# Travel Bubbles Begin to Take Shape
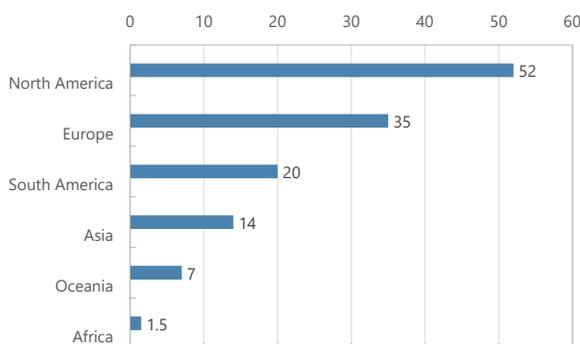
▪ **Despite progress in vaccination, tourism remains in the grip of the pandemic with only small pockets of recovery.** Visitor arrivals were down by an estimated 96 percent in 2021Q1 from pre-pandemic levels (Figure 1). Most Pacific Island Countries kept their borders closed, while Asian tourism hubs generally saw little progress amid concerns about the spread of new COVID-19 variants (with the exception of the Maldives, see below). Vaccination rollouts in Asia & Pacific have been slower than elsewhere (Figure 2), tempering near-term hopes for a broad-based tourism rebound.

▪ **Several travel bubbles are being launched in the Asia & Pacific region in 2021Q2.** These include the Taiwan POC-Palau bubble (started on April 1) and the Trans-Tasman travel bubble between Australia and New Zealand (started on April 19, 2021). More travel bubbles are scheduled to launch in May, notably a two-way bubble between New Zealand and Cook Islands (May 17) and the Hong Kong SAR-Singapore bubble (May 26). Travel bubbles are expected to offer a lifeline to struggling tourism-oriented countries in the region, despite such recent challenges as local outbreaks, high costs and strict health protocols.

**Figure 1: Visitor arrivals by destination country**
(% change from same quarter in 2019; latest available official data and tracking estimates (bold). Blanks = insufficient data.

| | Q1 2020 | Q2 2020 | Q3 2020 | Q4 2020 | Q1 2021 |
|---|---|---|---|---|---|
| **Asia & Pacific Region** | **-34** | **-98** | **-97** | **-97** | **-96** |
| **Pacific Island Countries** | **-23** | **-99** | **-99** | **-99** | **-99** |
| Fiji | -19 | -99 | -99 | -99 | -98 |
| Micronesia | -24 | **-97** | **-99** | **-100** | **-100** |
| Palau | -31 | -100 | -99 | -100 | -100 |
| PNG | **-18** | **-98** | **-97** | **-97** | **-96** |
| RMI | **-21** | **-99** | **-99** | **-100** | **-100** |
| Samoa | -36 | -100 | -100 | -100 | -100 |
| Solomon Islands | -36 | **-100** | **-99** | **-97** | **-96** |
| Tonga | -41 | -100 | -100 | -100 | -99 |
| Tuvalu | -12 | -100 | -100 | -100 | **-100** |
| Vanuatu | -2 | -100 | -100 | -100 | **-100** |
| Kiribati | -35 | -100 | -100 | -100 | **-100** |
| **Rest of Asia & Pacific** | **-34** | **-98** | **-97** | **-97** | **-96** |
| Cambodia | -38 | -98 | -96 | -97 | ... |
| India | **-23** | **-100** | **-93** | **-93** | ... |
| Indonesia | -31 | -88 | -89 | -88 | -90 |
| Korea | -47 | -98 | -96 | -96 | **-95** |
| Maldives | -21 | -100 | -95 | -66 | -38 |
| New Zealand | -20 | -99 | -98 | -99 | **-99** |
| Philippines | -37 | -100 | -98 | -98 | ... |
| Singapore | -43 | -100 | -99 | -99 | -99 |
| Sri Lanka | -32 | -100 | -100 | -100 | -99 |
| Thailand | -38 | -100 | -100 | -100 | -100 |
| Vietnam | -18 | -99 | -99 | -99 | -99 |

▪ **Of all countries in the Asia & Pacific region, the Maldives has made the most progress in tourism recovery.** Since its international border opening in July 2020, visitor arrivals have climbed steadily, reaching 62 percent of pre-pandemic level in 2021Q1 (compared to the same quarter in 2019). Tourists with reservations are exempted from a 10-day quarantine if they have a negative COVID-19 test results within 96 hours of their arrival. The average hotel/resort occupancy rate reached 58 percent in 2021Q1, up from a low of 2.5 percent in June 2020. By source country, tourists from Central and Eastern Europe and Africa has seen the largest increases. Risks to the recovery in tourism have increased with the recent COVID-19 surge in South Asia leading the authorities to halt visas, including tourist visas, for arrivals from South Asia.

**Figure 2: Vaccination rates by continent**
(Doses administered per 100 people)



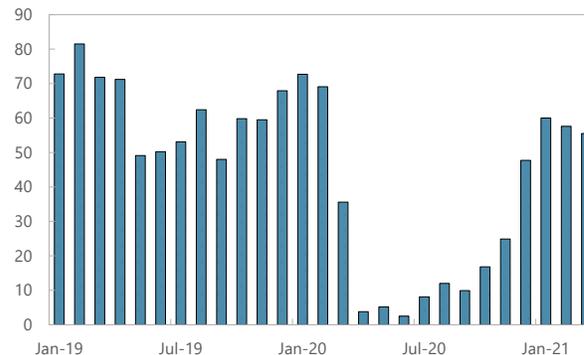| Continent | |
|---|---|
| North America | 52 |
| Europe | 35 |
| South America | 20 |
| Asia | 14 |
| Oceania | 7 |
| Africa | 1.5 |

Source: New York Times

**Figure 3: Maldives: Hotel and Resort Occupancy Rate**
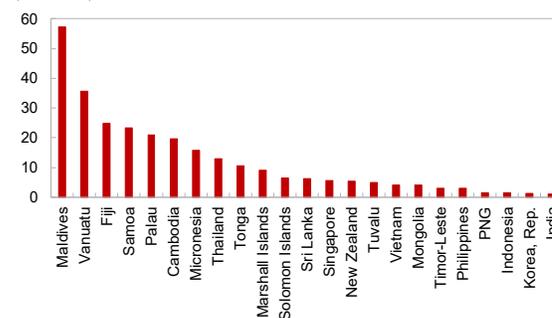(in percent)



Source: Maldives Ministry of Tourism

# METHODOLOGY

**The Tourism Tracker provides timely estimates of monthly visitor arrivals.** The note typically covers visitors by major source markets and destination countries in the Asia & Pacific region with sizeable tourism sectors (Figure A). The intuition behind our approach is that during the COVID-19 pandemic, most countries will see across-the-board reductions in visitor inflows whose magnitudes will vary by <u>source</u> country. For example, if tourists from China reduce travel to Fiji, they are likely to reduce travel to other countries as well.[1]

**This approach is particularly relevant for countries where timely data on tourism activity is sparse** (especially when there is a common shock like the COVID-19 pandemic). Apart from Fiji and Samoa with a quick turnaround of about 20 days, most PICs provide visitor data with a significant time lag (Figure B). Data availability for Asian countries varies widely as well, with most countries' data lagging by at least several months.

**A key input into our estimations is data on monthly visitors to Fiji by source country, published about 20 days after the end of the reference month.** The 12-month change in visitor arrivals from each source market is calculated, and then multiplied by the latest available annual composition of visitors by source country. For example, Chinese visitors to Fiji fell by 73 percent in February relative to a year earlier. And Chinese visitors to Palau accounted for 32 percent of total visitors in 2019. Multiplying the two percentages yields the percentage point contribution to the change in visitors to Palau from Chinese visitors. Adding up the contributions across all source countries yields the total 12-month percent change. Occasionally, we make judgmental adjustments to the model-based tracking estimates to incorporate country-specific information.
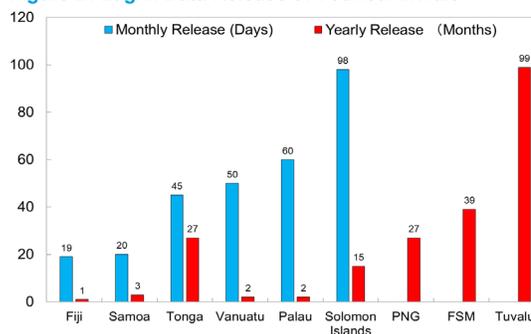
**The main assumption behind this approach is that there is a significant common factor driving visitor flows to Asia and Pacific countries.** To test this intuition, actual arrival data from Samoa and Thailand are compared with tracking estimates as described above (i.e., using tourist arrival growth in Fiji, weighted by the source country shares of the two countries' visitor arrivals in 2018). The overall trend in official data for Samoa and Thailand aligns quite closely with tracking estimates, with a correlation coefficient of 0.6 and 0.5 for the period from January 2019 to February 2020 (Figures C and D). Moreover, tracking estimates for visitors to Thailand in February, March and April were quite close to official data.

**Figure A: Tourism Share of GDP of Asian & Pacific Countries with Largest Tourism Sectors**
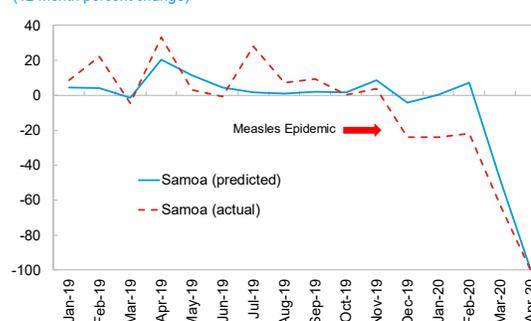(in Percent)

Sources: World Bank, South Pacific Tourism Organization, and IMF staff estimates.
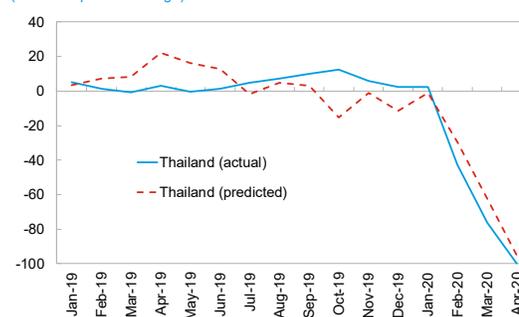
**Figure B: Lag in Data Release of Tourist Arrivals**

Sources: IMF staff estimates.

**Figure C: Samoa - Monthly Visitor Arrivals**
(12-month percent change)

Sources: National Sources and IMF Staff Calculations.

**Figure D: Thailand - Monthly Visitor Arrivals**
(12-month percent change)

Sources: National Sources and IMF Staff Calculations.

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[1] Our estimates do not reflect the impact of local travel restrictions or COVID-19 infections on country-specific factors that drive visitor inflows.