

Impact of COVID-19 on Tourism and Economy of Pakistan

Aisha Khan^{1*}, Roohi Naeem², Iqra Khalid³, Umme Aiman Qureshi⁴¹Urban Planner in University of Mangement and Technology²Roohi Naeem, Emergency Officer Rescue 1122³Iqra khalid, Assistant manager, Propsure⁴Umme Aiman, Urban Planner, Lahore College for women University Pakistan

*Corresponding author: Aisha Khan

| Received: 05.05.2021 | Accepted: 10.06.2021 | Published: 15.06.2021 |

Abstract: The virus that triggered a localised shock in China is now delivering a significant global tremor of which Pakistan has also become a victim. This study simulates the potential impact of COVID-19 on tourism and the economic condition of Pakistan. COVID-19 spread rapidly at the end of February 2020 in Pakistan and brought all economic activities on pause. Pakistan is the ideal destination for both local and foreign tourists. The partial lockdown is being imposed to avoid the spread of COVID-19; consequently all businesses, tours, domestic activities and supply chain disrupted and have the notable effect on retail and wholesale trade, transport section and communication the part of the service industry. The outbreak of pandemic COVID-19 in Pakistan can cause a decline in GDP by 1.57% on account of agriculture, travel and tourism, health and business and trade. This exercise is illustrative because it is still too early to make an informed assessment of the full impact of the pandemic. But it does convey the likely extent of impending global economic pain, especially for developing countries and their potential need for assistance.

Keywords: economic activities, tourism, Pakistan, COVID-19.

INTRODUCTION

Travel & Tourism is one of the significant sectors for boosting the economy of a country but the sudden outbreak of COVID-19 and consequently the lockdown forced the people to maintain the social distance and stay at home. At the Global level, every aspect of life is severely affected, just as the Travel and Tourism sector is at the top of the list. This sharp decline in Travel & Tourism caused job losses and put SMEs at higher risk. The impact of this strict restriction all around the world has a long-lasting effect on international travelling & Travel & Tourism as compared to any other sectors, most likely to recover after extensive limit will be upraised because the people are threatened by the pandemic (COVID-19) who are now more cautious about travelling around the globe in future (Hoque, A. *et al.*, 2020).

According to the statistics of World Travel & Tourism Organization (UNWTO), the international flight operation will be declined by 20% to 30% in the year 2020 in contrast to 2019, which is equal to a loss of \$300B to \$450B in international travelling and Travel & Tourism receipts (export) makes one-third of the total wealth generated globally from Travel & Tourism export which is \$1.5T (Gössling, S. *et al.*, 2020a). The Travel & Tourism sector alone contributes 3.3% of world's GDP and 4.4% for OECD countries, as a pick of Spain 14%, Italy 13% and Greece 18%. Some countries who are at the top of the list for International Tourist Arrival are predicted to face severe blow than other countries as their reliance on Travel & Tourism. These countries are (France, United State, Thailand, Spain, Italy, Germany, Turkey, UK, Mexico and China) hardest hit by COVID-19. Economic shock for these countries is predicted to be worsening (Higgins-Desbiolles, F., 2020).

Quick Response Code



Journal homepage:

<https://crosscurrentpublisher.com>

Copyright © 2021 The Author(s): This is an open-access article distributed under the terms of the Creative Commons Attribution 4.0 International License (CC BY-NC 4.0) which permits unrestricted use, distribution, and reproduction in any medium for non-commercial use provided the original author and source are credited.

Citation: Aisha Khan *et al* (2021). Impact of Covid-19 On Tourism and Economy of Pakistan. *Cross Current Int J Peer Reviewed J Human Soc Sci*, 7(5), 109-116.

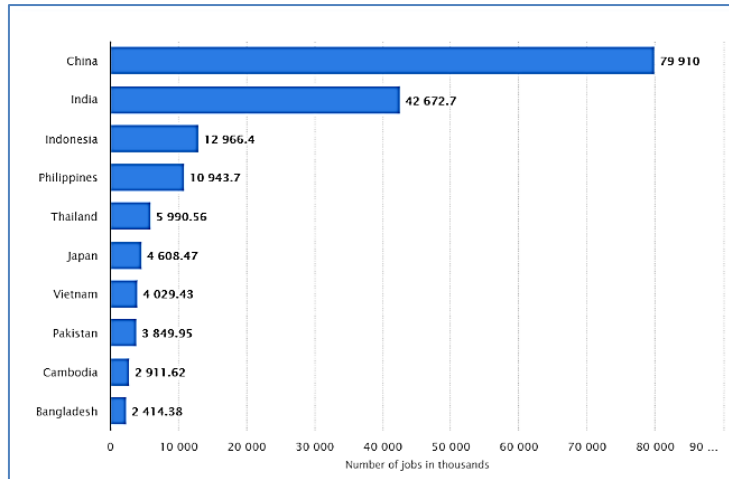


Fig-1: Total contribution of tourism to employment in the Asia Pacific region, by country
 Source: The World Tourism Organization the United Nations agency (UNWTO)

Figure 1 shows the Latest estimates of employment opportunities that the tourism industry provides. It is expected that Asia will face a substantial overall decline in revenue generated from travel and Travel & Tourism in 2020, with China suffer for the lion’s share. In European countries where the travelling & Travel & Tourism sector employs more than 13M people and generate the amount of 1B Euros per month, revenue is anticipated to be lost because of pandemic COVID-19, with Spain and Italy are most overblown countries. (Gössling, S. et al.,2020b). Italy will probably suffer (end this year 2020) with 60% less Occupancy than in 2019, which is equal to people in 1960 (the world was Split up in chunks, the environment was pleasant, and travel by air was luxury only for fewer people). The Spanish Travel & Tourism industry is expected to loss 55 Billion Euros in the year 2020 and Catalonia will be the most affected state with

the resisted loss of 11 Billion Euros of Travel & Tourism turnover (Ruiz Estrada et al.,2020).

Another group of countries supposed to be profoundly impacted are SIDS (Small Island Developing States) in which not only Travel & Tourism sector accounts for 30% for their economy, but their limited managing capacity make them more vulnerable, as they have no alternative source for foreign exchange revenue needed to and pay for imports and external debt (Chang, C. et al .,2020) The strong shocks for people living in Africa where 5% of employees belong to Travel & Tourism sector, Current research of African Union guess that the Travel & Tourism industry of Africa will face the loss of \$50B due to COVID-19 further at least 2M job losses directly or indirectly, having a disastrous effect on tourist spots: Seychelles, Mauritius, The Gambia and Cape Verde (Dinarto, D. et al.,2020).

	Share of GDP (%)	Number of jobs in T&T (000's)	Share in total employment, most recent year (%)	Growth (2018 or latest year)
Bangladesh	4.4	2,414	3.9	11.6
India	9.2	42,673	8.1	6.7
Maldives	66.4	69	32.4	7.9
Nepal	7.9	1,051	6.7	3.6
Pakistan	7.1	3,850	6.3	7.4
Sri Lanka	12.5	1,000	12.1	12.4

Fig-2: Share of GDP, number of jobs created by Tourism department in Asia
 Source: The World Tourism Organization the United Nations agency (UNWTO)

World Travel and Travelling & Tourism Council (WTTC) speculate that almost 75M employees will lose their employments in the sector as shown in figure 2. These stats are even more panic as we follow the facts that the Travel & Tourism industry is only leading employment sector for those vulnerable residents. A large number of skilled women, students and immigrants are working in this sector. This paper has explained the harm which Pakistan’s tourism and economy is facing also have predicted the loss which

Pakistan tourism industry will face when this pandemic will end. The economy and revenue generated by tourism industry is highlighted in the paper and keeping in the view the condition of recent years prediction has been made but this exercise is illustrative because it is still too early to make an informed assessment of the full impact of the pandemic. But it does convey the likely extent of impending global economic pain, especially for developing countries and their potential need for assistance.

Tourism in Pakistan

Pakistan is an ideal destination for both of local and foreign tourists, with its lofty hills in Gilgit Baltistan, lavish greenery of Neelam, Russian or Omaha Turtle beaches in Karachi or Baluchistan, rock hills, the cultural heritage and Mughal majesty of Punjab and the remains of Egypt civilisation Mahonjo Daro & Harappa Sindh. However, Pakistan faced different security & safety threat for decades which eventually led to inadequate Travel & Tourism, and the absence of local and especially foreign tourist famous tourist places have been shown in figure 3.

Government of Pakistan organised “Pakistan Travel & Tourism Summit 2019” in Islamabad after the success of anti-terrorism operation named “Zarrab-e-Azab”. It was an exceptional leader to promote travelling & Travel & Tourism in Pakistan. Many internationally famous bloggers were also welcomed for this campaign including Eva Zu Beck, Alex Reynolds, Trevor James, Mark Wiens, Rosie Gabrielle, and Amel Lamloum. Now many international airlines show interest to resume its flight operation from Pakistan after updating of travel visa policy improvement in security & safety and safety situation in Pakistan these airlines are Air France, British Airways, Saudi Airways and Norwegian Air.

Pakistan is a land of beauty or simply said a gift of God with its high mountains, snowcapped peaks, lush green valleys, historical and cultural heritage, Mughal majesty, beaches, sand sea and ancient civilisation sites. In short Pakistan has a lot of potential to attract tourist all around the world. Pakistan comprises five provinces, federal province and tribal area, and each region has its tourist spot to attract visitors.

In Punjab, there is Badshahi Mosque, Lahore Fort, Masjid Wazir Khan, Minar-e-Pakistan in Lahore, Noor Mahal Palace in Bahawalpur, Clock tower, Ganta Ghar, Khewra Salt Mines and other. In Sindh, the tomb of Quaid-e-Azam Muhammad Ali Jinnah is the Symbol of history. Karachi is considered as one of the largest city Pakistan. Pakistan also owns the archaeological importance in its cities, for example, the site of Mahonjo Daro near Larkana, Lansdowne Bridge (19th Century) spans the Indus river between cities of Sukkur and Rohri. Mohatta Palace, Frere Hall and several beaches including popular Hawke’s Bay or Russian Beach.

Khyber Pakhtunkhwa, the land of adventure, has the beautiful valley of Swat, Payee meadows in Shogran, Chitral, Kumrat Valley and Kaghan Valley, and beautiful peaks of Mushkpuri, Nothing and Ayubia. while Gilgit-Baltistan is a paradise for tourist. Some of its popular destinations are Skardu, Hunza, Nanga Parbat, Fairy Meadows and K2, the second-highest mountain in the world. Jheel Saif-ul-Malok and Neelam valley of Azad Kashmir is the wonder of the world.

Arshad Ali, a local tour guide, said that for the past three years the tourism and handicraft sectors in Gilgit-Baltistan have been flourishing and had good earning potential. In January 2019 Forbes added Pakistan to its list of must-visit places in 2020, following the Government’s efforts to revive tourism, including visas on arrival to visitors from 50 countries and secure electronic applications for others (Forbes,2019). While last year was particularly useful for the country’s promotion, with some royal visits, including that of the Duke and Duchess of Cambridge in October and of Saudi Crown Prince Mohammed bin Salman in February last year, this season presents a bleak picture amid the ongoing epidemic.

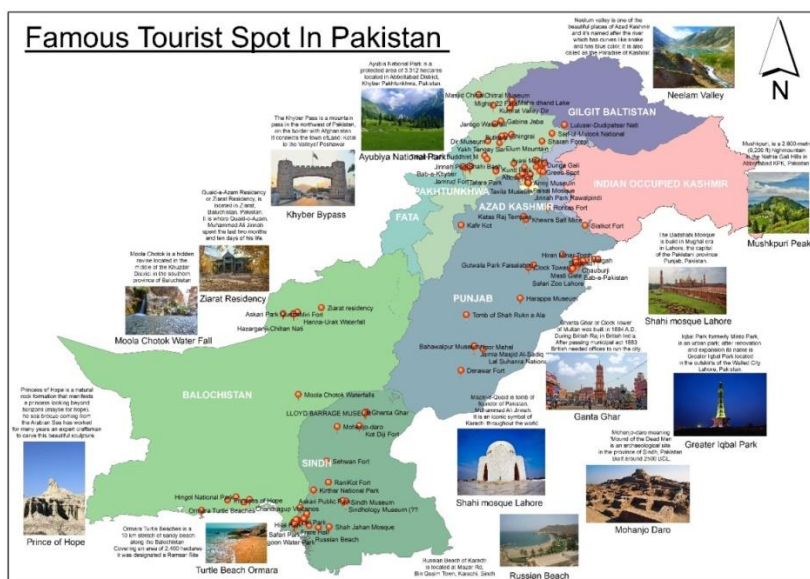


Fig-3: (famous tourist places in Pakistan)
Source: (by researchers,2020)

These sites support 8,665 direct jobs in tourism value chain and contribute US\$5.0 million to the local economy through tourism receipts. The numbers swelled during the summer when KPK's destinations received more than 2 million tourists during the four Eid holidays in June 2019. The scenic valley of Hunza (located along the ancient trade route of Karakoram Highway) registered a phenomenal year on year increase in the tourist numbers between 2018 and 2019. Road improvements, a stable security situation, and an intense promotional campaign are contributing to the growth in tourism in Pakistan. Being one of his priority economic sectors, the Prime Minister of Pakistan announced the Government's action plan to develop and promote tourism last year, including an on-arrival visa facility for group travellers and online visa processing for individual travellers initially from five

countries with plans to roll out the service eventually to 100 plus nationalities.

Contribution of the Tourism sector in Pakistan's economy

The Travel & Tourism sector in Pakistan is growing faster than ever before, with the determination to become one of the best tourist destinations around the globe as the Travel & Tourism industry plays an essential role in boosting the economy for a country. Likewise, more the tourist visits Pakistan more improvement will be seen in the country's economy. In 2015, Travel & Tourism counted for Pakistan's GDP with \$328.3B equivalent to 2.8% of GDP. In 2016 the industry earned \$793B equivalent to 2.7% of GDP, and \$930.9B equivalent to 2.9% of GDP in 2017 respectively.

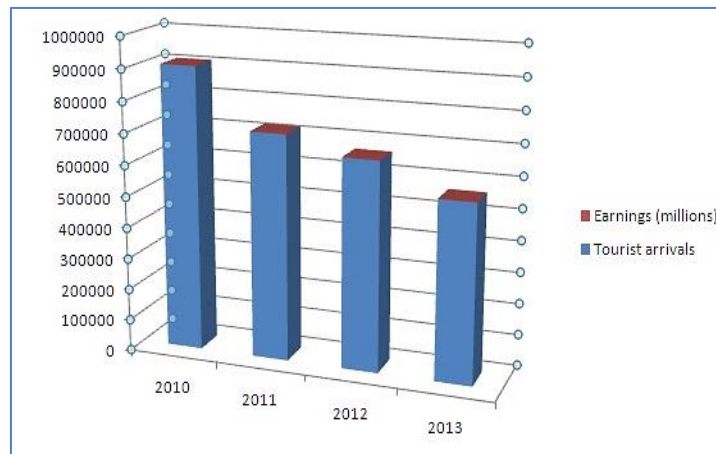


Fig-4: (Tourist arrival in Pakistan and earnings)
Source: (Pakistan Finance department)

The digit of foreign traveller rose to 1.9M. Travel & Tourism sector come up with \$986 Billion equivalent to 5.9% of GDP. The development in security & safety situation in Pakistan magnifies its revenue generated from Traveling & Tourism (Adnan Hye et al.,2013). World Travel & Tourism Council (WTTC) said in yearly Economic Impact report "Direct benefaction of Travel & Tourism to GDP of country is supposed to grow 5.8% equal to Rs.1727.2 Billion (3%

of GDP) by the year 2024. Further, this industry will offer 2,008,000 employments. In a report, it is also mentioned that foreign tourist arrival is 2,054,000 total producing expenditures of Rs.192.5 Billion (6.4% increase per year). In coming years, Pakistan will be an accessible Travel and Tourist spots, and ultimately this sector plays a vital role in the economic growth of the country (Figure 4).

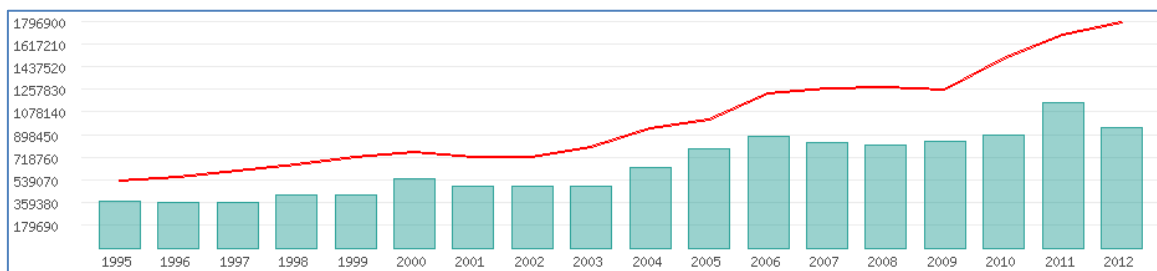


Fig-5: (tourism in Pakistan by year)
Source (Pakistan Tourism Development department)

Pakistan topped the Condé Nast Traveler's list of best holiday destinations for 2020, in December

2019. The visit of the royal couple Prince William and Kate Middleton and the maiden visit of the Buddhist

Monk, the Most Venerable Arayawangso to Pakistan in October 2019 received international media coverage. These events brought recognition to Pakistan’s heritage assets, including 6,000 Buddhist monuments (including stupas and monasteries) located in Khyber Pakhtunkhwa province (KPK). Pakistan topped the Condé Nast Traveler’s list of best holiday destinations for 2020 in December 2019. Most Venerable Arayawangso ringed the Bell of Peace in Peshawar Museum, Khyber Pakhtunkhwa, Pakistan, October 2019 (figure 5,6).

Last November, the Kartarpur Corridor in Punjab welcomed thousands of Sikh pilgrims who flocked to visit Nankana Sahib, the birthplace of (religion’s founder) Baba Guru Nanak on his 550th anniversary. Besides, according to famous bloggers and vloggers, Pakistan has now become a market for about 50 million domestic tourists. They travel mostly in personal cars with families and in groups with an average of 5 people (Ali, S et al.,2017). According to (Khan et al.,2016) the four most visited destinations of Pakistan are in KPK province. It has been recorded that five million tourists in a previous year visited Pakistan.

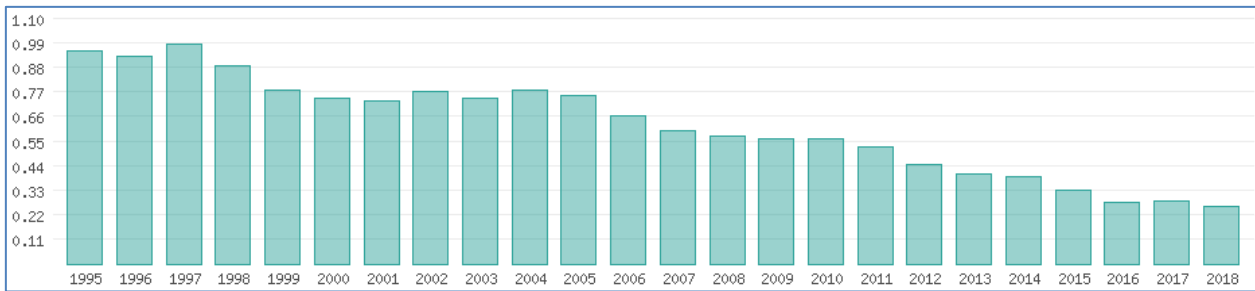


Fig-6: (tourism in Pakistan by year)
Source (Pakistan Tourism Development department)

The Travel & Tourism industry is one of the significant sources for the economic growth of any country. Millions of people travel across the world to explore new Tourist spot every year. France, Spain, United States, China, and the United Arab Emirates are some of the famous destinations for visitors

(WTO,2017). Pakistan’s Travel and Tourism industry earned Rs.793 Billion in 2016 which was 2.7% of its GDP (WEF,2016). Direct benefaction of Travel & Tourism industry in Pakistan for 2015 was Rs.328 Million (Figure 7).

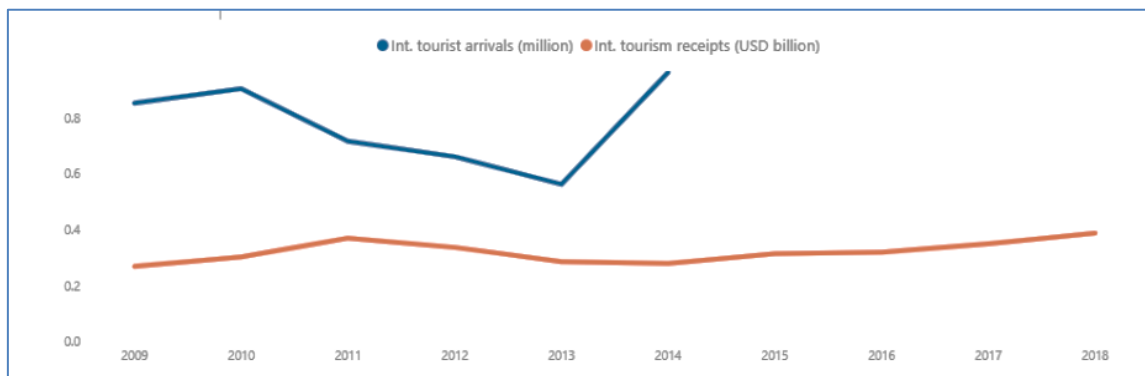


Fig-7: (tourist arrival and revenue generated in Pakistan by year)
Source (Pakistan Tourism Development department)

Impact of COVID-19 on Pakistan’s tourism

The World Tourism Organization (UNWTO) has alerted that the COVID-19 pandemic could lead to a loss of \$ 300-500 billion in tourism receipts globally. The OECD Economic Outlook report of March 2020 mentions that the small and medium enterprises (SMEs) operating in the tourism and transportation sectors are already significantly affected by the virus and the measures to contain it. Pakistan is no different. Most international and domestic flights to and from Pakistan have come to a screeching halt following the instructions of Government in March. The tourist spots

and public places (playgrounds, cinemas, shopping malls) were closed in mid-March across the country. Most restaurants have either scaled down their operations to home deliveries and takeaway or had to close temporarily.

Nevertheless, the effect of the outbreak of COVID-19 on the economy of the country depends on the severity of the issue and estimated between 16.23 Million US Dollars to 61 Million US Dollars ranging from best possible scenario to worst respectively. As Asia falls in the list of developing regions thus

significant impact can be observed through different means such as domestic demand declined sharply, Travel & Tourism or business travel are lessened,

import-export is ceased, production and supply-demand disruptions, and finally health.

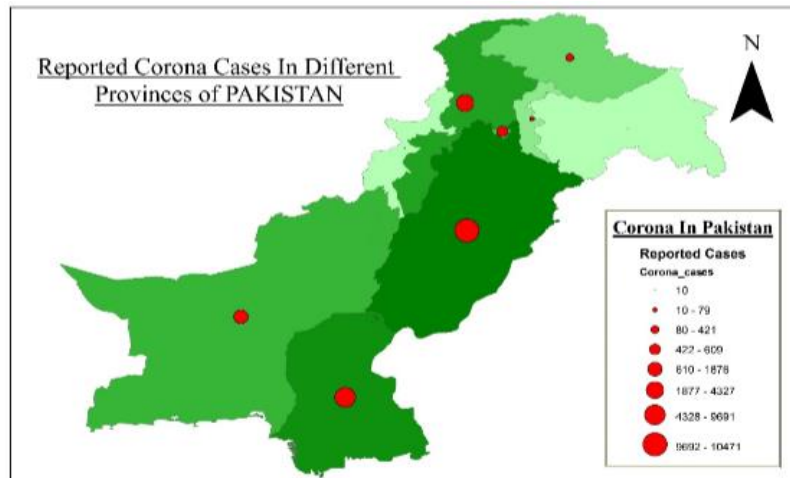


Fig-8: (status of COVID-19 in Pakistan-30th April)
Source: (government of Pakistan)

The preventive measures have challenged the sustainability of small eateries, street vendors and creative industries across the country, forcing the employers to send workers on indefinite and in most cases, unpaid leaves. The tourist spots and public places (playgrounds, cinemas, shopping malls) were closed in mid-March across the country. Startups, including homestays and tour operators, are suffering due to cancellations of group bookings. Pakistan's Civil Aviation Authority (CAA) has reported losses of around \$18 million in March 2020 and Pakistan International Airlines (PIA) could be sending its workforce on paid leaves on a rotational basis. The initial assessment fears that KPK's tourism sector alone will face a loss of \$20 million in revenues and could slash around 260,000 formal jobs.

It is difficult to put a number on the losses of the informal sector at this stage. Perhaps the only unintended positive consequence of the pandemic is that nature and wildlife will be able to take a break from the burden of over-tourism. The public and private sector need to collaborate to help the industry cope with the impact of COVID-19 while preparing it for responsible tourism when the travel restrictions are lifted.

The Economic Impact of the COVID-19 in Pakistan

COVID-19 pandemic and related disruption have strained all the economic activities of sustainable progress in the direction of stabilising macro-economy for the first eight months of FY20. The overall outputs of Pakistan are expected to decline sharply in 2020, by 1.3%. National demands are increasing, and this situation put Pakistan under fiscal pressure. Daily wages workers of the formal and informal sector are supposed to bear the loss of sudden lockdown and

generate local crises. A formal sector may bear up to 5% and the informal sector may bear loss up to 72%. This loss will increase unemployment in both areas harming the country's GDP and also growing poverty.

As all the global and domestic economic activities decline to halt the real GDP, growth for FY20 is estimated to shrink by 1.3%. In FY21 growth will be muted on 0.9% and reaches to 3.2% in FY22 (The Economist, 2020). Average inflation in FY20 will be 11.8% and gradually decline in future. Hence, the current deficit of Fiscal year 2020 will narrow to 1.9% because import shrinks more than exports. Fiscal year 2021 will be at 9.5% and 8.7% of GDP respectively. In short, all activities for mobilising revenue are going to be negatively affected, and the expenditures will boom to constrain for the economy. In short, all revenue assembling activities are going to be negatively impacted by subdued activities while expenses will boom to contain the spread of COVID-19 and support the economy.

If we suppose extreme scenario of the pandemic spread across Pakistan, the whole country could suffer 4.95 Billion US Dollars losses including \$1.5 Billion in agriculture and quarrying sectors, \$1.95B in trade and business and \$1.5B in Production industry and transport services. On the other hand, if the situation will be controlled over the spread of COVID-19 the effect will be reduced to \$16.23 Million inclusive of \$5.5 Million on agriculture and quarrying, \$5.54 Million on business, trade and services, \$3.6 on Production industry and almost \$1.32 Million from the transport sector and hotel services.

In a modest scenario, the effect on the economy will be \$34 Million including \$12.2 Million on agriculture, about 10.7 Million US Dollars on business and trade and over \$10.8M on hotel services, transport section and Production industry. In the extreme case, the approximate effect on the economy will be \$61 Million, \$22 Million on agriculture and mining, \$19 Million on business and trade and about \$18 Million on other sectors. COVID-19 has an uncertain impact on the economy of any country (ADB,2020). The use of these multiple scenarios provides a clear picture of potential losses and effects on human and economy due to this pandemic; these studies help the Government to prepare for a decisive response to mitigate these situations.

CONCLUSIONS

Perhaps the only unintended positive consequence of the pandemic is that nature and wildlife will be able to take a break from the burden of over-tourism. More than 100 international groups have cancelled their trip reservations over the virus threat. Hotel bookings for the spring season, were made already some half a year ago, mostly by tourists from Malaysia, Canada, Japan, Singapore, Thailand and Europe. International tourists have cancelled their bookings due to which hotels are empty. This situation is severely affecting the economy. However, the global coronavirus outbreak has now cancelled spring in Gilgit-Baltistan (The News, 2020). The cancellations will have a long-term negative impact on the region's economy.

It can be expected that the tourism operations in Punjab and KPK will continue supporting the planning and upgrading of tourist infrastructure and facilities (roads, museums, parks), and overall policy and regulatory overhaul to enable private investment mobilisation for the tourism zones, with a focus on restoring the livelihoods. To tackle the post-COVID-19 consequences, the Government of Pakistan should develop standard operating procedures (SOPs) for the workers, firms, and travellers; Design and direct financial support towards the tourism value chains including the microenterprises; should guide and support players including restaurants, hotels, homestays, and transporters to disinfect, upgrade facilities and train workers to adopt improved hygiene and safety practices; should use digital technology to introduce virtual tours of museums, heritage sites and ski resorts as a substitute for actual visits; and must plan and enforce on-site measures for better waste collection, plastics recycling, and traffic management. The Government should immediately respond to the pandemic by providing medical equipment and supplies; must support disinfection of the sites; and conduct a COVID-19 socioeconomic impact assessment, using the project's contingent emergency response component.

REFERENCES

- Adnan Hye, Q. M., & Ali Khan, R. E. (2013). Tourism-Led Growth Hypothesis: A Case Study of Pakistan. *Asia Pacific Journal of Tourism Research*, 18(4), 303–313. <https://doi.org/10.1080/10941665.2012.658412>
- Ali, S. A., Haider, J., Ali, M., Ali, S. I., & Ming, X. (2017). Emerging Tourism between Pakistan and China: Tourism Opportunities via the China-Pakistan Economic Corridor. *International Business Research*, 10(8), 204. <https://doi.org/10.5539/ibr.v10n8p204>
- Chang, C. L., McAleer, M., & Ramos, V. (2020). A Charter for Sustainable Tourism after COVID-19.
- Dinarto, D., Wanto, A., & Sebastian, L. C. (2020). Global health security–COVID-19: impact on Bintan's tourism sector. *RSIS Commentaries*, 033-20.
- Gössling, S., Scott, D., & Hall, C. M. (2020a). Pandemics, tourism and global change: A rapid assessment of COVID-19. *Journal of Sustainable Tourism*, 1–20. <https://doi.org/10.1080/09669582.2020.1758708>
- Gössling, S., Scott, D., & Hall, C. M. (2020b). Pandemics, tourism and global change: A rapid assessment of COVID-19. *Journal of Sustainable Tourism*, 1–20. <https://doi.org/10.1080/09669582.2020.1758708>
- Hoque, A., Shikha, F. A., Hasanat, M. W., Arif, I., & Hamid, A. B. A. (2020). The Effect of Coronavirus (COVID-19) in the Tourism Industry in China. *Asian Journal of Multidisciplinary Studies*, 3(1), 52-58.
- Higgins-Desbiolles, F. (2020). Socialising tourism for social and ecological justice after COVID-19. *Tourism Geographies*, 1-14.
- Khan, R. E. A., & Rasheed, M. K. (2016). Political Economy of Tourism in Pakistan: The Role of Terrorism and Infrastructure Development. *Asian Development Policy Review*, 4(2), 42–50. <https://doi.org/10.18488/journal.107/2016.4.2/107.2.42.50>
- Koirala, J., & Acharya, S. (2020). Impact of Novel Corona Virus (COVID-19 or 2019-nCoV) on the Nepalese economy. Available at SSRN 3560638.
- Ruiz Estrada, M. A., Park, D., & Lee, M. (2020). The Evaluation of the Final Impact of COVID-19 on Trade, Tourism, Transport, and Electricity Consumption of China. *SSRN Electronic Journal*. <https://doi.org/10.2139/ssrn.3551093>
- The Movement Control Order (MCO) for COVID-19 Crisis and its Impact on Tourism and Hospitality Sector in Malaysia. (2020). *International Tourism and Hospitality Journal*. <https://doi.org/10.37227/ithj-2020-02-09>
- Dawn News, 2020 <https://www.dawn.com/>
- Coronavirus affecting tourism. Retrieved May 13, 2020, from <https://nation.com.pk/12-May-2020/coronavirus-affecting-tourism>

- COVID-19 delays activities of Pakistan's domestic tourism industry. Retrieved May 13, 2020, from <https://blogs.worldbank.org/endpovertyinsouthasia/covid-19-delays-activities-pakistans-domestic-tourism-industry>
- In Pakistan, tourism industry feels corona fever | The Express Tribune. Retrieved May 13, 2020, from <https://tribune.com.pk/story/2176351/2-pakistan-tourism-industry-feels-corona-fever/>
- Pakistan. BBC News. Retrieved May 13, 2020, from <https://www.bbc.co.uk/news/topics/c008ql15vpyt/pakistan>
- Spring season canceled: Virus threatens livelihoods in Gilgit-Baltistan. (2020, March 21). Arab News PK. <https://arab.news/n9b3m>
- Anrep17_e.pdf. Retrieved May 13, 2020, from https://www.wto.org/english/res_e/booksp_e/anrep_e/anrep17_e.pdf
- WEF_AM16_Report.pdf. Retrieved May 13, 2020, from http://www3.weforum.org/docs/WEF_AM16_Report.pdf
- World Economic Forum Annual Meeting. (2016). | World Economic Forum. Retrieved May 13, 2020, from <https://www.weforum.org/events/world-economic-forum-annual-meeting-2016>
- Asian Development Bank report ,2020.