Can pent-up demand save international tourism?

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1. Introduction

Crises are not new to tourism. In the last 25 years, the world has been subjected to a range of events that have impacted outbound tourism flows, including regional epidemics, financial crises and the Sept 11, 2001 terrorist attack. None led to a longer-term decline in the sector. COVID could be different. One school of thought argues COVID will exert a transformational impact on tourism, leading to a permanent reduction in business, MICE (Gössling, Scott, & Hall, 2021), and leisure tourism (Southan 2021). A second school of thought suggests that a period of deep privation will release pent-up demand causing a rapid rebound in travel (Croes, Ridderstaat, & Rivera, 2018; UNWTO, 2021a). Which scenario is likely to occur? An analysis of the historic trends in outbound tourism after past crises may shed some light on the likely scenario. This empirical study examines changes in outbound tourism demand from 49 economies that have been impacted severely by a range of crises since 1995. Data are sourced from the UNWTO's *All Countries: Outbound Tourism: Departures 1995–2019* dataset (UNWTO, 2021b).

2. Results

Table 1 presents a summary of the post-crisis impact of various events. The first column lists the event by last year of its occurrence, and includes, the Asian Financial Crisis, the 9/11 attack, SARS (Severe Acute Respiratory Syndrome), and the Global Financial Crisis. In addition, localised epidemics and economic crises are also documented. The second column identifies the economy in question. The third column reports the number of years it took to recover to pre-event departure levels. The next four columns indicate the year-on-year percent change in outbound tourism in the last event year, plus the following three years. The eighth column shows the long-run background year-on-year

rate of change in departures for the entire period documented by the UNWTO, including pre-event, event and post-event years. The last three columns indicate the ratio of change in departures. This figure is calculated by dividing the rate of change in post-event departures by the background rate of change. Cells are left blank if negative growth was recorded.

Asian economies were affected by both the Asian Financial Crisis and the SARS outbreak. Demand was supressed significantly, with outbound from Korea declining by one-third and Thailand by 15%. Similarly, departures from Taiwan and Japan declined by almost 20% during SARS, while travel from other economies suffered significantly. But, markets recovered quickly. While it took about two years for travel to rebound from the financial crisis, most economies recovered from SARS in one year. Indeed, SARS seemed to unleash especially strong pent-up demand of between three and 17 times the background growth. A similar pattern was noted with localised epidemics, where economies generally recovered within one year. Here, though, the recovery was rather short lived as growth rates fell below the long term average.

The September 11, 2001 terrorist attack had a longer lasting impact on travel. Outbound stagnated for the three years during and immediately after 9/11, with recovery not occurring until 2004 for all economies, except Brazil which revered in 2003. Again, strong demand was noted with outbound departure rates of 3.5 to more than five times the background rate.

A delayed recovery from the Global Financial Crisis was noted, with many economies reporting continued deterioration in volumes the year after the crisis ended. A rebound in demand was not noted until two years later. Emerging economies recovered more quickly than established economies, while established European, Asian and North America economies took much longer to recover. A similar pattern was observed in localised economic crises, where strong recovery typically did not

Table 1
Post-crisis outbound tourism flows.

Event	Economy	Years to recover to pre-event levels	% change in departures event year (last year of event if a multi-year crisis *)	% change in departures last event year plus 1	% change in departures last event year plus 2	% change in departures last event year plus 3	% Background rate of change in departures (1995 to 2019, or partial years if incomplete data)	Positive change - Background rate to event +1 year	Positive change - Background rate to event +2 years	Positive change - Background rate to event +3 years
Asian Financial Crisis (1997/ 1998)										
	Cambodia	1	−8.9	19.5	−16.3	−9.8	29.5	0.66		
	Korea	2	−32.5	41.6	26.9	10.5	10.0	4.16	2.69	1.05
	Nepal	2	−7.6	2.5	24.0	29.0	14.0	0.18	1.71	2.07
	Philippines	4	−5.6	−3.4	−4.8	7.0	8.6			0.81
	Singapore	0	2.0	6.0	11.1	−1.9	5.8	1.03	1.91	
	Taiwan	1	−4.0	10.9	11.7	−2.4	5.5	1.98	2.13	
	Thailand	2	−14.9	17.2	15.4	15.3	8.0	2.15	1.93	1.91
9/11 (2001)										
	Brazil	2	−17.2	−12.6	38.1	−8.1	7.8		4.88	
	Canada	3	−4.3	−3.6	0.2	10.5	1.9		0.11	5.53
	Mexico	0	9.0	−1.1	−7.6	13.3	3.8			3.50
	USA	3	−3.1	−2.3	−3.1	9.9	2.7			3.67
SARS (2003)										
	Canada	1	0.2	10.5	7.6	7.7	1.9	5.53	4.00	4.05
	Hong Kong	1	−5.6	13.1	4.9	4.9	3.4	3.85	1.44	1.44
	Japan	1	−19.6	26.6	3.4	0.08	1.5	17.73	2.27	0.05
	Korea	1	−0.5	24.6	14.2	15.2	10.0	2.46	1.42	1.52
	Philippines	2	−8.5	6.5	11.7	28.0	8.6	0.76	1.36	3.26
	Singapore	1	−4.1	22.1	−0.1	7.2	5.8	3.81		1.24
	Taiwan	1	−19.1	31.4	5.4	5.6	5.5	5.71	0.98	1.02
	Thailand	1	−4.4	25.9	12.5	11.0	8.0	3.24	1.56	1.38
Global Financial Crisis (2007/ 2008)										
	Austria	1	−2.0	4.6	−2.4	−0.01	2.6	1.77		0.00
	Bangladesh	1	−62.4	157.6	−15.3	11.2	9.8	16.08		1.14
	Canada	2	7.4	−3.0	9.5	6.2	1.9		5.00	3.26
	China	0	11.9	4.0	20.4	22.4	16.5	0.24	1.24	1.36
	Denmark	1	−3.3	10.9	9.8	1.5	4.2	2.60	2.33	0.34
	France	9	−9.2	−1.4	−0.4	4.5	2.4			1.88
	Germany	1	5.0	−0.8	0.38	−1.4	3.5		0.11	
	Italy	1	2.7	3.9	2.5	−1.3	3.0	1.30	0.83	
	Japan	4	−7.6	−3.3	7.7	2.1	1.5		5.13	1.40
	Korea	4	−10.1	−20.9	31.6	1.7	10.0		3.16	0.17
	Mexico	5	−4.8	−2.9	1.6	3.2	3.8		0.42	0.84
	New Zealand	2	−0.6	−2.5	5.6	3.5	5.5		1.02	0.64
	Saudi Arabia	1	−2.3	37.5	188.0	−14.8	15.6	2.40	12.05	
	Spain	1	−0.4	7.0	3.0	−6.9	9.1	0.77	0.33	
	Taiwan	2	−5.6	−3.8	15.6	1.8	5.5		2.84	0.33
	Thailand	1	−2.7	19.1	17.5	−1.0	8.0	2.39	2.19	
	Turkey	1	−1.3	13.7	17.9	−4.2	4.8	2.85	3.73	
	UK	7	−0.6	−8.0	1.8	4.4	3.5		0.51	1.26

Table 1 (*continued*)

Event	Economy	Years to recover to pre-event levels	% change in departures event year (last year of event if a multi-year crisis *)	% change in departures last event year plus 1	% change in departures last event year plus 2	% change in departures last event year plus 3	% Background rate of change in departures (1995 to 2019, or partial years if incomplete data)	Positive change - Background rate to event +1 year	Positive change - Background rate to event +2 years	Positive change - Background rate to event +3 years
	USA	7	−0.6	−2.4	−1.7	−3.0	2.7			
Localised epidemics										
	Brazil zika (2015/2016)	1	−6.39	19.59	0.17	No data	7.78	2.51	0.02	
	Colombia zika (2015/2016)	1	−1.73	5.85	8.74	2.54	5.9	0.99	1.48	0.43
	Mexico swine flu (2009)	2	−2.91	1.63	3.24	5.28	3.8	0.43	0.86	1.40
	Saudi Arabia MERS (2014)	1	−0.94	12.24	10.23	4.09	10.7	1.14	0.96	0.38
	Sierra Leonne Ebola (2013 to 2015)	1	−34.41	50.82	19.57	1.82	21.4	2.37	0.91	08
Localised economic crises										
	Argentina depression (1998 to 2002)	7	−36.83	2.66	26.42	−0.26	4.8	0.55	5.05	
	Belgium financial crisis (2008/2009)	2	−1.26	0.30	10.52	−1.55	4.9	0.06	2.15	
	Russia financial crisis (2008/09)	1	−6.19	14.72	11.2	9.35	4.8	3.07	2.33	1.95
	Turkey (2001)	2	−8.1	5.66	15.53	23.13	4.8	1.18	3.24	4.82
	Uruguay banking crisis (2002/2003)	1	−6.60	14.95	15.64	1.22	7.6	1.87	2.06	0.16
	Venezuela general strike (2002/2003)	2	−5.56	−1.92	30.76	2.62	4.9		6.28	0.53

* Last year of event in events lasting multiple years is the last year that the event affected the economy. For example, the last year of the event in the Asian Financial Crisis was deemed to be 1998.

occur for two years.

Table 2 presents the ratio of changes in year-on-year outbound travel demand compared to the background departure change rate. A bifurcated reaction is noted, with slightly more economies showing a strong rebound of at least 1.5 times the background rate, while many others demonstrated an ongoing decline in departures. Within two years after the end of the event, half the economies in question reported strong outbound demand growth of at least 1.5 times the background rate, with another seven showing modest recovery of greater than the background level. By contrast fewer than 20% reported a drop in departures. Interestingly, the recovery seemed to be relatively short lived, as within three years, 26 economies reported either an absolute decline in departures, or growth rates well below the long term average.

3. Discussion

Global tourism has proven to be remarkably resilient in the face of the multitude of local, regional and global crises over the past 25 years. While the events documented in this paper undoubtedly affected outbound travel during the crisis years, most economies recovered to their pre-crisis departure volumes within one (24 cases) or two (12 cases) years. Moreover, only five cases were noted where demand took five or more years to recover fully.

The data suggest epidemics produced intense periods of privation that effectively stop many people from travelling. But, their impact is short lived as strong, immediate rebound in demand is noted when the event ends. Financial crises and the 9/11 terrorist attacks, on the other hand, exert a prolonged effect, producing a longer recovery period. The delayed return to pre-crisis levels in the aftermath of the Global Financial crisis was especially noticeable in developed economies.

McKercher and Pine (2005), writing about the experience of Hong Kong during SARS, concluded intense crises that suppress demand may be matched by an even stronger rebound once the situation is resolved. The analogy of a spring comes to mind. When supressed slightly, the spring will rebound modestly. But when severely supressed, the spring will bounce back even more strongly. Something like that was noted in the aftermath of SARS.

Interestingly, while the recovery period can be intense, it is relatively short lived. It seems that pent up demand was met immediately after consumer confidence returned, but them lagged behind the background growth rates within one or two years after the recovery. Indeed, Pizam's (2021) editorial predicts this phenomenon is likely to occur post-COVID. This paper provides historic empirical evidence to support these propositions.

What will the post-COVID future look like and will pent-up demand

Table 2
Changes in departure volumes.

	Year 1 post-event	Year 2 post-event	Year 3 post-event
Growth ≥ 1.5 × background rate	20	24	13
Growth 1.0 to 1.4 × background rate	5	7	10
Growth < background rate	8	9	12
Decline in departures	16	9	14

save international tourism? COVID is unique in a number of ways. What started as a global pandemic quickly evolved into a global economic crisis that has proven to be defiantly open-ended. If one is looking for historic analogies of how consumers will respond to this type of crisis, the reaction to financial crises offers stronger insights than the response to previous viral events. Pent up demand will be released, but it will be delayed significantly until consumer confidence recovers. Also, if history is any indication, the impact will be short lived, leading to some optimism, but the longer term prospects are more tenuous. Of course, the rate of recovery will depend on a range of factors including government policy, rebounding consumer confidence and possibly the impact of technological changes. This paper raised some interesting empirical insights. Future work could delve more deeply into the socio-political reasons behind the varying rates of recovery.

Declaration of Competing Interest

The author has no conflict of interest in this submission.

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