

Understanding the Dichotomy of COVID-19 and Its Economic Impact on the Tourism Industry in South Korea

Alaa Nimer Abukhalifeh*

Woosong University, South Korea

Kishor Chandran

Woosong University, South Korea

Erwin Martinez Faller

San Pedro College, Philippines

— *Review of* —
**Integrative
Business &
Economics**
— *Research* —

ABSTRACT

Reports on the outbreak of COVID-19, (previously known as novel coronavirus), came out when the Chinese government announced it on the 31st of December 2019. The weeks that followed saw an unprecedented increase in the number of infections domestically and internationally through the media coverage of the respective public health response systems. Much of the details about the public health response system of China and the virus is still unknown at the time of writing this paper, while the rest of the world is also preparing for a pandemic. As we see the spread of this disease, the apprehensive among the emergency medical service professionals are also increasing for a possible infection. While the socio-cultural impacts of the disease are still not at ease, the current study explores the economic impact of COVID-19 outbreak on the tourism industry in South Korea.

Keywords: Economic impact, COVID-19, Tourism Industry, South Korea.

1. INTRODUCTION

The Chinese national authorities reported the outbreak of a “pneumonia of unknown etiology” with 44 cases to the World Health Organization (WHO) on the 31st December 2019. As cited in Greene, Burlison, Crosby, Heimann, and Pigott (2020), over 30,000 cases of COVID 19 have been confirmed (World Health Organization, 2020). While many countries are still struggling to fight the spread of the disease, little is known about the ideal public health response to curb the further spread even though the clinical details and the viral behaviour has been reported similar those of the SARS virus category. The international health authorities are finding it a herculean task to communicate the correct information to the public and the front-line professionals while television and social media are mimicking the viral behaviour in spreading misrepresented information regarding the spread of the virus (Neporent L, 2020). It

is equally essential to restrain the growing fear of the public as while the international medical community is trying to contain the virus. To do so, we must comprehend the expected economic impact of the outbreak on the tourism industry as the coronavirus outbreak has walloped South Korea after China (Du Toit, 2020).

1.1. COVID-19 OUTBREAK IN SOUTH KOREA

The dawn of January 20, 2020 saw the first confirmed case of COVID-19 in South Korea. By February 19, the total number of confirmed cases soared up to 20, and by February 20 it rose to 58, amounting to a whopping 346 confirmed cases as on February 21, 2020. The sudden increase of the hike was primarily attributed to the 31st patient who participated in the religious gathering at the Shincheonji Church of Jesus the Temple of the Tabernacle of the Testimony church in Daegu according to the Korean Center for Disease Control and Prevention (KCDC). As of March, 8 2020, South Korea has about 7,040 cases and 44 deaths, with over 130,000 people having been tested. It's lower than WHO's global death rate which is 3.4%. In comparison, the fatality rate in China and Italy are 3.8%, Japan is 1.5% (Gallego, Nishiura, Sah, & Rodriguez-Morales, 2020), S. Korea is 0.6%, and Switzerland is 0.5%. While the fears of community spread are on the go public gatherings in the affected cities stays cancelled. As of February 4, S. Korea denied entry of foreigners travelling from Hubei Province in China. However, some public in South Korea requested the government to ban all foreign entries from China. The reasoning behind this was to help prevent the spread of COVID-19 (KCDC, 2020; Velavan & Meyer, 2020).

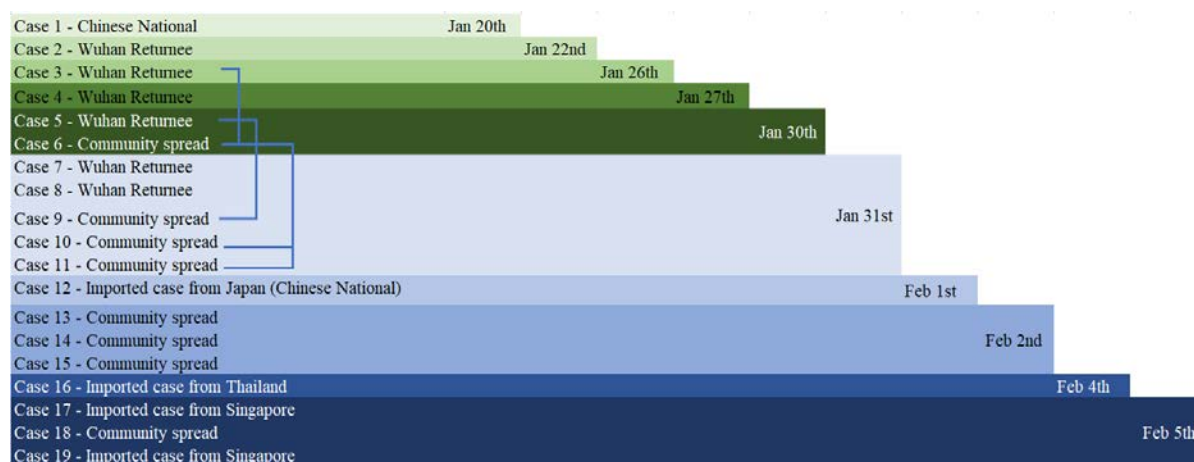


Figure 1: Cluster diagram of the initial cases of COVID-19 in South Korea.

Source: (Chen et al., 2020; KCDC, 2020; Lai, Shih, Ko, Tang, & Hsueh, 2020).

1.2. SHINCHEONJI CLUSTER AND FURTHER OUTBREAK

On February 18, South Korea confirmed its 31st case in Daegu, a member of the

Shincheonji religious organisation. The patient continued to go to gatherings of Shincheonji days after showing symptoms, which are typically held with people in very close proximity and include physical contact of the members. Many of the patient's close contacts would turn out to be infected, triggering a drastic escalation of the South Korean spread of confirmed cases of SARS-CoV-2 infection (Guarner, 2020; Liu, Gayle, Wilder-Smith, & Rocklöv, 2020). Twenty additional confirmed cases were reported on February 19, followed by 70 other cases on February 20, with a total of 104 confirmed cases by the end of the day (KCDC, 2020). Meanwhile, Cheongdo Daenam Hospital reported the first death of its mental patient due to COVID-19 on February 20. Daegu became one of the most significant clusters of COVID-19 infections with almost 544 suspected cases among 4,400 examined followers of the church. The three confirmed cases among the soldiers led to the lockdown of all the South Korean military bases. Subsequently, the United States Forces Korea delimited the non-essential travels to and from its headquarters in Daegu and heightened its alert level from low to moderate. The fear of increased spread has led many airlines to cut down the flights to South Korea. Similarly, many countries had issued travel advisories to Seoul. 1,261 members out of the 9,336 followers of the Shincheonji church reported symptoms as on February 22nd with 169 confirmed cases from the same cluster. Meanwhile, an additional 111 confirmed cases were reported from the Cheongdo Daenam Hospital cluster.

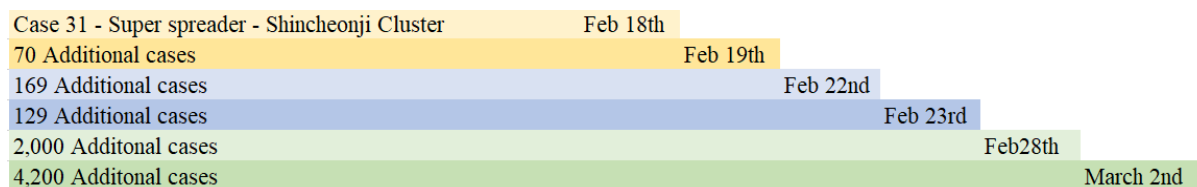


Figure 2: Timeline of Shincheonji cluster infections.

Source: (KCDC, 2020)

Though 27,000 people were tested for the virus, about 19,127 test results turned out to be negative. However, over 60% of the total infections came from the Shincheonji cluster. Nearly 245,000 members of the church were located and were deemed to be tested for the virus based on the report from the KCDC. Interviews have occurred with all the members of the religious group, and nearly 9,000 were said to be showing symptoms of the virus. Due to the number of infections in the country, ninety-five countries have banned or limited entry for South Korean passport holders. Testing is also conducted at drive-through testing sites where patients do not leave their vehicles but are met by medical personnel in hazmat suits over several stations. The process is completed in a few minutes and results come in several days (KCDC, 2020; Sahin et al., 2020).



Figure 3: Shincheonji Daegu Church

Source: (Hiroshi Minegishi, 2020)

Table1.1: COVID-19 cases in South Korea by region

Region	No. of cases	(%)	Incidence rate (per 0.1M)
Seoul	212	(2.69)	2.18
Busan	99	(1.26)	2.90
Daegu	5,867	(74.56)	240.80
Incheon	25	(0.32)	0.85
Gwangju	15	(0.19)	1.03
Daejeon	20	(0.25)	1.36
Ulsan	25	(0.34)	2.18
Sejong	15	(0.19)	4.38
Gyeonggi	178	(2.26)	1.34
Gangwon	29	(0.37)	1.88
Chungbuk	27	(0.34)	1.69
Chungnam	114	(1.45)	5.37
Jeonbuk	7	(0.09)	0.39
Jeonnam	4	(0.05)	0.21
Gyeongbuk	1,143	(14.53)	42.93
Gyeongnam	85	(1.06)	2.53
Jeju	4	(0.05)	0.60
Total	7,869	100.0	15.8
Data as of 2020/03/12 00:00 KST.			

Source: (KCDC, 2020)

Table 1.2: COVID-19 cases in South Korea by gender and age

Classification		Cases		Fatal cases		
		Number	(%)	Number	(%)	Rate (%)
All		7,869	(100.0)	66	(100.0)	0.84
Sex	Male	2,994	(38.0)	38	(57.6)	1.27
	Female	4,875	(62.0)	28	(42.4)	0.57
Age	Above 80	243	(3.1)	20	(30.3)	8.23
	70–79	497	(6.3)	24	(36.4)	4.83
	60–69	972	(12.4)	14	(21.2)	1.44
	50–59	1,495	(19.0)	6	(9.1)	0.40
	40–49	1,101	(14.0)	1	(1.5)	0.09
	30–39	812	(10.3)	1	(1.5)	0.12
	20–29	2,261	(28.7)	0	0.0	-
	10–19	412	(5.2)	0	0.0	-
	0–9	76	(1.0)	0	0.0	-

Data as of 2020/03/12 00:00 KST.

Source: (KCDC, 2020)

1.3. ECONOMIC IMPACT OF COVID-19 IN SOUTH KOREA

Though the city of Daegu is under special care zone, the rest of the cities in South Korea are operating normally. However, most of the planned functions and annual festivals that would garner crowds stand cancelled. Military recruitment from the region of Daegu is temporarily suspended, and all the educational institutions have delayed their start until further notice as per the ministry of education. One hundred fifty-five universities in South Korea have also postponed the beginning of the Spring Semester. The South Korean economy fell from 2.1% and is expected to grow by 1.9% by the end of the fiscal year with an additional budget support of 136.7 billion won for the local governments. Like any other industry, the entertainment industry has also suffered its loss due to the cancellation and postponement of its famous K-pop concerts domestically and internationally mid the COVID-19 fears (Jung et al., 2020; KCDC, 2020).

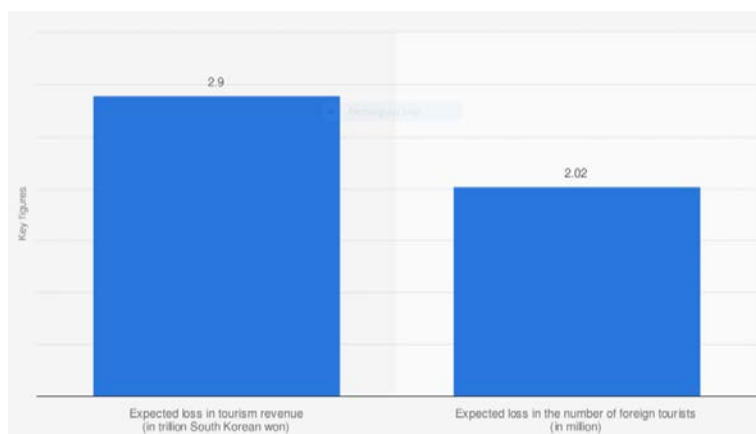


Figure 4: Q1 2020 Forecasted loss in South Korean tourism industry due to COVID-19

Source: (Statista Infographics Bulletin, 2020).

As forecasted for Q1 2020, the country is expected to hit a loss of 2.9 trillion South Korean won in the tourism sector if more COVID-19 cases surge to new heights. Moreover, a 2 million dip is also expected in the number of foreign visitors of which the lion's share is from China. In terms of domestic GDP, a forecast of 0.2% and 0.3% is expected in Q1 and Q2 respectively as China's exports dropped by 1%. Korea's exports and GDP have a direct correlation with that of China. Even a 1% dip in China's exports decreased Korea's exports by 0.7% in Q1 2020. According to the Korea Economic Research Institute, the COVID-19 situation would sway the economy by 5.7% to 5.5% in Q1 2020 with a 0.3% to 0.5% point lower than the initial forecast of 6% (Statista Infographics Bulletin, 2020). Moody's (2020) have reduced the growth rate of China from 5.2% to 4.8% based on the assumption that the COVID-19 infections have slain the industry activities and weaker demands of Chinese exports worldwide. Policy announcements from the fiscal authorities may cushion the impact of the shock of the disease on the economy; however, fiscal multiplier might seem to be muted as the consumers may choose to spend cautiously until the situation is verifiably contained. South Korea has already announced fiscal measures to ease the liquidity pressures of the domestic businesses so that it can stay afloat amid the supply chain and spillover crisis due to the COVID-19 outbreak.

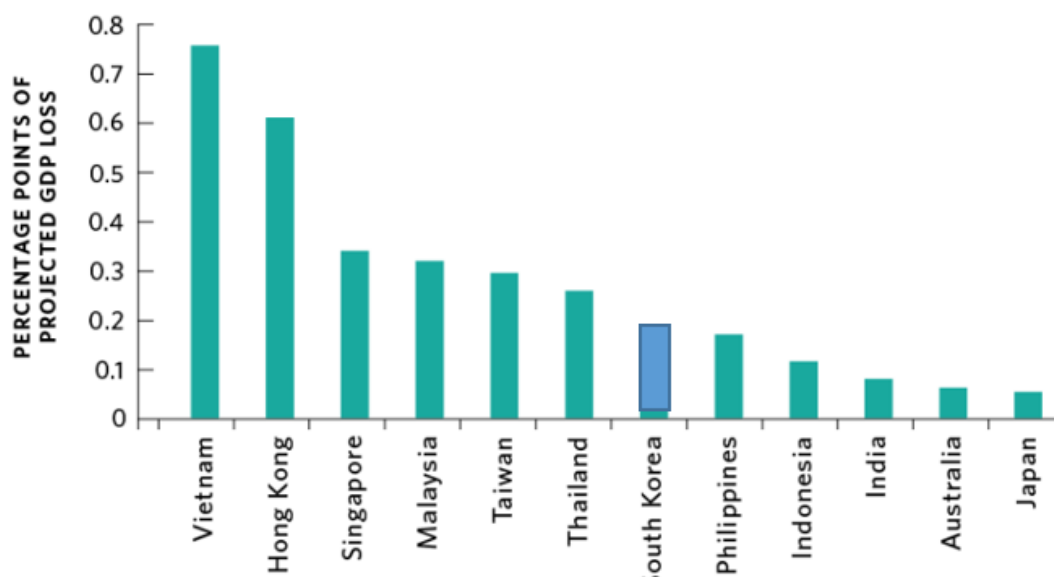


Figure 5: Forecasted Economic Impact of COVID-19

Source: (Nguyen, 2020)

1.4. IMPACT OF COVID-19 IN TOURISM INDUSTRY

The rippling economic impact due to the spread of COVID-19 creates a demand shock leading to falling consumer demands for inbound and outbound tourism. Similar to other channels of impact, the travel and tourism industry is also expected to show a slowdown. The pain will impact most of the industries as the supply chain of the tourism industry involves right from agriculture to aviation. However, the hardest hit will occur for its core industries such as accommodation, food and beverage services, entertainment, travel and transportation (Ala'a & Albattat, 2019). Many airlines and cruises have cancelled and limited its operations to South Korea. Much of the planned vacations, business activities including meetings, incentives, conventions and exhibitions are also cancelled. This has considerably affected the tourism industry adversely. South Korea's one of the most popular attractions, 'Gyeongbokgung Palace' has suspended all the official tours until further notice. Similarly, the National Museum of Modern and Contemporary Art and the National Museum of Korea are also closed until further notice. The outbreak also has a large impact on the Southeast Asian sector as well as China and Korea remain as the world's largest spender within the subcontinent (Nguyen, 2020; World Tourism Organization, 2018). Thailand also has a major decline in its Chinese tourist demand which dropped by 3.71% from 1.07 million to 1.03 million due to COVID-19 (Pichayada Promchertchoo, 2020). It is also projected that there will be a decline of 2.2 million foreign tourists owing to a GDP decline of 0.6% in Thailand (The Nation Thailand, 2020). With the South Korea travel advisory of almost 95 countries to avoid travelling to South Korea, the travel and tourism industry is in a plummet. The US has raised a Level 3 advisory to South

Korea. Similarly, the Tourism Authority of Thailand (TAT) has also issued a Level 3 advisory which states to avoid unnecessary travel to areas with the ongoing local transmission (Tourism Authority of Thailand, 2020) including mainland China, South Korea, Macau, Italy, etc. Singapore has also stomached a nosedive in its tourism according to the Ministry of Trade and Industry, Singapore. The Accommodation, travel, cruise and aviation industry were greatly affected (Duddu,2020). Tourism is expected to plummet by nearly a third (Dziedzic, 2020) with a GDP forecast drop from -0.5% to 1.5% (Duddu, 2020).

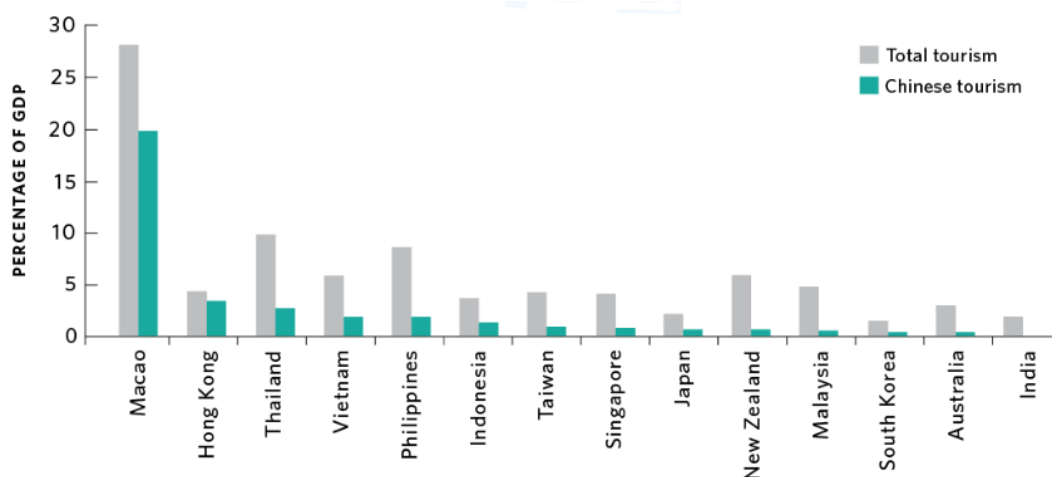


Figure 6: Chinese Tourism and its Economic Impact

Source: (Nguyen, 2020)

For the Philippines, South Korea remains as one of the top tourism markets with more than 1.5 million visitors and a share of 22.3% of the total tourist arrivals in 2019 (Department of Trade and Industry, 2019). With the closure of its borders, there is a significant impact on the tourism industry (Duddu, 2020). It is expected to bring a loss of Php 42 billion pesos in tourism revenues from the northeastern Asian countries. As the country declared Code Red as a state of a public health emergency, about 465 flights per week are cancelled according to the Civil Aviation Board due to the spread of COVID-19 (Cruz, 2020).

1.5. CONCLUSION

It is expected that the shock of the COVID-19 would substantially slow down the economic activity domestically and internationally, particularly in the first half of the year. The fear of contamination will stifle the business and consumer activity. The longer it takes to resume the regular activities, the higher will be the economic impact, and the demand shock will dominate and lead to recessionary dynamics. A prolonged pullback in consumption, coupled with extended closure of businesses, would hurt the earnings and drive layoffs. Such conditions feed self-sustaining recessionary dynamics. The fiscal and monetary policy measures by the South

Korean government is expected to help limit the damage domestically. The Korean tourism industry is expected to suffer a plummet for the next two quarters at least until the disease is verifiably contained. Though South Korea travel advisory for citizens in most of the countries is currently not perceived as harmful. However, if the community transmissions remain uncontrolled, it could result in much larger economic adversities to the nation. The fact that the degree of uncertainty around the spread of the disease is unusually high, severe situations might occur. A sustained retrenchment in consumption of consumer services and wider layoff in the tourism sector may snowball into a deeper economic ellipsis. Such crises would have an adverse impact on the Korean tourism industry. At the same time if the virus tends to moderate and gets tamed with warmer weather and the consumers resume regular activity including inbound tourism an economic buoyancy is expected in the coming quarters of the rest of the year.

ACKNOWLEDGEMENTS

The authors would like to extend their appreciation to the International Hotel Management SIHOM Department Sol International School Woosong University which made this research and paper possible.

REFERENCES

- [1] Ala'a, A., & Albattat, A. (2019). Current Issue in Tourism: Disease Transmission as a Potential Risk for Travellers. *Review of Integrative Business and Economics Research*, 8, 103-114.
- [2] Chen, H., Guo, J., Wang, C., Luo, F., Yu, X., Zhang, W., . . . Gong, Q. (2020). Clinical characteristics and intrauterine vertical transmission potential of COVID-19 infection in nine pregnant women: a retrospective review of medical records. *The Lancet*.
- [3] Cruz, M., Ramos-Araneta, M., Zurbano, J. . (2020). COVID-19 inflicts tourism losses. Manila Standard Online. Retrieved from <https://manilastandard.net/news/national/317181/covid-19-inflicts-tourism-losses.html>
- [4] Department of Trade and Industry. (2019). Tourist Arrivals to the Philippines FY2018. Retrieved from <https://www.dti.gov.ph/resources/statistics/tourist-arrivals>
- [5] Du Toit, A. (2020). Outbreak of a novel coronavirus. *Nature Reviews Microbiology*, 18(3), 123-123.
- [6] Duddu, P. (2020). Coronavirus in Singapore: Covid-19 measures and impact. Pharmaceutical Technology. Retrieved from <https://www.pharmaceutical-technology.com/features/coronavirus-affected-countries-singapore-covid-19-2019-ncov-impact-tourism-economy-travel/>
- [7] Dziejdzic, S. (2020). What the corona response tells us about Singapore and its neighbours. Australian Strategic Policy Institute Retrieved from

<https://www.aspistrategist.org.au/what-the-coronavirus-response-tells-us-about-singapore-and-its-neighbours/>

- [8] Gallego, V., Nishiura, H., Sah, R., & Rodriguez-Morales, A. J. (2020). The COVID-19 outbreak and implications for the Tokyo 2020 Summer Olympic Games. In: Elsevier.
- [9] Greene, C. J., Burlison, S. L., Crosby, J. C., Heimann, M. A., & Pigott, D. C. (2020). Coronavirus disease 2019: International public health considerations. *Journal of the American College of Emergency Physicians Open*.
- [10] Guarner, J. (2020). Three Emerging Coronaviruses in Two Decades The Story of SARS, MERS, and Now COVID-19. *American Journal of Clinical Pathology*.
- [11] Hiroshi Minegishi. (2020, FEBRUARY 27, 2020 18:50 JST). Coronavirus' rapid spread in South Korea linked to secretive church. Retrieved from <https://asia.nikkei.com/Spotlight/Coronavirus/Coronavirus-rapid-spread-in-South-Korea-linked-to-secretive-church>
- [12] Jung, S.-m., Akhmetzhanov, A. R., Hayashi, K., Linton, N. M., Yang, Y., Yuan, B., . . . Nishiura, H. (2020). Real-Time Estimation of the Risk of Death from Novel Coronavirus (COVID-19) Infection: Inference Using Exported Cases. *Journal of Clinical Medicine*, 9(2), 523.
- [13] KCDC. (2020). Coronavirus outbreak in South Korea,. Retrieved from https://www.cdc.go.kr/board/board.es?mid=a30402000000&bid=0030&act=view&list_no=366490
- [14] Lai, C.-C., Shih, T.-P., Ko, W.-C., Tang, H.-J., & Hsueh, P.-R. (2020). Severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) and corona virus disease-2019 (COVID-19): the epidemic and the challenges. *International journal of antimicrobial agents*, 105924.
- [15] Liu, Y., Gayle, A. A., Wilder-Smith, A., & Rocklöv, J. (2020). The reproductive number of COVID-19 is higher compared to SARS coronavirus. *Journal of travel medicine*.
- [16] Moody's. (2020). *Global Macro Outlook 2020-21 (March 2020 Update)*. Retrieved from Singapore: https://www.moody's.com/researchdocumentcontentpage.aspx?docid=PBC_1217261
- [17] Neporent L. (2020). Hashtag medicine: coronavirus fear goes viral on social media. Medscape Medical News,. Retrieved from <https://www.who.int/docs/defaultsource/coronaviruse/situation-reports/20200121-sitrep-1-2019-ncov>
- [18] Nguyen, T. (2020). The economic fallout of the Coronavirus in Southeast Asia. Carnegie Endowment for International Peace. Retrieved from <https://carnegieendowment.org/2020/02/13/economic-fallout-of-coronavirus-in-southeast-asia-pub-81070>

- [19] Pichayada Promchertchoo. (2020). Thailand's tourism industry hit hard by COVID-19. Retrieved from <https://www.channelnewsasia.com/news/asia/coronavirus-thailand-tourism-industry-covid-19-travel-economy-12495374>
- [20] Sahin, A. R., Erdogan, A., Agaoglu, P. M., Dineri, Y., Cakirci, A. Y., Senel, M. E., . . . Tasdogan, A. M. (2020). 2019 Novel Coronavirus (COVID-19) Outbreak: A Review of the Current Literature. *EJMO*, 4(1), 1-7.
- [21] Statista Infographics Bulletin. (2020). Expected impact of coronavirus (COVID-19) outbreak on South Korean tourism in the first quarter of 2020. Retrieved from <https://www.statista.com/statistics/1092579/south-korea-economic-impact-of-wuhan-virus-outbreak-on-tourism/>
- [22] The Nation Thailand. (2020). With tourism hit by Covid-19 outbreak, 'No growth engine available. Retrieved from <https://www.nationthailand.com/news/30382321>
- [23] Tourism Authority of Thailand. (2020). TAT's recommendations: Thailand's Ministry of Public Health's travel advisory for COVID-19. Retrieved from
- [24] <https://www.tatnews.org/2020/03/tats-recommendations-thailands-ministry-of-public-healths-travel-advisory-for-covid-19/>
- [25] Velavan, T. P., & Meyer, C. G. (2020). The Covid-19 epidemic. *Tropical medicine & international health: TM & IH*.
- [26] World Health Organization. (2020). Situation Report 1. Novel Coronavirus (2019-nCoV). Retrieved from <https://www.who.int/docs/default-source/coronaviruse/situation-reports/20200121-sitrep-1-2019-ncov.pdf>
- [27] World Tourism Organization. (2018). International Tourism Highlights. Retrieved from <https://www.e-unwto.org/doi/pdf/10.18111/9789284421152>