

# Korean Tourism Industry Hit Harder by Coronavirus than SARS or MERS

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**By Troy Stangarone**

Official tourism statistics for the month of February won't be available for at least a month, but there are already indications that South Korea's tourism industry will be hit harder by the coronavirus (COVID-19) than by prior infectious diseases such as SARS, swine flu (H1N1), and Middle East Respiratory Syndrome (MERS).

During the SARS outbreak from November, 2002 to July, 2003, the global travel industry saw a six month decline. In the case of South Korea, there was a nine month decline before tourist numbers saw a rise from the same month in the previous year. Estimates suggest that SARS cost the South Korean economy 0.1 percent of GDP in terms of the temporary shock and had a long-term cost of 0.08 percent of GDP.

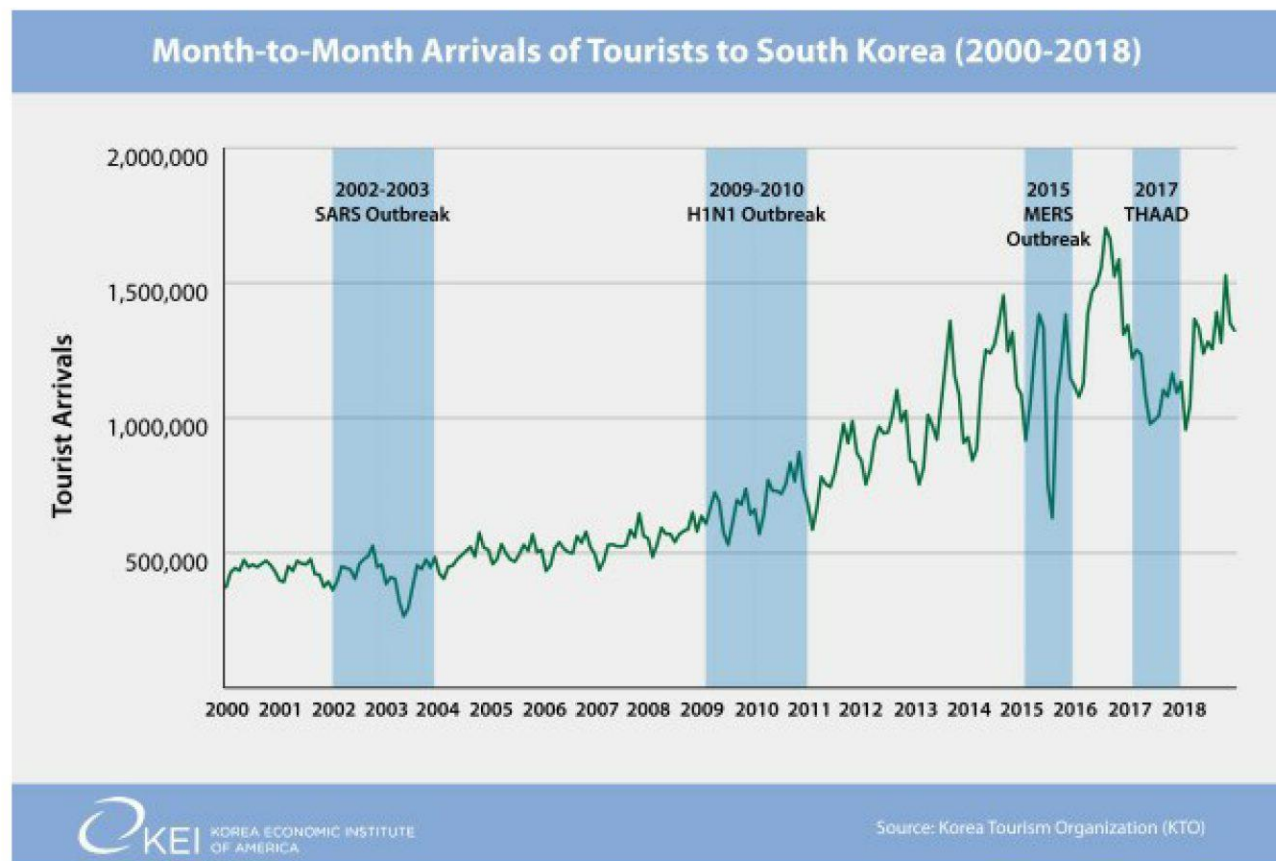
During the outbreak of H1N1 in from May 2009 to August 2010, 750,000 South Koreans were confirmed to have contracted H1N1 and 252 died. Despite the diseases spread, there was no noticeable overall drop in tourism and visitors to South Korea increased 13.4 percent in 2009 and another 12.5 percent in 2010.

The shorter MERS outbreak from May to July of 2015 resulted in an estimated 2.1 million fewer tourists in South Korea and an economic loss of \$2.6 billion across the transportation, accommodation, and food and beverage industries.

In contrast to COVID-19, these prior viral outbreaks did not result in nearly as many travel restrictions or warnings related to South Korea. This time, however, 99 countries and territories have placed some type of restriction or warning in regards to travel to South Korea in response to the coronavirus, only eight countries and Hong Kong issued warnings during the MERS outbreak.

With the increase in travel warnings, there are growing losses for the airline and tourism industries. Looking at the impact of COVID-19, the International Air Transport Association found that in a limited virus spread scenario South Korea would see airline passengers

decline 14 percent for the year. This would amount to airline losses of \$2.8 billion for South Korea in 2020, which would be higher than the total losses from MERS across transport, retail, and accommodation.



According to the Korean Tourism Organization, the average tourist spent \$991 in South Korea in 2018. This suggests that an annual decline in tourism of 14 percent in South Korea could result in an additional loss of \$2.4 billion for total yearly losses of \$5.2 billion.

However, there are two reasons to think that overall losses to the travel and tourism industry will be greater. Globally passenger numbers are dropping quickly and have begun to look more similar to the global financial crisis than epidemics like SARS, despite SARS having a higher fatality rate than COVID-19.

In addition, Chinese tourists accounted for just under 35 percent of tourists in South Korea in 2019, the highest percentage for any OECD country. Chinese tourists also spend more than double the average tourist in South Korea.

As a result, China's informal ban on group tours in South Korea in response to the decision to deploy the Terminal High Altitude Area Defense (THAAD) system may be a more apt analogy. During the first six months of THAAD, the decline in Chinese tourists resulted in losses of approximately \$5.9 billion. If Chinese tourists declined by just 14 percent this year the losses would be roughly \$1.8 billion, but if the number of Chinese tourists declined by 30 percent those losses would climb to \$3.8 billion.

Coupled with the drop in travel to Japan from the ongoing boycott from Japan's export restrictions on South Korea and the recent dispute over Japan's decision to place restrictions on travelers from South Korea, the Korean tourism industry faces the prospect of significant declines from the two largest sources of tourists in South Korea. As a result, South Korea's six budget airlines have asked the government for a package of tax and loan measure to help them whether the additional costs from the coronavirus. The South Korean government has also put forward a \$9.8 billion stimulus package, but with less than a third of that dedicated to help for small and medium enterprises hurt but the virus, a more robust stimulus may be needed later to help hotels and restaurants weather the crisis.

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