TTF AUSTRALIA
Tourism & Transport Forum

ESTIMATED IMPACT OF CORONAVIRUS ON THE AUSTRALIAN VISITOR ECONOMY

FOREWORD

Economic modelling undertaken by Tourism and Transport Forum (TTF) indicates the ongoing coronavirus outbreak is set to hit the Australian visitor economy much harder than SARS.

Although the full extent of the economic impact won't be known for some time the industry is facing a contracted visitor economy with significant losses across international visitation, tourism spend and employment across 2020.

The economic impacts reflect the loss of direct tourism spend (tourism receipts) by the reduction in international visitor arrivals and the estimated reduction in employment within the visitor economy due to business slowing, in some instances, closure.

TOURISM AND TRANSPORT FORUM 2020 ESTIMATES

International Visitation

Down 40% Jan to June 2020 compared to same period last year, a loss of 1.8m visitors.

International Receipts

Monthly average loss post-March 2020 in total tourism receipts from all inbound markets $2b on a per month basis.

Tourism Jobs

- Staffing reduction of between 15% – 20% may be occurring, the net effect being an estimated reduction of 99,000 – 133,200 jobs in mostly part-time, casual and contract/seasonal jobs/positions
- Lost salaries and wages into broader economy - $3.9b to $5.3b
- Lost PAYG tax contributions - $1.12b to $1.59b

When you look at SARS there were 29 countries affected over 9 months, our current situation is 29 countries over 8 weeks and counting. Not to mention 79,000 cases plus for coronavirus compared to 8,098 for SARS.

Whilst the outbreak has not yet reached the classification of a pandemic the Treasurer has indicated that the economic impact will be greater than the bushfires and it will play-out more broadly across the Australian economy. What is unique about tourism is that we have been directly in the firing line for both crises.

Although we have a robust health system, this global health crisis comes at a time when Australian tourism is already on its knees. This is a point we are making crystal clear to Treasury in Canberra and others around the country when it comes to government support.

The following offers insight into the estimated economic impact[1] of coronavirus and the implications should the virus fail to be contained within the next 3-6-month period. The insights have applied a base case from the 2003 SARS virus pandemic which affected 29 countries, including China.

COMPARISON BETWEEN SARS VIRUS AND CORONAVIRUS

Table 1: Comparison between SARS Virus and coronavirus

SARS		Coronavirus	
Nov 2002 – July 2003 (9 months)	Period Assessed	Dec 2019 – Feb 2020 (2.5 months) 33% of what SARS was (to date)	
8,089	Cases	79,000 (at 24th Feb 2020)	975% higher than SARS
774	Deaths	2,500 (at 24th Feb 2020)	300% higher than SARS
9.6%	Proportion of deaths	3.2%	
17,000,000	Size of China outbound market	134,000,000	
29 over 9 months	Countries affected	29 after 8 weeks	
NO (but airport screening on arrival)	Australian travel ban	YES a total ban	

1. This insight is based on information and data from various sources, gathered to offer a snapshot of the potential impact coronavirus will create on the Australian visitor economy.

Comparing the likely impact of these two viruses is challenging, primarily because SARS was contained over a 9-month period, and by month 10 (August 2003) visitation to Australia ex-China had climbed back to 12k arrivals compared to 3.1k in May 2003. The May 2003 monthly figure for China inbound into Australia dropped 75% from the same period in 2002.

In comparison, there is no confirmed data or information to indicate if and when coronavirus may be contained by, and we cannot assume the same 9-month period as experienced with SARS in 2003. In addition, the Government's travel bans into Australia from those who have come from or travelled through China since January 2020, is in line with a number of other countries, which creates a further impact on visitor arrivals.

Coronavirus is seen to be far more significant for a variety of reasons (including those noted above) including:

- the scale of coronavirus is much larger in both numbers infected and numbers who have died to date.
- the severity of the travel restrictions reflects the scale of the crisis which may take some time before these are lifted, in part or whole.
- the impact is far greater as the size of the outbound China market is significantly larger now than it was in 2003, during SARS.
- the number of scheduled inbound flights into China from Australia and elsewhere and outbound services from China which have been cancelled, may take far longer to recommence with some potentially stopping altogether as alternative destinations are focussed on.
- the impact coronavirus is having on other Asian (north and south-east) inbound markets to Australia is thought to be significantly larger than during SARS.
- the impact is also being seen across many visitor generating markets with a slowdown also occurring outside of Asian inbound markets.

In 2003, SARS accounted for a drop of 9.4% in total international visitor arrivals globally, costing an estimated US$30b - $50b. In 2002 China's position as a global generating market was relatively minor, representing 17m outbound Chinese travellers compared to 134m international outbound trips by Chinese in 2018 and 5.5b domestic trips.

The global impact of coronavirus in 2020 is expected to exceed the percentage drop in international visitor arrivals attributed to SARS in 2003, for the reasons noted above.

SIGNIFICANCE OF CHINA INBOUND TO AUSTRALIA

China is Australia's largest inbound market, with just under 1.5m arrivals (for all purposes) for the year to November 2019. The market has shown the strongest cumulative average growth rate of 15% year on year since 2009. China represents 15.5% of total short-term visitor arrivals into Australia (9.44m).

More importantly than just visitor numbers, China represents $12.3b in annual tourism receipts to Australia, representing nearly 33% of all tourism receipts (as of May 2019). Whilst the months of January and February from China to Australia are noted as stronger inbound months due to Chinese Lunar New Year and the arrival of Chinese students studying in Australia, on average, there are 120k Chinese arrivals into Australia each month.

The outbound travel ban imposed on many regions in China by the Chinese Government, coupled with the Australian Governments ban on arrivals from China and those who have travelled through China, has resulted in a total loss of Chinese visitors over the last 6 weeks into Australia.

CHINA VISITOR YIELD SIGNIFICANCE

The average spend of Chinese visitors into Australia is noted as $9,235 though this figure is impacted strongly by the 275k Chinese students studying in Australia, who stay for an average of 124 nights and who spend on average $27k per student. Roughly 20% of all Chinese visitors are coming to Australia for education purposes. This represents 58% of total Chinese visitor spend in Australia, or $7.1b.

The significance of the China market is clearly seen in visitor spend levels, comprising an estimated 31.5% of total international visitor spend[2] ($39.1b) in Australia.

2. Tourism Satellite Account, Australian National Accounts 5249.0, as at 12th December 2019.

ESTIMATED DECREASE IN INBOUND TOURISM RECEIPTS AND VISITATION

Applying the estimated tourism receipts from inbound visitor markets (noting the monthly averages in January and February are higher due to Chinese Lunar New Year and student arrivals back for courses in Australia), coronavirus impact for 1st January – 15th February 2020 is estimated in Table 2, along with estimates for the next few months if the virus is not contained and travel bans remain in place.

Table 2: Estimated decrease in Inbound Tourism Receipts

	Estimated % decrease[3]	Avg. spend[4]	Estimated loss Jan – mid Feb 2020	Estimated loss mid Feb – March 2020	Estimated loss April – May 2020
China	90% – 100%	$9,235	$1.60b	$1.73b	$2.31b
Other Asian inbound	20% – 50%	$4,286	$0.36b	$0.726b	$0.967b
Other inbound markets	15% – 20%	$4,286	$0.46b	$0.552b	$0.736b
Total estimated drop in inbound tourism receipts			$2.42b	$3.01b	$4.01b

Estimated monthly average loss post-March 2020 in total tourism receipts from all inbound markets is potentially $2.006b on a per month basis.

This assumes travel bans remain in place and other current trends remain including:

- the significant reduction continues in outbound travel generally from many traditional generating markets.
- major corporates continue to impose travel restrictions on all personnel travelling offshore.
- the number of reported coronavirus cases continues to grow, albeit at a possibly slower rate than currently; and
- a vaccine/treatment is developed over the next 6-12 months to coronavirus though noting the manufacture and distribution of this may take some time to cover all infected areas, worldwide which may extend the use of travel bans.

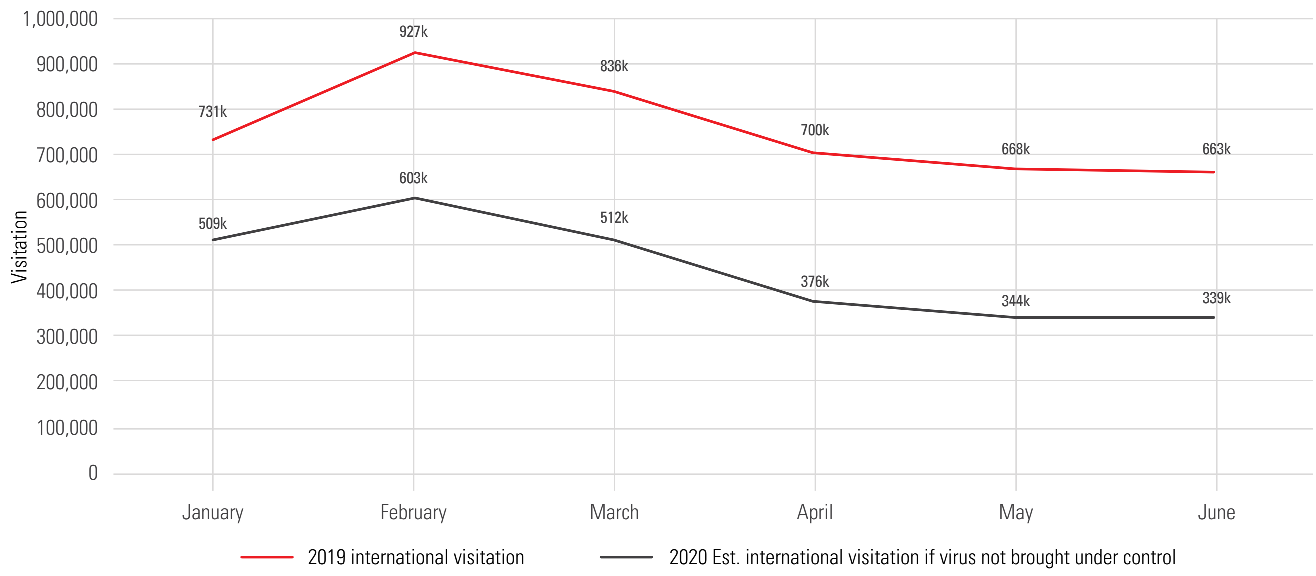
3. Noting that estimated loses in February are larger than January reflecting the introduction of travel bans.
4. As estimated by Tourism Research Australia (TRA).

Figure 1 below illustrates the potential estimated drop in total international visitation to Australia as a result of coronavirus and related travel bans etc. It reflects the impact not only from the loss of visitors from China, but the flow on effect this is having for visitors from other parts of north and south east Asia as well. In addition, the severity of the pandemic is also seen to be having a reduction in global travel generally from all generating markets.

By way of comparison, for SARS in 2003, this pandemic resulted in a drop of 9.4% of all international arrivals globally that year. As the coronavirus outbreak in 2020 is already much larger in the rate of infections and deaths over 2.5 months than SARS was over 9 months, it is assumed that the impact on global travel will be correspondingly far greater. The forecasts for 2020 are based on the assumptions that:

- Coronavirus will not be fully contained within the first 6 months of 2020.
- travel bans will continue to be retained until the WHO confirms that the risk is reducing or removed.
- countries will continue to publish warnings for their citizens to avoid travel to a number of Asian destinations including China; and
- corporates and government agencies will continue to block international travel for many if not all staff to avoid the risk of spreading the virus.

Figure 1: Estimated potential decrease in total international visitation to Australia[6]



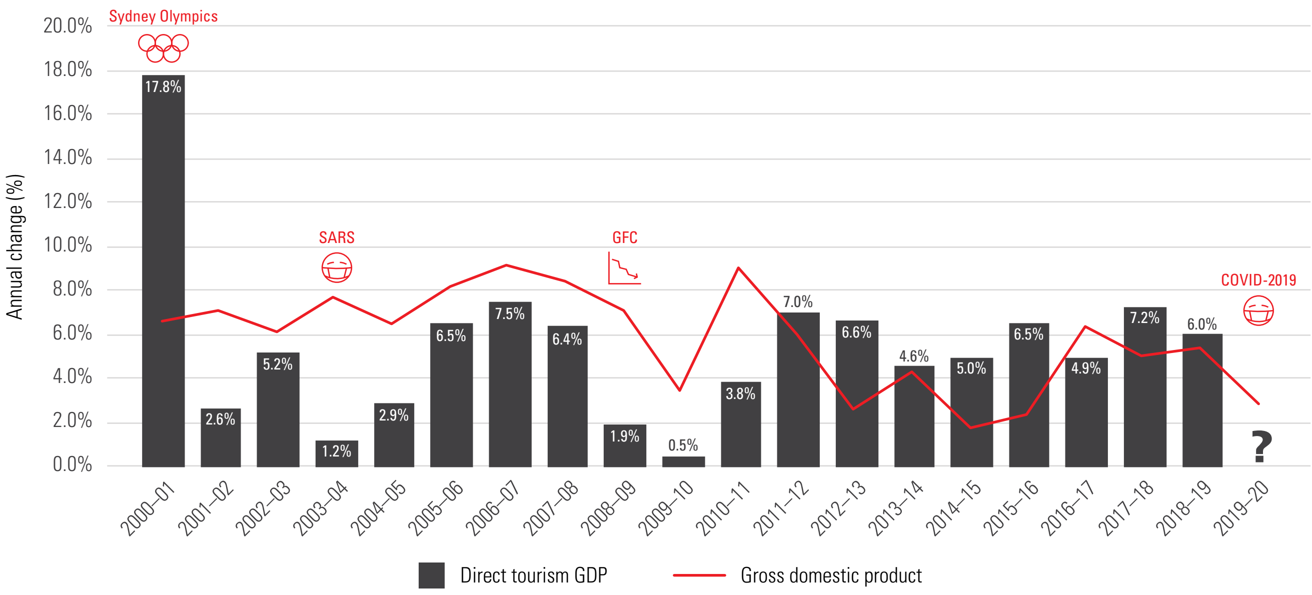
6. 2019 international arrivals data supplied at http://www.tourism.australia.com/en/markets-and-stats/tourism-statistics/international-market-performance.html. 2020 international arrivals estimates based on Stafford Strategy forecasting.

The following figure 2 illustrates the percentage change year on year for both direct tourism gross domestic product in Australia and compared to the percentage change each year for Australia GDP overall. The impact of the Sydney Olympics for tourism, the SARS pandemic, the GFC are clearly visible. Forecasts for Australian GDP change for 2019-2020 are currently estimated at 2.75% though this was estimated pre coronavirus.

This forecasted change in GDP growth may be lowered midyear 2020 once the impact of coronavirus is calculated across all industry sectors. And the full extent of coronavirus impact on the Australian tourism sector/visitor economy including for international and domestic visitation, won't be known till then as well.

As the indicators are that the impact of coronavirus is likely to be far greater for Australia than experienced for SARS in 2003, the percentage change for tourism GDP could be expected to reflect a noticeably lower GDP percentage change figure, for tourism overall.

Figure 2: The growth of tourism, 2001-01 to 2019-20[6]



IMPACT ON TOURISM EMPLOYMENT

Data on estimated tourism employment[7] indicates steady estimated average growth from 2011-12 through to 2029-30 of 1.4% per annum. Tourism employment estimates reflect:

- total employment in the visitor economy (full-time, part-time and casual positions grow from an estimated 531.9k in 2011-12 to 656.2k in 2029-30; and
- full-time employment estimates in the visitor economy grow from 342.8k in 2011-12 to an estimated 424.3k by 2029-30.

As the visitor economy is made up of many part-time, casual and seasonal employment positions throughout Australia, the estimate of those employed is seen as a more appropriate metric to apply than FTE numbers.

Most recent Australian National Account – Tourism Satellite Account 2018-19[8] estimates indicate an increase of 21.5k tourism sector employees resulting in 666k total tourism jobs (full time, part time, contract and casual) which is higher than the estimated initial rate of tourism sector employment noted above.

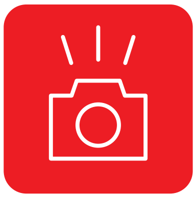
From a comparative perspective, during the SARS pandemic in 2003, Canada had 251 reported cases of SARS, of which 43 deaths occurred, and which resulted in a loss of 28k jobs in their visitor economy. Similar data isn't readily available for Australia and we note that there isn't a correlation between the number of cases and job losses.

6. Australian National Accounts: Tourism Satellite Account, 2018-19 released on 12th December 2019 covering 2005-06 – 2019-2020. 2000-01 to 2004-05 is based on TRA Satellite Account data.
7. As determined via TRA Satellite Account data.
8. As at 12th December 2019.

However, as the impact of coronavirus is estimated to be far greater than the SARS pandemic of 2003, we note that various regions in Australia have started to note the loss of part-time and casual employment, especially within the visitor economy. These regions not only include areas where a higher percentage of Chinese visitors stayed but they also reflect:

Major job losses in restaurants and bars (especially in areas such as China towns in major cities and across many Asian restaurants in general)

Reductions in demand for group tours and associated tour and coach market activity

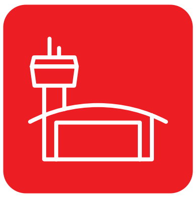


Reductions in visitation to many natural and built attractions

Significant reductions in room bookings in many locations including regional areas as well as major cities (Sydney, Melbourne, Brisbane, The Gold Coast, Cairns, Adelaide, the Great Ocean Road etc)

Reductions in demand for both domestic and international outbound travel

Associated impacts on travel agents, wholesalers and inbound tour operators



Impacts on airports, airlines and associated ground and air services

Impacts on other services including the cruise ship sector

The impact on visitor retail facilities (souvenir outlets etc.)

Anecdotal estimates indicate across the visitor economy nationwide, a staffing reduction of between 15% -20% may be occurring, the net effect being an estimated reduction of 99k – 133.2k in mostly part-time, casual and contract/seasonal jobs/positions.

Whilst many of these estimated job losses will likely be for non-full-time positions, the impact longer-term is likely to result in an exodus from visitor economy jobs (even if seasonal or part-time) into other sectors where the regularity of part-time and casual employment can be more easily secured. The potential impact of this can be seen in Table 3.

Table 3: Tourism employment impacts[9]

Estimated employment losses for 2020	99k – 133.2k F/T, P/T, casual and seasonal contract positions
Est. lost salaries and wages into the broader economy for 2020	$3.99b - $5.33b
Est. lost PAYG tax contributions	$1.12b- $1.59b

This assumes that positions are lost permanently for at least a 12-month period. If the pandemic continues for a longer period, then the cumulative losses will be correspondingly greater. The challenge, however, will be trying to fill the potential 20% of tourism jobs lost, as there were already significant challenges in finding workers for the sector prior to coronavirus outbreak.

9. Based on Tourism Satellite Account and Stafford Strategy forecasting

SUMMARY COMMENT

The economic impacts provided reflect the loss of direct tourism spend (tourism receipts) by the reduction in international visitor arrivals and the estimated reduction in employment within the visitor economy due to business slow down and, in some instances, closure.

These estimates do not include the wider economic downturn across multiple industry sectors (not just the tourism sector and visitor economy) through the reduction of demand for goods and services generally.

And the estimates do not include the economic impacts from the reduction in outbound travel by Australians, as well as anecdotal feedback indicating that domestic travel within Australia has also been negatively impacted.

The full extent of the economic impact of coronavirus won't be known for some time until detailed sectoral surveys are able to confirm direct and indirect impacts which have occurred and the quantification of these. In the interim, however, the risk of a contracted visitor economy is very real- and the-time frame for recovery is still uncertain.

Maintaining the critical mass of tourism services and facilities across the visitor economy throughout Australia is essential, to ensure that when the virus is contained and normality resumes, the visitor economy has the capacity to rebuild itself quickly, to get back the inbound visitors especially, which have been lost.

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