F&B serving industries and Road passenger transport services (together accounting for more than 40% of TDGVA)
- Enhance resilience
- Road Trips and trips to offbeat destinations
- Promoting digitally enabled businesses
- Preservation of cultural and historical sites

Other Recommendations:

- Government responsiveness – Target incentives to industries contributing most to tourism economy - *of all the tourism characteristic products and services, **food and beverage providing services, road passenger transport services and healthcare providing services** account for close to 80 percent of the total tourism expenditure on tourism characteristic goods and services.*
- Re-establish trust in travel and tourism
- Adherence to safety and mandatory health and hygiene protocols to the highest standards possible
- Protocols should be mandatory for tourists also.
- High-value, low-volume (HVLV) approach (as followed in Bhutan)
- Government responsiveness towards preparing Tourism Recovery Plan
- Provide tax benefits, subsidies and incentives to industry players so that they can survive and overcome this pandemic shock

Other Recommendations:

- Integrate Public Health with Tourism
- Issuance of vaccine certificates
- Create healthy environment which is a natural barrier to future pandemics
- Technology innovation, like digital marketing, virtual tours etc
- Use of digital services to improve the customer safety experience and adapt quickly if the health context in local area changes.
- Targeted support for vulnerable communities
- Support businesses in diversifying revenue sources
- Identify and target diverse customer base
- Maintain customer and employee confidence

Thank You