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Follow-up on the effects of Covid-19 on the Egyptian economy

Tourism Sector



General introduction

The Egyptian Center for Economic Studies (ECES) provided an analysis of the impact of the Coronavirus pandemic on the various aspects and sectors of the Egyptian economy. The analysis was supported by multiple scenarios whose expectations varied with respect to the performance of these sectors according

to the indicators and conditions prevailing at the time of their construction. To complement this effort, ECES is currently monitoring the performance of the sectors following their exposure to the Covid-19 pandemic, in light of the relevant official data recently published by the Central Agency for Public Mobilization and Statistics (CAPMAS), the Central Bank, relevant ministries or any other concerned parties. The analysis assesses available data and monitors the situation on the ground through four main aspects, first: assessing published data and aspects of change on the ground; second, the extent to which they are consistent with previous trends and expectations in the studies of ECES and others, and reasons for that; third, future expectations; and fourth, proposals to improve the performance of the sector whenever possible.

In this report, we follow up on the implications of the Covid-19 pandemic on the tourism sector on the ground. The World Tourism Organization has published tourism data for countries around the world, including Egypt. This report will rely on this published data to follow up on the impact of the pandemic on the tourism sector in the absence of recent data from official local sources.

First: Assessing published data and aspects of change on the ground

1-1 Tourism developments in Egypt before and during the Covid-19 crisis

- The following table monitors the development of the number of tourists arriving to Egypt during the period January-August 2020,¹ which is the period of the emergence and spread of the crisis, compared to the corresponding period in 2019, before its outbreak.

Table 1. Evolution of number of tourist arrivals to Egypt in 2019 and 2020 (in 000 tourists)

Month	Prior to the Crisis	During the Crisis
	2019	2020
January	861	945
February	885	942
March	1097	398
April	1220	1
May	932	2
June	1083	4
July	1225	89
August	1221	223

Source: World Tourism Organization (UNWTO) database for the COVID-19 period.

¹ Latest data published by the World Tourism Organization.

- **The following are Important considerations that should be taken into account before evaluating any data related to the tourism sector in Egypt and analyzing the sector's position on the ground:**

1. According to the Organization for Economic Cooperation and Development (OECD), assessing the current and future effects of the crisis on the tourism sector is difficult, as the crisis revealed shortcomings in the statistical information systems for tourism at the global level and in Egypt, including lack of accurate, updated and comparable data to guide policies and decisions of the private sector.²
2. According to the World Tourism Organization, it is not possible to make any definitive and final assessment of the impact of Covid-19 on international tourism in the current situation due to the continuous change in the nature of the disease and extent of its spread, so the organization is constantly reviewing its projections.
3. There is no official data published by Egyptian authorities concerning the actual impact of the pandemic on the tourism sector in Egypt, except for some simple data issued by the Central Bank of Egypt and the Central

² OECD, OECD Policy Responses to Coronavirus (COVID-19): Rebuilding tourism for the future: COVID-19 policy responses and recovery, 22 October 2020.

Agency for Public Mobilization and Statistics. So, we used data published by the World Tourism Organization. Although such data are suitable for the initial follow-up of the effects of the crisis on the sector, they do not in any way reflect the changes in the status of workers in the tourism sector on the ground.

4. To deal with the problems of data shortage, the data and information contained in this report were complemented with direct communication with a representative sample of tourism companies and experts in the field.
- The following table³ shows a positive rate of change was achieved in the number of tourists at the beginning of the year. That is, during January and February compared to 2019, which was a foretaste of a prosperous year ahead for the tourism sector in Egypt. But with emergence of Covid-19 and its spread in Egypt, similar to other countries of the world, the number of tourists arriving to Egypt until last August (the latest published data) recorded very low values compared to 2019 as a result of precautionary measures and most importantly, the decisions to suspend travel in Egypt and other countries. We note from the table that the lowest months compared to the corresponding months are April, May and June, which witnessed the peak of the crisis,

³ This table analyzes the data contained in Table No. 1.

and then matters began to show some improvement in July and August 2020.

Table 2. The change in the number of tourist arrivals to Egypt between 2019 and 2020 (000 tourists)

Months	Prior to the Crisis	During the Crisis	Rate of change (%)	Direction of change
	2019	2020		
January	861	945	10	↑
February	885	942	6	↑
March	1097	398	-64	↓
April	1220	1	-100	↓
May	932	2	-100	↓
June	1083	4	-100	↓
July	1225	89	-93	↓
August	1221	223	-82	↓

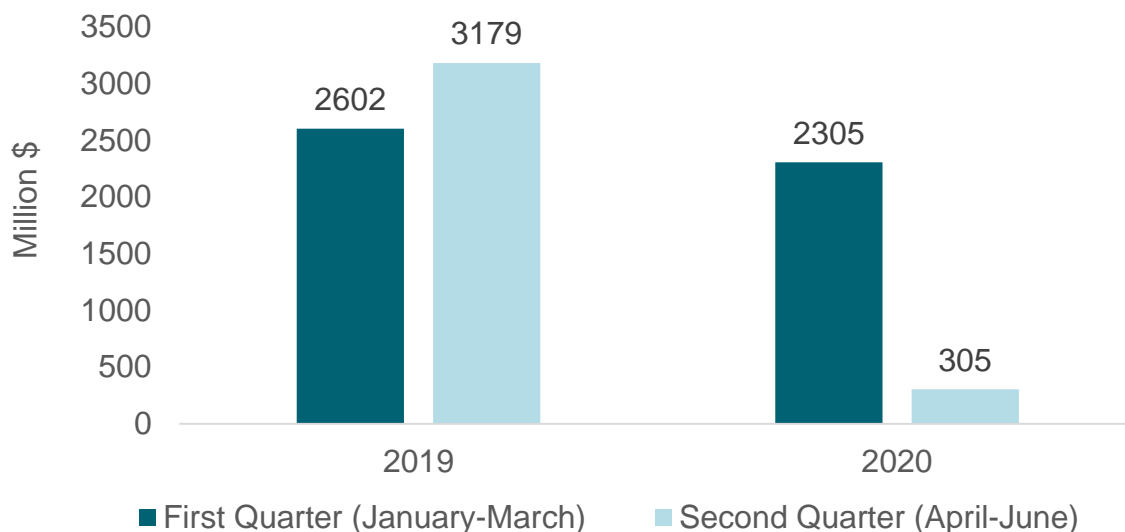
Source: World Tourism Organization database for the COVID-19 period.

- The decrease in Egypt's inbound tourism was definitely reflected in the volume of tourism revenues. Figure 1 shows the following:
 1. Decrease in tourism revenues in the first half (January-June) of 2020 by about 55% compared to the corresponding period in 2019.
 2. The first quarter (January-March) 2020 witnessed a slight decrease compared to the same quarter of the previous year, at an estimated rate of 11%, which is due

to the non-spread of the virus in Egypt until mid-March 2020, i.e., near the end of the quarter.

3. Tourism revenues deteriorated in the second quarter (April-June) of 2020, declining by 87% compared to the previous quarter of the same year, and by 90% compared to the corresponding quarter in 2019.

Figure 1. Volume of tourism revenues in 2020 compared to 2019



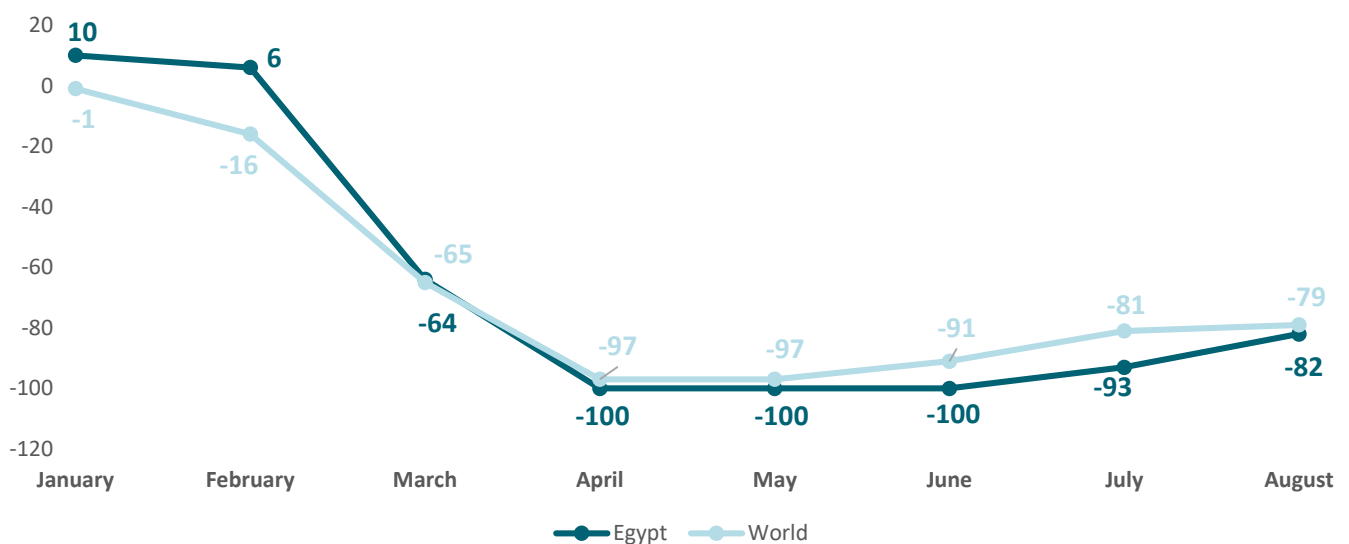
Source: World Tourism Organization database for the COVID-19 period.

1-2 Change in Egypt's inbound tourism compared to the world and regional blocs

- By comparing Egypt with the world, it is clear from Figure 2 that the rates of change in the number of tourist arrivals are divided into three stages:
 1. January-February 2020: Egypt achieved growth rates, while the world witnessed negative rates.

2. March 2020: Egypt witnessed a negative rate of change close to its global counterpart.
3. April-August 2020: The negative rates of change for inbound tourism to Egypt continue, with even higher rates than their global counterparts.

Figure 2. Rate of change in the number of tourists arriving to Egypt and the World during the crisis months in 2020 versus the corresponding months in 2019 (%)

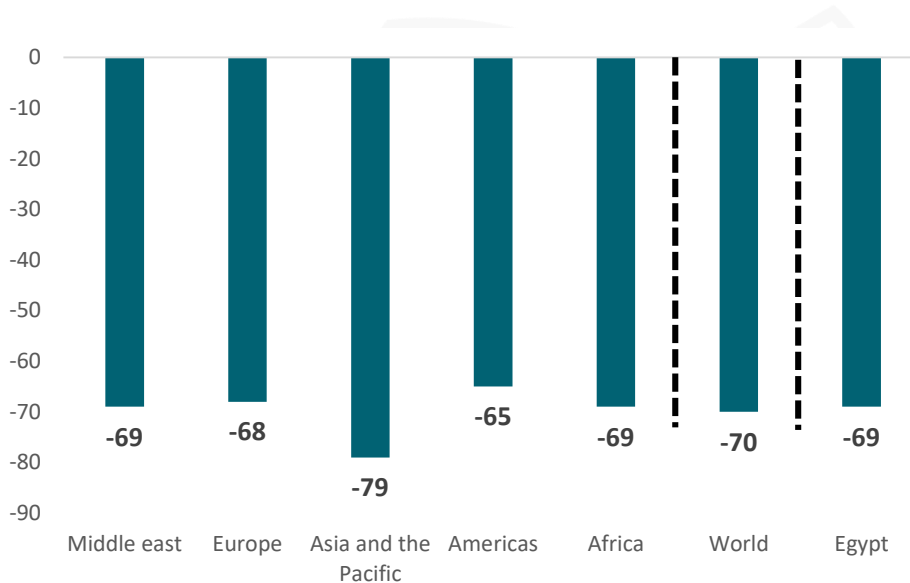


Source: World Tourism Organization database for the COVID-19 period.

- Figure 3 indicates that all regional blocs witnessed comparable negative rates of change- in the numbers of inbound tourism, although the least were posted in the Americas and Europe due to the high number of domestic tourism trips there, while the highest were posted in the Asia-Pacific region as virus infections spread before other

regions, and due to heavy reliance in recent years on tourism from China. As for Egypt, it recorded a negative growth rate that was only 1% lower than the global average.

Figure 3. Rate of change in the numbers of inbound tourism in Egypt compared to the world and a number of blocs during January-August 2019 compared to the same period of the previous year (%)



Source: World Tourism Organization database for the COVID-19 period

Second: Extent of data consistency with the previous expectations of ECES

- Before discussing the extent to which current data are consistent with previous expectations, the report found it useful to give an overview of the number of tourists coming to Egypt per month in order to be able to compare with the current situation, as shown in Table 3:

Table 3. Approximate values of the number of tourists' arrivals to Egypt per month⁴

Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
Number of tourist arrivals to Egypt (thousand)	712	730	942	987	819	855	1101	1096	995	1081	996	1032

Source: Central Bank of Egypt, January 2019 and September 2020 issues.

- Table 4 presents a brief overview of the projections previously prepared by ECES regarding the impact of the pandemic on the tourism sector in Egypt, in contrast to what actually happened and its impact on tourism revenue.

⁴The year 2018 was chosen as a reference year for the number of tourists coming to Egypt, as it is hoped in all international reports that tourism will return to their levels in 2019. And since not all monthly data for the year 2019 are available until the date of this report, 2018 was used to calculate the following from the report: Change (decrease) in the number of tourists in 2020 compared to 2018.

Table 4. ECES projections of the impact of the crisis on the tourism sector in Egypt versus what actually happened to date (November 2020)

According to ECES projections in the “Views on the Crisis” Report (No. 3 issued on March 25, 2020)		What actually happened to date ⁵	Reason / comment
Stage	Projections		
Mid-March - August 2020⁶	<ul style="list-style-type: none"> - Loss estimated at \$6 billion. - Tourist traffic has completely stopped. - Loss equivalent to 35% of the tourism revenues that were expected to be achieved for the year 2019/2020. 	<ul style="list-style-type: none"> - The loss in tourism revenue for this period is about \$7.7 billion. - Tourism has already stopped, especially during the months of airport closures in Egypt and the world. - A loss equivalent to 43% of the tourism revenues that were expected to be achieved for the year 2019/2020. 	<ul style="list-style-type: none"> - The same reasons mentioned in Issue (3), and are summarized as follows: - Suspending flights in Egypt and in many other countries. - Absence of any new tourist reservations. - Announcing a curfew in Egypt and in many other countries.
September-October	<ul style="list-style-type: none"> - In the first report on tourism, the values were estimated for the entire fiscal year 2020/2021, (which will be presented in the next section of the report), and therefore no previous forecasts are available for 	<ul style="list-style-type: none"> - The arrival of about 300,000 tourists, which is about 14%* of the usual for Egypt in these two months. - Realizing tourism revenue estimated at \$90 million. 	<ul style="list-style-type: none"> - These values were estimated based on the fact that the months of September and October witnessed intensification of the second wave of the virus in many countries, especially European

⁵ Calculation was carried out according to ECES estimates using data issued by the World Tourism Organization and a survey of experts' opinions in the sector.

⁶ The third and fourth phases were merged due to the strength of the connection between them, as well as no fundamental changes were expected between them.

	these two months in particular.		countries, and the return of many countries to suspend flying, and thus a relative decrease compared to the values achieved in August, which witnessed the arrival of about 223 thousand tourists.
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Source: Prepared by the Egyptian Center for Economic Studies based on World Tourism Organization data and interviews with leading experts and workers in the sector.

* The indicated value is the percentage of tourists who already arrived in 2020 compared to the number that was expected for the same year, according to the usual tourist movement in Egypt in 2018.

With reference to the “Views on the Crisis” report (Issue No. 3) on the impact of the pandemic on the tourism sector during the successive phases of the crisis, ECES projections were largely consistent with what actually happened on the ground, as shown in Table 4. This is despite scarcity of available data and the unpredictability of the general economic trend in Egypt and the world at the time of preparing the first report, and this report as well, and more than seven months after the emergence of the virus in Egypt.

Third: Outlook for the coming period

- All expectations indicated that a second wave of the pandemic would be more violent than the first wave in parallel with the onset of winter. This wave has already started in Europe, forcing many European countries to re-impose closures. Hence, it is expected that we will witness scenarios that are much more severe than those previously prepared by ECES in its first report, especially that the coming months are the peak of the tourist season in Egypt.⁷
- The following analysis is based on latest global projections in addition to vision of senior experts and employees in the tourism sector in Egypt. It aims to develop a preliminary future scenario for the tourism sector in Egypt in light of existing conditions at the time of writing this report regarding the developments of the disease and the extent of the impact on the sector in Egypt and its ability to recover.

3.1 Global Outlook

- It should be noted that international organizations are constantly reviewing expectations for global tourism according to developments of the virus. In the following table, we show the most important and latest of these

⁷ The period of the peak tourist season is the festive period (Christmas and Easter), in addition to the months of October, November, February, March, and the period from mid-July to early September.

projections according to the timeline of their issuance from the oldest to the latest.

Table 5. Expected global scenarios for the recovery of tourism sector activity as issued by major international institutions

Institution	Issuance Date	Expected scenarios
World Economic Forum	March 2020	<ul style="list-style-type: none"> • The global tourism sector recovers and returns to normal rates after 10 months of controlling the spread of the virus.
World Tourism Organization (UNWTO) ⁸	June 2020	<p><u>Three scenarios:</u></p> <ul style="list-style-type: none"> • The largest number of experts participating in the survey: Possibility of delay of recovery of tourism movement to its pre-crisis levels until after 2021. • The second group of experts were split over whether the recovery will occur in the first or second half of 2021. • Fewer experts: Recovery by the fourth quarter of 2020.
McKinsey & Company ⁹	October 2020	<p><u>Two scenarios:</u></p> <ul style="list-style-type: none"> • The optimistic recovery scenario: <ul style="list-style-type: none"> - Combines rapid containment of the virus with an economic recovery - Tourism revenues in 2021 will reach 85% of those achieved in 2019. • Pessimistic recovery scenario:

⁸ UNWTO, World Tourism Barometer, Vol. 18, Issue 4, 4 July 2020

⁹ McKinsey, COVID-19 tourism spend recovery in numbers, 20 October 2020

		<ul style="list-style-type: none"> - 2021 values will reach 60% of 2019. - Full recovery occurs by 2023.
Euromonitor ¹⁰	November 2020	<ul style="list-style-type: none"> • If the epidemic is contained within a year and demand for tourism begins to recover in 2021, it is expected that: <ul style="list-style-type: none"> - Airlines will take at least four years to recover. Other associated services, such as hospitality and intermediaries in related fields, will take longer. <p>This is due to the preference of many national and foreign tourists - such as recreational tourism or business trips - to stay in rented apartments or with their relatives and friends to ensure application of health and disease prevention standards.</p>

Source: Prepared by the Egyptian Center for Economic Studies.

The discrepancy (albeit not large) in expectations between the various international bodies reflects uncertainty about the extent of the virus's persistence and spread, the difference in its severity across countries, and the travel restrictions that are still in effect in a number of destinations, and even the resumption of their application in many countries after their cancellation.

¹⁰ Paul M., Global tourism will take 3-5 years to recover: Euromonitor, Travel Daily Media, 6 November 2020

2-3 Expectations of future tourism activity to Egypt

- The values mentioned in Table 5 were estimated in light of a set of facts and assumptions:
 - Many countries, especially European ones, continue to suspend flights, taking into account that European countries account for the largest share of tourists coming to Egypt, with a share of more than 50% on average.
 - Continuation of the second wave of the virus during the months of peak tourist activity in Egypt.
 - Many international reports have agreed that signs of recovery will appear in mid-2021, with the inability to return to 2019 levels before 2023.
 - Recovering from the virus in the short term will be accompanied mainly by the recovery of the productive sectors (manufacturing, agriculture, ...), and not the tourism sector, as it is a luxury activity, and priority will be for other activities necessary for recovery of economies.
 - In the medium term, if a vaccine is announced and its effectiveness in treating the virus is proven, it is expected that 2024/2025 will be a year of great prosperity for the tourism sector in Egypt, as the vaccine will have been used for about three years.¹¹ In other words, emergence

¹¹ This prediction was voiced by the distinguished tourist expert, Elhamy El-Zayat, former head of the Egyptian Federation of Tourist Chambers.

of its positive results and being able to control the disease, as well as the recovery of the economy and its return to usual levels to a large extent, would enable a tangible recovery of the tourism sector, which is mainly a luxury activity, as was previously mentioned.

Table 6. Projections for the number of tourist arrivals in Egypt until the end of FY 2020/2021

Period	Projections	Reason/comment
November 2020	<ul style="list-style-type: none"> • Arrival of about 200 thousand tourists (20%*). • Realizing tourism revenue of about \$60 million 	<ul style="list-style-type: none"> • November is considered one of the most attractive months for tourists to spend the Halloween holiday. • Thus, relatively high values are expected compared to previous months in light of COVID-19.
December 2020	<ul style="list-style-type: none"> • About 150 thousand tourists (14.5% *). • Realizing tourism revenue of about \$45 million. 	The tourist season in Egypt is during the Christmas holidays only, i.e., near the end of the month, which explains the decrease in the number of tourists coming this month compared to the previous month.
Fiscal year 2020/2021 (July 2020 through June 2021)	<ul style="list-style-type: none"> • About 2.2 million tourists (19%*). • Realizing tourism revenue of about \$360 million. • This means a loss of about 	<ul style="list-style-type: none"> • These estimates were obtained based on assumption that the current situation at the Egyptian and international levels will continue as is in light of the number of current infections without further increase. • This is largely consistent with ECES projections in the first

	\$18 billion compared to the target for this year.	report, which projected the following: <ul style="list-style-type: none"> - Global and Egypt's tourism activity would falter at least until June 2021. - A loss of \$18.4 billion
First half of 2021/2022 (July-December) (Beginning of recovery according to many recent international reports)	<ul style="list-style-type: none"> • About 3 million tourists (48%*). • Realizing tourism revenue of about \$900 million. 	<ul style="list-style-type: none"> • The number of tourist arrivals is expected to reach about 500,000 tourists per month during this period, assuming: <ul style="list-style-type: none"> - Emergence of an effective vaccine to treat the virus - Countries remove their restrictions on international aviation as it accounts for about 90-95% of tourists. - Arrival of Arab tourists to Egypt, as these months are their favorite for visiting Egypt.

Source: Prepared by ECES based on global expectations and opinions of experts in the sector.

* The indicated values are percent of the number of tourists actually arriving in 2020 to the number achieved in Egypt in 2018, according to usual tourism movement in Egypt in 2018.

Fourth: Proposals to alleviate the severity of the crisis for employees in the tourism sector

In the earlier ECES “Views on the Crisis” report (Issue No. 3) regarding the impact of the pandemic on the tourism sector, many measures have been put forth to help the tourism sector reduce the negative repercussions; they are still in force and need urgent

implementation. In this report, we propose a number of measures related to this period after more than seven months since the spread of the pandemic in Egypt, as follows:

- **Supporting all stakeholders of Egyptian tourism until the current crisis is over through:**
 - **Enhancing domestic travel** for both citizens and foreigners residing in Egypt¹² through targeted policies to mitigate the psychological impact of the ban by offering holiday discounts for travelers of all ages.¹³
 - **Maintaining the workforce of the tourism sector** by providing financial incentives to companies that keep their employees, and which provide training for those who have been forced by current circumstances to stop working. The World Travel and Tourism Council (WTTC) estimates that up to 60% of tourism jobs are at risk globally, and that 197.5 million jobs could be lost.¹⁴
 - **Expediting implementation of measures regarding postponing taxes, fees and deductions, and**

¹² Domestic tourism is expected to return to pre-crisis levels about one to two years earlier than outbound travel. This is due to the presence of fewer restrictions on travel within the same country, the availability of other options for travel other than flying (such as cars and trains), and that the domestic travel accounts for a greater share of business travel.

¹³ Binggeli U, Constantin, and Pollack, COVID-19 tourism spend recovery in numbers, McKinsey & Company, 20 Oct. 2020.

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¹⁴ OECD, OECD Policy Responses to Coronavirus (COVID-19): Rebuilding tourism for the future: COVID-19 policy responses and recovery, 22 October 2020.

rescheduling loans that affect workers in the tourism and transportation sectors.

- **Taking advantage of the current weakness of tourism to develop tourist areas, improve the management of tourist places and facilities, and raise the capabilities of the cadres working in the tourism sector.**
- **Increasing the added value of the tourism sector in Egypt by:**
 - **Providing all necessary facilities for the movement of people with disabilities** in all tourist places.
 - **Diversifying tourism activities and products and designing new and customized tourism programs to suit all interests and ages**, such as "Baby Boomers," adventure, diving, food, and hospitalization.
 - **Promoting Egyptian tourist sites in innovative ways**, including, but not limited to, attracting tourism from countries whose history is associated with Egypt, such as attracting the French to visit the Ismailia Museum and transferring the statue of De Lesseps to it.
 - **Provide virtual tourist and entertainment facilities by establishing electronic platforms** that allow visiting tourist places for a fee via the Internet, while ensuring availability of infrastructure and technology that allow for this.

- **Restoring confidence of domestic and foreign consumers** in the quality of the tourism product, including emphasis on applying health and safety standards in all tourism activities and facilities. Airlines must also conduct pre-flight tests strictly and accurately to avoid periods of compulsory quarantine¹⁵.
- **Improving the business environment necessary** to attract tourism investments and standardizing procedures and standards applied to various tourism facilities, especially during the current COVID-19 crisis.

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¹⁵ Youssef A., Zeqiri and Belaïd, The impact of Covid-19 on the tourism sector in MENA, World Economic Forum (WEF), 20 Oct. 2020.